

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N :

LINDA CRAWLEY AND JUDY BRADACS

Plaintiffs

- and -

AVON CANADA INC. AND NEW AVON LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**MOTION RECORD OF THE PLAINTIFFS
(CERTIFICATION)**

December 18, 2020

GOLDBLATT PARTNERS LLP

20 Dundas Street West, Suite 1039
Toronto ON M5G 2C2

Charles Sinclair LS#43178A

Tel: 416-979-4234

Email: csinclair@goldblattpartners.com

Jody Brown LS# 58844D

Tel: 416-979-4251

Email: jbrown@goldblattpartners.com

Melanie Anderson LS#79238J

Tel: 416-979-4386

Email: manderson@goldblattpartners.com

Fax: 416-591-7333

Lawyers for the Plaintiffs

TO: **FASKEN LLP**
Bay Adelaide Centre
333 Bay Street, Suite 2400
Toronto, ON, M5H 2T6

Sarah Armstrong
Tel: 416-868-3452
Email: sarmstrong@fasken.com

Fax: 416-364-7813

Lawyers for the Defendants

TO: **FASKEN LLP**
55 Metcalfe Street
Suite 1300
Ottawa, ON, K1P 6L5

Dominique Monet
Tel: 514-397-7425
Email: dmonet@fasken.com

Fax: 514-397-7600

Lawyers for the Defendants

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TAB 1

Court File No.: CV-19-00632937-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N :

LINDA CRAWLEY AND JUDY BRADACS

Plaintiffs

- and -

AVON CANADA INC. AND NEW AVON LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**NOTICE OF MOTION
(CERTIFICATION)**

The Plaintiffs will make a motion to Justice Glustein, on a date to be determined at the Ontario Superior Court of Justice, Osgoode Hall, 130 Queen Street West, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

1. an Order:

a) certifying this action as a class proceeding pursuant to the *Class Proceedings Act, 1992* (the “CPA”);

b) describing the class as:

(a) all retirees of Avon Canada Inc. who were alive as of December 16, 2017; and

(b) all surviving spouses and dependent children of the persons described in (a)

(together referred to as the “Class Members” or the “Class”);

- c) appointing Linda Crawley and Judy Bradacs as the representative plaintiffs for the Class;
- d) appointing Goldblatt Partners LLP as class counsel;
- e) stating that the common issues in this proceeding are as set out in Appendix "A";
- f) specifying that the Class shall be notified of the certification of this action in a manner to be approved by the Court, and that Class Members shall have a right to opt out of the action in a manner to be approved by the Court;
- g) the costs of this motion; and
- h) such other order as this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

1. the Class Members are all former employees of Avon Canada Inc. and have retired from Avon Canada Inc.;
2. the Class Members were all in receipt of sufficiently common and uniform post-retirement benefits, consisting of extended medical coverage and a death benefit;
3. the post-retirement benefits were only earned through years of loyal employment and were deferred compensation constituting a common contractual promise to the Class;
4. the Defendants uniformly benefited from the employment of the Class Members in (a) of the class definition;
5. it was represented to the Class Members in common written documents that they were entitled to and would receive post-retirement benefits and such benefits vested upon their employment, during employment or upon retirement;

6. the Defendants never represented to the Class Members in clear or unequivocal language that the post-retirement benefits could be terminated after retirement or after the benefits vested;

7. the respective Class Members each received substantially the same representations and the same promise: devote years of loyal employment and you will receive post-retirement benefits;

8. the Defendants broke their common promise to the Class when the post-retirement benefits were uniformly terminated across the Class, regardless of individual circumstances and allegedly based on a common right of termination;

9. the common promise of post-retirement benefits and the alleged common breach of that promise is amendable to be determined collectively through a class proceeding;

10. this action meets the criteria for certification set out in s. 5(1) of the *CPA*, namely;

- a) the Class Members' have viable causes of action;
- b) there is an identifiable class objectively bound;
- c) the representations and promise of post-retirement benefits is common to the Class and there is a common breach;
- d) a class action would be the preferable procedure given the Class consists of elderly retirees without recourse to any alternative procedures; and
- e) there are representative plaintiffs who are prepared to act in the best interests of the Class.

11. the *Class Proceedings Act*, 1992, S.O. 1992 c. 6, and in particular, sections 5, 12, 17, 19-25, 34 and 35; and

12. such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

1. The following affidavits and the exhibits thereto:
 - a) Linda Crawley, sworn December 4, 2020;
 - b) Judy Bradacs, sworn December 11, 2020; and
 - c) Tanya Atherfold-Desilva, sworn December 15, 2020.
2. The pleadings and proceedings herein; and
3. Such further and other material as counsel may advise and this Honourable Court may permit.

December 18, 2020

Goldblatt Partners LLP
20 Dundas Street West, Suite 1100
Toronto ON M5G 2G8

Charles Sinclair LS#43178A
Tel: 416-979-4234
csinclair@goldblattpartners.com

Jody Brown LS# 58844D
Tel: 416-979-4251
jbrown@goldblattpartners.com

Melanie Anderson LS#79238J
Tel: 416-979-4386
manderson@goldblattpartners.com

Lawyers for the Plaintiffs

APPENDIX “A”: LIST OF COMMON ISSUES

For purposes of the common issues, the Class Members as defined in (a) of the class definition will be referred to as the “Employee Class Members” and the Class Members at (b) will be the “Dependant Class Members”

1. Breach of Contract

- (a) Did one or both of the Defendants contract to provide the Employee Class Members with post-retirement benefits which vest, and if so,
 - (i) at what time did the post-retirement benefits vest, in whole or in part?
- (b) In eliminating the post-retirement benefits, did one or both of the Defendants breach its contract(s) with the Employee Class Members?

2. Unjust Enrichment

- (a) Were one or both of the Defendant unjustly enriched by the receipt of the Employee Class Members' labour and subsequent termination of post-retirement benefits?

3. Breach of Fiduciary Duty

- (a) Did one or both of the Defendants owe a fiduciary duty to either the Employee or Dependant Class Members?
- (b) If the answer to 3(a) is “yes”, did the Defendant(s) breach their fiduciary duty by terminating the post-retirement benefits?

4. Negligent Misrepresentation

- (a) Did one or both the Defendants make representations to the Employee or Dependant Class Members regarding entitlement to post-retirement benefits?
- (b) If the answer to 4(a) is yes, then:
 - (i) were one or both of the Defendants in a special relationship with the Employee and/or Dependant Class Members?
 - (ii) to which Class Members were the representations made?

- (iii) were the post-retirement benefits represented to be guaranteed upon employment, upon 15 years, upon retirement or some other period of time?
- (c) Were the representations, if made, untrue, inaccurate or misleading?
- (d) Were one or both the Defendants negligent in making the representations?

5. Remedies

- (a) Are one or both of the Defendants required to reinstate the post-retirement benefits?
- (b) Is it appropriate for damages to be considered in the aggregate, in whole or in part, or should questions regarding damages be determined on an individual basis, in whole or in part?
- (c) If the answer to (b) is that damages, whether whole or in part, may be assessed in the aggregate, then:
 - (i) are Class Members entitled to damages on an aggregate basis equivalent to the total savings realized by one or both the Defendants?
 - (ii) what is the quantum of aggregate damages owed to Class Members?
 - (iii) what is the appropriate method or procedure for distributing the aggregate damages award to Class Members?

LINDA CRAWLEY et al.
Plaintiffs

-and-

AVON CANADA INC. at al.
Defendants

Court File No.: CV-19-00632937-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at TORONTO

Proceeding under the *Class Proceeding Act, 1992*

**NOTICE OF MOTION
(CERTIFICATION)**

GOLDBLATT PARTNERS LLP
20 Dundas Street West, Suite 1039
Toronto ON M5G 2C2

Charles Sinclair LS#: 43178A
csinclair@goldblattpartners.com

Jody Brown LS#: 58844D
jbrown@goldblattpartners.com

Melanie Anderson LS#: 79238J
manderson@goldblattpartners.com

Tel: 416-977-6070 / Fax: 416-591-7333

Lawyers for the Plaintiff

TAB 2

Court File No. CV-19-00632937-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N :

LINDA CRAWLEY AND JUDY BRADACS

Plaintiffs

- and -

AVON CANADA INC. AND NEW AVON LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**AFFIDAVIT OF LINDA CRAWLEY
(Sworn December 4, 2020)**

I, Linda Crawley, of the province of Quebec, **MAKE OATH AND SAY:**

1. I am one of the proposed representative plaintiffs in this action. I have direct knowledge of the matters to which I depose in this affidavit. Where the information in this affidavit is not based on my direct knowledge but is based upon information and belief from other sources, I have stated the source of that information and I believe that information to be true.

BACKGROUND

2. I retired from Avon Canada (“Avon”) in 2015 after approximately 40 years of employment. I dedicated almost my entire working life to Avon.

3. I started working in Avon’s shipping department as a typist/clerical worker in 1975. This was my first job out of college and I was 17 years old. In Approximately 1976 or 1977 I started work as a Stenographer/Secretary in the Service Section of the

- 2 -

Representative Service Department. In 1977 I left Avon for several months but was then rehired into the Representative Service Department in the Autumn of 1977.

4. In the mid-1980s I became an Executive Administrative Assistant to the Director in the Branch Operations/Customer Service Division. I also worked on investigations for the Legal Department of Avon since the mid-1990s.

5. I formally became the Executive Administrative Assistant to the Director of the Avon Legal Department in approximately 2011. I worked in the Legal Department until I retired in 2015.

6. When I retired, I started to receive Post-Retirement Benefits, defined further below, consisting of extended medical benefits subject only to a \$20,000 lifetime maximum and a death benefit payable to a beneficiary of my choosing.

POST RETIREMENT BENEFITS

7. Avon promised and provided two types of post-retirement benefits which it eventually terminated:

- (a) a \$5,000 death benefit payable upon the death of the retiree to a designated beneficiary. This benefit was provided at no annual cost to the retiree. The death benefit was originally \$7,500 for some employees, but was reduced in 2017 to a uniform \$5,000 benefit for all Canadian retirees; and
- (b) a “lifetime maximum” of \$20,000 in extended medical coverage for the retiree and any dependants. Provided on a cost sharing basis with the retiree, based on the percentages in place at retirement. The lifetime maximum operated in the following manner:

“The maximum per covered person, which is \$20,000 minus expenses reimbursed to the person, is increased by a maximum of \$1,000 each year, but only up to the limit of \$20,000. If you received a total reimbursement of \$20,000 during a single year, you would still be entitled to a maximum reimbursement of \$1,000 the following year. Subsequently, your eligible expenses would be reimbursed to a maximum of \$1,000 each year.”

(Collectively the “Post-Retirement Benefits”)

COMMON COMMUNICATION OF BENEFITS ENTITLEMENT

8. Avon distributed common communications to employees and retirees regarding the entitlement to Post-Retirement Benefits. The communications to employees were in standard format documents, such as letters, booklets and pamphlets.

9. I have listed below some of the common communications sent to employees over the proposed class period which set out the promise to provide Post-Retirement Benefits. I tried where possible to order the communications in chronological order from the 1980s to my retirement in 2015. I have described the following types of communications made to employees:

- (a) personal benefit statements;
- (b) benefit booklets;
- (c) benefits at a glance charts;
- (d) annual health care costs letters; and
- (e) retirement letters.

i. Personal Benefit Statements

10. Avon distributed a Personal Benefit Statement to employees on a yearly basis. The personal statements were standard format statements with individualized pension information inserted. The Personal Benefit Statements started in the 1980s. For many years the statement was accompanied by a standard format covering letter. Attached as **Exhibit "A"** is a copy of a Personal Benefit Statement covering letter from 1983.

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11. The 1983 covering letter was from the President of Avon to all Employees, which I have attached, stated:

- (a) “The Avon Benefit Program was developed to provide you and your family with a good level of protection during your period of employment and during your retirement.”

12. Up until the early 2000s, the Personal Benefit Statements I have seen provided the estimated retirement income for each employee and representations regarding the Post-Retirement Benefits.

13. The Personal Benefit Statements described active employee benefits and future Post-Retirement Benefits. For example, the Personal Benefit Statements from 1985, 1989 and 1993 contained the following statements regarding the death benefit after retirement:

- (a) “During retirement, you will be covered for \$5,000 under the Group Life Insurance Plan, at no cost to you”
- (b) “your beneficiary will receive \$5,000 from the Group Life Insurance plan, at no cost to you.”

14. The Personal Benefit Statements from 1985 described the “Avon Benefits Program” as: “The Avon Benefits Program represents a significant addition to your regular salary.”

15. Attached as **Exhibit "B"** is a copy of the 1985 Personal Benefit Statement.

16. Attached as **Exhibit "C"** is a copy of the 1989 Personal Benefit Statement.

17. Attached as **Exhibit "D"** is a copy of the 1993 Personal Benefit Statement.

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ii. Benefit Booklets

18. Avon distributed booklets regarding medical and dental benefits for employees. The booklets described coverage for current employees and the promised continuation into retirement. Below is an excerpt from what I believe to be the 1985 Medical and Dental Care Benefits booklet describing coverage for the Post-Retirement Benefits regarding medical coverage:

CONTINUATION OF COVERAGE DURING RETIREMENT

During your retirement your Basic and Major Medical Benefits coverage continues for you and your eligible dependants at no cost to you.

19. The 1985 Medical and Dental Care Benefits booklet went on to describe “Termination of Coverage” as being only connected to termination of employment. I believe this booklet was a booklet that was produced for general distribution to employees.

20. Attached as **Exhibit "E"** is a copy of the 1985 Medical and Dental Care Benefits booklet.

21. The 1985 Other Valuable Benefits booklet stated in the Intro “Your Avon Benefits Program provides valuable protection for you and your family, both during your working life and your retirement years.”

22. Attached as **Exhibit "F"** is a copy of the 1985 Other Valuable Benefits booklet.

23. Avon also distributed and produced a standard Retirement Benefits Booklet. I have reviewed a copy of the booklet which I believe is from 1985. The Retirement Benefits books was a standardized communication that has general circulation to Avon employees at the time. The Retirement Benefits booklet describes the available pension for retirees. At the end of the 1985 Retirement Benefits booklet Avon promised:

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Other Avon Benefits During Retirement

During your Retirement – in addition to your Avon pension – you will also have the following benefits:

Life Insurance – A coverage of \$5,000 is provided at no cost to you.

Medical Insurance – Basic and Major Medical Benefits coverage continues for you and your eligible dependents at no cost to you.

Retirement “Extras” – As a retiree, you will continue to receive Avon publications and the employee discount on products.

- 24. Attached as **Exhibit "G"** is a copy of the 1985 Retirement Benefits booklet.
- 25. Attached as **Exhibit "H"** is a copy of the April 1994 Retirement Benefits booklet.

iii. Benefits at a Glance Charts

26. Avon produced a standardized chart entitled Benefits at a Glance. The Benefits at a Glance Chart advised employees that the Post-Retirement Benefits for medical coverage would continue into retirement.

- 27. Attached as **Exhibit "I"** is a copy of the 1985 Benefits at a Glance chart.
- 28. Attached as **Exhibit "J"** is a copy of the 1994 Benefits at a Glance chart.

iv. Annual Health Care Costs Letter

29. Once retired, Avon would mail retirees a letter approximately once a year advising of the Health Care Plan costs. I believe this letter was a general letter drafted for

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all retirees based on the general wording of the letter and conversations with other retirees. The letter stated:

As an Avon retiree, you benefit from the Group Insurance Program at retirement, which includes a Health Care Plan as well as a death benefit.

30. The Health Care Plan Costs letter did not contain any termination provisions.

31. Attached as **Exhibit "K"** is a copy of the December 2009, 2010 and 2015 Health Care Plan Costs letter from Avon Human Resources to all retired Associates eligible for the Group Insurance Program at retirement.

v. Letter at Retirement

32. When I retired in 2015, I received what I believe is a standard format letter from Mercer advising that:

Other benefits

As an Avon pensioner, you will retain your Avon Medical coverage. You will find enclosed the Group Insurance Program at Retirement booklet which gives you detailed information.

33. Attached as **Exhibit "L"** is a copy of page 2 of the Mercer letter I received in 2015 when I retired from Avon.

34. Attached as **Exhibit "M"** is a copy of the 2014 Group Insurance Program at Retirement booklet, which I believe is the same booklet referenced in the letter from Mercer.

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35. Attached as **Exhibit "N"** is a copy of a 2009 cost sharing letter advising retirees of the “new booklet” the Group Insurance Program at Retirement booklet and confirming that “Your coverage has not changed in any way”.

TERMINATION OF POST RETIREMENT BENEFITS

36. Canadian retirees were advised by a single letter dated April 17, 2019 that all Post-Retirement Benefits would be terminated effective January 1, 2020. Attached as **Exhibit "O"** is a copy of the April 17, 2019 letter in English and French (the “April Termination Letter”).

37. On January 1, 2020, my Post-Retirement Benefits were terminated in accordance with the stated intentions in the April Termination Letter.

38. Avon gave no notice prior to the April Termination letter that it intended to terminate the Post-Retirement Benefits.

AVON SEPARATION and LG PURCHASE

39. Based on press releases and the 2016 Annual Report referenced below, I understand that by March 2016, Avon Products Inc. separated its North American business into a privately held company, New Avon LLC (New Avon), which was majority owned and operated by Cerberus Capital Management, L.P. (“Cerberus”). Avon Products Inc. Maintained a 19.9% share in New Avon LLC.

40. One week after Avon advised retirees that it was terminating the Post-Retirement Benefits, A press release was issued dated April 25, 2019, announcing that LG Household & Health Care, Ltd. purchased New Avon LLC. Attached as **Exhibit "P"** is a copy of the press release regarding the LG Purchase of Avon.

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41. The 2016 Annual Report states that pursuant to agreements between Avon Products Inc. and Cerberus, Avon Products Inc. transferred assets and liabilities to New Avon, including (i) assets primarily related to the North American operations (including approximately \$100 million U.S. of cash), (ii) assumed pension and post-retirement liabilities of the North American business, (iii) the employees of the North American business. In exchange, Avon Products Inc. received a 19.9% ownership interest of New Avon.

42. The 2016 Annual Report states that Avon Products Inc. transferred approximately \$60.4 U.S. million of post-retirement liabilities to New Avon, namely, retiree medical and supplemental pension liabilities in respect of employees and former employees in the North American operations.

43. Attached as **Exhibit "Q"** is a copy of the 2016 Annual Report.

MY WILLINGNESS TO BE A REPRESENTATIVE PLAINTIFF

44. I dedicated almost my entire working life to Avon. I still maintain contact with many Avon retirees. I have a strong connection to many members of the proposed class.

45. I am willing to represent the other retirees, as I believe we all worked for and earned the Post-Retirement Benefits. Other retirees and I are aging and we relied on the Post-Retirement Benefits to provide medical coverage and to support our beneficiaries through the death benefit. I, like many retirees live on a relatively fixed income. I do not believe I have a conflict with the other potential members of the lawsuit.

46. I have retained Goldblatt Partners LLP to bring this lawsuit and I am relying on my lawyers to complete this class action. I am aware of the litigation plan in this matter, but I have relied entirely on my lawyers to draft it.

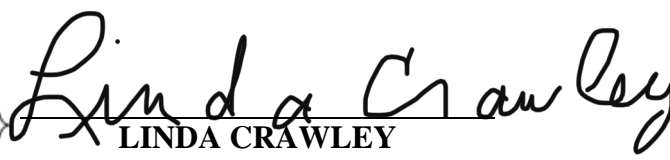
- 10 -


CLASS SIZE

47. I believe there are between 600-700 Canadian retirees who could be members of the proposed class, although I believe the defendants would have more accurate records.

48. I swear this affidavit in support of a motion for certification of this action as a class proceeding and for no other or improper purpose.

SWORN BEFORE ME remotely by Linda
Crawley stated as being located in the
Province of Quebec on December 4, 2020 in
accordance with O. Reg. 431/20
Administering Oath or Declaration Remotely
December 4, 2020.


LINDA CRAWLEY


A Commissioner for taking Affidavits (or as may be)

Jody Brown
LSUC #: 58844D

This is Exhibit “A” to the
Affidavit of Linda Crawley sworn
before me this 4th day of December, 2020.



A Commissioner, etc.



Avon Canada Inc., P.O. Box 8000, Pointe-Claire — Dorval, Que., Canada. H9R 4R3

Office of the
President

May 3, 1983

Dear Avon Associate,

I am pleased to enclose your 1983 Personal Benefit Statement. This personalized summary of your Avon benefits is designed to complement your Benefits Booklet.

You will note that the Statement was modified to include your Dental Care coverage, along with additional information concerning your retirement benefits. Our aim is to make this communication as informative as possible.

The Avon Benefit Program was developed to provide you and your family with a good level of protection during your period of employment and during your retirement. To take full advantage of all aspects of this generous program, you should understand how each benefit applies to you. It is hoped that this Statement will provide that understanding.

I recommend that you retain this Statement with your Benefits Booklet and refer to it as needed. Naturally, should you have any questions concerning your benefits, the members of our Personnel Department will be pleased to provide you with the required information.

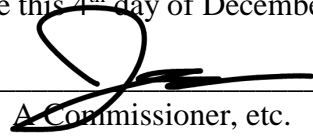
Yours sincerely,

A handwritten signature in blue ink, reading "William E. Griffin, Jr.", is written over a horizontal line.

William E. Griffin, Jr.

MB/nb
enclosure

This is Exhibit **"B"** to the
Affidavit of Linda Crawley sworn
before me this 4th day of December, 2020.



A Commissioner, etc.

AVON



Benefits Program

Your Personal Benefit Statement

AVON

Health Care

PROVINCIAL HOSPITAL INSURANCE AND MEDICARE PLANS

Your Provincial Plan pays most of your costs for standard ward hospital accommodation, in-hospital services and physician's charges (subject to provincial limitations).

SUPPLEMENTARY HEALTH INSURANCE

Your Medical Insurance Plan pays:

- 100%** of the additional cost of semi-private hospital room & board for an unlimited number of days,
- 100%** of diagnostic laboratory procedures, up to \$50 per year, and
- 100%** of ambulance costs up to \$50 per trip & \$100 per year.

It also reimburses:

80% of such costs as prescription drugs, prescribed nursing services and certain other eligible expenses, over an annual deductible of \$25 per person or family.

Dental Care

Your Dental Care Plan reimburses a major portion of the cost of dental care for you and your eligible dependents, including:

80% of basic dental care costs (check-ups, cleaning and polishing, fillings, root canals, gum disease treatment, etc.), & **50%** of major dental costs (crowns, bridges, dentures, etc.) over a \$25 annual deductible per person or family up to a maximum reimbursement of \$750 per person each year. In addition:

50% of orthodontic services for your children (braces, habit-inhibiting appliances, etc.) are reimbursed, over a deductible of \$50 per child, up to a maximum reimbursement of \$750 each.

(NOTE: Reimbursement is based on the Dental Association Fee Guide in effect in your province of residence.)

Income Protection

If you become ill or injured and unable to work, you can receive:

SHORT TERM

\$444 per week for up to **18** weeks, then **\$296** per week for the next **8** weeks of disability.

LONG TERM

After this, if you remain totally disabled, you will receive **\$962** per month until you reach 65, or recover, if earlier.

This amount includes any payments from government sponsored plans. While you are receiving Long Term Disability income, your Life, Medical and Dental Care Insurance will continue at no cost to you. In addition, you will continue to earn Creditable Service under the Retirement Plan.

If you die while you are an employee of Avon, your beneficiary or estate will receive:

LUMP SUM PAYMENTS

\$46,000	from your Group Life Insurance;*
\$2,580	from the Canada/Quebec Pension Plan;
N/A	from the Avon Retirement Plan, payable to
N/A	
\$48,580	Total Lump Sum Payments.

*(This amount does not include paid-up insurance you may have under the Aetna Life Policy.)

In addition, if your death is the result of an accident, the following amounts will be paid to your beneficiary:

\$23,000	from your Accidental Death & Dismemberment Insurance, if you die due to an accident;
\$115,440	from your Group Travel Insurance, if you die accidentally while on Company business.

During Your Retirement

RETIREMENT INCOME

Your Normal Retirement Date is the first day of **NOVEMBER, 2013** and if you retire on that day, you can receive the following monthly income:

\$1,021	from the Avon Retirement Plan;
\$478	from the Canada/Quebec Pension Plan;
\$285	from Old Age Security;
\$1,784	is your Total Estimated Retirement Income.

\$285 is the Old Age Security income your spouse may receive from age 65.

LIFE INSURANCE DURING RETIREMENT

During retirement, you will be covered for **\$5,000** under the Group Life Insurance Plan, at no cost to you.

In addition, if you die during retirement, your beneficiary will receive payments from the Avon Retirement Plan according to the form of pension you will have selected, as well as benefits from the Canada/Quebec Pension Plan.

MONTHLY PAYMENTS

A continued income will be paid to your spouse from the Avon Retirement Plan of:

N/A per month, for life or until remarriage.

These income estimates are based on your earnings and government benefit levels as at January 1 of this year. Your actual retirement income will reflect your final average earnings and future government benefit increases.

The Avon Retirement Plan pension is reduced by 50% of your Canada/Québec Pension Plan benefits; the estimate shown here is the net amount after such reduction.

Other Retirement Plan Information

YOUR CONTRIBUTIONS

N/A is the total of your required Retirement Plan contributions and interest as at December 31, 1961.

N/A is the interest they have earned from 1962 to the date of this statement.

N/A is the total of your voluntary Retirement Plan contributions as at December 31, 1954.

N/A is the interest they have earned from 1955 to date.

N/A Your Total Retirement Plan Contributions with interest to date.

BENEFITS ON TERMINATION

As at the date of this statement, you had **16** years and **10** months of creditable service. Had you terminated employment on that date, you would have received:

AN ESTIMATED RETIREMENT PLAN INCOME OF \$345 PER MONTH, (100% OF YOUR ENTITLEMENT TO DATE), PAYABLE AT AGE 65.

PLAN FUNDING

Based on the last actuarial valuation as at **DECEMBER 31, 1985**, there are sufficient assets in the Plan Fund to cover **100%** of the Plan liabilities.

Cost of Your Benefits Program

As an Avon employee, you participate in a Benefit Program made up of the following plans:

Medical Insurance • Dental Care • Sick Leave • Long Term Disability Plan • Group Life Insurance • Accidental Death & Dismemberment Insurance • Group Travel Insurance • Avon Retirement Plan.

\$3,123 is the approximate annual cost of your benefits.

\$154 is the approximate amount paid by you.

\$2,969 is the approximate amount paid by the Company on your behalf.

The significant value and cost of your vacation, holidays, Old Age Security, the Canada/Quebec Pension Plan, Workers' Compensation, Unemployment Insurance and Provincial Medicare are not included in this amount.

Your Personal Benefit Statement

This statement summarizes the security provided for you and your family from the Avon Benefits Program and from Government Benefits.

Please keep in mind that many of your benefits (such as Sick Leave, Retirement Income, etc.) will grow along with the growth in your salary and length of service. As you receive your report each year, you will be able to measure the increasing value of your benefits.

All the figures in this report are based on your annual salary and service at January 1 of this year.

The amounts shown have been calculated based on the assumption that your income will continue at its present level until your normal retirement date, and that other factors affecting your personal situation will remain unchanged. As your service and earnings increase, so will many of your benefits. These changes will be reflected in future statements.

The figures under the Canada/Quebec Pension Plan have been worked out on the basis that your past and future contributions will qualify you fully for each of the items included.

In the interest of clarity, these Plans have been described informally. The actual amounts payable under all Plans will be determined according to the official provisions of the Plan documents. These legal documents will prevail and may be amended from time to time.

The Avon Benefits Program represents a significant addition to your regular salary. It is, therefore, important that you understand your benefits as fully as possible.

Please review the statement carefully. If you have any questions about it, your Supervisor or the Personnel Department will be happy to discuss them with you.

It is important to record the private arrangements you have provided for yourself and your family. This form provides a convenient way of recording the essential details of your private financial arrangements and is intended for your personal use:

IMPORTANT ACTIONS FOR YOU TO TAKE NOW

1. Review your will and/or trust instruments at least once a year for:
 - changes in beneficiaries resulting from maturity of children, illness, significant changes in assets, etc.
 - changes in federal or provincial tax, probate or property laws which may affect your will.
 - changes in executors, trustees and guardians for your children that may be desirable.
2. Review your insurance program to see if it meets your present needs and to ensure that the beneficiary designations are up to date.
3. List below the locations of your important papers, etc.

(a) My will is located _____

(b) I maintain bank accounts as follows:

BANK	TYPE OF ACCOUNT	ACCOUNT NO.
_____	_____	_____
_____	_____	_____
_____	_____	_____

(c) My bank books are located _____

(d) My insurance policies are located _____

(e) My safety deposit box is located _____

The key for it is located _____

(f) My other important papers (tax returns, share certificates, mortgages, etc.) are located _____

4. Important people to contact in the event of my death:

My executor is _____

Address: _____ Telephone: _____

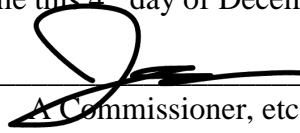
My lawyer is _____

Address: _____ Telephone: _____

My insurance agent is _____

Address: _____ Telephone: _____

This is Exhibit "C" to the
Affidavit of Linda Crawley sworn
before me this 4th day of December, 2020.

A handwritten signature in black ink, consisting of a large loop followed by a horizontal stroke and a small flourish.

A Commissioner, etc.

YOUR RETIREMENT PLAN

Retirement income

Your normal retirement date is NOVEMBER 1, 2013 . Assuming you continue as a member of the Avon Retirement Plan until that date, you will be entitled to an estimated monthly retirement income of:

\$458 accumulated to date, based on 19 years and 10 months of service
 \$725 to accumulate from January 1, 1989 to age 65
 \$555 from the Canada/Québec Pension Plan
 \$323 from Old Age Security
\$2,061 Total estimated monthly retirement income.

The annual pension payable from your normal retirement date is determined with the formula as explained in your Benefits Program Handbook.

Early retirement

Early retirement may be taken anytime from NOVEMBER 1, 2003 , when you reach age 55 and complete 15 years of Creditable Service . If you decide to retire early, your pension will be reduced by 3% for each year your actual retirement date precedes age 65.

Termination benefits

As of December 31, 1988, you are fully vested. If you terminate your employment, you have a right to the full pension credited to you. This pension is paid without reduction starting at age 65 or in an actuarially reduced amount at any time after age 55.

Disability benefits

If you become disabled and receive payments under the Company's Long-Term Disability program, you will continue to accrue Creditable Service until age 65 or recovery, if earlier.

Plan funding

Based on the last actuarial valuation as at December 31, 1988, there are sufficient assets in the Plan Fund to cover 100% of the Plan liabilities.

COST OF YOUR BENEFITS PROGRAM

In 1988, the Company's annual cost for your Benefits Program amounted to approximately \$2,531,000. The significant value and cost of vacations, holidays and government Plan expenses are excluded from this amount.

Every effort has been made to ensure that the information on your statement is accurate. Should there be any error or omission, please advise the Human Resources Department. The actual amounts payable under all Plans will be determined according to the official provisions of the Plan documents. These legal documents will prevail at all times.

YOUR BENEFITS STATEMENT

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AVON

YOUR PERSONAL BENEFIT STATEMENT

This statement summarizes the security provided for you and your family by the Avon Benefits Program and by Government programs.

All the figures in this report are based on your annual salary and service at January 1, 1989.

The amounts shown have been calculated based on the assumption that your earnings will continue at its present level until your normal retirement date, and that other factors affecting your personal situation will remain unchanged. As your service and earnings increase, so will many of your benefits. These changes will be reflected in future statements.

The figures under the Canada/Québec Pension Plan and Old Age Security have been calculated assuming you will meet the eligibility requirements and you will qualify fully for all the benefits.

Please read your statement carefully and keep it in the special inside pocket of your Benefits Program Handbook for future reference. If you have any question, refer to your Handbook or contact your Supervisor or the Human Resources Department.

PERSONAL DATA

Your date of birth : OCTOBER 28, 1948
Your date of employment : FEBRUARY 11, 1969

RETIREMENT PLAN INFORMATION

Your date of enrollment in the Retirement Plan : FEBRUARY 11, 1969
Total years of Creditable Service : 19.83
Payrate as of January 1, 1989 : \$26,624

Plan name : Retirement Plan for employees of Avon Canada Inc.

Registration number : 5532 - Province of Québec

FAMILY PROTECTION

Before retirement

Lump sum benefits

If you die while you are an employee of Avon, your designated beneficiaries or estate will receive:

\$2,048 as Family Death Benefits
\$53,000 from your Group Life Insurance
\$2,770 from the Canada/Québec Pension Plan

\$57,818 Total in lump sum payments

In addition, if you die as the result of an accident, the following amounts will be paid to your beneficiaries:

\$27,000 from the Accidental Death and Dismemberment Insurance
\$133,120 from your Group Travel Insurance, if your death occurs while travelling on Company business.

During retirement

Your pension is paid throughout your lifetime and will cease upon your death, unless you choose an optional form of payment before you retire.

In addition, your beneficiary receives **\$5,000** from the Group Life Insurance plan, at no cost to you.

INCOME PROTECTION

Short-term Disability Plan

If you become ill or injured and are unable to work, you can receive \$512 per week for up to 21 weeks from the Sick Leave Plan, then \$341 per week for the next 5 weeks of disability from the Supplemental Disability Plan.

Long-term Disability Plan

If you are still totally disabled after 26 weeks, you will receive \$1,109 per month until age 65 or recovery, if earlier. These benefits include amounts paid from government plans. While you are receiving Long-Term Disability income, your Life, Health and Dental Care Insurance coverage will continue at no cost to you.

HEALTH AND DENTAL CARE

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Medical Benefits

The Provincial Plan pays your cost for standard ward hospital accomodation, in-hospital services and physician charges. Your Medical Insurance Plan reimburses most expenses that are not covered by the Provincial Plan. You and your family are covered for:

- 100% of the additional cost of semi-private hospital accomodation for an unlimited number of days
- 100% of diagnostic laboratory procedures, up to \$50 a year
- 100% of ambulance cost up to \$50 per trip and \$100 a year
- 80% of other medical expenses, like prescribed drugs, prescribed nursing and other eligible expenses over an annual deductible of \$25.

Dental Care Benefits

Your Dental Care Plan reimburses a major portion of the cost of dental care for you and your eligible dependents. After an annual deductible of \$25 per family and up to a maximum reimbursement of \$750 per person, per year, you will receive:

- 80% of basic dental care costs, and
- 50% of major dental costs.

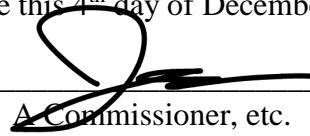
After an annual deductible of \$50 per child, with a maximum reimbursement of \$750 each, you will receive:

- 50% of orthodontic services for your children.

All reimbursements are based on the Dental Association Fee Guide in effect in your province of residence.

AVON

This is Exhibit **"D"** to the
Affidavit of Linda Crawley sworn
before me this 4th day of December, 2020.

A handwritten signature in black ink, consisting of a large loop followed by a horizontal stroke and a short vertical stroke at the end.

A Commissioner, etc.

YOUR RETIREMENT PLAN

Accumulated pension

As at January 1, 1993, you have accumulated a monthly pension of \$188, payable at age 65, the normal retirement age. This pension is based on 4 year(s) and 5 months of credited service and your pensionable earnings in recent years. Pensionable earnings include your salary, overtime, bonus and commissions, if any, but exclude any Performance bonus.

Estimated normal retirement income

Your normal retirement date is JULY 31, 2015. Assuming you continue as a member of the Avon Retirement Plan **until that date**, you will be entitled to an estimated monthly retirement income of:

\$1,315	from the Avon Retirement Plan
\$667	from the Canada/Québec Pension Plan
\$379	from Old Age Security

\$2,361 Total estimated monthly retirement income

The pension payable from the Avon Retirement Plan is determined with the Plan formula as explained in your Benefits Program Handbook.

To express your retirement income in today's dollars, this estimate is based on your current earnings, and on the benefits payable under government plans as of January 1, 1993. We have assumed that you will be eligible for those benefits.

Future statements will reflect any changes in your situation and in the amount payable under government plans.

Retirement before age 65

You may receive an immediate pension anytime from JULY 31, 2005, once you have reached age 55 and completed two years of participation in the Plan. Your pension will then be actuarially reduced (reduction varies from 6% to 10% for each year your first pension payment precedes age 65) unless you have then completed 15 years of credited service, in which case you will be eligible for early retirement and your pension will only be reduced by 3% for each year your actual retirement date precedes age 65.

Disability benefits

When you are disabled and receiving payments under the Company's Long-Term Disability program, you continue to accrue credited service until age 65 or recovery, if earlier.

Death benefits before retirement

If you die before retirement and have at least two years of participation in the Plan, the Avon Retirement Plan will provide your eligible spouse or estate with a benefit equal to 100% of the value of the total pension accumulated under the Plan.

Death benefits during retirement

If you have a spouse at retirement, your pension is automatically reduced to allow the continuation of 60% of the amount of pension to your spouse after your death unless you and your spouse choose an optional form of pension before you retire.

If you do not have a spouse at retirement, your total pension is paid throughout your lifetime and will cease upon your death, unless you choose an optional form of payment before you retire.

Termination benefits

As of January 1, 1993, you are fully vested. If you terminate your employment, you are entitled to the full pension credited to you. This pension is paid without reduction starting at age 65 or in a reduced amount at any time from age 55.

Financial position of the Plan

Based on the last actuarial valuation as at December 31, 1991, the solvency ratio of the Plan is over 100%, which means that in the unlikely event of the Plan termination, assets would have been sufficient to pay all benefits.

COST OF YOUR BENEFITS PROGRAM

In 1992, the Company's annual cost for the Employees Benefits Program amounted to approximately \$2,700,000 and to \$6,300,000 if we add the cost for government benefits. The significant value and cost of vacation and holidays are excluded from these amounts.

YOUR BENEFITS STATEMENT

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AVON

AVON

YOUR PERSONAL BENEFITS STATEMENT

This statement was prepared as of January 1, 1993 and summarizes the security provided for you and your family by the Avon Benefits Program and by Government programs.

Some of the benefits payable by the Avon Benefits Program were significantly modified on April 1, 1993. The benefit levels shown on this statement are those effective on and after April 1, 1993.

Please read your statement carefully and keep it in the special inside pocket of your Benefits Program Handbook for future reference. If you have any questions, refer to your Handbook or contact your Supervisor or the Human Resources Department.

PERSONAL DATA

Your date of birth: JULY 31, 1950
Your date of employment: JULY 18, 1988
Name of spouse: NOT APPLICABLE

RETIREMENT PLAN INFORMATION

Your date of enrollment in the Retirement Plan: JULY 18, 1988
Total years of participation: 4.42
Total years of credited service: 4.42
Payrate as of January 1, 1993: \$46,400
Plan name: Retirement Plan for Employees of Avon Canada Inc.
Registration number with the Régie des rentes du Québec: 5532

PENSION COMMITTEE

The Plan is administered by a Pension Committee composed of the following representatives:

Employee/Retiree:
Carlo Faita
Maurille Lavigne
Frank Wilson

Avon:
Yves Quiniou (Chairman)
Laurie Tomita (Vice-Chairperson)
John Owen
Marna Pennell
Fred Szekely

Independent third party:
Richard Bowie

The Pension Committee office is located at:
5500 Trans-Canada Highway
Pointe-Claire, Québec H9R 1B6

FAMILY PROTECTION

Before retirement

If you die while you are an employee of Avon, your designated beneficiaries or estate will receive:

\$3,569 as family Death Benefits
\$46,000 from your Group Life Insurance
\$3,340 from the Canada/Québec Pension Plan

\$52,909 Total in lump sum payments

In addition, if you die as the result of an accident, the following amounts will be paid to your beneficiaries:

\$46,000 from the Accidental Death and Dismemberment Insurance
\$232,000 from your Group Travel Insurance, if your death occurs while travelling on Company business.

During retirement

If you die during retirement, your beneficiary will receive **\$5,000** from the Group Life Insurance Plan, at no cost to you.

The Avon Retirement Plan will also provide benefits in case of death either before or during retirement. Refer to the Retirement Plan section of this statement for details.

INCOME PROTECTION

Short-Term Disability Plan

If you become ill or injured and are unable to work, you can receive \$892 per week for up to 6 weeks from the Sick Leave Plan, then \$595 per week for the next 20 weeks of disability from the Supplemental Disability Plan.

Long-Term Disability Plan

If you are still totally disabled after 26 weeks, you will receive \$2,320 per month for a period of 24 months. After 24 months, the monthly payment will increase to \$2,707; this amount will be payable until age 65 or recovery, if earlier. These benefits include amounts paid from government plans. In addition, Avon will periodically increase payments, after 2 years of disability, to help your benefits keep pace with inflation. While you are receiving Long-Term Disability income, your Life, Health and Dental Care Insurance coverage continue at no cost to you.

HEALTH AND DENTAL CARE

Medical Benefits

The Provincial Plan pays your cost for standard ward hospital accommodation, in-hospital services and physician charges. Your Medical Insurance Plan reimburses most expenses that are not covered by the Provincial Plan.

You and your family are covered for: the additional cost of semi-private hospital accommodation for an unlimited number of days, convalescent hospital room and board, diagnostic X-Rays and laboratory tests, ambulance cost, orthopedic footwear and hearing aids as well as other medical expenses like prescribed drugs, prescribed nursing and other eligible expenses.

Each participant is responsible for an annual deductible of \$25 and \$25 for the first eligible dependent. Some of the above protections are subject to an 80% coinsurance and/or to a maximum.

The Plan also provides for out-of-country Medical coverage. The lifetime maximum is one million dollars. Furthermore, a new Travel Assistance Plan provides many other services, including coverage of the 20% of out of Canada medical expenses not covered by the Avon basic plan.

Finally, some vision care services are covered through the Prudential Insurance Company's PVS optical services network.

Dental Care Benefits

Your Dental Care Plan reimburses a major portion of the cost of dental care for you and your eligible dependents. After an annual deductible of \$25 for the participant and \$25 for the first eligible dependent and up to a maximum reimbursement of \$750 per person, per year, you will receive:

- 80% of basic dental care costs, and
- 50% of major dental costs.

After a lifetime deductible of \$50 per child, with a maximum lifetime reimbursement of \$750 each, you will receive:

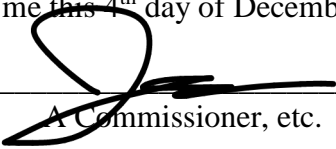
- 50% of orthodontic services for your children.

All reimbursements are based on the Dental Association Fee Guide currently in effect in your province of residence.

Every effort has been made to ensure that the information on your statement is accurate. Should there be any error or omission, please advise the Human Resources Department. The actual amounts payable under all Plans will be determined according to the official provisions of the Plan documents. These legal documents will prevail at all times.

AVON

This is Exhibit “E” to the
Affidavit of Linda Crawley sworn
before me this 4th day of December, 2020.



A handwritten signature in black ink, consisting of a large, stylized 'S' or 'J' shape followed by a horizontal line, is written over a horizontal line.

A Commissioner, etc.


Medical and Dental Care Benefits

The Avon philosophy is unique in its concern for people. A direct extension of this philosophy is the Avon Benefits Program, of which the Medical Insurance and Dental Care Benefits are an integral part.

The rising cost of health care makes your Medical Insurance Plan a most important source of protection available to you and your family today. These benefits go to work whenever you or one of your covered dependents becomes sick or injured and requires professional care. The Plan is designed to complement the coverage available through government hospital and medical care plans.

The Dental Care Plan is a significant addition to the Avon Benefits Program. This coverage is designed to encourage and maintain good dental health by paying benefits for both the prevention of dental problems and the correction of most conditions that require professional care.

We encourage you and your family to read this booklet carefully and to keep it handy for future reference. If you have any questions, do not hesitate to contact your immediate supervisor or the Personnel Department.



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Medical Benefits

ELIGIBILITY

As a regular, full-time employee, you are **automatically** covered by the Medical Insurance Plan on the day you start work.

Coverage under the Medical Insurance Plan is also available to your **eligible** dependents – i.e., your spouse (unless legally separated) and your unmarried children up to age 19 (to age 23 if full-time students and dependent on you for support) – provided they are not also employed by Avon or in the military service of any country. "Children" includes your own children, stepchildren, foster children and legally adopted children who are dependent on you for support. Coverage for an unmarried, physically or mentally incapacitated child may be continued as long as your own coverage remains in force and the condition persists – if you submit proof of the child's disability to the insurance company within 31 days after his or her coverage would have otherwise stopped.

Your dependents' coverage starts when you are eligible unless one of them is then confined in a hospital or at home. For that dependent (other than a newborn child) coverage is delayed until the confinement ends.

You must enroll your dependents as soon as you become eligible – or as soon as you acquire a new dependent. If you delay their enrollment for more than 31 days, satisfactory evidence of good health will be required before accepting your dependents as Plan members.

You can obtain an enrollment form and any information you may need to complete it from the Personnel Department.

COST

Avon pays the major part of the cost of your Medical Insurance Plan. The Plan falls under the group insurance policy, which also includes Life and A.D. & D. Insurance. Your contribution for group insurance depends on your level of salary and on whether or not you have covered dependents. When you have three years of continuous service, your contribution is reduced, as you are no longer required to contribute to the Life Insurance Plan.

HOW MEDICAL BENEFITS WORK

Most costs associated with hospital expenses including ward accommodation as well as physicians' charges are covered by your provincial health care plan. The Avon Plan was designed to supplement these benefits.

There are two coverage categories to this Plan – each designed to work together to provide a broad range of protection for you and members of your family:

- **Basic Coverage**, which pays for hospital, diagnostic X-rays and laboratory tests and ambulance services,
- **Major Medical**, which pays additional benefits for expenses which exceed those paid by Basic Coverage – or for certain expenses which Basic does not cover. Major Medical is particularly valuable when care is received outside a hospital.

BASIC COVERAGE

This part of your Plan covers a broad range of services:

Hospital Expenses

Whenever you or one of your covered dependents is hospitalized, the Plan will pay 100% of the difference in cost between the semi-private rate and standard hospital ward accommodation for room and board for an unlimited number of days.

Diagnostic X-Rays and Laboratory Tests

100% of expenses for diagnostic X-rays and laboratory procedures are also covered up to a maximum of \$50 per insured person during any one calendar year.

Ambulance Services

The Plan also covers the cost of local ambulance service to and from the local hospital. The maximum coverage under this part of the Plan is \$50 per trip or \$100 per calendar year for each covered person.

MAJOR MEDICAL

Major Medical provides additional protection against the high and rising costs of medical care. The Plan does not pay the full amount of all your remaining covered charges – but it pays by far the larger share.

Deductible

In each calendar year, you pay the first \$25 of covered medical expenses above or beyond Basic Coverage for you and all covered family members. Only one \$25 deductible applies to you and all your covered dependents in each calendar year.

If you do not meet your deductible by the end of the year, any eligible medical expenses incurred during the last three months may be carried over and applied to the following year's deductible.

Covered Expenses

After you or a covered dependent has incurred covered medical expenses sufficient to satisfy the deductible, Major Medical will then pay 80% of any remaining "reasonable and customary" charges for services and supplies prescribed by a doctor. You pay the other 20% of such charges.

Remember, Basic Coverage includes many of these items too, and as noted, Major Medical goes to work after these benefits have been exhausted – or if you have some expenses not covered by the Basic category.

Specifically, Major Medical covers:

- charges for private duty nursing by a registered graduate nurse who is not a member of your immediate family (immediate family includes you, your spouse, and children, brothers, sisters or parents of you or your spouse)

- speech therapy by a qualified speech therapist to restore speech loss due to an illness other than a functional nervous disorder, or to correct an impairment following corrective surgery
- treatment by a physiotherapist
- X-ray and laboratory examinations
- X-ray and radioactive treatments
- anesthetics and their administration
- local ambulance service
- medical supplies such as prescription drugs, artificial limbs and heart pacemakers
- medical equipment rentals – i.e., wheelchairs, iron lungs, etc.

“Reasonable and customary” is the fee regularly charged for a given medical service or supply in a particular area as determined by the insurance company, and should not exceed the normal range of charges for a similar service provided by other doctors with similar skills, training and experience.

Maximum Benefits

The Major Medical portion of this Plan will reimburse up to a maximum of \$15,000 of covered expenses for each person. However, if reimbursement of expenses has been made during a year, the Plan will reinstate the lesser of \$1,000 or the amount of reimbursement to this maximum on December 31 of that year.

CLAIMING BENEFITS

The following information will ensure prompt processing of any claims you file for:

- **Hospital Charges** – Hospitals will prepare a **Group Hospitalization Claim Form**. At your request it will be mailed to the Personnel Department of Avon for processing.
- **Major Medical Benefits** – Claim forms are available from the Personnel Department. Please remember that all original receipts for expenses covered by Major Medical must be attached to your completed claim form.

EXCLUSIONS

Although your Medical Benefits cover a broad range of services and supplies, there are some items – as in all plans of this type – that are not covered. These include:

- any services or supplies not needed for medical care
- job related illnesses or injuries covered by Workers' Compensation
- free medical care
- care for which coverage is provided under a government program
- services or supplies not recommended or approved by a legally qualified physician

- charges in excess of those considered reasonable and customary
- examinations for and fitting of eyeglasses and hearing aids
- cosmetic treatment unless required because of an accident which occurs while coverage under this Plan is in effect
- dental care except for the treatment of accidental injury to natural teeth performed within 12 months of the accident, treatment or removal of malignant tumors of the mouth, and treatment that involves the excision of impacted teeth from a jawbone, the excision of a tooth root without extraction of the entire tooth, and incision and excision procedures on gums and tissues of the mouth when not performed in connection with the extraction of teeth
- general or routine care of the feet
- illness or injury caused by an act of war
- expenses applied toward the satisfaction of the deductible previously described.

COORDINATION OF BENEFITS

Your Medical Insurance Plan contains a Coordination of Benefits provision (COB) which is designed to prevent duplication of payments when an employee or a dependent can collect benefits from more than one employer-sponsored medical plan.

This includes any benefits paid for under any government program. This provision (COB) also applies to an employee and spouse who are both covered under the plan as employees of Avon.

Under the COB provision, the total reimbursement from all plans combined may reach 100% of your covered medical expenses, but will never exceed that level.

In addition, if an expense covered by your Dental Care Plan is also covered by your Medical Insurance Plan, your Dental Care Benefits will be limited to the amount not paid by your Medical Insurance Plan.

EXTENDED BENEFITS

If you or a covered dependent is confined in a hospital or at home when your coverage under the Plan stops and you incur covered expenses within the next three months while still disabled, Basic Medical Benefits will be paid as if Plan coverage had continued. Major Medical Benefits will also be paid for expenses related to that specific disability up to the end of the year following the year in which coverage ends.

CONTINUATION OF COVERAGE DURING RETIREMENT

During your retirement your Basic and Major Medical Benefits coverage continues for you and your eligible dependents at no cost to you.

TERMINATION OF COVERAGE

If you leave Avon for any reason other than normal, early or hardship retirement, your coverage stops on the day your employment ends. Coverage for your dependents will stop when yours does unless your employment terminates because of death, in which case coverage will be continued for them for three months at the Company's expense.

Of course, dependents' coverage ends when they can no longer meet the definition of a dependent – or if you elect to stop contributions for their insurance.

Dental Care Benefits

ELIGIBILITY

As a regular, full-time employee of Avon, you were **automatically** covered by the Dental Care Plan if you were employed as at January 1, 1981. If you were hired after January 1, 1981, you will be covered after one year of service.

You may enroll your dependents for coverage under this Plan; eligible dependents are your spouse (unless legally separated) and your unmarried children up to 19 years of age (under 23 if full-time students and dependent on you for support) provided they are not also employed by Avon or in the military service of any country. "Children" includes your own children, stepchildren, foster children and legally adopted children who are dependent on you for support. Coverage for an unmarried, physically or mentally incapacitated child may be continued as long as your own coverage remains in force and the condition persists – if you submit proof of the child's disability to the insurance company within 31 days after his or her coverage would have otherwise stopped.

Your dependents' enrollment must take place as soon as you are eligible; if you delay their enrollment for more than 31 days, **THEY WILL NOT BE ELIGIBLE FOR COVERAGE LATER ON**, except under special circumstances (if your marital or family status changes, for example). Similarly, once you decide to enroll your dependents, you are required to maintain their coverage until you no longer have eligible dependents.

You will be asked to complete an enrollment card, on which you can indicate whether or not you want coverage for your dependents.

COST

Your own coverage is entirely paid for by Avon. Avon also pays the greater portion of the cost of your dependents' coverage, for which you are required to contribute only \$1 per week.

HOW DENTAL BENEFITS WORK

The Dental Care Plan is a highly valuable benefit which will help you when dental expenses are incurred.

The Plan covers three types of services:

- Basic dental services
- Major dental services, and
- Orthodontic services for dependent children.

The Plan pays a significant portion of the eligible charges covered under Basic and Major Dental services after you first pay a deductible – \$25 per person or family (combined for both Basic and Major Dental Services).

In addition, if you do not meet the deductible in any year, you will be able to “carry over” the dental bills you incurred during the last three months of the year and apply them toward the following year’s deductible.

Together, these coverages provide a broad range of care both for the prevention of dental problems and for the repair and replacement of teeth, if needed.

BASIC DENTAL SERVICES

This part of your Plan pays:

- 80% of the “reasonable and customary” charges for a wide variety of services
- up to \$750 a year (combined with Major Dental Services)
- after you first pay \$25 annual deductible (combined for both Basic and Major Dental Services).

“Reasonable and customary” means the fee regularly charged in your area for dentists’ charges for a particular service, as determined by the insurance company.

The \$750 maximum benefit applies separately to you and each covered member of your family each year.

Basic Dental Services include:

- routine oral examinations
- cleaning, scaling and polishing the teeth (limited to twice each year)
- topical application of fluoride (once each year)
- X-rays
- fillings
- extractions
- root canal therapy
- periodontics
- endodontics
- space maintainers
- repair to dentures if more than five years old.

MAJOR DENTAL SERVICES

This part of the Plan also requires that you first meet a \$25 annual deductible if not already satisfied under the Basic Dental Services and pays benefits each year up to the same \$750 for you and each member of your family. The percentage of reimbursement, however, is 50% of the charges for dental services and supplies including but not limited to the following:

- inlays
- crowns

- bridges
- repairs to crowns or bridges
- dentures – both partial and full
- adding teeth to existing dental appliances
- replacement of existing appliance, after five years or more from its installation unless the replacement is necessary because of an extraction.

ORTHODONTIC SERVICES

Under this part of the Plan, your dependent child must meet a \$50 lifetime deductible; the Plan will then pay 50% of charges for orthodontic procedures. For each insured dependent child, there is an individual lifetime maximum of \$750 which is entirely separate for the yearly maximum benefits for Basic and Major Dental Services.

TREATMENT PLAN

If your dentist recommends treatment that will cost \$300 or more, a Treatment Plan should be submitted by your dentist (using the Dental Claim Form) to the insurance company for advance review of the work planned and the fee to be charged.

This predetermination of benefits helps eliminate misunderstandings and lets you know – in advance – how much the Plan will pay before the work actually begins. No Treatment Plan is necessary if the total charges are less than \$300 or in case of emergency care.

Dental procedures can vary greatly in expense. If there is more than one suitable procedure for your particular problem, the insurance company will select the least expensive one and determine Plan payments accordingly. You, of course, are free to select any procedure you want. But if the charges are more than the insurance company deems suitable following review of your dentist's Treatment Plan, you will have to pay the difference.

CLAIMING BENEFITS

When you or one of your covered dependents plan to visit a dentist, you should obtain a Dental Claim Form from the Personnel Department. You should complete the Insured/Subscriber (Part 2) portion of the form and then give the form to your dentist for completion of the Dentist's Statement (Part 1). The completed form should then be returned to the Personnel Department for submission to the insurance company.

If you need any help in filling out your portion of the form – or if you have any questions about the benefits that will be paid – the Personnel Department will assist you.

BASIS OF REIMBURSEMENT

The reimbursement of covered services will be based on the Dental Association Fees Guide in effect in your province of residence.

EXCLUSIONS

Although your Dental Care Plan covers a broad range of services and supplies, there are some items it does not cover. These include:

- care or treatment not prescribed by your dentist or doctor
- services and supplies not necessary or customarily provided for dental care
- treatment received from someone other than a dentist, except for the services provided by denturologists, licensed dental hygienists or X-ray technicians under the supervision or direction of your dentist
- charges that you and your dependents are not legally required to pay
- charges in excess of reasonable and customary
- expenses covered by Workers' Compensation or by the government
- cosmetic treatment unless required because of an accident which occurs while coverage under this Plan is in effect
- replacement of lost or stolen dentures
- appliances or restorations for splinting
- expenses incurred before coverage under this Plan starts
- expenses applied toward the satisfaction of the deductible previously described.

In addition, the coverage for Orthodontic Services does not include charges for a procedure for which an appliance was installed before coverage under this Plan begins.

COORDINATION OF BENEFITS

Your Dental Care Plan contains a Coordination of Benefits provision (COB) which is designed to prevent duplication of payments when an employee or a dependent can collect benefits from more than one employer-sponsored dental plan.

This includes any benefits paid for under any government program. This provision (COB) also applies to an employee and spouse who are both covered under the plan as employees of Avon.

Under the COB provision, the total reimbursement from all plans combined may reach 100% of your covered dental expenses, but will never exceed that level.

In addition, if an expense covered by your Dental Care Plan is also covered by your Medical Insurance Plan, your Dental Care benefits will be limited to the amount not paid by your Medical Insurance Plan.

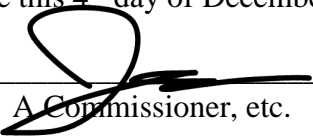
TERMINATION OF COVERAGE

Except for major and orthodontic services, coverage under this Plan ends for both you and your dependents on the day your employment terminates for any reason including retirement. Major and orthodontic coverages continue for 31 days after termination provided treatment started before termination of employment. Coverage also stops for your dependents when they no longer are able to meet the definition of dependents.

If you die, coverage will continue for your spouse and other eligible dependents for three months after your death.

This booklet describes only the highlights of your Medical Insurance and Dental Care Plans and does not attempt to cover all details. These are provided in the Plan documents, which legally govern the operation of these coverages. The Plan documents are available for review in the Personnel Department during normal working hours.

This is Exhibit “F” to the
Affidavit of Linda Crawley sworn
before me this 4th day of December, 2020.



A Commissioner, etc.

Other Valuable Benefits

Being supportive of an individual's well-being and happiness is one of the principles upon which our Company is guided. The benefits provided by your Avon Benefits Program are consistent with this principle.

Your Avon Benefits Program provides valuable protection for you and your family, both during your working life and your retirement years. The Benefits Program helps pay medical and dental expenses, provides a source of income should you become disabled and cannot work, assists your family in the event of your death, and pays an income for life after you retire.


To complement this valuable protection package, the following benefits are also offered to further your well-being during your career with Avon.

Paid Time Off – including vacations, holidays
and approved absences

Tuition Refund Plan

Employee Product Sales

We encourage you and your family to read this booklet carefully and to keep it handy for future reference. If you have any questions, do not hesitate to contact your immediate supervisor or the Personnel Department.



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In addition to your Medical, Dental, Disability, Survivor and Retirement Plans, the following benefits add substantial value to the overall Program.

Paid Time Off – including vacations, holidays
and approved absences

Tuition Refund Plan

Employee Product Sales

Vacations

One important element of working at Avon is the opportunity to temporarily put aside the demands of your job and to enjoy periods of rest and relaxation – at full pay. Avon provides a generous vacation and paid holiday schedule each year.

New regular employees are eligible for vacation in the current vacation year depending on the month and year in which they are hired. Vacation days to which you are entitled may be taken early in your career – right after you complete three months of continuous service. As your service increases, so does your vacation.

	Month Employed	Vacation Entitlement (current year)
If hired in the preceding year	January-August	10 days
	September	9 days
	October	8 days
	November	7 days
	December	6 days

	Month Employed	Vacation Entitlement (current year)
If hired in the current vacation year	January	5 days
	February	4 days
	March	3 days
	April	2 days
	May	1 day

Longer service employees are entitled to vacation based on the number of years of service on December 31 of the current year as follows:

Service	Vacation Entitlement (current year)
Up to 4 years	2 weeks
5 to 9 years	3 weeks
10 to 19 years	4 weeks
20 to 29 years	5 weeks
30 or more years	6 weeks

If a statutory holiday falls during your vacation, you will be entitled to an extra day off. Should your vacation be interrupted by serious personal illness, you may, with the approval of the Area Vice-President, be granted additional vacation days.

You may request to take all or part of your vacation at any time in each calendar year, and you must take all the time to which you are then entitled by the end of that year. However, in case of special circumstances and with the approval of the Area Vice-President, unused vacation days may be carried over into the first quarter of the next calendar year.

You are encouraged to use all of your vacation to rest and relax. However, you may take up to five single days of vacation for personal business, religious observance or similar reasons.

All requests for vacation are considered in terms of the staffing needs of the business. If a staffing problem should be encountered within any department, vacation requests from longer service employees will be given preference.

If you terminate employment for any reason, you will receive payment for any unused vacation days. At the start of an approved leave of absence, you can also receive pay for any unused days for the current year – or you can defer your current vacation time until you return to work.

Statutory Holidays

In addition to your vacation, Avon provides 12 paid holidays each year. Your holiday pay – as your vacation pay – is

the amount you would have earned had you worked your regularly scheduled hours. Should a holiday fall on a Saturday or Sunday, another day will be observed as a paid holiday.

The 12 statutory holidays include the following days each year:

- New Year's Day
- Day after New Year's
- Good Friday
- Victoria Day
- St-Jean Baptiste (Quebec only)
- Civic Day (outside Quebec)
- Dominion Day
- Labour Day
- Thanksgiving Day
- Christmas Day (plus two additional days)
- Avon Family Day

Approved Absences

There are two types of approved absences which can be granted under your Benefits Program:

- SHORT TERM PERSONAL ABSENCE
and
- LEAVES OF ABSENCE

Short Term Personal Absences are granted for brief periods when you are unable to work for compelling personal reasons. Your pay may continue during these absences depending on the urgency of the situation, the length of time needed, your attendance record and length of service. In general, if you are absent for the following reasons, you will receive your full pay until you return.

- Jury duty or trial witness – You will receive your regular salary for the time spent in court – in addition to any amounts paid to you by the court.

- Death in the family – Up to three days at full pay may be granted if you are absent from work because of the death of your parent, parent-in-law, spouse, brother, sister, child or any relative residing with you; up to one day for the death of a grandparent, aunt, uncle, an immediate in-law of one of your children or an immediate family member of your spouse.

Unpaid Leaves of Absence are granted and are permitted only for compelling personal reasons. Generally, a leave will last up to three months but may be extended for three-month periods up to as long as a year. The time you are absent on an approved leave will not interrupt your continuous service for purposes of future vacation entitlement, Company-provided benefits and Avon's Group Insurance Plan as long as arrangements are made to continue payment of any necessary contributions.

Leaves of Absence are normally granted for the following reasons:

- Adoption Proceedings
- Maternity
- Military service
- Other compelling personal reasons.

At the beginning of an approved leave, you will receive a letter explaining the terms of your leave and how long it will last. You are required to return to work within the time noted in that letter – unless an extension is granted. Otherwise, your employment status and service credits will be interrupted.

At the end of your leave, every reasonable effort will be made to place you in a job similar to your old job within a reasonable time period. However, if you have been absent for a period of more than three months, it may be necessary to assign you to another job of a comparable level.

Tuition Refund Plan

Additional education can enhance your career with Avon. This Plan can provide substantial financial assistance to you for your continuing education.

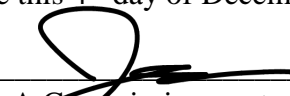
If you wish to take advantage of the benefits provided by this Plan, your immediate supervisor will provide you with an application form which should be completed before starting any program of instruction.

Employee Product Sales

The opportunity to buy Avon products at a discount is extended to all employees. The discount applies even to items sold at special prices. Local taxes are charged, naturally. In fairness to our Representatives, employee product sales are intended for you own personal use and that of your immediate family, or as gifts for friends and relatives.

This booklet describes only the highlights of your paid time off, approved leaves of absence, Tuition Refund Plan, Employee Product Sales and other valuable benefits. It does not attempt to cover all the details of these benefits. Details are provided in official Avon bulletins and policies, which govern the operation of these benefits at all times. These documents are available for review in the Personnel Department during normal working hours.

This is Exhibit "G" to the
Affidavit of Linda Crawley sworn
before me this 4th day of December, 2020.




A Commissioner, etc.

Retirement Benefits

In keeping with the Avon philosophy, your Retirement Plan represents an essential element in your future financial security. This Plan is designed to help provide you with a secure and adequate income after your career with us is completed. Valuable death benefits are also built into the Plan to protect your spouse.

The Retirement Plan is financed by Avon contributions to an irrevocable trust fund set up exclusively for the payment of pension benefits to eligible employees and their beneficiaries.

We encourage you and your family to read this booklet carefully and to keep it handy for future reference. If you have any questions, do not hesitate to contact your immediate supervisor or the Personnel Department.



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Eligibility

You become a Plan member on your first day of employment with Avon as a regular full-time employee.

Cost

Avon pays the full cost of your Retirement Plan benefits – plus half the cost of your Canada/Quebec Pension Plan benefits while you work for Avon.

Types of Retirement

Normal Retirement begins the first day of the month following your 65th birthday.

Early Retirement may be taken anytime after you reach age 55 and complete 15 years of Creditable Service.

Hardship Allowance may be given with the approval of the Retirement Board anytime after you reach 58 and complete 15 years of Creditable Service – if you are then unable to handle the duties of your regular job or a comparable one.

Creditable Service

Creditable Service for Regular employees means your period of employment with Avon. Your years of Creditable Service are counted beginning on your first day of employment and ending on the date you retire or terminate employment.

Plan Benefits

AT NORMAL RETIREMENT

The Plan uses one of three formulae to determine benefits – a regular formula and two minimum formulae. Your pension is calculated using each formula and the calculation which gives you the largest benefit amount is the one selected.

Regular Formula

Under this formula, your annual pension is calculated as follows:

1³/₄% of your **Final Average Earnings**
Times
 your Creditable Service up to 10 years

Plus

1 $\frac{1}{2}$ % of your **Final Average Earnings Times**
your Creditable Service over 10 years
but under 30 years

Plus

1 $\frac{1}{4}$ % of your **Final Average Earnings Times**
your Creditable Service over 30 years

OFFSET (REDUCED) BY

50% of your C/QPP benefits (1)

Final Average Earnings is the average of your 5 highest years' earnings during your last 10 years of Creditable Service. Included as earnings are your salary, bonus and commissions – if any – but Christmas Gifts paid to you during this period are excluded.

(1) Note: once your Avon pension payments begin, further increases in the C/QPP benefits will not reduce your Avon pension.

Minimum Formulae

When you retire, your Plan income will also be tested using the following formulae. If, for any reason, the minimum formulae produce a higher benefit, then that is what you will receive.

Under the minimum formulae, your annual pension at age 65 will never be less than:

1% of your **Final Average Earnings Times**
your years of Creditable Service

OR

\$75 **Times** your years of Creditable Service

Government Benefits**Canada/Quebec Pension Plan (C/QPP)**

In addition to your Avon pension, the Canada/Quebec Pension Plan will provide an income at age 65. The formula for calculating the maximum annual pension is: 25% of the average of the C/QPP ceiling in the last three years before retirement, including the year of retirement. Benefit payments are for life. You may be entitled to the maximum pension if you have earned as much as the Year's Maximum Pensionable Earnings (YMPE) in each year since January 1, 1966. In 1982, the YMPE is \$16,500, and the

maximum monthly Canada/Quebec Pension Plan retirement benefits are \$307.65. Benefits are adjusted annually to reflect changes in the cost of living.

Old Age Security

Federal Old Age Security guarantees an additional income at age 65 if you meet the residence requirements. The amount of this benefit is indexed quarterly to reflect changes in the cost of living. During the first quarter of 1982, the amount of this monthly benefit is \$227.73.

AT EARLY RETIREMENT

If you retire early, your Plan benefits are calculated using the same three formulae as at Normal Retirement. However, since you will have fewer years of Creditable Service at Early Retirement, your monthly pension will be less than if you had worked to age 65.

At Early Retirement you have two options. You can:

- delay receipt of your Plan benefit until you reach age 65
- OR**
- take your pension right away.

If you delay payment to age 65, you will receive the full benefit credited to you when you left. If you take your pension before age 65, it will be reduced (unless you qualify for a Hardship Allowance) because it will begin sooner and may be paid for a longer period of time. The reduction for the Early Retirement is determined by the number of years benefits begin before age 65 – by the following percentages:

- 3% a year for each year between ages 60 and 65
- AND**
- 5% a year for each year between ages 55 and 60.

For example, if you retire at age 59, your reduction would be 15% (3% a year from age 60 to 65) plus 5% (5% for age 59) for a total reduction of 20%.

HARDSHIP ALLOWANCE

If you qualify for and receive a Hardship Allowance, your pension will also be calculated using the Plan's regular and minimum formulae. Your pension can begin as early as age 58 and the Early Retirement reduction factors will not apply. You receive the full benefit credited to you when you leave.

EXAMPLE OF COMBINED INCOME

The following example shows the **combined** income payable from the Plan and the Government plans for an employee who retires at age 65 with Final Average Earnings of \$15,000, 35 years of Creditable Service and annual C/QPP benefits of \$3,692.

Regular Formula

$$\begin{array}{rcl}
 1\frac{3}{4}\% \times \$15,000 \times 10 \text{ years} & = & \$2,625.00 \\
 & \text{plus} & \\
 1\frac{1}{2}\% \times \$15,000 \times 20 \text{ years} & = & \$4,500.00 \\
 & \text{plus} & \\
 1\frac{1}{4}\% \times \$15,000 \times 5 \text{ years} & = & + \$ 937.50 \\
 & & \underline{\$8,062.50} \\
 & \text{offset by C/QPP benefits} & \\
 50 \% \times \$ 3,692 & = & - \underline{\$1,846.00} \\
 \text{TOTAL} & & \$6,216.50 \text{ a year} \\
 & & (\text{or } \$ 518.04 \text{ a month})
 \end{array}$$

Minimum Formulae

The greater of:

- $1\% \times \$15,000 \times 35 \text{ years} = \$5,250.00 \text{ a year}$
(or \$ 437.50 a month)
- or**
- $\$75 \times 35 \text{ years} = \$2,625.00 \text{ a year}$
(or \$ 218.75 a month)

Since the regular formula produces the **higher** benefit, that is what this employee receives – i.e.

- From the Plan \$ 518.04 a month
- From C/QPP \$ 307.65 a month
- From OAS \$ 227.73 a month
- TOTAL: \$1,053.42 a month

PLAN PAYMENTS

Normal

As in the example above, the normal manner of payment is a Straight Life Annuity – i.e., your full Plan benefit is paid each month for as long as you live.

Optional Payment Methods

The Plan provides the following optional payment methods which permit you to tailor your income to meet your personal financial needs.

Joint and Survivor Option 1 – This option guarantees a reduced lifetime pension payable to you, with the provision that upon your death the same amount of pension will be continued to your spouse or any dependent whom you designate before you retire.

Joint and Survivor Option 2 – This option guarantees a reduced lifetime pension payable to you, with the provision that upon your death 50% of the same amount of pension will be continued to your spouse or any dependent whom you designate before you retire.

Joint and Survivor Option 3 – This option guarantees a reduced lifetime pension payable to you, with the provision that upon your death a lump sum equivalent to 12 monthly payments of the same amount but not in excess of \$1,000 per month will be paid to your spouse or any dependent whom you designate before you retire.

Level Income Option – If you retire before age 65, you may elect to have your monthly payments from the Avon Retirement Plan increased in the years before your government benefits become payable, and decreased thereafter. You thus receive a more level income throughout your retirement.

Selecting an Option

Before you retire, you will be notified by the Personnel Department of the various options available to you. You will also be given an estimate of the income you will receive under the payment method you select and the benefits – if any – that will be continued to your spouse or beneficiary following your death.

Your selection of any option must be made in writing before payments start. You may cancel or change your initial option as long as you do so before your pension payments begin.

Once benefits start, the option selected is in force. Should you select a Joint and Survivor Income Option and the person you name to receive this benefit dies before you, you will continue to receive that reduced income for the rest of your life. However, should the person you named die before you commence receiving your pension, the option will be automatically cancelled and your full benefits will be paid as if you made no selection at all.

PRE-RETIREMENT SPOUSE'S ALLOWANCE

Another important and highly valuable feature of your Retirement Plan is the Spouse's Allowance. Under this Plan provision, your spouse will receive an income for life if you should die as an active employee after you reach age 45 and complete 10 or more years of Creditable Service.

This income will start on the first day of the month after your death and will equal the pension you would have received had you retired on the date of your death with a 100% Joint and Survivor Option in effect or – if greater – 20% of your salary at the time of your death.

This protection is in addition to retirement benefits provided by the Plan and is also paid for entirely by Avon.

Protection in Case of Disability

Your Retirement Plan also provides protection should you become disabled while an active employee and are unable to work. While receiving disability payments under the Unemployment Insurance Act or the Avon Sick Leave, Supplemental Disability and LTD Plans, you continue to accumulate Creditable Service under the Retirement Plan. When computing the benefits payable to you – or to your spouse or beneficiary if you should die – these benefits will be based on your Final Average Earnings and all your years of Creditable Service. To determine your Final Average Earnings, your earnings in the calendar year before your disability started will be used as your earnings for each year you are disabled.

Vesting

If you leave Avon after you have completed 10 years of Service, you have a right to the pension benefits then credited to you. These benefits will be paid without reduction starting at age 65 – or in a reduced amount at any time after age 55. The reduction factors for early commencement of a Vested pension are based on actuarial tables.

Funding

Retirement Plan benefits are completely financed by regular contributions made by Avon to an irrevocable trust fund.

Continuation of Coverage

Avon intends to continue the Retirement Plan indefinitely but reserves the right to end or amend it. If the Plan should be terminated, members would be fully vested in their rights under the Plan to the extent then funded. The assets of the Plan at that time would be used to provide benefits in the order of priority specified by the Plan provisions or as prescribed by law.

Other Avon Benefits During Retirement

During your Retirement – in addition to your Avon pension – you will also have the following benefits:

Life Insurance – A coverage of \$5,000 is provided at no cost to you.

Medical Insurance – Basic and Major Medical Benefits coverage continues for you and your eligible dependents at no cost to you.

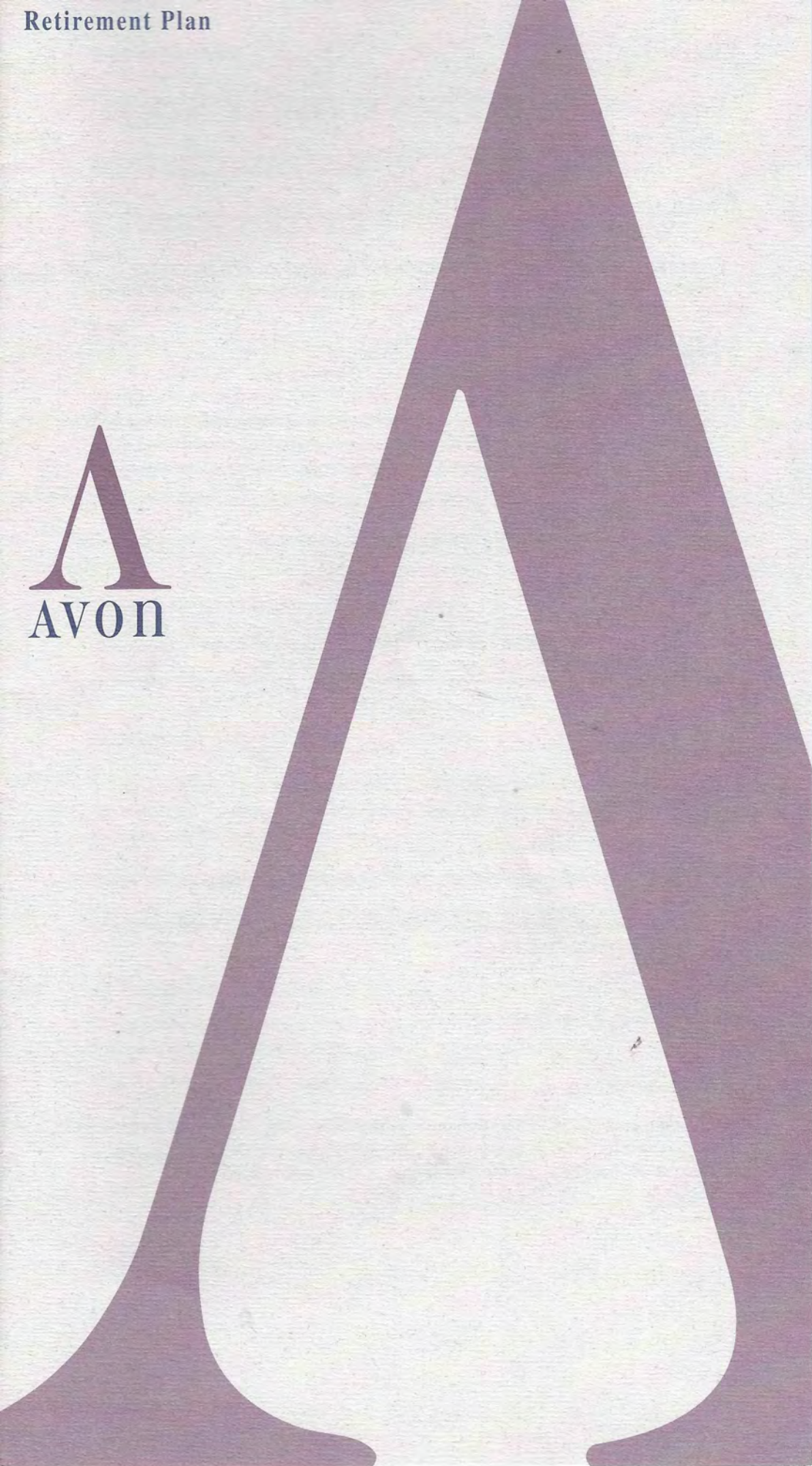
Retirement “Extras” – As a retiree, you will continue to receive Avon publications and the employee discount on products.

This booklet describes only the highlights of your Retirement Plan and does not attempt to cover all details. The official Plan Text and Trust Agreement legally govern the operation of the Plan at all times. These documents are available for review in the Personnel Department during normal working hours.

This is Exhibit “**H**” to the
Affidavit of Linda Crawley sworn
before me this 4th day of December, 2020.



A Commissioner, etc.



Summary of your Retirement Plan

Eligibility	From your first day of work.						
Retirement age	Normal retirement: age 65. Early retirement: age 55 and 15 years of credited service.						
Normal retirement	<p>Annual pension calculated according to the following formula:</p> <table> <tr> <td>For each of the first 10 years of credited service</td><td>1³/₄% of your final average earnings</td></tr> <tr> <td>For each of the next 20 years of credited service</td><td>1¹/₂% of your final average earnings</td></tr> <tr> <td>For each year of credited service over 30 years</td><td>1¹/₄% of your final average earnings</td></tr> </table> <p><i>less</i></p> <p>the Canada/Québec Pension Plan offset.</p> <p>If the Plan's minimum formula produces a higher benefit, then that is what you will receive.</p>	For each of the first 10 years of credited service	1 ³ / ₄ % of your final average earnings	For each of the next 20 years of credited service	1 ¹ / ₂ % of your final average earnings	For each year of credited service over 30 years	1 ¹ / ₄ % of your final average earnings
For each of the first 10 years of credited service	1 ³ / ₄ % of your final average earnings						
For each of the next 20 years of credited service	1 ¹ / ₂ % of your final average earnings						
For each year of credited service over 30 years	1 ¹ / ₄ % of your final average earnings						
Early retirement	Pension calculated according to the formula less 3% for each year between your early retirement date and normal retirement date.						
Termination of employment	<p>Pension calculated at the date of your termination of employment (if you have completed at least 24 months of membership).</p> <p>Transfer option.</p>						
Death	<p>Death before retirement: value of the pension calculated at death (if you have completed at least 24 months of active membership).</p> <p>Death during retirement: based on the form of pension payment elected upon retirement.</p>						

Eligibility

You become a Plan member on your first day of employment with Avon as a regular full-time employee.

Cost

Avon pays the full cost of your Retirement Plan benefits. You are neither required nor allowed to make contributions under the Plan.

Credited service

Credited service for regular employee means your period of employment with Avon. Your years of credited service are counted beginning on your first day of employment and ending on the date of your retirement or termination of employment.

The following table indicates which periods of absence are considered as credited service:

MATERNITY, PATERNITY, PARENTAL OR ADOPTION LEAVES	SICK LEAVE, SHORT- OR LONG-TERM DISABILITY	ABSENCE FOR RECOGNIZED WORK-RELATED ACCIDENT	ABSENCE FOR A PERSONAL REASON
Yes	Yes	Yes	No

Retirement ages

Normal retirement begins the first day of the month following your 65th birthday.

Early retirement may be taken anytime after you reach age 55 and complete 15 years of credited service.

Retirement benefits

At normal retirement

The Plan uses one of two formulas to determine benefits — a regular formula and a minimum formula. Your pension is calculated using each formula, and the calculation that gives you the largest benefit is the one selected.

Regular formula

Under this formula, your annual pension at normal retirement is calculated as follows:

First 10 years of credited service plus	1 3/4% of FAE* per year
Next 20 years of credited service plus	1 1/2% of FAE* per year
Credited service over 30 years	1 1/4% of FAE* per year
Less	C/QPP offset**

* **F AE (Final Average Earnings)** is the average of your five highest years' earnings during your last 10 years of active membership. Your earnings in a particular year include your annual salary or wages you have received, including commissions and regular year-end bonuses but excluding any appointment, performance and Christmas bonuses.

** **C/QPP offset (Canada/Québec Pension Plan)** is calculated as:

- the estimated C/QPP pension you are entitled to at age 65
multiplied by
- the least of: 1) your credited service divided by 35;
2) if you were a member of the Plan on January 1, 1990, your age less 18, the difference being divided by 80; and
3) one-half.

Minimum formula

When you retire, your pension income from the Plan will also be calculated with the minimum formula. If, for any reason, this formula produces a higher benefit, then that is what you will receive.

Under the minimum formula, your annual pension at age 65 will never be less than:

1% of FAE per year of credited service

At early retirement

If you retire early, your retirement benefits will be calculated using the same two formulas as at normal retirement. At that time, you may choose to:

- delay payment of your benefits until you reach age 65

OR

- begin receiving your pension right away.

If you delay payment until age 65, you will receive the full benefit credited to you when you left the Company. If you take your pension before age 65, your pension will be reduced because it will begin sooner and may be paid for a longer period of time. The reduction is equal to 3% for each year between your age at retirement and age 65. For example, if you retire at age 59, your reduction will be 18% (3% per year from age 59 to age 65).

Example of pension income

The following examples show the income payable from the Plan for three employees retiring at age 55, 60 and 65, respectively, with Final Average Earnings of \$40,000, 35 years of credited service and annual C/QPP benefits of \$8,333 (maximum in 1994).

	RETIREMENT AGE		
	AGE 55	AGE 60	AGE 65
Regular formula (a)			
1 $\frac{3}{4}$ % x \$40,000 x 10 years	\$7,000	\$7,000	\$7,000
plus	+	+	+
1 $\frac{1}{2}$ % x \$40,000 x 20 years	\$12,000	\$12,000	\$12,000
plus	+	+	+
1 $\frac{1}{4}$ % x \$40,000 x 5 years	\$2,500	\$2,500	\$2,500
minus	-	-	-
C/QPP offset	3,854	4,166	4,166
TOTAL	\$17,646	\$17,334	\$17,334
Minimum formula (b)			
1% x \$40,000 x 35 years	\$14,000	\$14,000	\$14,000
The greater of (a) and (b)	\$17,646	\$17,334	\$17,334
Early retirement reduction			
3% x (65 minus early retirement age)	30%	15%	0%
Total annual pension	\$12,352	\$14,734	\$17,334

Ad hoc pension benefit increase

The Company, at its discretion, may decide to increase the pension in payment to retired members, their spouses or their beneficiaries to partly offset the increase in the cost of living. In the past, such pension increases were granted in 1967, 1970, 1976, 1978, 1980, 1981, 1989, 1992 and 1994.

Forms of pension payment

Normal form

Your pension is payable for life in equal monthly instalments beginning on the last day of the month following the month of your retirement.

If you do not have a spouse upon your retirement, the pension payments will cease at your death.

If you have a spouse upon your retirement, the law requires that, upon your death, 60% of your pension be continued to your spouse for life. Your pension will have to be adjusted to account for this more generous form of pension.

Optional forms

The Plan provides several optional forms of pension payment to help you plan your retirement income according to your personal situation. However, if you have a spouse and elect a form providing less than 60% to your spouse, he or she must sign a waiver of the normal form of pension.

Joint and survivor option

Under this option, 50% or 100% of your pension, depending on your choice, will continue to be paid to your spouse after your death. The 50% option can only be chosen if your spouse waives the 60% survivor pension.

Level income option

If you retire before age 65, you may elect to receive higher monthly payments from the Avon Retirement Plan until both C/QPP and Old Age Security benefits become payable at age 65. Afterward, you will receive lower payments from the Plan, thus ensuring you receive a more level income throughout your retirement.

Guaranteed payment option

Under this option, you may elect that your lifetime pension be guaranteed for a period of 60, 120 or 180 months. If you die before the end of the chosen term, your beneficiary will receive your pension for the remainder of the guaranteed period.

Selecting an option

Before you retire, you will be notified by the Human Resources Department of the various options available to you. You will also be given an estimate of the income you will receive under the form of pension payment you select and the benefits, if applicable, that will be continued to your spouse following your death.

Your selection of any option must be made before payments start. You may cancel or change your initial option only before your pension payments begin.

Once benefits start, the option selected will remain in force. Should you select a joint and survivor option and the person you named to receive this benefit dies before you, you will continue to receive the reduced income for the rest of your life. However, should your beneficiary die before you commence receiving your pension, the option will be automatically cancelled and full benefits will be paid to you.

Benefits in case of termination

If you leave Avon after you have completed at least 24 months of active membership, you are entitled to the pension benefits credited to you on your date of termination. These benefits will be fully paid starting at age 65 or in an actuarially reduced amount anytime after age 55.

If you are 55 years old or less when you leave, you may choose, instead of keeping your right to a deferred pension, to transfer its value to a locked-in retirement vehicle.

If you are under 45 years of age or have less than 10 years of service when you leave, the portion of your pension value that is not locked-in by law can be paid in cash or transferred to an RRSP that is not locked-in.

Benefits in case of death before retirement

If you die after having completed at least 24 months of active membership, but before your pension begins, your spouse or, if you have no spouse, your estate will be entitled to an amount equal to the value of the deferred pension you would have been entitled to, had your employment terminated the day before your death.

Depending on your province of residence, this benefit will be payable either as a lump sum or as a survivor pension to your spouse.

Funding

Retirement Plan benefits are completely financed by regular contributions made by Avon to a trust fund, exclusively used to hold the assets of the Plan.

Continuation of Plan

Avon intends to continue the Retirement Plan indefinitely but reserves the right to end or amend it anytime. If the Plan should be terminated, members would be fully vested in their rights under the Plan to the extent then funded. The assets of the Plan at that time would be used to provide benefits in the order of priority specified by the Plan provisions or as prescribed by law.

Other Avon benefits during retirement

As a normal or early retiree — in addition to your Avon pension — you will also be eligible for the following benefits at no cost to you:

- Life Insurance:** You benefit from life insurance equal to \$5,000.
- Medical Insurance:** Basic and major medical benefits coverage continues for you and your eligible spouse at retirement.
- Retirement “extras”:** You will continue to receive Avon publications and the employee discount on products.

Please note that for residents of the province of Québec, the insurance provided by Avon is considered to be a taxable benefit.

Other retirement income

Avon's Group RRSP

Avon maintains a Group RRSP for its employees. Under this Group RRSP, you can:

- have direct control over your retirement income planning by electing the amount you wish to contribute;
- invest your contributions in various funds to meet your investment goals; and
- benefit from the tax deductibility of your contributions in the calculation of your taxable earnings.

Government benefits

Canada/Québec Pension Plan

In addition to your Avon pension, you may receive retirement income from the Canada/Québec Pension Plan. Benefits are normally payable from age 65, but you may ask for a reduced pension from age 60. Benefits are adjusted annually to reflect changes in the cost of living.

Old Age Security

The federal Old Age Security pension guarantees additional income at age 65 if you meet certain residence requirements. This benefit is indexed quarterly to reflect changes in the cost of living.

April 1994

This is Exhibit **"T"** to the
Affidavit of Linda Crawley sworn
before me this 4th day of December, 2020.



A Commissioner, etc.

MEDICAL INSURANCE**DENTAL CARE PLAN****SICK LEAVE PLAN**

BENEFIT	Helps pay personal and family health-related expenses not covered by government plans. Expenses covered in full include semi-private hospital room and board, ambulance service (up to \$50 per trip, 2 trips per year) and diagnostic procedures (up to \$50 per year). After payment of a \$25 deductible, 80% of the cost of prescription drugs, special duty nursing and paramedical services is covered.	Pays a significant share of personal and family dental care costs. Reimburses 80% of Basic Dental Services (check-ups, x-rays, fillings, gum disease and root canal treatment) and 50% of Major Dental Services (crowns, dentures, bridges), over an annual \$25 deductible. Reimburses 50% of children's orthodontic work, over a \$50 deductible per child. (Dental Care reimbursement is subject to maximums.)	Provides full salary for a period (maximum 26 weeks) that is determined by the length of your service. If you are entitled to less than 26 weeks of benefits, and are still disabled at the end of the period, the Supplemental Disability Plan will then pay you 66⅔% of your salary to a maximum of \$233 per week in 1982 until the end of the 26-week period, if you do not qualify for U.I.C. payments.
ELIGIBILITY	You are eligible from your first day of employment.	You are automatically covered after completing 1 year of continuous service.	You are eligible for Supplemental Disability benefits from your first day of employment. You are eligible for Sick Leave benefits after completing 3 months of continuous service.
CONTRIBUTIONS	You pay approximately 1/3 of the total premium.	The Company pays the entire cost of your own coverage. You pay \$1 per week for your dependents' coverage; the Company pays the balance.	The Company pays the entire cost of your coverage.
IN THE EVENT OF			
SHORT TERM DISABILITY	Your coverage and contributions continue. Health-related expenses will be paid in the normal manner.	Your coverage and contributions for dependents' coverage continue. Dental Care costs will be reimbursed in the normal manner.	Your salary is continued at a level determined by the length of your service.
LONG TERM DISABILITY	Your coverage (and family coverage, if any) continues. The Company pays your contributions while you are disabled.	Your coverage (and family coverage, if any) continues. The Company pays your cost for dependents' coverage while you are disabled.	Your coverage stops.
DEATH BEFORE RETIREMENT	Your coverage stops.	Your coverage stops.	Your coverage stops.
RETIREMENT	Your coverage (and family coverage, if any) continues, but your contributions stop.	Your coverage stops. Your dependents' coverage continues for three months.	Your coverage stops.
DEATH AFTER RETIREMENT	Your coverage stops.	Not applicable.	Not applicable.
TERMINATION	Your coverage stops.	Your coverage stops.	Your coverage stops.

LONG TERM DISABILITY

LIFE INSURANCE

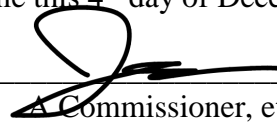
Pays an income equal to 50% of your salary to a maximum of \$1,500 per month (including government disability payments).	Pays two times your annual salary adjusted to the nearest \$1,000. Maximum amount of coverage is \$125,000.	Pays one times your annual salary, adjusted to the nearest \$1,000. Maximum amount of coverage is \$75,000.
You are eligible after completing 3 months of continuous service.	You are automatically covered on the first day you are employed.	You are automatically covered on the first day you are employed.
The Company pays the major portion of your coverage.	You pay approximately 1/3 of the premium for the first 3 years of employment. The Company pays the full cost of your coverage thereafter and during retirement.	You pay approximately 1/3 of the premium for the first 3 years of employment. Thereafter, the Company pays the full cost of your coverage.
Your coverage and contributions continue.	Your coverage and contributions continue.	Your coverage and contributions continue.
Your disability income begins after Sick Leave and U.I.C. payments end, and continues for up to 24 months if you cannot perform your own job. Thereafter, this income continues for as long as you are disabled (to age 65) if you cannot perform any job for which you are reasonably qualified.	Your coverage continues, but your contributions stop.	Pays partial coverage if disability involves accidental loss of limbs or sight. Your coverage continues but your contributions stop.
Your coverage stops.	If you die from any cause, your Life Insurance will pay a lump sum to your beneficiary in addition to any other coverage.	In addition to any other coverage, A.D.&D. Insurance will pay a lump sum to your beneficiary if you die due to an accident.
Your coverage stops.	\$5,000 of coverage will continue during retirement.	Your coverage stops.
Not applicable.	If you die from any cause, your Life Insurance will pay a lump sum of \$5,000 to your beneficiary.	Not applicable.
Your coverage stops.	Coverage continues for 31 days, during which time you may convert to an individual life policy without medical examination.	Your coverage stops.

GROUP TRAVEL INSURANCE

RETIREMENT PLAN

<p>Pays 5 times your annual salary. Maximum amount of coverage is \$300,000.</p>	<p>Provides a retirement income related to your years of service and Final Average Earnings.</p>
<p>Automatically, from your first day of employment, your coverage goes into effect each time you leave your normal place of work, on authorized Company business.</p>	<p>You join automatically the day you are employed.</p>
<p>The Company pays the full cost of your coverage.</p>	<p>The Company pays the entire cost of this Plan.</p>
<p>Your coverage stops.</p>	<p>You continue to accumulate Creditable Service.</p>
<p>Not applicable.</p>	<p>You continue to accumulate Creditable Service.</p>
<p>In addition to any other coverage, your Group Travel Insurance will pay a lump sum to your beneficiary if you die accidentally while traveling on Company business — excluding travel to and from work.</p>	<p>If you have at least 10 years of service and have attained age 45, your spouse will receive a monthly pension for life.</p>
<p>Your coverage stops.</p>	<p>If you are at least 55 and have 15 years of service, the Plan pays a monthly income based on your years of service and Final Average Earnings.</p>
<p>Not applicable.</p>	<p>The benefits payable to your survivors will depend on the pension payment method you elect.</p>
<p>Your coverage stops.</p>	<p>If you have 10 years of service, you are entitled to a deferred pension, which can be paid to you early on a reduced basis any time between age 55 and 65, or in full from age 65.</p>

This is Exhibit **“J”** to the
Affidavit of Linda Crawley sworn
before me this 4th day of December, 2020.

A handwritten signature in black ink, consisting of a large loop followed by a horizontal stroke and a small flourish.

A Commissioner, etc.

Summary of your Retirement Plan

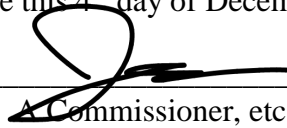
Eligibility	From your first day of work.
Retirement age	Normal retirement: age 65. Early retirement: age 55 and 15 years of credited service.
Normal retirement	<div>Annual pension calculated according to the following formula:</div> <div><div>For each of the first 10 years of credited service</div><div>1³/₄% of your final average earnings</div><div>For each of the next 20 years of credited service</div><div>1¹/₂% of your final average earnings</div><div>For each year of credited service over 30 years</div><div>1¹/₄% of your final average earnings</div></div> <div><div>less</div><div>the Canada/Québec Pension Plan offset.</div></div> <div>If the Plan's minimum formula produces a higher benefit, then that is what you will receive.</div>
Early retirement	Pension calculated according to the formula less 3% for each year between your early retirement date and normal retirement date.
Termination of employment	Pension calculated at the date of your termination of employment (if you have completed at least 24 months of membership). Transfer option.
Death	<div>Death before retirement: value of the pension calculated at death (if you have completed at least 24 months of active membership).</div> <div>Death during retirement: based on the form of pension payment elected upon retirement.</div>



Summary of your insurance program

PLAN		ELIGIBILITY	COVERAGE	DURING DISABILITY	DURING A MATERNITY LEAVE	IN THE EVENT OF TERMINATION OF EMPLOYMENT	DURING RETIREMENT	IN THE EVENT OF DEATH
Medical Insurance Plan		First day of work. Also covers dependents.	100% of semiprivate hospital charges in excess of standard ward rate. 80% of eligible major medical expenses, after a \$25 deductible for you and a \$25 deductible for all your dependents: <ul style="list-style-type: none">Ambulance servicesX-rays and laboratory testsDrugs available by prescription onlyNursing careProfessional health careEmergency medical expenses incurred outside CanadaOther expenses Reimbursement of certain types of expenses is subject to a maximum. Most services or supplies must be prescribed by a doctor.	Coverage is maintained as long as you receive benefits under one of Avon’s disability plans. You do not pay premiums when you receive long-term disability benefits.	Coverage is maintained as long as you pay the premiums.	Coverage ends.	Coverage is partially maintained for you and your eligible spouse.	Coverage is maintained for three months for your dependents.
Dental Care Plan		After one year of continuous service. Also covers dependents.	80% of basic services and 50% of major services, after a \$25 deductible for you and a \$25 deductible for all your dependents. Maximum reimbursement: \$750 a year per person. 50% of orthodontic treatments (for dependent children only), after a \$50 lifetime deductible per child. Maximum reimbursement: \$750 lifetime per child.	Coverage is maintained as long as you receive benefits under one of Avon’s disability plans. You do not pay premiums when you receive long-term disability benefits.	Coverage is maintained as long as you pay the premiums.	Coverage ends.	Coverage ends.	Coverage is maintained for three months for your dependents.
Disability benefits	Sick Leave Plan	After three months of continuous service.	100% of your salary during a number of weeks based on service, up to 26 weeks.	You receive the benefits payable.	Coverage is maintained as long as you pay the premiums.	Coverage ends.	Coverage ends.	Coverage ends.
	Supplemental Disability Plan	First day of work.	2/3 of your salary, from the end of your sick leave up to the 26th week.	You do not pay premiums when you receive long-term disability benefits.				
	Long-Term Disability Plan	After three months of continuous service.	60% of your monthly pay, up to \$4,000, from the 27th week of disability, for the first 24 months of long-term disability, then 70% of your monthly pay, up to \$4,000. Your condition must correspond to the definition of disability and you must be under the care of a doctor.					
Survivor benefits	Life Insurance	First day of work.	1 x your salary , paid upon your death, whatever the cause.	Coverage is maintained as long as you receive benefits under one of Avon’s disability plans.	Coverage is maintained as long as you pay the premiums.	Coverage ends. You have 31 days to convert your insurance to a personal policy.	You have life insurance coverage of \$5,000.	Your beneficiaries receive the benefits payable.
	Family Death Benefits	First day of work.	4 weeks of your gross salary , paid to your spouse or another eligible member of your family, as a result of your death.	You do not pay premiums when you receive long-term disability benefits.				
	Accidental Death and Dismemberment Insurance	First day of work.	1 x your salary ,* paid in the event of death or loss of both hands, both feet or of sight in both eyes, as a result of an accident, or 1/2 x your salary , paid in the event of loss of one hand, one foot, sight in one eye, speech or hearing, as a result of an accident.					
	Group Travel Insurance	First day of work.	5 x your salary ,* up to \$500,000, paid in the event of death during a business trip for Avon. * Upon your death, this amount is paid in addition to the amounts paid by the other plans.					

This is Exhibit “**K**” to the
Affidavit of Linda Crawley sworn
before me this 4th day of December, 2020.

A handwritten signature in black ink, consisting of a large, stylized 'S' or 'J' shape followed by a horizontal line.

A Commissioner, etc.

December 2015

To: All retired Associates eligible for the Group Insurance Program at retirement

From: Human Resources Department

Subject: Group Insurance Program at retirement

As an Avon retiree, you benefit from the Group Insurance Program at retirement, which includes a Health Care Plan as well as a death benefit.

Health Care Plan – Costs for 2016

Great news! We have completed our annual review of costs and are pleased to inform you that the monthly deductions and taxable benefits **will remain the same for 2016**. This is the result of careful plan utilization by all plan members over the past year.

As a reminder, the tables below show the monthly deductions from your pension (based on the cost-sharing arrangement) as well as the taxable benefits that apply:

IF YOU RETIRED *BEFORE* JANUARY 1, 2010

COSTS

Single coverage	\$5.05
Family coverage	\$10.10

TAXABLE BENEFITS (QUÉBEC RESIDENTS ONLY)

Single coverage	\$43.59
Family coverage	\$87.18



IF YOU RETIRED *BETWEEN* JANUARY 1, 2010 AND DECEMBER 31, 2014

COSTS

Single coverage	\$12.15
Family coverage	\$24.30

TAXABLE BENEFITS (QUÉBEC RESIDENTS ONLY)

Single coverage	\$36.49
Family coverage	\$72.98

IF YOU RETIRE *ON OR AFTER* JANUARY 1, 2015

As announced in 2007, the cost for anyone retiring on or after January 1, 2015 will now be shared equally between the employer and the employee. The monthly deductions and taxable benefits will be as follows:

COSTS

Single coverage	\$24.25
Family coverage	\$48.50

TAXABLE BENEFITS (QUÉBEC RESIDENTS ONLY)

Single coverage	\$24.39
Family coverage	\$48.78

It is important to keep in mind that **Great-West Life must receive** your claims for medical expenses incurred in 2015 **by June 30, 2016**, for them to be taken into consideration. The *Healthcare Expenses Statement* claim form is available on the Great-West Life web site at www.greatwestlife.com. You can also use the enclosed claim form and make photocopies for future use.

If you have any questions about your health care claims or coverage, please do not hesitate to contact Great-West Life at 1-800-957-9777. If you have questions about your benefits (for example: death benefit, beneficiaries or taxable benefits), please contact Mercer at 1-877-550-2698 or 514-350-2698, or by email at avon.pension@mercer.com.

We would also like to take this opportunity to wish you the very best in 2016.

December 2010

To: All retired Associates eligible for the Group Insurance Program at retirement

From: Human Resources Department

Subject: **Group Insurance Program at retirement**

As an Avon retiree, you benefit from the Group Insurance Program at retirement, which includes a Health Care Plan as well as a death benefit.

Health Care Plan – Costs for 2011

We have completed our annual review of costs and wish to inform you that the monthly deductions and the taxable benefits **will increase by 5% for 2011**. The costs of your Health Care Plan for a given year are based partly on the benefits paid during the previous year. Also, costs in the health care sector continue to rise significantly, and drug costs represent the largest portion of total health plan costs. It should be noted that the costs of your Health Care Plan have remained unchanged since 2006. Furthermore, the 5% increase for 2011 is below the average inflation on the market.

The tables below show the current and new monthly deductions from your pension as well as the taxable benefits that apply:

IF YOU RETIRED BEFORE JANUARY 1, 2010

COSTS

	Your current cost	Your cost as of January 2011
Single coverage	\$5.15	\$5.40
Family coverage	\$10.30	\$10.80

TAXABLE BENEFITS (QUÉBEC RESIDENTS ONLY)

	2010	2011
Single coverage	\$44.39	\$46.61
Family coverage	\$88.78	\$93.24



IF YOU RETIRED ON OR AFTER JANUARY 1, 2010**COSTS**

	Your current cost	Your cost as of January 2011
Single coverage	\$12.35	\$13.00
Family coverage	\$24.70	\$26.00

TAXABLE BENEFITS (QUÉBEC RESIDENTS ONLY)

	2010	2011
Single coverage	\$37.19	\$39.01
Family coverage	\$74.38	\$78.04

It is important to keep in mind that **Great-West Life must receive** your claims for medical expenses incurred in 2010 **by June 30, 2011**, for them to be taken into consideration. The *Healthcare Expenses Statement* claim form is available on the Great-West Life web site at www.greatwestlife.com. You can also use the enclosed claim form and make photocopies for future use.

If you have any questions about your health care claims or coverage, please do not hesitate to contact Great-West Life at 1-800-957-9777. If you have questions about your benefits (for example, death benefit, beneficiaries, taxable benefits), please contact Mercer at 1-877-550-2698 or 514-350-2698, or by email at avon.pension@mercer.com.

Please keep the attached contact information sheet for future reference.

We would also like to take this opportunity to wish you the very best in 2011.

A V O N

December 2009

To: All retired Associates eligible for the Group Insurance Program at retirement

From: Human Resources Department

Subject: Group Insurance Program at retirement

As an Avon retiree, you benefit from the Group Insurance Program at retirement, which includes a Health Care Plan as well as a death benefit.

Costs for 2010

We have completed our annual review of costs and wish to inform you that the monthly deductions and the taxable benefits **will remain unchanged for 2010**.

As a reminder, the tables below show the monthly deductions from your pension as well as the taxable benefits that apply:

Health care	
Single coverage	\$5.15
Family coverage	\$10.30
Taxable benefits (Québec residents only)	
Single coverage	\$44.39
Family coverage	\$88.78

New booklet

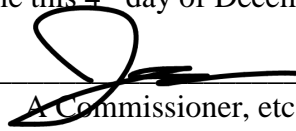
Enclosed is your new benefits booklet—*Group Insurance Program at Retirement*—detailing the coverage available to you during retirement. Please note that your coverage has not changed in any way. This new version of your benefits booklet simply provides more information.

It is important to keep in mind that **Great-West Life must receive** your claims for medical expenses incurred in 2009 **by June 30, 2010**, for them to be taken into consideration. The *Healthcare Expenses Statement* claim form is available on the Great-West Life web site at www.greatwestlife.com. You can also use the enclosed claim form and make photocopies for any future use.

If you have any questions, please do not hesitate to contact Mercer, at 514-350-2698 or at 1-877-550-2698.

We would also like to take this opportunity to wish you the very best in 2010.

This is Exhibit “L” to the
Affidavit of Linda Crawley sworn
before me this 4th day of December, 2020.

A handwritten signature in black ink, consisting of a large loop followed by a horizontal stroke and a small flourish.


A Commissioner, etc.



Page 2
 July 17, 2015
 Ms. Linda Crawley

Please complete sections 2 and 3C, date and sign the form before returning it along with all required forms if necessary. Take note that these funds are **locked-in**, therefore no cash payments are allowed. As a result, you are not entitled to options C2, C3 and C7. However, options C4, C5, and C6 can be elected. If you need additional information in the completion of the form, refer to the attached explanatory page.

Other benefits

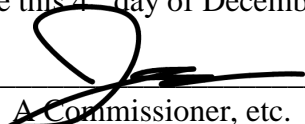
 As an Avon pensioner, you will retain your Avon Medical coverage. You will find enclosed the **Group Insurance Program at Retirement** booklet which gives you detailed information. Please note that at age 65, you will have to enroll with your provincial drug plan, if applicable. The dental coverage and the Travel Assistance Plan stop at retirement.

In addition, you are entitled to a \$7,500 death benefit payable to your estate. If you reside in Quebec, your estate is automatically the beneficiary of the death benefit paid by Avon. This means that the death benefit will be payable to the person or persons entitled to receive the benefit in accordance with your will or, if you do not have a will, in accordance with the provisions of the Civil Code governing estates without a will.

You also have the option, if you are under 65 years of age, of converting the Group Life Insurance Policy you currently have with Avon to a personal policy. This option is valid for (31) days starting from your date of termination of employment (**July 10, 2015**). Please communicate with Robert Blackburn from Great West at 1 800 313 2213, extension 6140. Please note that the Life Insurance Policy number is 330183.

Finally, for your information, please find enclosed the **Got questions about your benefits?** form describing services available with the resources' phone numbers or e-mail address for your Pension Plan and your Group Insurance Program.

This is Exhibit “**M**” to the
Affidavit of Linda Crawley sworn
before me this 4th day of December, 2020.



A Commissioner, etc.

GROUP INSURANCE PROGRAM AT RETIREMENT

Avon Canada Inc. is pleased to offer a Group Insurance Program for its retirees, which includes a death benefit and a Health Care Plan.

Who is eligible?

You

You can participate in the retired associates Program if you are age 55 or older and have 15 or more years of credited service in the pension plan on the date of your retirement.

Your spouse and children

Your spouse and children can also be covered under the Health Care Plan if they meet the following definitions.

Spouse

- Your legal spouse; or
- Your common-law spouse, meaning the person:
 - with whom you have been living in a marital relationship for at least one year; or
 - with whom you have had or adopted a child; or
 - whose child you have adopted during your union; or
 - who has adopted one of your children during your union.

Children

Your unmarried children (including your spouse's children, your adopted children, and any children in your charge) who depend on you for support and who are:

- under age 21; or
- under age 26 and studying full-time (15 hours per week or more); or
- physically or mentally disabled.

When you retire, you must choose between single or family coverage. You cannot change your choice later, except in the case of cessation of spousal relationship or the death of your spouse or children, or if your children no longer meet the eligibility requirements.

In the case of cessation of spousal relationship, a new spouse may be insured as soon as he or she satisfies the definition of spouse.

If you die, your spouse and eligible children continue to be covered for life, without them having to make any payments. However, if they are residents of Québec, the law requires that they cease to benefit from coverage for the drugs listed on the Régie de l'assurance maladie du Québec (RAMQ) formulary after two years, and that they then obtain coverage under the Québec Drug Insurance Plan.

Please note that you have 31 days to submit a written application for you and your dependents, or to make a change in your family status.

Who pays for this Program?

Avon and you share the cost of the Program according to the percentages in effect when you retire.

Drug insurance for Québec residents who are age 65 or over

If you are age 65 or over and are eligible for coverage under the Québec Drug Insurance Plan, you will automatically be covered under that plan. Your spouse and any dependent children would also be covered by that plan, unless they are eligible for coverage under another plan. You can choose to opt out of the government plan. However, the cost of coverage under the government plan is less expensive than under the Avon Program. For additional information, please visit the website at www.ramq.gouv.qc.ca or call 514 864-3411, or outside Montréal, 1 800 561-9749.

Medical coverage under provincial government plans for retirees outside Québec who are age 65 or over

You must enrol in your provincial government plan if you are eligible. For more information, please contact the health insurance plan of your province:

Alberta	www.health.alberta.ca	310-0000, then 780-427-1432
British Columbia	www.health.gov.bc.ca/health/	1-877-952-3181 or 811
Manitoba	www.gov.mb.ca/health	1-800-392-1207
New Brunswick	www.gnb.ca/0051	1-888-762-8600 or 811
Newfoundland and Labrador	www.health.gov.nl.ca/health/	Avalon: 1-866-449-4459; other areas: 1-800-563-1557
Northwest Territories	www.hltss.gov.nt.ca	1-800-661-0830
Nova Scotia	www.gov.ns.ca/DHW/	1-800-387-6665 or 811
Nunavut	www.hss.gov.nu.ca/health/	1-800-661-0833 or 811
Ontario	www.health.gov.on.ca	1-866-532-3161
Prince Edward Island	www.healthpei.ca	902-368-6130 or 811
Saskatchewan	www.health.gov.sk.ca	1-800-667-7766 or 811
Yukon	www.hss.gov.yk.ca	1-800-661-0408, local 5403 or 811

Expenses that are not eligible under your provincial plan, but that are covered under the Avon Program, will continue to be reimbursed according to the provisions of the

Lifetime maximum of \$20,000 for Health Care

The Program reimburses health care expenses for a covered person up to a lifetime maximum of \$20,000. However, the maximum per covered person, which is \$20,000 minus expenses reimbursed to the person, is increased by a maximum of \$1,000 each year, but only up to the limit of \$20,000.

If you received a total reimbursement of \$20,000 during a single year, you would still be entitled to a maximum reimbursement of \$1,000 the following year. Subsequently, your eligible expenses would be reimbursed to a maximum of \$1,000 each year.

If you are a Québec resident and under the age of 65, drugs listed on the RAMQ formulary are reimbursed at no less than 75%, even if the lifetime maximum has been reached.

See example →

Death benefit

Upon your death, Avon will pay \$7,500 to your beneficiary or, if you reside in Québec, to your estate.

Health Care Plan

The following coverage is provided for each person insured:

	DESCRIPTION	COVERAGE
Hospitalization* • Short-term hospital care	Care in a facility authorized to provide care and treatment to injured or sick patients, especially during the acute phases. It must be equipped to carry out diagnostic treatments and major surgery. Nursing care must be available 24 hours per day.	100% of the difference between the semi-private rate and the standard hospital ward rate Max. 120 days/year
• Convalescent hospital	Rehabilitative care in a facility providing treatments that result in measurable improvement in the patient's condition, following a period of hospitalization as a result of acute illness.	100% of the difference between the semi-private rate and the standard hospital ward rate Max. 100 days/per event
Other expenses	See detailed table on the next page	Deductible: \$50/single or \$100/family After payment of the deductible, reimbursement at 75% for the first \$2,000 of eligible expenses** Expenses above the \$2,000 maximum reimbursed at 100%*** Lifetime maximum: \$20,000 (see example below)

* Hospitalization: You can confirm the status of the facility in advance with the insurer or with the facility's administration.

** Expenses for the services of a psychologist and those already reimbursed at 100% are excluded from this amount of eligible expenses.

*** Maximums and limits continue to apply.

EXAMPLE

A Lifetime maximum at retirement	\$20,000
B Total amount for claims reimbursed by the insurance company at the end of the year	\$1,500
C Amount of claims in excess of \$1,000	\$500
Lifetime maximum for the following year (A - C)	\$19,500

Eligible expenses. Unless otherwise indicated, eligible expenses are reimbursed at 75% of the first \$2,000 per covered person per calendar year, then 100% in excess of \$2,000.

ELIGIBLE EXPENSES (in addition to hospitalization)	COVERAGE
Drugs	Prescription drugs only, including: - oral contraceptives and intrauterine devices - certain over-the-counter medications required to maintain vital functions, if prescribed by a doctor. For further details, please contact Great-West Life
Smoking cessation products	Smoking cessation products, by prescription only, based on the law establishing the Québec basic prescription drug insurance plan
Ambulance	Transportation to or from a hospital by a local ambulance service, reimbursed at 100%
Diagnostic testing	X-rays and laboratory tests for diagnostic purposes Max. \$750/year
Nursing care (at home)	Private-duty nursing by a registered graduate nurse who is not a member of your immediate family Lifetime max. \$10,000
Orthotics and orthopedic shoes	Orthotics: Custom-made foot plates worn inside the shoe to support the foot and ensure proper alignment of the joints and muscles attached to it Orthopedic shoes: Custom-made shoes designed to prevent or treat malformations of the bones, joints, ligaments, muscles and tendons of or attached to the foot Combined max. \$300/year
Hearing aids	Hearing aids prescribed by a specialist, and batteries required to operate them Max. \$400/5 years
Diabetic supplies	Supplies for treating diabetes
Dental care	Treatment required following an accidental injury to natural teeth performed within 12 months after the accident
Physiotherapist, occupational therapist, and sports therapist	Services provided by licensed professionals who are members of their association Combined max. \$500/year
Psychologist and social worker	Services provided by licensed professionals who are members of their respective associations Reimbursed at 50%, combined max. \$500/year
Treatments by health care practitioners • acupuncturist • chiropractor • dietitian • massage therapist • naturopath • speech therapist • osteopath • podiatrist • chiropodist	Services provided by licensed professionals who are members of their respective associations Max. eligible expenses: \$30/visit/practitioner Combined max. reimbursement for all practitioners: \$500/year One X-ray per specialist per year
Vision care	Eye examination carried out by an optometrist or an ophthalmologist reimbursed at 100%, up to a maximum of \$45/24 months
Miscellaneous expenses	Purchase or rental of: - oxygen, and rental of equipment for administering it - artificial limbs - pacemakers - casts, splints, trusses, braces and crutches - rental of a wheelchair, iron lung, or hospital bed - capillary prostheses reimbursed at 50%, up to a lifetime maximum of \$200

Québec Drug Insurance Plan

Any conditions under Avon's plan that do not meet the minimum requirements under the Québec Drug Insurance Plan are automatically adjusted to meet those requirements.

Exclusions

In addition to the expenses that exceed the prescribed maximums and the amounts considered reasonable and customary, expenses for the following supplies and services will not be reimbursed:

- stays in a chronic-care hospital, ward or nursing homes;
- expenses incurred outside the province of residence;
- corrective lenses, frames, and contact lenses;
- any services or supplies that are not medically required, recommended, or approved by a licensed doctor;
- experimental treatment or medication;
- treatment for job-related illnesses or injuries;
- free medical care or services covered in whole or in part by government plans;
- illness or injury caused by an act of war;
- cosmetic treatment, unless required as a result of an accident that occurs while covered under this plan;
- orthopedic beds or mattresses;
- dental care expenses other than those described in the list of eligible expenses;
- vitamins or nutritional supplements;
- contraceptives other than oral contraceptives and intrauterine devices;
- any treatment, services or supplies not included in the list of eligible expenses;
- so-called "lifestyle drugs," such as drugs for treating erectile-dysfunction problems or baldness and other such drugs, whether prescribed by a doctor or not;
- fertility drugs;
- homeopathic preparations.

IMPORTANT

Since the plan does not cover expenses incurred outside your province of residence, you should purchase personal insurance if you and your family travel outside the province.

Claims

Hospital expenses

The hospital's administrative department must complete its standard hospitalization claim form and forward it directly to the insurer.

Other eligible expenses

You must complete the *Group Health Claim Form*, which you can obtain from Great-West Life on their website at www.greatwestlife.com.

Original receipts for expenses incurred must be enclosed with the form. To help control costs, it is preferable to submit a claim for several receipts, rather than one claim for each receipt.

Great-West Life reserves the right to require that you or a covered dependent be examined by a doctor of its choice, when it deems necessary.

For expenses incurred in a calendar year, Great-West Life must receive your claims no later than June 30 of the following calendar year.

Coordination of benefits

If you are covered under two plans (Avon's and that of your spouse), you can claim reimbursement from one plan for expenses not reimbursed under the other, to a maximum of 100% of the expenses incurred. Insurance companies have established coordination rules that apply in these cases:

- Claims must first be submitted to the plan under which you (or your spouse) are covered as an employee or retiree;
- For dependent children, claims must first be submitted to the plan of the parent whose date of birth occurs earlier in the year.

Questions

By contacting Great-West Life directly at 1 800 957-9777, you can obtain additional information on eligible expenses, request a pre-determination of reimbursement for certain expenses, or make inquiries about your claims.

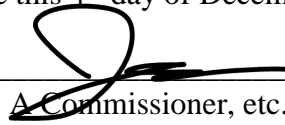
Important reminder

When a retiree is eligible for a government plan, Avon assumes that the retiree participates in that plan. In addition, Avon's Program does not cover the excess of eligible expenses covered partly or totally by that government plan. Moreover, Avon's Program will not necessarily cover expenses resulting from a future withdrawal of government plans.

The information in this document provides an overview of Avon's Group Insurance Program at retirement. The implementation and interpretation of the provisions of this Program are based on official documents and on the insurance contracts. In the event of a conflict, the official documents will prevail.

Avon reserves the right to amend or terminate the Group Insurance Program at retirement at any time, and to amend the Program's cost-sharing provisions, subject to a 30-day written notice.

This is Exhibit “N” to the
Affidavit of Linda Crawley sworn
before me this 4th day of December, 2020.

A handwritten signature in black ink, consisting of a large loop followed by a horizontal stroke and a small flourish.

A Commissioner, etc.

AVON

December 2009

To: All retired Associates eligible for the Group Insurance Program at retirement

From: Human Resources Department

Subject: Group Insurance Program at retirement

As an Avon retiree, you benefit from the Group Insurance Program at retirement, which includes a Health Care Plan as well as a death benefit.

Costs for 2010

We have completed our annual review of costs and wish to inform you that the monthly deductions and the taxable benefits **will remain unchanged for 2010**.

As a reminder, the tables below show the monthly deductions from your pension as well as the taxable benefits that apply:

Health care

Single coverage	\$5.15
Family coverage	\$10.30

Taxable benefits (Québec residents only)

Single coverage	\$44.39
Family coverage	\$88.78

New booklet

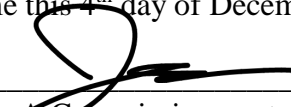
Enclosed is your new benefits booklet—*Group Insurance Program at Retirement*—detailing the coverage available to you during retirement. Please note that your coverage has not changed in any way. This new version of your benefits booklet simply provides more information.

It is important to keep in mind that **Great-West Life must receive** your claims for medical expenses incurred in 2009 **by June 30, 2010**, for them to be taken into consideration. The *Healthcare Expenses Statement* claim form is available on the Great-West Life web site at www.greatwestlife.com. You can also use the enclosed claim form and make photocopies for any future use.

If you have any questions, please do not hesitate to contact Mercer, at 514-350-2698 or at 1-877-550-2698.

We would also like to take this opportunity to wish you the very best in 2010.

This is Exhibit "O" to the
Affidavit of Linda Crawley sworn
before me this 4th day of December, 2020.



A Commissioner, etc.



the company for women

April 17, 2019

Dear retiree:

On April 5th, Avon Canada Inc. ("Avon") announced various changes to its defined contribution pension plan in relation to its associates. This was not a decision made easily but it was necessary in our current economic environment. Please see the enclosed Notice to Plan Members for more information.

Today, we must communicate to you another difficult decision which Avon has had to make regarding its Post Retirement Benefit Program (the "Program") which includes both health insurance and a death benefit.

As you know, Avon has been sponsoring a Post-Retirement Benefit Program for your benefit with the express understanding that the Program could be amended or terminated with a 30 day written notice.

In the past, Avon had been obliged at times to reduce the Post Retirement Benefits or increase the cost sharing of the Program. Unfortunately, in light of the economic environment in which Avon is currently operating and in line with the changes made by New Avon, we must now discontinue the Post Retirement Benefits and terminate the Program in its entirety.

Rest assured that the decision to eliminate your post-retirement benefits does not negatively impact your monthly pension payments.

Mindful that this decision is likely to have an impact on our retirees, Avon shall maintain the Program until December 31, 2019. Please be advised, however, that effective January 1, 2020, there will no longer be an Avon Post Retirement Benefit Program.

Should you have any questions, please don't hesitate to reach out to the Human Resources department.

Sincerely,

A handwritten signature in black ink, appearing to read "Goran Petrovic". The signature is stylized with a large, sweeping 'G' and a distinct 'P'.

Goran Petrovic
General Manager



the company for women

Le 17 avril 2019

Cher(Chère) retraité(e),

Le 5 avril dernier, Avon Canada inc. (« Avon ») a annoncé des modifications à son régime de retraite à cotisations déterminées à l'égard de ses associés(es). Cette décision n'a pas été prise à la légère, mais elle était nécessaire compte tenu du contexte économique actuel. Veuillez trouver ci-joint l'avis aux membres du régime, qui contient des renseignements additionnels.

Aujourd'hui, nous devons vous communiquer une autre décision difficile qu'Avon a dû prendre concernant son programme d'avantages postérieurs au départ à la retraite (le « programme »), qui comprend une garantie d'assurance maladie et une prestation de décès.

Comme vous le savez, Avon offre un programme d'avantages postérieurs au départ à la retraite à votre égard qui prévoit expressément que celui-ci peut être modifié ou résilié au moyen d'un préavis écrit de trente (30) jours.

Dans le passé, Avon a été obligée à l'occasion de réduire les avantages postérieurs au départ à la retraite ou d'augmenter la contribution financière au programme. Malheureusement, en raison du contexte économique actuel et conformément aux changements effectués par New Avon, nous devons maintenant cesser les avantages postérieurs au départ à la retraite et mettre fin complètement au programme.

Sachez que la décision d'éliminer vos avantages postérieurs au départ à la retraite n'a aucun impact négatif sur vos prestations mensuelles de pension.

Soucieuse du fait qu'une pareille décision est susceptible d'avoir des répercussions défavorables sur ses retraités(es), Avon maintiendra le programme en vigueur jusqu'au 31 décembre 2019. Veuillez toutefois noter qu'à compter du 1^{er} janvier 2020, il n'y aura plus de programme d'avantages postérieurs au départ à la retraite Avon.

Si vous avez des questions, n'hésitez pas à communiquer avec le Service des ressources humaines.

Agréez, cher(chère) retraité(e), nos sincères salutations.

A handwritten signature in dark ink, appearing to read "Goran Petrovic". The signature is fluid and stylized, with a large initial "G" and a long, sweeping underline.

Goran Petrovic
Directeur général

This is Exhibit **“P”** to the
Affidavit of Linda Crawley sworn
before me this 4th day of December, 2020.



A Commissioner, etc.

LG Household & Health Care To Acquire New Avon, LLC

LG H&H Expands Reach in North American Market

Transaction Benefits Avon North America's Iconic Brand, Independent Sales Representatives and Product Innovation



NEWS PROVIDED BY

New Avon LLC →

Apr 25, 2019, 02:23 ET

SEOUL and NEW YORK, April 25, 2019 /PRNewswire/ -- LG Household & Health Care, Ltd. ("LG H&H", "the Company") (KRX: 051900) today announced that it has entered into a definitive agreement with an affiliate of Cerberus Capital Management, L.P. ("Cerberus") and Avon Products, Inc. ("Avon Worldwide") to acquire New Avon, LLC* ("Avon North America") for \$125 million in cash. LG H&H will acquire the entirety of Cerberus' majority interest and Avon Worldwide's minority interest in Avon North America. The transaction has been approved by the LG H&H Board of Directors.

Continue Reading





88.
LG H&H is Korea's leading consumer goods company, with strong market positions in all major categories including cosmetics, personal care and home care. Korea is one of the world's largest and most innovative beauty markets, with over \$13.1 billion in sales in 2018⁽¹⁾. LG H&H currently distributes a number of its brands in the U.S., including belif and The history of Whoo.

The addition of Avon's iconic brand, award-winning products, dedicated employee base and network of 250,000 sales representatives throughout North America will support LG H&H's international growth plans. Under LG H&H's ownership, Avon North America will continue its strategy of product innovation, while strengthening its position as the leading social selling beauty company in the region. Avon North America is expected to benefit from LG H&H's world-class R&D capabilities in cosmetics, personal care, fragrance, packaging and design.

Suk Cha, CEO of LG Household & Health Care, said, "We recognize Avon North America's strong brand, leading market position in the region, and talented employees and Representatives. Avon North America's innovative social selling model builds deep connections with customers and we are excited to leverage this as we continue to expand. We look forward to building on Avon North America's success to drive customer engagement and long-term growth in this market."

"LG H&H respects and admires our strong community of Representatives, and supports our mission to empower women through economic opportunity," said Laurie Ann Goldman, CEO of Avon North America. "We are thrilled to welcome our new partner, who shares our commitment to innovation, and our clear focus on putting customers first. We have appreciated our partnership with Cerberus over the last three years and their support as we strengthened the company and reset our path toward long-term success."

Michael F. Sanford, Co-Head of Private Equity and Senior Managing Director at Cerberus, added, "LG H&H is a global leader in cosmetics and beauty products, its commitment to investing in the Avon brand and product lines makes LG H&H a great long-term home for Avon North America."

The transaction is expected to close on September 30, 2019 and is subject to certain customary closing conditions, including regulatory approvals in the U.S.

ABOUT LG HOUSEHOLD & HEALTH CARE

LG Household & Health Care (LG H&H) is the #1 consumer goods company in Korea, with leading positions in all major categories including cosmetics, personal care, home care and beverages. The company is listed on the Korea Stock Exchange with a market capitalization of USD \$20 billion and full-year revenue of approximately USD \$6 billion for 2018. In recent years, LG H&H has accelerated its expansion beyond Korea, with leading luxury cosmetics brands such as 'The history of Whoo', 'su:m' and 'belif', and is now one of the top global cosmetics companies in Asia.

ABOUT NEW AVON LLC

New Avon, LLC ("Avon North America") is the leading social selling beauty company in North America, with independent sales Representatives throughout the United States, Puerto Rico, and Canada. Avon North America's portfolio includes award-winning skincare, color cosmetics, fragrance, personal care, and health and wellness products featuring brands such as ANEW, Avon True Color, Espira, and Skin So Soft, as well as fashion and accessories. Avon has a 133-year history of empowering women through economic opportunity, and supporting the causes that matter most to women. Avon philanthropy has contributed over \$1 billion globally toward eradicating breast cancer and domestic violence. Learn more about Avon North America and its products at www.avon.com.

ABOUT CERBERUS

Founded in 1992, Cerberus is a global leader in alternative investing with approximately \$39 billion in assets across complementary credit, private equity, and real estate strategies. We invest across the capital structure where our integrated investment platforms and proprietary operating capabilities create an edge to improve performance and drive long-term value. Our tenured teams have experience working collaboratively across asset classes, sectors, and geographies to seek strong risk-adjusted returns for our investors. For more information about our people and platforms, visit us at www.cerberus.com.

CONTACTS:

Avon North America:

OfficeoftheCEO@avonusa.com

Cerberus:

Sard Verbinen & Co

David Millar / Abi Genis

+1 212-687-8080

Camilla Scassellati-Sforzolini

+44 20 7467 1050

*New Avon, LLC ("Avon North America") is a privately held company, established in March 2016, which develops and distributes products under the "Avon" name in the United States, Canada, and Puerto Rico – only. All products in the United States, Canada, and Puerto Rico bearing the Avon name are products of Avon North America. Avon North America is a separate company – a wholly different legal entity – from Avon Products, Inc. ("Avon Worldwide"), which is a global publicly traded corporation, operating in countries outside the United States, Canada, and Puerto Rico.

(1) According to Mintel, a global market intelligence agency.

SOURCE New Avon LLC

Related Links

<http://avon.com>

This is Exhibit “Q” to the
Affidavit of Linda Crawley sworn
before me this 4th day of December, 2020.

A handwritten signature in black ink, consisting of a large loop followed by a horizontal stroke and a small flourish.

A Commissioner, etc.

celebrating

130
years

AVON

ANNUAL REPORT 2016



*When women
support each
other, incredible
things happen.*

*An empowered
woman is a
connected
woman.*



*Beauty
is the journey,
empowerment
is the destination.*

Dear Shareholders,

2016 was an important year for Avon as it marked the 130th anniversary of our iconic beauty Company. It was also a year of significant change as we embarked on the first year of our three year Transformation Plan. Following a strategic review of the business in 2015, undertaken to identify alternatives for improving shareholder value, we completed a strategic partnership with Cerberus Capital Management, L.P. in March 2016. The partnership with Cerberus put Avon on a solid path to profitability and growth by providing a solution for the North America business as well as capital, focus, and resources to support growth of Avon Products, Inc. through the execution of our Transformation Plan. We successfully separated Avon's North American business in March 2016 into a privately held company operating as New Avon LLC under the management of a Cerberus affiliate where Avon Products, Inc., retained an approximate 20% interest. As part of the transaction, Cerberus made a \$435 million investment in exchange for an approximate 16.6% interest in Avon Products, Inc., which remains listed on the New York Stock Exchange. This strategic partnership, coupled with the capital injection, helped enable us to strengthen our balance sheet and support the investment required to execute our three year Transformation Plan with the goal of delivering mid-single-digit constant dollar revenue growth and low double-digit operating margin.

2016 BUSINESS PERFORMANCE

The Transformation Plan was a key enabler of our 2016 financial performance. We delivered solid overall year-on-year improvement in 2016, notwithstanding a deceleration in performance in the fourth quarter. For the full year, total revenue from reportable segments was \$5.7 billion, and grew 3% in constant dollars, despite significant macroeconomic, socio, and geopolitical challenges. From reportable segments, Active Representatives declined 1% and Ending Representatives were flat year on year. The decline in Active Representatives was primarily due to Asia Pacific. Also from reportable segments, Average Order grew by 4% and price/mix rose 7% benefiting from our pricing strategies in some key markets. We were pleased with our full year Adjusted Operating Margin which improved 80 basis points to 6.5%, despite the negative impact from foreign exchange of approximately 310 basis points. The margin improvement was primarily driven by the favorable impact of price and mix, as well as continued benefits from cost savings initiatives, partially offset by an unexpected increase in bad debt in the fourth quarter, primarily in Brazil.

In 2016, from reportable segments, we grew our Beauty category 2% in constant dollars, with Fragrance growing 4%, Color growing 2%, and Skincare growing 1%. Fashion and Home also grew 2% in constant dollars year-on-year.

We are broadening our focus in 2017 to our top fifteen markets

Our strategy to focus on our top ten markets resulted in improved growth for the overall company as well as yielded better overall performance in our top markets. As we move through 2017, I am confident that the plans we have in place will help us deliver more consistent and sustainable constant dollar revenue growth.

Due to our success in improving the performance of our top ten markets during 2016, we are broadening our focus in 2017 to our top fifteen markets, which represent approximately 80% of Avon's revenue. We will also continue to navigate the macro and geopolitical environment.

OUR TRANSFORMATION PLAN

In early 2016, we introduced a three year Transformation Plan comprising three strategic pillars: Invest in Growth, Drive out Cost and Improve Financial Resilience. In 2016, we made solid progress against the Plan in reducing costs, and strengthening our balance sheet. As we move into 2017, we are now able to place more focus on Investing in Growth.

We made good progress in this first year against our Drive out Cost strategy, as we significantly reduced and aligned our cost structure, achieving an estimated \$120 million in cost savings, exceeding our target for the year. During 2016 we made significant progress on our operating model, eliminating redundant regional layers, further reducing the Corporate Center and shifting costs out of the U.S. We've also made steady progress on improving our sourcing spend and work is underway on Supply Chain initiatives to optimize our manufacturing capacity and distribution network. We remain on track to deliver \$350 million in savings during the three year Transformation Plan. With regards to Improving Financial Resilience, we have benefited from the \$435 million Cerberus investment and reduced our debt levels by prepaying approximately \$260 million of debt. We also strengthened our balance sheet as we extended the maturity profile of our debt.

To drive sustainable growth, we must invest in the Avon Brand and improve the experience for our Representatives by evolving and modernizing our business as we compete in the ever evolving digital world. As part of the Transformation Plan, we outlined a \$350 million investment over three years that includes an estimated \$150 million in media and digital social selling and \$200 million in service model evolution and Information Technology. To achieve our ambitions during 2017, we will focus on five key areas:

1. Strengthening the Avon brand

Avon is a well-known and well-loved brand globally, and we continue to build our relevance with women of all ages.

During 2016, we successfully rolled out our Beauty for a Purpose positioning to all markets around the world - it speaks with one voice about our core social purpose of economically empowering women, underpinned by demonstrable product quality and value.

We are shifting more resources to digital, investing in the platforms and channels that allow us to drive conversations with all Representatives, consumers and potential consumers. In 2016, this led to around 25% growth in Avon's total global social media reach, with some 20 million Facebook fans, approximately 280 million YouTube views and a doubling of Instagram followers to nearly two million. During 2017 we will build on these successes, with incremental investments in digital and TV where we aim to attract the highest return on investment.

Our focus has been on our top 40 brands, which represent about 80% of our business.

2. Continued investment in innovation

We continue to invest in innovation, bringing new products to market to address the beauty needs of more women across the world, and introducing more women to the Avon brand. Our focus has been on our top 40 brands, which represent about 80% of our business. These brands meet specific consumer needs and offer choices in the Value, Mass and Upper Mass demographic segments. During 2016, we also saw the launch of

several successful new products, including Avon Ultra Matte lipstick, Big and Daring Mascara and new skincare products from the highly innovative ANEW brand, including ANEW Youth Maximizing Serum, ANEW Ultimate Supreme Advanced Performance Crème and Ultimate Supreme Dual Elixir. Our innovation pipeline and expertise is strong, and we will continue to see exciting new product launches which appeal to a broader spectrum of women through 2017.

3. Pricing discipline

Pricing is one of our key focus areas but it is not a single dimension – it requires balancing of a number of considerations, such as competitive pricing, inflation rates and levels of product innovation. At times it can be an art as well as a science. In 2016 we were able to improve our overall price through inflationary pricing and pricing of new innovation. We continue to work to improve our pricing skills throughout the organization with the aim of improving the consistency of our performance.

4. Improving Representative engagement

We remain committed to our longer term goal of 1 to 2% Active Representative growth and our plans for onboarding, segmentation, and modernizing our business to support this goal. However, we have not made the progress we would like in this area – particularly in some markets. We believe we will achieve such growth if we continue to help women earn more and to ensure they earn in line with the effort they put into their business. We are enhancing our onboarding processes for Representatives, including training to enable them to build confidence and be successful. We have also implemented segmentation in a number of our top markets, to offer more customized approaches to the needs of our new and longer term Representatives. Approximately 60% of sales are generated by people who have been with Avon for 18 months or more – highlighting the importance of investing in training and retaining Representatives.

5. Embed digital and online social selling into the fabric of our business

Avon is a face-to-face social selling business, and we are investing to grow our digital capabilities. Across all of our markets we are increasing our social media reach to engage Representatives and consumers with the Avon brand. A core component of improving Representative engagement is evolving our Service Model and, as indicated, we plan to invest \$200 million in Information Technology including digital systems to make this possible. In 2016 we initiated a new service platform in our largest market, Brazil, which is proving to be a success with Representatives. We invested in a new digital Representative facing model which made it easier for Representatives to do business with Avon. This highly integrated platform provides her with a range of new capabilities including mobile responsiveness, better order placement, upsell and cross sell capabilities, social network integration, training videos, credit and data management and easy online order management. We will be rolling this out more broadly to top markets in 2017 and 2018.

*We are increasing
our social media
reach to engage
Representatives
and consumers*

Improved segmentation and integration of digital platforms and systems are part of our multi-year journey and will help us bring social selling to scale and underpin the growth of our business.

UK HEADQUARTERS

With the successful separation of our North America business in 2016, our commercial operations are now fully outside of the United States, allowing us to evolve our operating model. By moving Avon's headquarters to the UK, we brought our corporate and commercial businesses closer together, which improves operational effectiveness and efficiencies. Our new London headquarters became fully operational in January 2017 and is now my primary work location, along with some other Executives and Corporate associates.

2017 LOOKING AHEAD

I'm optimistic that the steps we have taken in 2016 have laid the foundation for further progress in transforming our business. We have a strong set of building blocks for the future, with an iconic brand, leading market share positions in many countries, a strong innovation pipeline and an incredible Representative base of around six million women who are ambassadors for the Avon brand. We will continue to execute our Transformation Plan – investing in growth, driving out cost and improving financial resilience. And while we saw some significant successes last year in improving our profitability and financial resilience, there are still steps to be taken to deliver sustainable and consistent constant dollar revenue growth.

We are serious about building a business for the next 130 years to bring beauty to women through a unique selling model which empowers our Representatives and the thousands of lives they touch every day by working with Avon. I believe the steps we have taken in 2016 and those in place for 2017 as we drive forward on our growth agenda in line with our three year Transformation Plan will drive sustainable profitable growth.

Thank you



Sheri McCoy

Sheri McCoy
Chief Executive Officer
March 2017

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

FORM 10-K

☒ Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2016

OR

☐ Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the transition period from to

Commission file number 1-4881

AVON PRODUCTS, INC.

(Exact name of registrant as specified in its charter)

New York

13-0544597

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

Building 6, Chiswick Park, London W4 5HR

(Address of principal executive offices)

+44-1604-232425

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock (par value \$.25)	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: None	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of voting and non-voting Common Stock (par value \$.25) held by non-affiliates at June 30, 2016 (the last business day of our most recently completed second quarter) was 1.7 billion.

The number of shares of Common Stock (par value \$.25) outstanding at January 31, 2017, was 437,991,751

Documents Incorporated by Reference

Part III – Portions of the registrant's Proxy Statement relating to the 2017 Annual Meeting of Shareholders.

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CAUTIONARY STATEMENT FOR PURPOSES OF THE “SAFE HARBOR” STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Statements in this report (or in the documents it incorporates by reference) that are not historical facts or information may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “estimate,” “project,” “forecast,” “plan,” “believe,” “may,” “expect,” “anticipate,” “intend,” “planned,” “potential,” “can,” “expectation,” “could,” “will,” “would” and similar expressions, or the negative of those expressions, may identify forward-looking statements. They include, among other things, statements regarding our anticipated or expected results, future financial performance, various strategies and initiatives (including our transformation plan, stabilization strategies, cost savings initiatives, restructuring and other initiatives and related actions), costs and cost savings, competitive advantages, impairments, the impact of foreign currency, including devaluations, and other laws and regulations, government investigations, internal investigations and compliance reviews, results of litigation, contingencies, taxes and tax rates, potential alliances or divestitures, liquidity, cash flow, uses of cash and financing, hedging and risk management strategies, pension, postretirement and incentive compensation plans, supply chain and the legal status of our Representatives. Such forward-looking statements are based on management’s reasonable current assumptions, expectations, plans and forecasts regarding the Company’s current or future results and future business and economic conditions more generally. Such forward-looking statements involve risks, uncertainties and other factors, which may cause the actual results, levels of activity, performance or achievement of Avon to be materially different from any future results expressed or implied by such forward-looking statements, and there can be no assurance that actual results will not differ materially from management’s expectations. Therefore, you should not rely on any of these forward-looking statements as predictors of future events. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following:

- our ability to improve our financial and operational performance and execute fully our global business strategy, including our ability to implement the key initiatives of, and/or realize the projected benefits (in the amounts and time schedules we expect) from, our transformation plan, stabilization strategies, cost savings initiatives, restructuring and other initiatives, product mix and pricing strategies, enterprise resource planning, customer service initiatives, sales and operation planning process, outsourcing strategies, Internet platform and technology strategies including e-commerce, marketing and advertising strategies, information technology and related system enhancements and cash management, tax, foreign currency hedging and risk management strategies, and any plans to invest these projected benefits ahead of future growth;
- our ability to achieve the anticipated benefits of our strategic partnership with Cerberus Capital Management, L.P. (“Cerberus”);
- our broad-based geographic portfolio, which is heavily weighted towards emerging markets, a general economic downturn, a recession globally or in one or more of our geographic regions or markets, such as Brazil, Mexico or Russia, or sudden disruption in business conditions, and the ability to withstand an economic downturn, recession, cost inflation, commodity cost pressures, economic or political instability (including fluctuations in foreign exchange rates), competitive or other market pressures or conditions;
- the effect of economic factors, including inflation and fluctuations in interest rates and foreign currency exchange rates;
- the possibility of business disruption in connection with our transformation plan, stabilization strategies, cost savings initiatives, or restructuring and other initiatives;
- our ability to reverse declining revenue, to improve margins and net income, or to achieve profitable growth, particularly in our largest markets, such as Brazil, and developing and emerging markets, such as Mexico and Russia;
- our ability to improve working capital and effectively manage doubtful accounts and inventory and implement initiatives to reduce inventory levels, including the potential impact on cash flows and obsolescence;
- our ability to reverse declines in Active Representatives, to enhance our sales Leadership programs, to generate Representative activity, to increase the number of consumers served per Representative and their engagement online, to enhance branding and the Representative and consumer experience and increase Representative productivity through field activation and segmentation programs and technology tools and enablers, to invest in the direct-selling channel, to offer a more social selling experience, and to compete with other direct-selling organizations to recruit, retain and service Representatives and to continue to innovate the direct-selling model;
- general economic and business conditions in our markets, including social, economic and political uncertainties, such as in Russia and Ukraine, and any potential sanctions, restrictions or responses to such conditions imposed by other markets in which we operate;
- developments in or consequences of any investigations and compliance reviews, and any litigation related thereto, including the investigations and compliance reviews of Foreign Corrupt Practices Act and related United States (“U.S.”) and foreign law matters in China and additional countries, as well as any disruption or adverse consequences resulting from such investigations, reviews, related actions or litigation, including the retention of a compliance monitor as required by the deferred prosecution agreement with the U.S. Department of Justice and a consent to settlement with the Securities and Exchange Commission (“SEC”), any changes in Company policy or procedure suggested by the compliance monitor or undertaken by the Company, the duration of the compliance monitor and whether and when the Company will be permitted to undertake self-reporting, the Company’s compliance with the deferred prosecution agreement and whether and when the charges against the Company are dismissed with prejudice;

- the effect of political, legal, tax, including changes in tax rates, and other regulatory risks imposed on us abroad and in the U.S., our operations or our Representatives, including foreign exchange, pricing, data privacy or other restrictions, the adoption, interpretation and enforcement of foreign laws, including in jurisdictions such as Brazil and Russia, and any changes thereto, as well as reviews and investigations by government regulators that have occurred or may occur from time to time, including, for example, local regulatory scrutiny;
- competitive uncertainties in our markets, including competition from companies in the consumer packaged goods industry, some of which are larger than we are and have greater resources;
- the impact of the adverse effect of volatile energy, commodity and raw material prices, changes in market trends, purchasing habits of our consumers and changes in consumer preferences, particularly given the global nature of our business and the conduct of our business in primarily one channel;
- our ability to attract and retain key personnel;
- other sudden disruption in business operations beyond our control as a result of events such as acts of terrorism or war, natural disasters, pandemic situations, large-scale power outages and similar events;
- key information technology systems, process or site outages and disruptions, and any cyber security breaches, including any security breach of our systems or those of a third-party provider that results in the theft, transfer or unauthorized disclosure of Representative, customer, employee or Company information or compliance with information security and privacy laws and regulations in the event of such an incident which could disrupt business operations, result in the loss of critical and confidential information, and adversely impact our reputation and results of operations, and related costs to address such malicious intentional acts and to implement adequate preventative measures against cyber security breaches;
- the risk of product or ingredient shortages resulting from our concentration of sourcing in fewer suppliers;
- any changes to our credit ratings and the impact of such changes on our financing costs, rates, terms, debt service obligations, access to lending sources and working capital needs;
- the impact of our indebtedness, our access to cash and financing, and our ability to secure financing or financing at attractive rates and terms and conditions;
- the impact of a continued decline in our business results, which includes the impact of any adverse foreign exchange movements, significant restructuring charges and significant legal settlements or judgments, on our ability to comply with certain covenants in our revolving credit facility;
- our ability to successfully identify new business opportunities, strategic alliances and strategic alternatives and identify and analyze alliance candidates, secure financing on favorable terms and negotiate and consummate alliances;
- disruption in our supply chain or manufacturing and distribution operations;
- the quality, safety and efficacy of our products;
- the success of our research and development activities;
- our ability to protect our intellectual property rights, including in connection with the separation of the North America business;
- our ability to repurchase the Series C Preferred Stock (as defined herein) in connection with a change of control; and
- the risk of an adverse outcome in any material pending and future litigation or with respect to the legal status of Representatives.

Additional information identifying such factors is contained in Item 1A of our 2016 Form 10-K for the year ended December 31, 2016, and other reports and documents we file with the SEC. We undertake no obligation to update any such forward-looking statements.

PART I

ITEM 1. BUSINESS

(U.S. dollars in millions, except per share data)

When used in this report, the terms “Avon,” “Company,” “we,” “our” or “us” mean, unless the context otherwise indicates, Avon Products, Inc. and its majority and wholly owned subsidiaries.

General

We are a global manufacturer and marketer of beauty and related products. We commenced operations in 1886 and were incorporated in the State of New York on January 27, 1916. We conduct our business in the highly competitive beauty industry and compete against other consumer packaged goods (“CPG”) and direct-selling companies to create, manufacture and market beauty and non-beauty-related products. Our product categories are Beauty and Fashion & Home. Beauty consists of skincare (which includes personal care), fragrance and color (cosmetics). Fashion & Home consists of fashion jewelry, watches, apparel, footwear, accessories, gift and decorative products, housewares, entertainment and leisure products, children’s products and nutritional products.

Our business is conducted primarily in one channel, direct selling. Our reportable segments are based on geographic operations in four regions: Europe, Middle East & Africa; South Latin America; North Latin America; and Asia Pacific. Financial information relating to our reportable segments is included in “Segment Review” within Management’s Discussion and Analysis of Financial Condition and Results of Operations, which we refer to in this report as “MD&A,” on pages 26 through 59 of this 2016 Annual Report on Form 10-K, which we refer to in this report as our “2016 Annual Report,” and in Note 13, Segment Information, to the Consolidated Financial Statements on pages F-44 through F-46 of our 2016 Annual Report. We refer to each of the Notes to the Consolidated Financial Statements in this 2016 Annual Report as a “Note.” Information about geographic areas is included in Note 13, Segment Information on pages F-44 through F-46 of our 2016 Annual Report. All of our consolidated revenue is derived from operations of subsidiaries outside of the United States (“U.S.”).

In December 2015, we entered into definitive agreements with affiliates of Cerberus Capital Management L.P. (“Cerberus”), which included a \$435 investment in Avon by an affiliate of Cerberus through the purchase of our convertible preferred stock and the separation of the North America business (including approximately \$100 of cash, subject to certain adjustments) from Avon into New Avon LLC (“New Avon”), a privately-held company that is majority-owned and managed by an affiliate of Cerberus. These transactions closed in March 2016 and Avon retained approximately 20% ownership in New Avon. Refer to Note 3, Discontinued Operations and Divestitures, on pages F-15 through F-17 of our 2016 Annual Report, for additional information regarding the investment by an affiliate of Cerberus and the separation of the North America business.

Distribution

During 2016, we had sales operations in 57 countries and territories, and distributed our products in 18 other countries and territories. In March 2016, we separated from our North America business, which had consisted of the Company’s operations in the U.S., Canada and Puerto Rico; this business has been presented as discontinued operations for all periods presented.

Unlike most of our CPG competitors, which sell their products through third-party retail establishments (e.g., drug stores and department stores), we primarily sell our products to the ultimate consumer through the direct-selling channel. In our case, sales of our products are made to the ultimate consumer principally through direct selling by Representatives, who are independent contractors and not our employees. As of December 31, 2016, we had approximately 6 million active Representatives which represents the number of Representatives submitting an order in a sales campaign, totaled for all campaigns during the year and then divided by the number of campaigns. Representatives earn by purchasing products directly from us at a discount from a published brochure price and selling them to their customers, the ultimate consumer of our products. Representatives can start their Avon businesses for a nominal fee, or in some markets, for no fee at all. We generally have no arrangements with end users of our products beyond the Representative, except as described below. No single Representative accounts for more than 10% of our net sales.

A Representative contacts their customers directly, selling primarily through our brochure, which highlights new products and special promotions for each sales campaign. In this sense, the Representative, together with the brochure, are the “store” through which our products are sold. A brochure introducing a new sales campaign is typically generated every three to four weeks. Generally, the Representative forwards an order for a campaign to us using the Internet, mail, telephone, or fax. This order is processed and the products are assembled at a distribution center and delivered to the Representative usually through a combination of local and national delivery companies. Generally, the Representative then delivers the merchandise and collects payment from the customer for her or his own account. A Representative generally receives a refund of the price the Representative paid for a product if the Representative chooses to return it.

PART I

We employ certain web-enabled systems to increase Representative support, which allow a Representative to run her or his business more efficiently and also allow us to improve our order-processing accuracy. For example, in many countries, Representatives can utilize the Internet to manage their business electronically, including order submission, order tracking, payment and communications with us. In addition, in many markets, Representatives can further build their own business through personalized web pages provided by us, enabling them to sell a complete line of our products online. Self-paced online training also is available in certain markets.

In some markets, we use decentralized branches, satellite stores and independent retail operations (e.g., beauty boutiques) to serve Representatives and other customers. Representatives come to a branch to place and pick up product orders for their customers. The branches also create visibility for us with consumers and help reinforce our beauty image. In certain markets, we provide opportunities to license our beauty centers and other retail-oriented and direct-to-consumer opportunities to reach new customers in complementary ways to direct selling. In the United Kingdom and certain other markets, we also utilize e-commerce and market our products through consumer websites.

The recruiting or appointing and training of Representatives are the primary responsibilities of district sales managers, zone managers and independent leaders. Depending on the market and the responsibilities of the role, some of these individuals are our employees and some are independent contractors. Those who are employees are paid a salary and an incentive based primarily on the achievement of a sales objective in their district. Those who are independent contractors are rewarded primarily based on total sales achieved in their zones or downline team of recruited, trained and managed Representatives. Personal contacts, including recommendations from current Representatives (including the sales Leadership program), and local market advertising constitute the primary means of obtaining new Representatives. The sales Leadership program is a multi-level compensation program which gives Representatives, known as independent leaders, the opportunity to earn discounts on their own sales of our products, as well as commissions based on the net sales made by Representatives they have recruited and trained. This program generally limits the number of levels on which commissions can be earned to three. The primary responsibilities of independent leaders are the prospecting, appointing, training and development of their downline Representatives while maintaining a certain level of their own sales. Development of the sales Leadership program throughout the world is one part of our long-term growth strategy. As described above, the Representative is the "store" through which we primarily sell our products and, given the high rate of turnover among Representatives, which is a common characteristic of direct selling, it is critical that we recruit, retain and service Representatives on a continuing basis in order to maintain and grow our business.

From time to time, local governments and others question the legal status of Representatives or impose burdens inconsistent with their status as independent contractors, often in regard to possible coverage under social benefit laws that would require us (and, in most instances, the Representatives) to make regular contributions to government social benefit funds. Although we have generally been able to address these questions in a satisfactory manner, these questions can be raised again following regulatory changes in a jurisdiction or can be raised in other jurisdictions. If there should be a final determination adverse to us in a country, the cost for future, and possibly past, contributions could be so substantial in the context of the volume and profitability of our business in that country that we would consider discontinuing operations in that country.

Promotion and Marketing

Sales promotion and sales development activities are directed at assisting Representatives, through sales aids such as brochures, product samples and demonstration products. In order to support the efforts of Representatives to reach new customers, specially designed sales aids, promotional pieces, customer flyers, television advertising and print advertising may be used. In addition, we seek to motivate our Representatives through the use of special incentive programs that reward superior sales performance. Periodic sales meetings with Representatives are conducted by the district sales or zone managers. The meetings are designed to keep Representatives abreast of product line changes, explain sales techniques and provide recognition for sales performance.

A number of merchandising techniques are used, including the introduction of new products, the use of combination offers, the use of trial sizes and samples, and the promotion of products packaged as gift items. In general, for each sales campaign, a distinctive brochure is published, in which new products are introduced and selected items are offered as special promotions or are given particular prominence in the brochure. A key priority for our merchandising is to continue the use of pricing and promotional models and tools to enable a deeper, fact-based understanding of the role and impact of pricing within our product portfolio.

From time to time, various regulations or laws have been proposed or adopted that would, in general, restrict the frequency, duration or volume of sales resulting from new product introductions, special promotions or other special price offers. We expect our broad product lines and pricing flexibility to mitigate the effect of these regulations.

Competitive Conditions

We face competition from various products and product lines. The beauty and beauty-related products industry is highly competitive and the number of competitors and degree of competition that we face in this industry varies widely from country to country. We compete against products sold to consumers in a number of distribution methods, including direct selling, through the Internet, and through the mass market retail and prestige retail channels.

Specifically, due to the nature of the direct-selling channel, we compete on a regional, often country-by-country basis, with our direct-selling competitors. Unlike a typical CPG company which operates within a broad-based consumer pool, direct sellers compete for representative or entrepreneurial talent by providing a more competitive earnings opportunity or “better deal” than that offered by the competition. Providing a compelling earnings opportunity for our Representatives is as critical as developing and marketing new and innovative products. As a result, in contrast to a typical CPG company, we must first compete for a limited pool of Representatives before we reach the ultimate consumer.

Within the broader CPG industry, we principally compete against large and well-known cosmetics (color), fragrance and skincare companies that manufacture and sell broad product lines through various types of retail establishments and other channels, including through the Internet. In addition, we compete against many other companies that manufacture and sell more narrow beauty product lines sold through retail establishments and other channels, including through the Internet.

We also have many global branded and private label competitors in the accessories, apparel, housewares, and gift and decorative products industries, including retail establishments, principally department stores, mass merchandisers, gift shops and specialty retailers. Our principal competition in the fashion jewelry industry consists of a few large companies and many small companies that sell fashion jewelry through department stores, mass merchandisers, specialty retailers and e-commerce.

We believe that the personalized customer service offered by our Representatives; the amount and type of field incentives we offer our Representatives on a market-by-market basis; the high quality, attractive designs and prices of our products; the high level of new and innovative products; our easily recognized brand name and our guarantee of product satisfaction are significant factors in helping to establish and maintain our competitive position.

International Operations

During 2016, our international operations, outside of the U.S., were conducted primarily through subsidiaries in 57 countries and territories. Outside of the U.S., our products were also distributed in 17 other countries and territories. In March 2016, we separated from our North America business, which had consisted of the Company’s operations in the U.S., Canada and Puerto Rico; this business has been presented as discontinued operations for all periods presented. As a result, all of our consolidated revenue is derived from operations of subsidiaries outside of the U.S. During 2016, approximately 38% of our consolidated revenue was derived from South Latin America, approximately 37% was derived from Europe, Middle East & Africa, approximately 15% was derived from North Latin America and approximately 10% was derived from Asia Pacific. Further, approximately 21% of our consolidated revenue during 2016 was derived from Brazil, which is our largest market and is included within the South Latin America reportable segment.

Our international operations are subject to risks inherent in conducting business abroad, including, but not limited to, the risk of adverse foreign currency fluctuations, foreign currency remittance restrictions, the ability to procure products and unfavorable social, economic and political conditions.

See the sections “Risk Factors – Our ability to conduct business in our international markets may be affected by political, legal, tax and regulatory risks” and “Risk Factors – We are subject to financial risks as a result of our international operations, including exposure to foreign currency fluctuations and the impact of foreign currency restrictions” in Item 1A on pages 7 through 21 of our 2016 Annual Report for more information.

Manufacturing

We manufacture and package the majority of our Beauty products. Raw materials, consisting chiefly of essential oils, chemicals, containers and packaging components, are purchased for our Beauty products from various suppliers. Most of our Fashion & Home products are purchased from various third-party suppliers. Additionally, we design the brochures that are used by the Representatives to sell our products. The loss of any one supplier would not have a material impact on our ability to source raw materials for our Beauty products or source products for our Fashion & Home categories or paper for the brochures.

PART I

Packages, consisting of containers and packaging components, are designed by our staff of artists and designers. The design and development of new Beauty products are affected by the cost and availability of materials such as glass, plastics and chemicals. We believe that we can continue to obtain sufficient raw materials and supplies to manufacture and produce our Beauty products for the foreseeable future.

See Item 2, Properties, on page 21 of our 2016 Annual Report for additional information regarding the location of our principal manufacturing facilities.

Product Categories

Both of our product categories individually account for 10% or more of consolidated net sales in 2016. The following is the percentage of net sales by product category for the years ended December 31:

	2016	2015	2014
Beauty	74%	74%	75%
Fashion & Home	26%	26%	25%

Trademarks and Patents

Our business is not materially dependent on the existence of third-party patent, trademark or other third-party intellectual property rights, and we are not a party to any ongoing material licenses, franchises or concessions. We do seek to protect our key proprietary technologies by aggressively pursuing comprehensive patent coverage in major markets. We protect our Avon name and other major proprietary trademarks through registration of these trademarks in the markets where we sell our products, monitoring the markets for infringement of such trademarks by others, and by taking appropriate steps to stop any infringing activities.

Seasonal Nature of Business

Our sales and earnings are typically affected by seasonal variations, a characteristic of many companies selling beauty, gift and decorative products, apparel and fashion jewelry. For instance, our sales are generally highest during the fourth quarter due to seasonal and holiday-related patterns. However, the sales volume of holiday gift items is, by its nature, difficult to forecast, and taken as a whole, seasonality does not have a material impact on our financial results.

Research and Product Development Activities

New products are essential to growth in the highly competitive cosmetics industry. Our research and development ("R&D") department's efforts are important to developing new products, including formulating effective beauty treatments relevant to women's needs, and redesigning or reformulating existing products. To increase our brand competitiveness, we have sustained our focus on new technology and product innovation to deliver first-to-market products that provide visible consumer benefits.

Our global R&D facility is located in Suffern, NY. A team of researchers and technicians apply the disciplines of science to the practical aspects of bringing products to market around the world. Relationships with dermatologists and other specialists enhance our ability to deliver new formulas and ingredients to market. Additionally, we have R&D facilities located in Argentina, Brazil, China, Mexico, the Philippines, Poland, South Africa and the United Kingdom.

In 2016, our most significant product launches included: *Anew Ultimate Supreme Advanced Performance Crème*, *Anew Vitale Visible Perfection Blurring Treatment*, *Big & Multiplied Volume Mascara*, *Avon True Perfectly Matte Lipstick*, *Avon Life for Him and for Her Fragrances*, *Far Away Infinity Fragrance* and *Avon Nutra Effects body collection with Active Seed Complex*.

The amounts incurred on research activities relating to the development of new products and the improvement of existing products were \$52.1 in 2016, \$61.9 in 2015 and \$64.7 in 2014. This research included the activities of product research and development and package design and development. Most of these activities were related to the design and development of Beauty products.

Environmental Matters

Compliance with environmental laws and regulations impacting our global operations has not had, and currently is not anticipated to have, a material adverse effect on our financial position, capital expenditures or competitive position.

Employees

At December 31, 2016, we employed approximately 26,400 employees. Of these, approximately 600 were employed in the U.S. and approximately 25,800 were employed in other countries.

Transformation Plan

In January 2016, we announced a transformation plan (the “Transformation Plan”), which includes investing in growth, reducing costs in an effort to continue to improve our cost structure and improving our financial resilience. See “Results Of Operations – Consolidated” within MD&A on pages 35 through 48 for more information on these items.

Acquisitions and Dispositions

In December 2015, we entered into definitive agreements with affiliates of Cerberus, which included the separation of the North America business from Avon into New Avon, a privately-held company that is majority-owned and managed by an affiliate of Cerberus. Avon retained approximately 20% ownership in this new privately-held company. These transactions closed in March 2016. In July 2015, we completed the sale of Liz Earle. Refer to Note 3, Discontinued Operations and Divestitures, on pages F-15 through F-17 of our 2016 Annual Report, for additional information regarding the sales of the North America business and Liz Earle.

Website Access to Reports

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, are, and have been throughout 2016, available without charge on our investor website (www.avoninvestor.com) as soon as reasonably practicable after they are filed with or furnished to the U.S. Securities and Exchange Commission (the “SEC”). We also make available on our website the charters of our Board Committees, our Corporate Governance Guidelines and our Code of Conduct. Copies of these SEC reports and other documents are also available, without charge, by sending a letter to Investor Relations, Avon Products, Inc., 601 Midland Avenue, Rye, N.Y. 10580, by sending an email to investor.relations@avon.com or by calling (212) 282-5320. Information on our website does not constitute part of this report. Additionally, our filings with the SEC may be read and copied at the SEC Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. These filings, including reports, proxy and information statements, and other information regarding the Company are also available on the SEC’s website at www.sec.gov free of charge as soon as reasonably practicable after we have filed or furnished the above-referenced reports.

ITEM 1A. RISK FACTORS

You should carefully consider each of the following risks associated with an investment in our publicly traded securities and all of the other information in our 2016 Annual Report. Our business may also be adversely affected by risks and uncertainties not presently known to us or that we currently believe to be immaterial. If any of the events contemplated by the following discussion of risks should occur, our business, prospects, financial condition, liquidity, results of operations and cash flows may be materially adversely affected.

Risks Related to Us and Our Business

Our success depends on our ability to improve our financial and operational performance and execute fully our global business strategy.

Our ability to improve our financial and operational performance and implement the key initiatives of our global business strategy is dependent upon a number of factors, including our ability to:

- implement our transformation plan, stabilization strategies, cost savings initiatives, restructuring and other initiatives, and achieve anticipated savings and benefits from such programs and initiatives;
- reverse declines in our market share and strengthen our brand image;
- implement appropriate pricing strategies and product mix that are more aligned with the preferences of local markets and achieve anticipated benefits from these strategies;
- reduce costs and effectively manage our cost structure, particularly selling, general and administrative (“SG&A”) expenses;
- improve our business in the markets where we operate, including through improving field health;
- execute investments in information technology (“IT”) infrastructure and realize efficiencies across our supply chain, marketing processes, sales model and organizational structure;
- implement and continue to innovate our Internet platform, technology strategies and customer service initiatives, including our ability to offer a more compelling social selling experience and the roll-out of e-commerce in certain markets;
- effectively manage our outsourcing activities;
- improve our marketing and advertising, including our brochures and our social media presence;

- improve working capital, effectively manage inventory and implement initiatives to reduce inventory levels, including the potential impact on cash flows and obsolescence;
- secure financing at attractive rates, maintain appropriate capital investment, capital structure and cash flow levels and implement cash management, tax, foreign currency hedging and risk management strategies;
- reverse declines in Active Representatives and Representative satisfaction by successfully reducing campaign complexity, enhancing our sales Leadership program, the Representative experience and earnings potential and improving our brand image;
- increase the productivity of Representatives through successful implementation of segmentation, field activation programs and technology tools and enablers and other investments in the direct-selling channel;
- improve management of our businesses in developing markets, including improving local IT resources and management of local supply chains;
- increase the number of consumers served per Representative and their engagement online, as well as to reach new consumers through a combination of new brands, new businesses, new channels and pursuit of strategic opportunities such as joint ventures and alliances with other companies;
- comply with certain covenants in our revolving credit facility as a result of a continued decline in our business results, which includes the impact of any adverse foreign exchange movements, significant restructuring charges and significant legal or regulatory settlements, obtain necessary waivers from compliance with, or necessary amendments to, such covenants, and address the impact any non-compliance with such covenants may have on our ability to secure financing with favorable terms; and
- estimate and achieve any financial projections concerning, for example, future revenue, profit, cash flow, and operating margin increases and maintain an effective internal control environment as a result of any challenges associated with the implementation of our various plans, strategies and initiatives.

There can be no assurance if and when any of these initiatives will be successfully and fully executed or completed.

We may experience financial and strategic difficulties and delays or unexpected costs in completing our transformation plan and any other restructuring and cost-savings initiatives, including achieving any anticipated savings and benefits of these initiatives.

In January 2016, we announced a transformation plan (the "Transformation Plan"), which includes cost reduction efforts to continue to improve our cost structure and to enable us to reinvest in growth. As a result of this plan, we have targeted pre-tax annualized cost savings of approximately \$350 million after three years, with an estimated \$200 million from supply chain reductions and an estimated \$150 million from other cost reductions, which are expected to be achieved through restructuring actions, as well as other cost-savings strategies that will not result in restructuring charges. We plan to reinvest a portion of these cost savings in growth initiatives, including media, social selling and information technology systems that will help us modernize our business. We initiated the Transformation Plan in order to enable us to achieve our long-term goals of double-digit operating margin and mid single-digit constant-dollar revenue growth.

As we work to right-size our cost structure, we may not realize anticipated savings or benefits from one or more of the various restructuring and cost-savings initiatives we may undertake as part of these efforts in full or in part or within the time periods we expect. Other events and circumstances, such as financial and strategic difficulties and delays or unexpected costs, including the impact of foreign currency and inflationary pressures, may occur which could result in our not realizing our targets. If we are unable to realize these savings or benefits, our ability to continue to fund other initiatives and aspects of our business may be adversely affected. In addition, any plans to invest these savings and benefits ahead of future growth means that such costs will be incurred whether or not we realize these savings and benefits. We are also subject to the risks of labor unrest, negative publicity and business disruption in connection with these initiatives, and the failure to realize anticipated savings or benefits from such initiatives could have a material adverse effect on our business, prospects, financial condition, liquidity, results of operations and cash flows.

There can be no assurance that we will be able to reverse declining revenue, to improve margins and net income or to achieve profitable growth.

There can be no assurance that we will be able to reverse declining revenue, to improve margins and net income, or to achieve profitable growth in the future, particularly in our largest markets, such as Brazil and in developing and emerging markets, such as Mexico and Russia. Our revenue in 2016 was \$5,717.7 million, compared with \$6,160.5 million in 2015 and \$7,648.0 million in 2014. Reversing declining revenue, improving margins and net income and achieving profitable growth will depend on our ability to improve financial and operational performance and execution of our global business strategy, and there can be no assurance that we will be able to achieve these goals.

To reverse declining revenue, to improve margins and net income and to achieve profitable growth, we also need to successfully implement certain initiatives, including our Transformation Plan, and there can be no assurance that we will be able to do so. Our achievement of profitable growth is also subject to the strengths and weaknesses of our individual international markets, which are or may be impacted by global economic conditions. We cannot assure that our broad-based geographic portfolio will be able to withstand an economic downturn, recession, cost or wage inflation, commodity cost pressures, economic or political instability (including fluctuations in foreign exchange rates), competitive pressures or other market pressures in one or more particular regions.

Failure to reverse declining revenue, to improve margins and net income and to achieve profitable growth could have a material adverse effect on our business, prospects, financial condition, liquidity, results of operations and cash flows.

Our business is conducted primarily in one channel, direct selling.

Our business is conducted primarily in the direct-selling channel. Sales are made to the ultimate consumer principally through direct selling by Representatives, who are independent contractors and not our employees. As of December 31, 2016, we had approximately 6 million active Representatives. There is a high rate of turnover among Representatives, which is a common characteristic of the direct selling business. In order to reverse losses of Representatives and grow our business in the future, we need to recruit, retain and service Representatives on a continuing basis. Among other things, we need to create attractive Representative earning opportunities and transform the value chain, restore field health and sales force effectiveness, successfully implement other initiatives in the direct-selling channel, successfully execute our digital strategy, including e-commerce, improve our brochure and product offerings and improve our marketing and advertising. There can be no assurance that we will be able to achieve these objectives. Additionally, consumer purchasing habits, including reducing purchases of beauty and related products generally, or reducing purchases from Representatives through direct selling by buying beauty and related products in other channels such as retail, could reduce our sales, impact our ability to execute our global business strategy or have a material adverse effect on our business, prospects, financial condition, liquidity, results of operations and cash flows. Additionally, if we lose market share in the direct-selling channel, our business, prospects, financial condition, liquidity, results of operations and cash flows may be adversely affected. Furthermore, if any government such as Brazil, bans or severely restricts our business methods or operational/commercial model of direct selling, our business, prospects, financial condition, liquidity, results of operations and cash flows may be materially adversely affected.

We are subject to financial risks as a result of our international operations, including exposure to foreign currency fluctuations and the impact of foreign currency restrictions.

We operate globally, through operations in various locations around the world, and derive all of our consolidated revenue from operations outside of the United States ("U.S.").

One risk associated with our international operations is that the functional currency for most of our international operations is their local currency. The primary foreign currencies for which we have significant exposures include the Argentine peso, Brazilian real, British pound, Chilean peso, Colombian peso, the euro, Mexican peso, Peruvian new sol, Philippine peso, Polish zloty, Romanian leu, Russian ruble, South African rand, Turkish lira and Ukrainian hryvnia. As the U.S. dollar strengthens relative to our foreign currencies, our revenues and profits are reduced when translated into U.S. dollars and our margins may be negatively impacted by country mix if our higher margin markets, such as Russia, experience significant devaluation. In addition, our costs are more weighted to U.S. dollars while our sales are denominated in local currencies. Although we typically work to mitigate this negative foreign currency transaction impact through price increases and further actions to reduce costs, and by shifting costs to markets in which we generate revenue, we may not be able to fully offset the impact, if at all. For example, in 2016, our revenues declined 7% compared with 2015 due to unfavorable foreign exchange, and grew 2% on a Constant \$ basis (as defined in "Non-GAAP Financial Measures" within MD&A on pages 29 through 31). Our success depends, in part, on our ability to manage these various foreign currency impacts and there can be no assurance that foreign currency fluctuations will not have a material adverse effect on our business, assets, financial condition, liquidity, results of operations or cash flows.

Another risk associated with our international operations is the possibility that a foreign government may impose foreign currency remittance restrictions. Due to the possibility of government restrictions on transfers of cash out of the country and control of exchange rates, we may not be able to immediately repatriate cash. If this should occur, or if the exchange rates devalue, it may have a material adverse effect on our business, assets, financial condition, liquidity, results of operations or cash flows.

Inflation is another risk associated with our international operations. Gains and losses resulting from the remeasurement of the financial statements of subsidiaries operating in highly inflationary economies are recorded in earnings. High rates of inflation or the related devaluation of foreign currency may have a material adverse effect on our business, assets, financial condition, liquidity and results of

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operations or cash flows. There can be no assurance that countries in which we operate, such as Argentina, will not become highly inflationary and that our revenue, operating profit and net income will not be adversely impacted as a result.

We are subject to a deferred prosecution agreement with the U.S. Department of Justice (the "DOJ") and a consent to settlement with the U.S. Securities and Exchange Commission (the "SEC") pursuant to which we engaged, at our own expense, an independent compliance monitor. With the approval of the DOJ and the SEC, the monitor can be replaced by the Company, if the Company agrees to undertake self-reporting obligations for the remainder of the monitoring period. The monitoring period is scheduled to expire in July 2018. We have been incurring costs in connection with these obligations, and compliance with these obligations could divert members of management's time from the operation of our business. Ongoing costs and burdens could be significant.

In December 2014, the U.S. District Court for the Southern District of New York (the "USDC") approved a deferred prosecution agreement between the Company and the DOJ (the "DPA") and in January 2015, the USDC approved a consent to settlement with the SEC (the "Consent") in connection with the previously disclosed Foreign Corrupt Practices Act (the "FCPA") investigations.

Under the DPA and the Consent, among other things, the Company agreed to have a compliance monitor (the "monitor"). During July 2015, the Company engaged a monitor, who had been approved by the DOJ and SEC. With the approval of the DOJ and the SEC, the monitor can be replaced by the Company, if the Company agrees to undertake self-reporting obligations for the remainder of the monitoring period. The monitoring period is scheduled to expire in July 2018. There can be no assurance as to whether or when the DOJ and the SEC will approve replacing the monitor with the Company's self-reporting.

Under the DPA, the Company also represented that it has implemented and agreed that it will continue to implement a compliance and ethics program designed to prevent and detect violations of the FCPA and other applicable anti-corruption laws throughout its operations.

The monitor is assessing and monitoring the Company's compliance with the terms of the DPA. The monitor may recommend changes to our policies and procedures that we must adopt unless they are unduly burdensome or otherwise inadvisable, in which case we may propose alternatives, which the DOJ and the SEC may or may not accept. In addition, operating under the oversight of the monitor may result in additional time and attention on these matters by members of our management, which may divert their time from the operation of our business. Assuming the monitor is replaced by a self-reporting period, the Company's self-reporting obligations may be costly or time-consuming.

The third-party costs incurred in connection with ongoing compliance with the DPA and the Consent, including the monitorship, have not been material to date and we do not anticipate material costs going forward. We currently cannot estimate the costs that we are likely to incur in connection with self-reporting, if applicable, and any additional costs of implementing the changes, if any, to our policies and procedures required by the monitor.

If we commit a breach of the DPA, we may be subject to criminal prosecution. Such criminal prosecution could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Under the DPA, the DOJ will defer criminal prosecution of the Company for a term of three years in connection with the charged violations of the FCPA. If the DOJ determines that the Company has knowingly violated the DPA (including the monitoring provisions described in the preceding risk factor), the DOJ may commence prosecution or extend the term of the DPA for up to one year. If the Company remains in compliance with the DPA through its term, the charges against the Company will be dismissed with prejudice.

Failure to comply with the terms of the DPA could result in criminal prosecution by the DOJ, including for the charged violations of the books and records and internal controls provisions of the FCPA that were included in the information that was filed in connection with the DPA. Under such circumstance, the DOJ would be permitted to rely upon the admissions we made in the DPA and would benefit from our waiver of certain procedural and evidentiary defenses. Such a criminal prosecution could subject us to penalties that could have a material adverse effect on our business, financial condition, results of operations or cash flows.

A general economic downturn, a recession globally or in one or more of our geographic regions or markets or sudden disruption in business conditions or other challenges may adversely affect our business, our access to liquidity and capital, and our credit ratings.

Current global macro-economic instability or a further downturn in the economies in which we sell our products, including any recession in one or more of our geographic regions or markets could adversely affect our business, our access to liquidity and capital, and our credit ratings. Global economic events over the past few years, including high unemployment levels, the tightening of credit markets and failures of financial institutions and other entities, have resulted in challenges to our business and a heightened concern regarding further deterioration globally. In addition, as mentioned above, our business is conducted primarily in the direct-selling channel. We could experience declines in revenues, profitability and cash flow due to reduced orders, payment delays, supply chain disruptions or other factors caused by such economic, operational or business challenges. Any or all of these factors could potentially have a material adverse effect on our liquidity and capital resources and credit ratings, including our ability to access short-term financing, raise additional capital, reduce flexibility with respect to working capital, and maintain credit lines and offshore cash balances.

Consumer spending is also generally affected by a number of factors, including general economic conditions, inflation, interest rates, energy costs, gasoline prices and consumer confidence generally, all of which are beyond our control. Consumer purchases of discretionary items, such as beauty and related products, tend to decline during recessionary periods, when disposable income is lower, and may impact sales of our products. We may face continued economic challenges in fiscal 2016 because customers may continue to have less money for discretionary purchases as a result of job losses, bankruptcies, and reduced access to credit, among other things.

In addition, sudden disruptions in business conditions and consumer spending may result from acts of terror, natural disasters, adverse weather conditions, and pandemic situations or large scale power outages, none of which are under our control.

Our credit ratings were downgraded in each of the last three years, which could limit our access to financing, affect the market price of our financing and increase financing costs. A further downgrade in our credit ratings may adversely affect our access to liquidity.

Nationally recognized credit rating organizations have issued credit ratings relating to our long-term debt. Our credit ratings were downgraded in 2016 after previous downgrades in 2015 and 2014. Our long-term credit ratings are: Moody's ratings of Negative Outlook with Ba3 for corporate family debt, B1 for senior unsecured debt, and Ba1 for the Senior Secured Notes; S&P ratings of Positive Outlook with B for corporate family debt and senior unsecured debt and BB- for the Senior Secured Notes; and Fitch rating of Negative Outlook with B+, each of which are below investment grade. We do not believe these long-term credit ratings will have a material impact on our near-term liquidity. However, any rating agency reviews could result in a change in outlook or downgrade, which could further limit our access to new financing, particularly short-term financing, reduce our flexibility with respect to working capital needs, affect the market price of some or all of our outstanding debt securities, and likely result in an increase in financing costs, and less favorable covenants and financial terms under our financing arrangements. A further change in outlook or downgrade of our credit ratings may increase some of these risks and limit our access to such short-term financing in the future on favorable terms, if at all. See Note 6, Debt and Other Financing, on pages F-19 through F-22 of our 2016 Annual Report for details about the terms of our existing debt and other financing arrangements.

Our ability to conduct business in our international markets may be affected by political, legal, tax and regulatory risks.

Our ability to achieve growth in our international markets, and to improve operations in our existing international markets, is exposed to various risks, including:

- the possibility that a foreign government might ban, halt or severely restrict our business, including our primary method of direct-selling;
- the possibility that local civil unrest, economic or political instability, bureaucratic delays, changes in macro-economic conditions, changes in diplomatic or trade relationships (including any sanctions, restrictions and other responses such as those related to Russia and Ukraine) or other uncertainties might disrupt our operations in an international market;
- the lack of well-established or reliable legal systems in certain areas where we operate;
- the adoption of new U.S. or Foreign tax legislation or exposure to additional tax liabilities, including exposure to tax assessments without prior notice or the opportunity to review the basis for any such assessments in certain jurisdictions;
- the possibility that a government authority might impose legal, tax or other financial burdens on our Representatives, as direct sellers, or on Avon, due, for example, to the structure of our operations in various markets, or additional taxes on our products, including in Brazil;

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- the possibility that a government authority might challenge the status of our Representatives as independent contractors or impose employment or social taxes on our Representatives; and
- those associated with data privacy regulation and the international transfer of personal data.

We are also subject to the adoption, interpretation and enforcement by governmental agencies abroad and in the U.S. (including on federal, state and local levels) of other laws, rules, regulations or policies, including any changes thereto, such as restrictions on trade, competition, manufacturing, license and permit requirements, import and export license requirements, privacy and data protection laws, anti-corruption laws, environmental laws, records and information management, tariffs and taxes, laws relating to the sourcing of “conflict minerals,” health care reform requirements such as the Patient Protection and Affordable Healthcare Act, and regulation of our brochures, product claims or ingredients, which may require us to adjust our operations and systems in certain markets where we do business.

For example, from time to time, local governments and others question the legal status of Representatives or impose burdens inconsistent with their status as independent contractors, often in regard to possible coverage under social benefit laws that would require us (and, in most instances, the Representatives) to make regular contributions to government social benefit funds.

Another example is privacy and data protection laws which are subject to frequently changing rules and regulations, and which may vary among the various jurisdictions where we operate. We collect, use and store personal data of our employees, Representatives, customers and other third parties in the ordinary course of business. We are required to comply with increasingly complex and changing data privacy regulations in the United States, the European Union (“EU”) and other jurisdictions that regulate the collection, use and transfer of personal data, including particularly the transfer of personal data between or among countries. For instance, in 2015, the Court of Justice of the EU invalidated the Safe Harbor framework for the transfer of personal data from the EU to the U.S. In 2016, the EU and the U.S. reached an agreement on a new data transfer framework with more robust protections for personal data, called the EU-U.S. Privacy Shield. We may also face audits or investigations by one or more domestic or foreign government agencies relating to our compliance with these regulations. An adverse outcome under any such investigation or audit could subject us to fines, penalties or orders to cease, delay or modify collection, use or transfers of personal data. That or other circumstances related to our collection, use and transfer of personal data could cause a loss of reputation in the market or adversely affect our business.

If we are unable to address these matters in a satisfactory manner, or adhere to or successfully implement processes in response to changing regulatory requirements, our business, costs and/or reputation may be adversely affected. We cannot predict with certainty the outcome or the impact that pending or future legislative and regulatory changes may have on our business in the future.

We face intense competition and can make no assurances about our ability to overcome our competitive challenges.

We face intense competition from competing products in each of our lines of business in the markets we operate. We compete against products sold to consumers in a number of distribution methods, including direct selling, through the Internet, and through mass market retail and prestige retail channels. We also face increasing direct-selling and retail competition in our developing and emerging markets, particularly Brazil.

Within the direct-selling channel, we compete on a regional, and often country-by-country, basis with our direct-selling competitors. There are a number of direct-selling companies that sell product lines similar to ours, some of which have worldwide operations and compete with us globally. Unlike a typical consumer packaged goods (“CPG”) company which operates within a broad-based consumer pool, direct sellers compete for representative or entrepreneurial talent by providing a more competitive earnings opportunity or “better deal” than that offered by the competition. Providing a compelling earnings opportunity for our Representatives is as critical as developing and marketing new and innovative products. Therefore, in contrast to typical CPG companies, we must first compete for a limited pool of Representatives before we reach the ultimate consumer.

Representatives are attracted to a direct seller by competitive earnings opportunities, often through what are commonly known as “field incentives” in the direct-selling industry. Competitors devote substantial effort to finding out the effectiveness of such incentives so that they can invest in incentives that are the most cost-effective or produce the better payback. As one of the largest and oldest beauty direct sellers globally, Avon’s business model and strategies are often highly sought after, particularly by smaller and more nimble competitors who seek to capitalize on our investment and experience. As a result, we are subject to significant competition for the recruitment of Representatives from other direct-selling or network marketing organizations. It is therefore continually necessary to innovate and enhance our direct-selling and service model as well as to recruit and retain new Representatives. If we are unable to do so, our business will be adversely affected.

Within the broader CPG industry, we principally compete against large and well-known cosmetics (color), fragrance and skincare companies that manufacture and sell broad product lines through various types of retail establishments and other channels, including through the Internet. In addition, we compete against many other companies that manufacture and sell more narrow beauty product lines sold through retail establishments and other channels, including through the Internet. This industry is highly competitive, and some of our principal competitors in the CPG industry are larger than we are and have greater resources than we do. Competitive activities on their part could cause our sales to suffer. We also have many highly competitive global branded and private label competitors in the accessories, apparel, housewares, and gift and decorative products industries, including retail establishments, principally department stores, mass merchandisers, gift shops and specialty retailers. Our principal competition in the highly competitive fashion jewelry industry consists of a few large companies and many small companies that sell fashion jewelry through department stores, mass merchandisers, specialty retailers and e-commerce.

The number of competitors and degree of competition that we face in the beauty and related products industry varies widely from country to country. If our advertising, promotional, merchandising or other marketing strategies are not successful, if we are unable to improve our product mix and offer new products that represent technological breakthroughs and are aligned with local preferences, if we do not successfully manage the timing of new product introductions or the profitability of these efforts, if we are unable to improve the Representative experience, or if for other reasons our Representatives or end customers perceive competitors' products as having greater appeal, then our sales and results of operations will be adversely affected.

Our ability to improve our financial performance depends on our ability to anticipate and respond to market trends and changes in consumer preferences.

Our ability to improve our financial performance depends on our ability to anticipate, gauge and react in a timely and effective manner to changes in consumer spending patterns and preferences for beauty and related products. We must continually work to develop, produce and market new products, maintain and enhance the recognition of our brands, achieve a favorable mix of products, and refine our approach as to how and where we market and sell our products. Consumer spending patterns and preferences cannot be predicted with certainty and can change rapidly. In addition, certain market trends may be short-lived. There can be no assurance that we will be able to anticipate and respond to trends timely and effectively in the market for beauty and related products and changing consumer demands and improve our financial results.

Furthermore, material shifts or decreases in market demand for our products, including as a result of changes in consumer spending patterns and preferences or incorrect forecasting of market demand, could result in us carrying inventory that cannot be sold at anticipated prices or increased product returns by our Representatives. Failure to maintain proper inventory levels or increased product returns by our Representatives could result in a material adverse effect on our business, prospects, financial condition, liquidity, results of operations and cash flows.

Our success depends, in part, on our key personnel.

Our success depends, in part, on our ability to retain our key personnel. The unexpected loss of or failure to retain one or more of our key employees could adversely affect our business. Our success also depends, in part, on our continuing ability to identify, hire, attract, train, develop and retain other highly qualified personnel. Competition for these employees can be intense and our ability to hire, attract and retain them depends on our ability to provide competitive compensation. We may not be able to attract, assimilate, develop or retain qualified personnel in the future, and our failure to do so could adversely affect our business, including the execution of our global business strategy. For example, there have been many changes to the Company's senior management, including a new chief financial officer in 2015 and 2017. Any failure by our management team to perform as expected may have a material adverse effect on our business, prospects, financial condition and results of operations. This risk may be exacerbated by the uncertainties associated with the implementation of our transformation plan and any other stabilization strategies and restructuring and cost-savings initiatives we undertake from time to time.

A failure, disruption, cyberattack or other breach in the security of an IT system or infrastructure that we utilize could adversely affect our business and reputation and increase our costs.

We employ IT systems to support our business, including systems to support financial reporting, web-based tools, an enterprise resource planning ("ERP") system, and internal communication and data transfer networks. We also employ IT systems to support Representatives in many of our markets, including electronic order collection, invoicing systems, shipping and box packing, social media tools, mobile

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applications and on-line training. We have e-commerce and Internet sites, including business-to-business websites to support Representatives. We use third-party service providers in many instances to provide or support these IT systems. Over the last several years, we have undertaken initiatives to increase our reliance on IT systems which has resulted in the outsourcing of certain services and functions, such as global human resources IT systems, call center support, Representative support services and other IT processes. For example, we currently outsource four areas of the Company's IT infrastructure. Our IT systems and infrastructure, as well as the systems, infrastructure and services of those of third parties, are integral to our performance.

Any of our IT systems and infrastructure, or those of our third-party service providers, may be susceptible to outages, disruptions, destruction or corruption due to the complex landscape of localized applications and architectures as well as incidents related to legacy or unintegrated systems. These IT systems and infrastructure also may be susceptible to cybersecurity breaches, attacks, break-ins, data corruption, fire, floods, power loss, telecommunications failures, terrorist attacks and similar events beyond our control. We rely on our employees, Representatives and third parties in our day-to-day and ongoing operations, who may, as a result of human error or malfeasance or failure, disruption, cyberattack or other security breach of third party systems or infrastructure, expose us to risk. Furthermore, our ability to protect and monitor the practices of our third-party service providers is more limited than our ability to protect and monitor our own IT systems and infrastructure.

Our IT systems, or those of our third-party service providers may be accessed by unauthorized users such as cyber criminals as a result of a failure, disruption, cyberattack or other security breach, exposing us to risk. As techniques used by cyber criminals change frequently, a failure, disruption, cyberattack or other security breach may go undetected for a long period of time. A failure, disruption, cyberattack or other security breach of our IT systems or infrastructure, or those of our third-party service providers, could result in the theft, transfer, unauthorized access to, disclosure, modification, misuse, loss, or destruction of Company, employee, Representative, customer, vendor, or other third-party data, including sensitive or confidential data, personal information and intellectual property. For example, the Company uses a newswire service that has been subject to the hacking of not-yet-issued press releases by hackers in order to trade on securities using the information contained in such press releases.

We are investing in industry standard solutions and protections and monitoring practices of our data and IT systems and infrastructure to reduce these risks and continue to monitor our IT systems and infrastructure on an ongoing basis for any current or potential threats. Such efforts and investments are costly, and as cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. As a company that operates globally, we could be impacted by commercial agreements between us and processing organizations, existing and proposed laws and regulations, and government policies and practices related to cybersecurity, privacy and data protection.

Despite our efforts, our and our third-party service providers' data, IT systems and infrastructure may be vulnerable. There can be no assurance that our efforts will prevent a failure, disruption, cyberattack or other security breach of our or our third-party service providers' IT systems or infrastructure, or that we will detect and appropriately respond if there is such a failure, disruption, cyberattack or other security breach. Any such failure, disruption, cyberattack or other security breach could adversely affect our business including our ability to expand our business, cause damage to our reputation, result in increased costs to address internal data, security, and personnel issues, and result in violations of applicable privacy laws and other laws and external financial obligations such as governmental fines, penalties, or regulatory proceedings, remediation efforts such as breach notification and identity theft monitoring, and third-party private litigation with potentially significant costs. In addition, it could result in deterioration in our employees', Representatives', customers', or vendors' confidence in us, which could cause them to discontinue business with us or result in other competitive disadvantages. In addition, there may be other challenges and risks as we upgrade, modernize, and standardize our IT systems globally.

Third-party suppliers provide, among other things, the raw materials used to manufacture our Beauty products, and the loss of these suppliers, a supplier's inability to supply a raw material or a finished product or a disruption or interruption in the supply chain may adversely affect our business.

We manufacture and package the majority of our Beauty products. Raw materials used in these products consist chiefly of essential oils, chemicals, containers and packaging components. Almost all of the raw materials used by the Company in manufacturing our Beauty Products are purchased from various third-party suppliers, some of which are single-source suppliers. All of our Fashion & Home products are purchased from various suppliers. Additionally, our suppliers produce the brochures that are used by Representatives to sell Avon products.

The loss of these suppliers, the inability of these suppliers to supply or our inability to procure a raw material or a finished product or a significant disruption or interruption in the supply chain could have a material adverse effect on the manufacturing and packaging of our Beauty products, the purchasing of our Fashion & Home products or the production of our brochures. This risk may be exacerbated by our globally-coordinated purchasing strategy, which leverages volumes. Regulatory action, such as restrictions on importation, may also disrupt or interrupt our supply chain. Furthermore, increases in the costs of raw materials or other commodities may adversely affect our profit margins if we are unable to pass along any higher costs in the form of price increases or otherwise achieve cost efficiencies in manufacturing and distribution. In addition, if our suppliers fail to use ethical business practices and comply with applicable laws and regulations, such as any child labor laws, our reputation could be harmed due to negative publicity.

Our indebtedness and any future inability to meet any of our obligations under our indebtedness, could adversely affect us by reducing our flexibility to respond to changing business and economic conditions.

As of December 31, 2016, we had approximately \$1.9 billion of indebtedness outstanding. We may also incur additional long-term indebtedness and working capital lines of credit to meet future financing needs, subject to certain restrictions under our indebtedness, including our revolving credit facility and our Senior Secured Notes (each, as described below), which would increase our total indebtedness. We may be unable to generate sufficient cash flow from operations and future borrowings and other financing may be unavailable in an amount sufficient to enable us to fund our current and future financial obligations or our other liquidity needs, which would have a material adverse effect on our business, prospects, financial condition, liquidity, results of operations and cash flows. Our indebtedness could have material negative consequences on our business, prospects, financial condition, liquidity, results of operations and cash flows, including the following:

- limitations on our ability to obtain additional debt or equity financing sufficient to fund growth, such as working capital and capital expenditures requirements or to meet other cash requirements, in particular during periods in which credit markets are weak;
- a further downgrade in our credit ratings, as discussed above;
- a limitation on our flexibility to plan for, or react to, competitive challenges in our business and the beauty industry;
- the possibility that we are put at a competitive disadvantage relative to competitors with less debt or debt with more favorable terms than us, and competitors that may be in a more favorable position to access additional capital resources and withstand economic downturns;
- limitations on our ability to execute business development activities to support our strategies or ability to execute restructuring as necessary; and
- limitations on our ability to invest in recruiting, retaining and servicing our Representatives.

Our revolving credit facility and our Senior Secured Notes are secured by first priority liens on and security interests in substantially all of the assets of Avon International Operations, Inc. ("AIO," a wholly-owned domestic subsidiary) and the subsidiary guarantors and by certain assets of the Company, in each case, subject to certain exceptions and permitted liens. Both the revolving credit facility and Senior Secured Notes contain customary covenants, including, among other things, limits on the ability of the Company, AIO or any restricted subsidiary to, subject to certain exceptions, incur liens, incur debt, make restricted payments, make investments or, with respect to certain entities, merge, consolidate or dispose of all or substantially all of its assets. The revolving credit facility also contains a minimum interest coverage ratio and a maximum total leverage ratio. If we are unable to comply with these ratios as a result of a continued decline in our business results, which includes the impact of any adverse foreign exchange movements, significant restructuring charges and significant legal or regulatory settlements, we would be limited in our ability to borrow under our revolving credit facility which could, as a result, restrict our operational flexibility. In addition, we could have difficulty obtaining necessary waivers from compliance with, or necessary amendments to, the covenants contained in our revolving credit facility and Senior Secured Notes, and we could have difficulty addressing the impact any non-compliance with these covenants may have on our ability to secure financing with favorable terms.

Our ability to utilize our foreign tax and other U.S. credits to offset our future taxable income may be limited under Sections 382 and 383 of the Internal Revenue Code.

As of December 31, 2016, we had approximately \$874 million of foreign tax and other credits available to offset future income for U.S. federal tax liability purposes. Our ability to utilize such credits to offset future income could be limited, however, if the Company undergoes an "ownership change" within the meaning of Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). In general, an ownership change will occur if there is a cumulative increase in ownership of our stock by 5% shareholders (as defined in the Code) that exceeds 50 percentage points over a rolling three-year period. If the 50 percentage points are exceeded, Section 382 establishes an annual

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limitation on the amount of deferred tax assets attributable to previously incurred credits that may be used to offset taxable income in future years. A number of complex rules apply in calculating this limitation, and any such limitation would depend in part on the market value of the Company at the time of the ownership change and prevailing interest rates at the time of calculation. As a result, the magnitude of any potential limitation on the use of our deferred tax assets and the effect of such limitation on the Company if an ownership change were to occur is difficult to assess. However, if all or a portion of our deferred tax assets were to become subject to this limitation, our tax liability could increase significantly and our future results of operations and cash flows could be adversely impacted.

We currently believe an ownership change has not occurred. However, in recent periods, we have experienced fluctuations in the market price of our stock and changes in ownership by our 5% shareholders. In addition, the issuance and sale of perpetual convertible preferred stock to Cerberus Investor (as defined below) resulted in an increase in our cumulative ownership change by our 5% shareholders.

Significant changes in pension fund investment performance, assumptions relating to pension costs or required legal changes in pension funding rules may have a material effect on the valuation of pension obligations, the funded status of pension plans and our pension cost.

Our funding policy for pension plans is to meet the minimum required contributions under applicable law and accumulate plan assets that, over the long run, are expected to approximate the present value of projected benefit obligations. Our pension cost is materially affected by the discount rate used to measure pension obligations, the level of plan assets available to fund those obligations at the measurement date and the expected long-term rate of return on plan assets. Significant changes in investment performance or a change in the portfolio mix of invested assets can result in corresponding increases and decreases in the valuation of plan assets, including equity and debt securities and derivative instruments, or in a change of the expected rate of return on plan assets. Also, while our U.S. defined benefit pension plan has been closed to employees hired on or after January 1, 2015, significant changes in the number and demographics of participants in our pension plans generally may result in changes to our funding obligations. A change in the discount rate would result in a significant increase or decrease in the valuation of pension obligations, affecting the reported funded status of our pension plans as well as the net periodic pension cost in the following fiscal years. Similarly, changes in the expected rate of return on plan assets can result in significant changes in the net periodic pension cost. Please see “Critical Accounting Estimates – Pension and Postretirement Expense” within MD&A on pages 32 through 34 and Note 12, Employee Benefit Plans on pages F-36 through F-44 of our 2016 Annual Report, for additional information regarding the impact of these factors on our pension plan obligations.

Any strategic alliances or divestitures may expose us to additional risks.

We evaluate potential strategic alliances that would complement our current product offerings, increase the size and geographic scope of our operations or otherwise offer growth and/or operating efficiency opportunities. Strategic alliances may entail numerous risks, including:

- substantial costs, delays or other operational or financial difficulties, including difficulties in leveraging synergies among the businesses to increase sales and obtain cost savings or achieve expected results;
- difficulties in assimilating acquired operations or products, including the loss of key employees from any acquired businesses and disruption to our direct-selling channel;
- diversion of management’s attention from our core business;
- adverse effects on existing business relationships with suppliers and customers;
- risks of entering markets in which we have limited or no prior experience; and
- reputational and other risks regarding our ability to successfully implement such strategic alliances, including obtaining financing which could dilute the interests of our shareholders, result in an increase in our indebtedness or both.

Our failure to successfully complete the integration of any new or acquired businesses could have a material adverse effect on our business, prospects, financial condition, liquidity, results of operations and cash flows. In addition, there can be no assurance that we will be able to identify suitable candidates or consummate such transactions on favorable terms.

For divestitures, success is also dependent on effectively and efficiently separating the divested unit or business from the Company and reducing or eliminating associated overhead costs. In cases where a divestiture is not successfully implemented or completed, the Company’s business, prospects, financial condition, liquidity, results of operations and cash flows could be adversely affected. Please see “Risks Related to the Separation of North America and the Preferred Stock Investment in the Company” below for additional information regarding the risks associated with the separation of North America.

The trading price of our common stock has been, and could in the future continue to be, subject to significant fluctuations.

The loss of, or a disruption in, our manufacturing and distribution operations could adversely affect our business.

Our principal properties consist of worldwide manufacturing facilities for the production of Beauty products, distribution centers where offices are located and where finished merchandise is packed and shipped to Representatives in fulfillment of their orders, and one principal research and development facility. Additionally, we use third-party manufacturers to manufacture certain of our products. Therefore, as a company engaged in manufacturing, distribution and research and development on a global scale, we are subject to the risks inherent in such activities, including industrial accidents, environmental events, fires, strikes and other labor or industrial disputes, disruptions in logistics or information systems (such as our ERP system), loss or impairment of key manufacturing or distribution sites, product quality control issues, safety concerns, licensing requirements and other regulatory or government issues, as well as natural disasters, pandemics, border disputes, acts of terrorism and other external factors over which we have no control. These risks may be exacerbated by our efforts to increase facility consolidation covering our manufacturing, distribution and supply footprints, particularly if we are unable to successfully increase our resiliency to potential operational disruptions or enhance our disaster recovery planning. The loss of, or damage to, any of our facilities or centers, or those of our third-party manufacturers, could have a material adverse effect on our business, prospects, financial condition, liquidity, results of operations and cash flows.

Our success depends, in part, on the quality, safety and efficacy of our products.

Our success depends, in part, on the quality, safety and efficacy of our products. If our products are found to be, or perceived to be, defective or unsafe, or if they otherwise fail to meet our Representatives' or end customers' standards, our relationship with our Representatives or end customers could suffer, we could need to recall some of our products and/or become subject to regulatory action, our reputation or the appeal of our brand could be diminished, we could lose market share, and we could become subject to liability claims, any of which could result in a material adverse effect on our business, prospects, financial condition, liquidity, results of operations and cash flows.

If we are unable to protect our intellectual property rights, specifically patents and trademarks, our ability to compete could be adversely affected.

The market for our products depends to a significant extent upon the value associated with our product innovations and our brand equity. We own the material patents and trademarks used in connection with the marketing and distribution of our major products where such products are principally sold. Although most of our material intellectual property is registered in certain countries in which we operate, there can be no assurance with respect to the rights associated with such intellectual property in those countries. In addition, the laws of certain foreign countries, including many emerging markets, may not completely protect our intellectual property rights. The costs required to protect our patents and trademarks, especially in emerging markets, may be substantial. Please see "The licensing of our North America intellectual property rights, including trademarks that are fundamental to our brand, in connection with the Separation could adversely impact our reputation, our business generally, and our ability to enforce intellectual property rights used in both North America and international jurisdictions" below for additional information regarding the risks on our intellectual property rights associated with the separation of North America.

We are involved, and may become involved in the future, in legal proceedings that, if adversely adjudicated or settled, could adversely affect our financial results.

We are and may, in the future, become party to litigation, including, for example, claims alleging violation of the federal securities laws or claims relating to employee or employment matters, our products or advertising. In general, litigation claims can be expensive and time consuming to bring or defend against and could result in settlements or damages that could significantly affect financial results and the conduct of our business. We are currently vigorously contesting certain of these litigation claims. However, it is not possible to predict the final resolution of the litigation to which we currently are or may in the future become party, or to predict the impact of certain of these matters on our business, prospects, financial condition, liquidity, results of operations and cash flows.

Government reviews, inquiries, investigations, and actions could harm our business or reputation. In addition, from time to time we may conduct other investigations and reviews, the consequences of which could negatively impact our business or reputation.

As we operate in various locations around the world, our operations in certain countries are subject to significant governmental scrutiny and may be harmed by the results of such scrutiny. The regulatory environment with regard to direct selling in emerging and developing markets

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where we do business is evolving, and government officials in such locations often exercise broad discretion in deciding how to interpret and apply applicable regulations. From time to time, we may receive formal and informal inquiries from various government regulatory authorities about our business and compliance with local laws and regulations. In addition, from time to time, we may conduct investigations and reviews. The consequences of such government reviews, inquiries, investigations, and actions or such investigations and reviews may adversely impact our business, prospects, reputation, financial condition, liquidity, results of operations or cash flows.

Additionally, any determination that our operations or activities, or, where local law mandates, the activities of our Representatives, including our licenses or permits, importing or exporting, or product testing or approvals are not, or were not, in compliance with existing laws or regulations could result in the imposition of substantial fines, civil and criminal penalties, interruptions of business, loss of supplier, vendor or other third party relationship, termination of necessary licenses and permits, modification of business practices and compliance programs, equitable remedies, including disgorgement, injunctive relief and other sanctions that we may take against our personnel or that may be taken against us or our personnel. Other legal or regulatory proceedings, as well as government investigations, which often involve complex legal issues and are subject to uncertainties, may also follow as a consequence. Further, other countries in which we do business may initiate their own investigations and impose similar sanctions. These proceedings or investigations could be costly and burdensome to our management, and could adversely impact our business, prospects, reputation, financial condition, liquidity, results of operations or cash flows. Even if an inquiry or investigation does not result in any adverse determinations, it potentially could create negative publicity and give rise to third-party litigation or action.

The affirmative vote in the United Kingdom to withdraw from the European Union may adversely affect our business.

On June 23, 2016, the United Kingdom (“UK”) held a referendum in which voters approved an exit from the EU, commonly referred to as “Brexit.” As a result of the referendum, it is expected that the British government will begin negotiating the terms of the UK’s future relationship with the EU. The Brexit vote may result in regulatory uncertainty throughout the region and could adversely affect business activity, political stability and economic conditions in the UK, the Eurozone, the EU and elsewhere. Any of these developments could have a material adverse effect on business activity in the UK, the Eurozone, or the EU. Given that we conduct a substantial portion of our business in the EU and the UK, and our corporate headquarters has been relocated to the UK, any of these developments could have a material adverse effect on our business, financial position, liquidity and results of operations or cash flows.

The uncertainty concerning the timing and terms of the exit could also have a negative impact on the growth of the UK and/or EU economies and cause greater volatility in the pound sterling, euro and/or other currencies. Changes in foreign currency exchange rates may reduce the reported value of our revenues.

Changes to UK border and immigration policy could likewise occur as a result of Brexit, affecting our ability to recruit and retain employees from outside the UK.

The market price of our common stock could be subject to fluctuations as a result of many factors.

Factors that could affect the trading price of our common stock include the following:

- variations in operating results;
- developments in connection with any investigations or litigations;
- a change in our credit ratings;
- economic conditions and volatility in the financial markets;
- announcements or significant developments in connection with our business and with respect to beauty and related products or the beauty industry in general;
- actual or anticipated variations in our quarterly or annual financial results;
- unsolicited takeover proposals, proxy contests or other shareholder activism;
- governmental policies and regulations;
- estimates of our future performance or that of our competitors or our industries;
- general economic, political, and market conditions;
- market rumors; and
- factors relating to competitors.

Risks Related to the Separation of North America and the Preferred Stock Investment in the Company

We may be exposed to claims and liabilities as a result of the separation of our North America business.

On March 1, 2016, Cleveland Apple Investor L.P. (“Cerberus Investor”) (an affiliate of Cerberus Capital Management L.P. (“Cerberus”) contributed \$170 million of cash into New Avon LLC (“New Avon”) in exchange for 80.1% of its membership interests, and we contributed (i) assets primarily related to our North America business (including approximately \$100 million of cash, subject to certain adjustments), (ii) certain assumed liabilities (primarily pension and postretirement liabilities) of our North America business and (iii) the employees of our North America business into New Avon in exchange for a 19.9% ownership interest of New Avon (collectively, the “Separation”). In connection with the Separation, we entered into a Separation Agreement and various other agreements with New Avon to govern the separation and the relationship of the two companies going forward. These agreements provide for specific indemnity and liability obligations and could lead to disputes between us. The indemnity rights we have against New Avon under the agreements may not be sufficient to protect us. In addition, our indemnity obligations to New Avon may be significant and these risks could negatively affect our financial condition.

We or New Avon may fail to perform under the post-closing arrangements executed as part of the Separation.

In connection with the Separation, we and New Avon entered into several agreements, including among others a Transition Services Agreement, an Intellectual Property License Agreement, a Research and Development Agreement and a Manufacturing and Supply Agreement. The Transition Services Agreement provides that we will perform certain services, including related to treasury and financial shared services, technology and global packaging, for the benefit of New Avon for initial service periods of up to 24 months. The Intellectual Property License Agreements provides New Avon with rights to use certain intellectual property rights that we used in the conduct of the North America business prior to the Separation. The Research and Development Agreement provides that we will perform certain beauty product development services for New Avon for an initial term through December 31, 2017. The Manufacturing and Supply Agreement provides that we and New Avon will manufacture and supply certain products to each other for an initial term through December 31, 2018. These agreements establish a bilateral relationship between New Avon and us. We will rely on New Avon to satisfy its performance and payment obligations under these agreements. If New Avon is unable to satisfy its obligations under these agreements, we could incur operational difficulties or losses that could have a material and adverse effect on our business, financial condition and results of operations.

The licensing of our North America intellectual property rights, including trademarks that are fundamental to our brand, in connection with the Separation could adversely impact our reputation, our business generally, and our ability to enforce intellectual property rights used in both North America and international jurisdictions.

In connection with the Separation, we granted New Avon a perpetual, irrevocable, royalty-free license, with the ability to sublicense, to certain intellectual property rights that we used in the conduct of our North America business prior to the Separation. The Intellectual Property License Agreement includes quality control provisions obligating New Avon and its sublicensees to remain in compliance with applicable law or, for certain of our brands, quality standards that we have provided to New Avon, when marketing products under certain trademarks we have licensed to New Avon. However, there is a risk that failure by New Avon or its sublicensees to comply with such quality control provisions or other conduct by New Avon or its sublicensees associated with the trademarks licensed to New Avon, could adversely affect our reputation and our business globally. We have also granted New Avon enforcement rights to intellectual property licensed to New Avon in certain circumstances, which could adversely affect our position and options globally relating to enforcement of our intellectual property.

The issuance of 435,000 shares of our Series C Preferred Stock to Cerberus Investor dilutes the ownership of holders of our common stock and may adversely affect the market price of our common stock.

On March 1, 2016, we issued and sold to Cerberus Investor 435,000 shares of newly issued Series C Preferred Stock for an aggregate purchase price of \$435 million pursuant to an Investment Agreement between us and Cerberus Investor. Conversion of the Series C Preferred Stock would dilute the ownership interest of existing holders of our common stock, and any sales in the public market of the

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common stock issuable upon conversion of the Series C Preferred Stock could adversely affect the market price of our common stock. We have granted Cerberus Investor registration rights in respect of the shares of Series C Preferred Stock and shares of common stock issued upon conversion of the Series C Preferred Stock, which would facilitate the resale of such securities into the public market. Sales by Cerberus Investor of a substantial number of shares of our common stock in the public market, or the perception that such sales might occur, could have a material adverse effect on the price of our common stock.

The Series C Preferred Stock issued to Cerberus Investor has rights, preferences and privileges that are not held by, and are preferential to, the rights of holders of our common stock. Such preferential rights could adversely affect our liquidity, cash flows and financial condition, and may result in the interests of Cerberus Investor differing from those of our common shareholders.

The Series C Preferred Stock ranks senior to the shares of our common stock with respect to dividend rights and rights on the distribution of assets on any liquidation, dissolution or winding up of our affairs. The Series C Preferred Stock has a liquidation preference of \$1,000 per share, representing an aggregate liquidation preference of \$435 million upon issuance. Holders of Series C Preferred Stock are entitled to participate on an as-converted basis in any dividends paid to the holders of shares of our common stock. In addition, cumulative preferred dividends accrue daily on the Series C Preferred Stock and are payable at the rate of 1.25% per quarter (net of any dividends on our common stock and subject to a maximum rate of 5.00% per quarter if we breach certain obligations). Except to the extent not otherwise previously paid by us, preferred dividends are payable on the seventh anniversary of the issuance date of the Series C Preferred Stock as and when declared by the Board of Directors and at the end of each quarter thereafter. Accrued and unpaid preferred dividends may be paid, at our option, (i) in cash, (ii) subject to certain conditions, in shares of our common stock or (iii) upon conversion of shares of Series C Preferred Stock, in shares of our non-voting, non-convertible Series D Preferred Stock, par value \$1.00 per share (the "Series D Preferred Stock"). Any such shares of Series D Preferred Stock issued would have similar preferential rights.

Upon certain change of control events involving us, holders of Series C Preferred Stock can require us to repurchase the Series C Preferred Stock for an amount equal to the greater of (i) an amount in cash equal to 100% of the liquidation preference thereof plus all accrued but unpaid dividends or (ii) the consideration the holders would have received if they had converted their shares of Series C Preferred Stock into common stock immediately prior to the change of control event.

Our obligations to pay dividends to the holders of Series C Preferred Stock, and to repurchase the outstanding shares of Series C Preferred Stock under certain circumstances, could impact our liquidity and reduce the amount of cash flows. Our obligations to the holders of Series C Preferred Stock could also limit our ability to obtain additional financing or increase our borrowing costs, which could have an adverse effect on our financial condition. The preferential rights of holders of our Series C Preferred Stock could also result in divergent interests between Cerberus Investor and those of our common shareholders.

Cerberus Investor is able to exercise significant influence over us, including through its ability to elect up to three members of our Board of Directors, including the Chairman.

Holders of Series C Preferred Stock are entitled to vote generally with holders of our common stock on an as-converted basis (subject to an agreement to vote in favor of the slate of directors nominated by the Board of Directors, so long as the 25% Ownership Requirement (as defined below) is met and subject to certain exceptions). Therefore, the Series C Preferred Stock issued to Cerberus Investor effectively reduces the relative voting power of the holders of our common stock. The shares of Series C Preferred Stock owned by Cerberus Investor represents approximately 16.6% of the voting rights of our common stock on an as-converted basis. As a result, Cerberus Investor has the ability to significantly influence the outcome of any matter submitted for the vote of our shareholders. In addition, provided Cerberus Investor maintains certain levels of beneficial ownership of Series C Preferred Stock and/or common stock, Cerberus Investor has consent rights over certain actions taken by us, including increasing the size of the Board of Directors, reinstating our quarterly common stock dividend and incurring indebtedness in excess of certain thresholds.

In addition, Cerberus Investor has certain rights to designate directors to serve on our Board of Directors (one of whom will act as the Chairman so long as the 50% Ownership Requirement (as defined below) is met). Cerberus Investor will continue to be entitled to elect: (i) three directors to the Board of Directors, so long as Cerberus Investor continues to beneficially own shares of Series C Preferred Stock and/or shares of common stock that represent, on an as-converted basis, at least 75% of Cerberus Investor's initial shares of Series C Preferred Stock on an as-converted basis, (ii) two directors to the Board of Directors, so long as Cerberus Investor continues to beneficially own shares

of Series C Preferred Stock and/or common stock that represent, on an as-converted basis, at least 50% but less than 75% of Cerberus Investor's initial shares of Series C Preferred Stock on an as-converted basis (the "50% Ownership Requirement") and (iii) one director to the Board of Directors, so long as Cerberus Investor continues to beneficially own shares of Series C Preferred Stock and/or common stock that represent, on an as-converted basis, at least 25% but less than 50% of Cerberus Investor's initial shares of Series C Preferred Stock on an as-converted basis (the "25% Ownership Requirement"). Until Cerberus Investor no longer meets the 25% Ownership Requirement, subject to certain exceptions and to satisfaction by such director designees of independence and other customary qualifications, Cerberus Investor has the right to have one of its director designees serve on each committee of the Board of Directors. Notwithstanding the fact that all directors are subject to fiduciary duties and applicable law, the interests of the directors appointed by Cerberus Investor may differ from the interests of holders of our common stock as a whole or of our other directors.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our principal properties worldwide consist of manufacturing facilities for the production of Beauty products, distribution centers where administrative offices are located and where finished merchandise is packed and shipped to Representatives in fulfillment of their orders, and one principal research and development facility located in Suffern, NY.

We own property in Rye, NY that is used for an executive and administrative office, as well as for Global IT. In October 2016, an office space at Chiswick Park in London, UK was leased, and beginning in January 2017, is used for our principal executive office and an administrative office. Our previous principal executive office location at 777 Third Avenue, New York, NY has been vacated, with certain floors currently being subleased and certain floors currently in the process of being subleased. We moved our principal executive office to London to be in closer proximity to many of our commercial markets. In addition, in December 2016, we sold a distribution center in the U.S. which was inactive.

In addition to the facilities noted above, other principal properties measuring 50,000 square feet or more include the following:

- two manufacturing facilities in Europe, primarily servicing Europe, Middle East & Africa;
- thirteen distribution centers and five administrative offices in Europe, Middle East & Africa;
- two manufacturing facilities, eight distribution centers and one administrative office in South Latin America;
- one manufacturing facility, two distribution centers and one administrative office in North Latin America; and
- four manufacturing facilities and six distribution centers in Asia Pacific, of which one manufacturing facility is inactive.

We consider all of these properties to be in good repair, to adequately meet our needs and to operate at reasonable levels of productive capacity.

Of all the properties listed above, 25 are owned and the remaining 20 are leased. Many of our properties are used for a combination of manufacturing, distribution and administration. These properties are included in the above listing based on primary usage.

ITEM 3. LEGAL PROCEEDINGS

Reference is made to Note 17, Contingencies, on pages F-53 through F-56 of our 2016 Annual Report.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

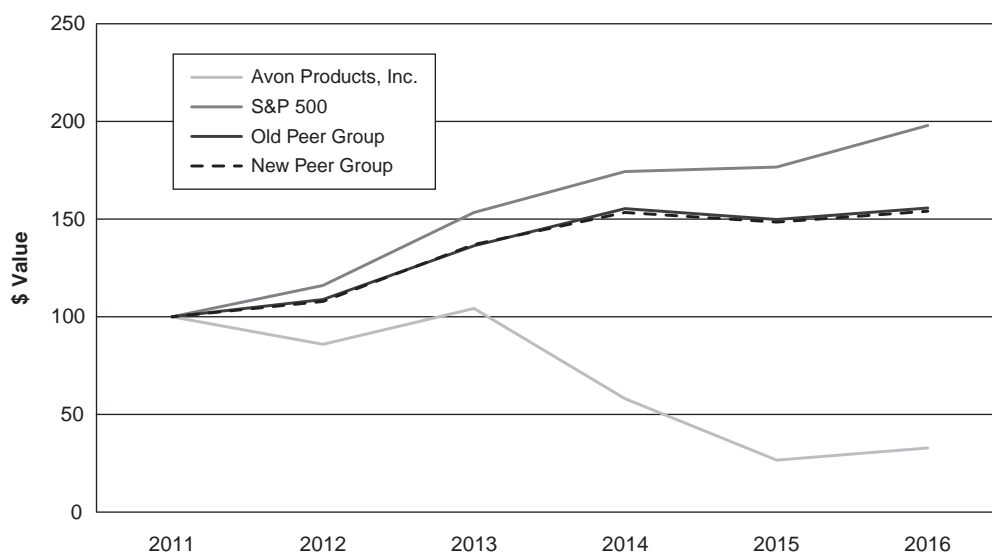
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for Avon's Common Stock

Our common stock is listed on The New York Stock Exchange and trades under the AVP ticker symbol. At December 31, 2016, there were 12,876 holders of record of our common stock. We believe that there are many additional shareholders who are not "shareholders of record" but who beneficially own and vote shares through nominee holders such as brokers and benefit plan trustees. High and low market prices and dividends per share of our common stock, in dollars, for 2016 and 2015 are listed below. We suspended the dividend on our common stock effective in the first quarter of 2016.

Quarter	2016			2015		
	High	Low	Dividends Declared and Paid	High	Low	Dividends Declared and Paid
First	\$4.81	\$2.38	\$—	\$9.31	\$7.28	\$.06
Second	5.01	3.53	—	9.15	6.26	.06
Third	5.92	3.73	—	6.64	3.22	.06
Fourth	6.89	5.04	—	4.50	2.50	.06

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN⁽¹⁾ Among Avon Products, Inc., The S&P 500 Index and 2016 Peer Group⁽²⁾⁽³⁾



The Stock Performance Graph above assumes a \$100 investment on December 31, 2011, in Avon's common stock, the S&P 500 Index and the Peer Group. The dollar amounts indicated in the graph above and in the chart below are as of December 31 or the last trading day in the year indicated.

	2011	2012	2013	2014	2015	2016
Avon	100.0	85.8	104.1	57.8	26.2	32.6
S&P 500	100.0	116.0	153.6	174.6	177.0	198.2
Old Peer Group ⁽²⁾	100.0	108.7	136.3	155.4	149.9	155.8
New Peer Group ⁽³⁾	100.0	107.9	137.1	153.6	148.7	154.3

⁽¹⁾ Total return assumes reinvestment of dividends at the closing price at the end of each quarter.

⁽²⁾ The Old Peer Group includes The Clorox Company, Colgate-Palmolive Company, Estée Lauder Companies, Inc., Kimberly Clark Corp., The Procter & Gamble Company and Revlon, Inc.

⁽³⁾ The New Peer Group includes The Clorox Company, Colgate-Palmolive Company, Estée Lauder Companies, Inc., Kimberly Clark Corp., The Procter & Gamble Company, Revlon, Inc., Tupperware Brands Corp. and Herbalife Ltd.

The Stock Performance Graph above shall not be deemed to be “soliciting material” or to be “filed” with the United States Securities and Exchange Commission or subject to the liabilities of Section 18 under the Securities Exchange Act of 1934 as amended (the “Exchange Act”). In addition, it shall not be deemed incorporated by reference by any statement that incorporates this annual report on Form 10-K by reference into any filing under the Securities Act of 1933 (the “Securities Act”) or the Exchange Act, except to the extent that we specifically incorporate this information by reference.

Issuer Purchases of Equity Securities

The following table provides information about our purchases of our common stock during the quarterly period ended December 31, 2016:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
10/1/16 – 10/31/16	36,680 ⁽¹⁾	\$4.33	*	*
11/1/16 – 11/30/16	31,173 ⁽¹⁾	5.59	*	*
12/1/16 – 12/31/16	10,591 ⁽¹⁾	5.62	*	*
Total	78,444	\$5.00	*	*

* These amounts are not applicable as the Company does not have a share repurchase program in effect.

⁽¹⁾ All shares were repurchased by the Company in connection with employee elections to use shares to pay withholding taxes upon the vesting of their restricted stock units and performance restricted stock units.

Some of these share repurchases may reflect a brief delay from the actual transaction date.

ITEM 6. SELECTED FINANCIAL DATA

(U.S. dollars in millions, except per share data)

We derived the following selected financial data from our audited Consolidated Financial Statements. The following data should be read in conjunction with our MD&A and our Consolidated Financial Statements and related Notes contained in our 2016 Annual Report.

	2016	2015	2014	2013	2012
Statement of Operations Data					
Total revenue	\$5,717.7	\$ 6,160.5	\$7,648.0	\$8,496.8	\$8,810.2
Operating profit ⁽¹⁾	321.9	165.0	434.3	539.8	448.2
(Loss) income from continuing operations, net of tax ⁽¹⁾	(93.4)	(796.5)	(344.5)	67.5	39.8
Diluted (loss) earnings per share from continuing operations	\$ (.25)	\$ (1.81)	\$ (.79)	\$.14	\$.09
Cash dividends per share	\$ —	\$.24	\$.24	\$.24	\$.75
Balance Sheet Data					
Total assets*	\$3,418.9	\$ 3,770.4	\$5,485.2	\$6,478.4	\$7,371.2
Debt maturing within one year	18.1	55.2	121.7	171.2	564.3
Long-term debt	1,875.8	2,150.5	2,417.1	2,474.2	2,561.0
Total debt	1,893.9	2,205.7	2,538.8	2,645.4	3,125.3
Total shareholders' (deficit) equity	(836.2)	(1,056.4)	305.3	1,127.5	1,233.3

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* Total assets at December 31, 2015 and 2014 in the table above exclude the \$100.0 receivable from continuing operations that was presented within current assets of discontinued operations.

⁽¹⁾ A number of items, shown below, impact the comparability of our operating profit and (loss) income from continuing operations, net of tax. See Note 15, Restructuring Initiatives on pages F-47 through F-52 of our 2016 Annual Report, Note 13, Segment Information on pages F-44 through F-46 of our 2016 Annual Report, Note 1, Description of the Business and Summary of Significant Accounting Policies on pages F-8 through F-14 of our 2016 Annual Report, "Results Of Operations – Consolidated" within MD&A on pages 35 through 48, "Venezuela Discussion" within MD&A on pages 42 through 43, Note 17, Contingencies on pages F-53 through F-56 of our 2016 Annual Report, Note 12, Employee Benefit Plans on pages F-36 through F-44 of our 2016 Annual Report, Note 18, Goodwill on pages F-56 through F-57 of our 2016 Annual Report, Note 3, Discontinued Operations and Divestitures on pages F-15 through F-17 of our 2016 Annual Report, Note 6, Debt and Other Financing on pages F-19 through F-22 of our 2016 Annual Report and Note 8, Income Taxes on pages F-24 through F-28 of our 2016 Annual Report for more information on these items.

	Impact on Operating Profit				
	2016	2015	2014	2013	2012
Costs to implement restructuring initiatives	\$(77.4)	\$ (49.1)	\$ (86.6)	\$(53.4)	\$(94.2)
Legal settlement ⁽²⁾	27.2	–	–	–	–
Venezuelan special items ⁽³⁾	–	(120.2)	(137.1)	(49.6)	–
FCPA accrual ⁽⁴⁾	–	–	(46.0)	(89.0)	–
Pension settlement charge ⁽⁵⁾	–	(7.3)	(9.5)	–	–
Other items ⁽⁶⁾	–	(3.1)	–	–	–
Asset impairment and other charges ⁽⁷⁾	–	(6.9)	–	(42.1)	(44.0)

In addition to the items impacting operating profit identified above, loss from continuing operations, net of tax during 2016 was impacted by:

- the deconsolidation of our Venezuelan operations. As a result of the change to the cost method of accounting, in the first quarter of 2016 we recorded a loss of \$120.5 in other expense, net. The loss was comprised of \$39.2 in net assets of the Venezuelan business and \$81.3 in accumulated foreign currency translation adjustments within accumulated other comprehensive income (loss) ("AOCI") associated with foreign currency movements before Venezuela was accounted for as a highly inflationary economy;
- a net gain on extinguishment of debt of \$1.1 before and after tax associated with the cash tender offers in August 2016, the debt repurchases in October and December 2016, and the prepayment of the remaining principal amount of the 4.20% Notes (as defined in "Capital Resources" within MD&A on pages 57 through 59) and 5.75% Notes (as defined in "Capital Resources" within MD&A on pages 57 through 59) in November 2016; and
- the release of a valuation allowance associated with Russia of \$7.1 and an income tax benefit of \$29.3 recognized as the result of the implementation of foreign tax planning strategies, partially offset by a non-cash income tax charge for valuation allowances for deferred tax assets outside of the U.S. of \$8.6.

See "Venezuela Discussion" within MD&A on pages 42 through 43, Note 1, Description of the Business and Summary of Significant Accounting Policies on pages F-8 through F-14 of our 2016 Annual Report, Note 6, Debt and Other Financing on pages F-19 through F-22 of our 2016 Annual Report, and Note 8, Income Taxes on pages F-24 through F-28 of our 2016 Annual Report for more information.

In addition to the items impacting operating profit identified above, loss from continuing operations, net of tax during 2015 was impacted by:

- the gain on sale of Liz Earle of \$44.9 before tax (\$51.6 after tax);
- a loss on extinguishment of debt of \$5.5 before and after tax caused by the make-whole premium and the write-off of debt issuance costs and discounts, associated with the prepayment of the 2.375% Notes (as defined in "Capital Resources" within MD&A on pages 57 through 59) and a charge of \$2.5 before and after tax associated with the write-off of issuance costs related to our previous \$1 billion revolving credit facility;
- an aggregate non-cash income tax charge of \$685.1. This was primarily due to additional valuation allowances for U.S. deferred tax assets of \$669.7 which were due to the continued strengthening of the U.S. dollar against currencies of some of our key markets and the impact on the benefits from our tax planning strategies associated with the realization of our deferred tax assets. In addition, the non-cash income tax charge was due to valuation allowances for deferred tax assets outside of the U.S. of \$15.4, primarily in Russia, which was largely due to lower earnings, which were significantly impacted by foreign exchange losses on working capital balances; and
- an income tax benefit of \$18.7, which was recorded in the fourth quarter of 2015, recognized as a result of the implementation of the initial stages of foreign tax planning strategies.

See Note 3, Discontinued Operations and Divestitures on pages F-15 through F-17 of our 2016 Annual Report, Note 6, Debt and Other Financing on pages F-19 through F-22 of our 2016 Annual Report, and Note 8, Income Taxes on pages F-24 through F-28 of our 2016 Annual Report for more information.

In addition to the items impacting operating profit identified above, loss from continuing operations, net of tax during 2014 was impacted by:

- a non-cash income tax charge of \$404.9. This was primarily due to a valuation allowance of \$383.5 to reduce our deferred tax assets to an amount that is "more likely than not" to be realized, which was recorded in the fourth quarter of 2014; and
- the \$18.5 net tax benefit recorded in the fourth quarter of 2014 related to the finalization of the Foreign Corrupt Practices Act ("FCPA") settlements. See Note 8, Income Taxes on pages F-24 through F-28 of our 2016 Annual Report for more information.

In addition to the items impacting operating profit identified above, income from continuing operations, net of tax during 2013 was impacted by:

- a loss on extinguishment of debt of \$73.0 before tax (\$46.2 after tax) caused by the make-whole premium and the write-off of debt issuance costs associated with the prepayment of our private notes, as well as the write-off of debt issuance costs associated with the early repayment of \$380 of the outstanding principal amount of a term loan agreement;
- the loss on extinguishment of debt of \$13.0 before tax (\$8.2 after tax) caused by the make-whole premium and the write-off of debt issuance costs and discounts, partially offset by a deferred gain associated with the January 2013 interest-rate swap agreement termination, associated with the prepayment of notes due in 2014; and
- valuation allowances for deferred tax assets of \$41.8 related to Venezuela and \$9.2 related to China.

In addition to the items impacting operating profit identified above, income from continuing operations, net of tax during 2012 was impacted by:

- a benefit recorded to other expense, net of \$23.8 before tax (\$15.7 after tax) due to the release of a provision in the fourth quarter associated with the excess cost of acquiring U.S. dollars in Venezuela at the regulated market rate as compared with the official exchange rate. This provision was released as the Company capitalized the associated intercompany liabilities; and
- an additional provision for income taxes of \$168.3. During the fourth quarter of 2012, we determined that the Company may repatriate offshore cash to meet certain U.S. funding needs. Accordingly, we are no longer asserting that the undistributed earnings of foreign subsidiaries are indefinitely reinvested, and therefore, we recorded this additional provision.

⁽²⁾ During 2016, our operating profit and operating margin benefited from the net proceeds of \$27.2 before and after tax recognized as a result of settling claims relating to professional services that had been provided to the Company prior to 2013 in connection with a previously disclosed legal matter. See Note 13, Segment Information on pages F-44 through F-46 of our 2016 Annual Report for more information.

⁽³⁾ During 2015, 2014 and 2013, our operating profit and operating margin were negatively impacted by devaluations of the Venezuelan currency, combined with being designated as a highly inflationary economy.

In February 2015, the Venezuelan government announced the creation of a new foreign exchange system referred to as the SIMADI exchange ("SIMADI"), which represented the rate which better reflected the economics of Avon Venezuela's business activity, in comparison to the other then available exchange rates; as such, we concluded that we should utilize the SIMADI exchange rate to remeasure our Venezuelan operations. The change to the SIMADI rate caused the recognition of a devaluation of approximately 70% as compared to the exchange rate we had used previously. As a result of using the historical United States ("U.S.") dollar cost basis of non-monetary assets, such as inventories, these assets continued to be remeasured, following the change to the SIMADI rate, at the applicable rate at the time of their acquisition. The remeasurement of non-monetary assets at the historical U.S. dollar cost basis caused a disproportionate expense as these assets were consumed in operations, negatively impacting operating profit and net income by \$18.5 during 2015. Also as a result of the change to the SIMADI rate, we determined that an adjustment of \$11.4 to cost of sales was needed to reflect certain non-monetary assets, primarily inventories, at their net realizable value, which was recorded in the first quarter of 2015. In addition, we reviewed Avon Venezuela's long-lived assets to determine whether the carrying amount of the assets was recoverable. Based on our expected cash flows associated with the asset group, we determined that the carrying amount of the assets, carried at their historical U.S. dollar cost basis, was not recoverable. As such, an impairment charge of \$90.3 to selling, general and administrative expenses was needed to reflect the write-down of the long-lived assets to estimated fair value of \$15.7, which was recorded in the first quarter of 2015. In addition to the negative impact to operating profit, as a result of the devaluation of Venezuelan currency, during 2015, we recorded an after-tax benefit of \$3.4 (a benefit of \$4.2 in other expense, net, and a loss of \$.8 in income taxes) in the first quarter of 2015, primarily reflecting the write-down of net monetary assets.

In February 2014, the Venezuelan government announced a foreign exchange system which began operating in March 2014, referred to as the SICAD II exchange ("SICAD II"). As SICAD II represented the rate which better reflected the economics of Avon Venezuela's business activity, in comparison to the other then available exchange rates, we concluded that we should utilize the SICAD II exchange rate to remeasure our Venezuelan operations effective March 31, 2014. The change to the SICAD II rate caused the recognition of a devaluation of approximately 88% as compared to the official exchange rate we used previously. As a result of using the historical U.S. dollar cost basis of non-monetary assets, such as inventories, these assets continued to be remeasured, following the change to the SICAD II rate, at the applicable rate at the time of their acquisition. The remeasurement of non-monetary assets at the historical U.S. dollar cost basis caused a disproportionate expense as these assets are consumed in operations, negatively impacting operating profit and net income by \$21.4 during 2014. Also as a result, we determined that an adjustment of \$115.7 to cost of sales was needed to reflect certain non-monetary assets, primarily inventories, at their net realizable value, which was recorded in the first quarter of 2014. In addition to the negative impact to operating profit, as a result of the devaluation of Venezuelan currency, during 2014, we recorded an after-tax loss of \$41.8 (\$53.7 in other expense, net, and a benefit of \$11.9 in income taxes), primarily reflecting the write-down of net monetary assets.

In 2013, as a result of using the historical U.S. dollar cost basis of non-monetary assets, such as inventories, acquired prior to the devaluation, 2013 operating profit was negatively impacted by \$49.6, due to the difference between the historical U.S. dollar cost at the previous official exchange rate of 4.30 and the official exchange rate of 6.30. In addition to the negative impact to operating profit and net income, as a result of the devaluation of Venezuelan currency, during 2013, we recorded an after-tax loss of \$50.7 (\$34.1 in other expense, net, and \$16.6 in income taxes), primarily reflecting the write-down of net monetary assets and deferred tax benefits.

See discussion of our Venezuelan operations in "Venezuela Discussion" within MD&A on pages 42 through 43 and Note 1, Description of the Business and Summary of Significant Accounting Policies on pages F-8 through F-14 of our 2016 Annual Report for more information.

⁽⁴⁾ During 2014, our operating profit and operating margin were negatively impacted by the additional \$46 accrual, and during 2013, our operating profit and operating margin were negatively impacted by the \$89 accrual, both recorded for the settlements related to the FCPA investigations. See Note 17, Contingencies on pages F-53 through F-56 of our 2016 Annual Report for more information.

⁽⁵⁾ During 2015, our operating profit and operating margin were negatively impacted by settlement charges associated with the U.S. defined benefit pension plan. As a result of the lump-sum payments made to former employees who were vested and participated in the U.S. defined benefit pension plan, in the third quarter of 2015, we recorded a settlement charge of \$23.8 (before and after tax). Because the settlement threshold was exceeded in the third quarter of 2015, a settlement charge of \$4.1 (before and after tax) was also recorded in the fourth quarter of 2015, as a result of additional payments from our U.S. defined benefit pension plan. These settlement charges were allocated between Global and Discontinued Operations.

During 2014, our operating profit and operating margin were negatively impacted by settlement charges associated with the U.S. defined benefit pension plan. As a result of the lump-sum payments made to former employees who were vested and participated in the U.S. defined benefit pension plan, in the second quarter of 2014, we recorded a settlement charge of \$23.5 (before and after tax). Because the settlement threshold was exceeded in the second quarter of 2014, settlement charges of \$5.4 and \$7.5 (both before and after tax) were also recorded in the third and fourth quarters of 2014, respectively, as a result of additional payments from our U.S. defined benefit pension plan. These settlement charges were allocated between Global and Discontinued Operations.

See Note 12, Employee Benefit Plans on pages F-36 through F-44 of our 2016 Annual Report for a further discussion of the settlement charges.

⁽⁶⁾ During 2015, our operating profit and operating margin were negatively impacted by transaction-related costs of \$3.1 before and after tax associated with the planned separation of North America that were included in continuing operations.

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⁽⁷⁾ During 2015, our operating profit and operating margin were negatively impacted by a non-cash impairment charge of \$6.9 (before and after tax) associated with goodwill of our Egypt business. During 2013 and 2012, our operating profit and operating margin were negatively impacted by non-cash impairment charges of \$42.1 and \$44.0 (both before and after tax), respectively, associated with goodwill and intangible assets of our China business. See Note 18, Goodwill on pages F-56 through F-57 of our 2016 Annual Report for more information on Egypt.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

(U.S. dollars in millions, except per share and share data)

You should read the following discussion of the results of operations and financial condition of Avon Products, Inc. and its majority and wholly owned subsidiaries in conjunction with the information contained in the Consolidated Financial Statements and related Notes contained in our 2016 Annual Report. When used in this discussion, the terms "Avon," "Company," "we," "our" or "us" mean, unless the context otherwise indicates, Avon Products, Inc. and its majority and wholly owned subsidiaries.

See "Non-GAAP Financial Measures" on pages 29 through 31 of this MD&A for a description of how constant dollar ("Constant \$") growth rates (a Non-GAAP financial measure) are determined and see "Performance Metrics" on page 29 of this MD&A for definitions of our performance metrics (Change in Active Representatives, Change in units sold, Change in Ending Representatives and Change in Average Order).

Overview

We are a global manufacturer and marketer of beauty and related products. Our business is conducted primarily in the direct- selling channel. During 2016, we had sales operations in 57 countries and territories, and distributed products in 18 more. In March 2016, we separated from our North America business, which had consisted of the Company's operations in the U.S., Canada and Puerto Rico; this business has been presented as discontinued operations for all periods presented. As a result, all of our consolidated revenue is derived from operations of subsidiaries outside of the U.S. Our reportable segments are based on geographic operations in four regions: Europe, Middle East & Africa; South Latin America; North Latin America; and Asia Pacific. Our product categories are Beauty and Fashion & Home. Beauty consists of skincare (which includes personal care), fragrance and color (cosmetics). Fashion & Home consists of fashion jewelry, watches, apparel, footwear, accessories, gift and decorative products, housewares, entertainment and leisure products, children's products and nutritional products. Sales are made to the ultimate consumer principally through direct selling by Representatives, who are independent contractors and not our employees.

As of December 31, 2016, we had approximately 6 million active Representatives which represents the number of Representatives submitting an order in a sales campaign, totaled for all campaigns during the year and then divided by the number of campaigns. The success of our business is highly dependent on recruiting, retaining and servicing our Representatives.

Total revenue in 2016 declined 7% compared to the prior-year period, primarily due to unfavorable foreign exchange, while Constant \$ revenue increased 2%. A number of items affected the year-over-year comparison of Constant \$ revenue, the most significant being the sale of Liz Earle, which was completed in July 2015, that negatively impacted Constant \$ revenue growth by approximately 1 point. The other items affecting the year-over-year comparison netted to an immaterial impact. In addition, our Constant \$ revenue benefited from growth in Argentina, South Africa, Russia, Mexico and Brazil. Argentina contributed approximately 1 point to Avon's consolidated Constant \$ revenue growth, as this market's results were impacted by the inflationary impact on pricing. The growth in Constant \$ revenue was driven by higher average order, partially offset by a 2% decrease in Active Representatives. Average order benefited from the net impact of price and mix which increased 6%, while units sold decreased 4%, primarily due to declines in units sold in Brazil and Mexico, and the impact of the deconsolidation of Venezuela. We have been improving our discipline of pricing with inflation, strategically pricing in certain markets and categories, and launching products at more advantageous price points, while considering the potential impact on unit sales. The decrease in Active Representatives was primarily due to the impact of the deconsolidation of Venezuela and a decline in Asia Pacific, which included the impact caused by a reduction in the number of sales campaigns in the Philippines. These declines in Active Representatives were partially offset by growth in Europe, Middle East & Africa, most significantly Russia, which was primarily due to sustained momentum in recruitment and retention. See "Segment Review" in this MD&A for additional information related to changes in revenue by segment.

Ending Representatives decreased by 2%. The decrease in Ending Representatives at December 31, 2016 as compared to the prior-year period was primarily due to the impact of the deconsolidation of Venezuela, which had a negative impact of 2 points, and declines in Asia Pacific. These decreases were partially offset by growth in Europe, Middle East & Africa, most significantly South Africa and Russia, as well as growth in South Latin America, most significantly Brazil.

During 2016, foreign currency continued to have a significant impact on our financial results. As the U.S. dollar has strengthened relative to currencies of key Avon markets, our revenue and profits have been reduced when translated into U.S. dollars and our margins have been negatively impacted by country mix, as certain of our markets which have historically had higher operating margins experienced significant devaluation of their local currency. In addition, as our sales and costs are often denominated in different currencies, this has created a negative foreign currency transaction impact. Specifically, as compared to the prior-year period, foreign currency has impacted our consolidated financial results in the form of foreign currency transaction losses (classified within cost of sales, and selling, general and administrative expenses), which had an unfavorable impact to operating profit and Adjusted operating profit of an estimated \$165, foreign currency translation, which had an unfavorable impact to operating profit of approximately \$60 and Adjusted operating profit of approximately \$65, and foreign exchange losses on our working capital (classified within other expense, net), which were lower by approximately \$35 before tax and \$40 before tax on an Adjusted basis.

Effective March 31, 2016, we deconsolidated our Venezuelan operations. Our operating results for the first quarter of 2016 include the results of our Venezuelan operations; however, we recorded a charge at March 31, 2016 to write-off the balance sheet accounts associated with our Venezuelan operations, and since March 31, 2016, the Venezuelan operating results are no longer included in the Company's consolidated financial statements. As a result of this change in accounting, we recorded a loss of approximately \$120 in the first quarter of 2016. The loss was comprised of approximately \$39 in net assets of the Venezuelan business and approximately \$81 in accumulated foreign currency translation adjustments within accumulated other comprehensive loss ("AOCI") associated with foreign currency movements before Venezuela was accounted for as a highly inflationary economy. See "Venezuela Discussion" in this MD&A and Note 1, Description of the Business and Summary of Significant Accounting Policies on pages F-8 through F-14 of our 2016 Annual Report for further discussion of our Venezuelan operations.

Transformation Plan

In December 2015, we entered into definitive agreements with affiliates of Cerberus Capital Management, L.P. ("Cerberus"), which included a \$435 investment in Avon by an affiliate of Cerberus through the purchase of our convertible preferred stock and the separation of the North America business (including approximately \$100 of cash, subject to certain adjustments) from Avon into New Avon, a privately-held company that is majority-owned and managed by an affiliate of Cerberus. These transactions closed on March 1, 2016 and Avon retained approximately 20% ownership in New Avon. See Note 3, Discontinued Operations and Divestitures on pages F-15 through F-17 of our 2016 Annual Report and Note 16, Series C Convertible Preferred Stock on pages F-52 through F-53 of our 2016 Annual Report for more information.

In January 2016, we announced the transformation plan (the "Transformation Plan"), which includes three pillars: investing in growth, reducing costs in an effort to continue to improve our cost structure and improving our financial resilience. We made good progress in 2016, the first year of our three-year Transformation Plan, exceeding cost targets and significantly strengthening the balance sheet. The Transformation Plan continues through 2018.

Invest in Growth

Over the three years that began in 2016, we expect to invest \$350 into the business with an estimated \$150 in media and social selling and \$200 related to the service model evolution and information technology, primarily capital expenditures, which will be aimed at improving the overall Representative experience. These investments will be funded initially from cash on hand, and the continued investment over the three years from the cost savings improvements, as well as benefits from pricing actions. The launch of an improved service model will depend on the existing stage of the technological development of the systems in the respective market supporting the Representatives. We expect to incrementally invest, over time, in media, shifting our media spend more to digital, with the focus of the spending in our top ten markets. With regards to social selling, we formed a team focused on social selling, and during 2017, we will be piloting in Argentina before a phased implementation to additional markets.

Improve our Cost Structure

With respect to cost reductions within our Transformation Plan, we have targeted pre-tax annualized cost savings of approximately \$350 after three years. We are targeting an estimated \$200 from supply chain reductions by: rationalizing our manufacturing capacity; optimizing the distribution network as the global manufacturing footprint evolves; reducing costs related to transportation, physical warehousing and distribution; and through sourcing opportunities, such as the harmonization of direct material purchases to generate greater scale and purchasing power. We are targeting an estimated \$150 from other cost reductions which are expected to be achieved primarily through reductions in headcount.

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We have initiated this Transformation Plan in order to enable us to achieve our long-term goals of a targeted low double-digit operating margin and mid single-digit Constant \$ revenue growth. We believe that we are on track to deliver the targeted \$350 in savings related to the Transformation Plan over the three-year plan period. For 2016, we accelerated certain cost savings initiatives and came in ahead of the targeted savings of \$70 before taxes, as well as savings to cover the stranded costs of approximately \$20 before taxes that resulted from the separation of the Company's North America business. During 2016, we realized an estimated savings of \$120 before taxes associated with the Transformation Plan, including savings from restructuring actions as well as savings from other cost-savings strategies that did not result in restructuring charges. We expect to realize annualized savings of an estimated \$180 before taxes associated with these cost savings initiatives taken during 2016.

In connection with the actions and associated savings discussed above, we have incurred costs to implement ("CTI") restructuring initiatives of approximately \$106 before taxes associated with the Transformation Plan to-date. In connection with the restructuring actions approved to-date associated with the Transformation Plan, we expect to realize annualized savings of an estimated \$95 to \$105 before taxes. We have realized an estimated \$25 before taxes of savings associated with the restructuring actions in 2016 and are expected to achieve the significant majority of the annualized savings beginning in 2017. For the market closures, the expected annualized savings represented the operating profit (loss) no longer included within Avon's operating results as a result of no longer operating in the respective market. For actions that did not result in the closure of a market, the annualized savings represent the net reduction of expenses that will no longer be incurred by Avon. In addition, as part of the Transformation Plan, we will transition, over time, the location of our headquarters to the United Kingdom. For additional details, see Note 15, Restructuring Initiatives on pages F-47 through F-52 of our 2016 Annual Report for more information.

Improve our Financial Resilience

With respect to improving our financial resilience within our Transformation Plan, we targeted to reduce debt by approximately \$250 during 2016. We exceeded this target, reducing debt by approximately \$260 during 2016 and extending our maturity profile with no long-term debt due until March 2019, thereby strengthening the balance sheet. The steps taken through December 31, 2016 include the issuance of the new \$500 Senior Secured Notes due August 2022, the repayment of approximately \$720 of our public notes, and a reduction in the debt of foreign subsidiaries of approximately \$40. For additional details, see Note 6, Debt and Other Financing on pages F-19 through F-22 of our 2016 Annual Report and "Liquidity and Capital Resources" on pages 53 through 59 in this MD&A for additional information.

New Accounting Standards

Information relating to new accounting standards is included in Note 2, New Accounting Standards on page F-15 of our 2016 Annual Report.

Performance Metrics

Within this MD&A, in addition to our key financial metrics of revenue, operating profit and operating margin, we utilize the performance metrics defined below to assist in the evaluation of our business.

Performance Metrics	Definition
Change in Active Representatives	This metric is a measure of Representative activity based on the number of unique Representatives submitting at least one order in a sales campaign, totaled for all campaigns in the related period. To determine the change in Active Representatives, this calculation is compared to the same calculation in the corresponding period of the prior year. Orders in China are excluded from this metric as our business in China is predominantly retail. Liz Earle was also excluded from this calculation as it did not distribute through the direct-selling channel.
Change in units sold	This metric is based on the gross number of pieces of merchandise sold during a period, as compared to the same number in the same period of the prior year. Units sold include samples sold and products contingent upon the purchase of another product (for example, gift with purchase or discount purchase with purchase), but exclude free samples.
Change in Ending Representatives	This metric is based on the total number of Representatives who were eligible to place an order in the last sales campaign in the related period as a result of being on an active roster. To determine the Change in Ending Representatives, this calculation is compared to the same calculation in the corresponding period of the prior year. Change in Ending Representatives may be impacted by a combination of factors such as our requirements to become and/or remain a Representative, our practices regarding minimum order requirements and our practices regarding reinstatement of Representatives. We believe this may be an indicator of future revenue performance.
Change in Average Order	This metric is a measure of Representative productivity. The calculation is the difference of the year-over-year change in revenue on a Constant \$ basis and the Change in Active Representatives. Change in Average Order may be impacted by a combination of factors such as inflation, units, product mix, and/or pricing.

Non-GAAP Financial Measures

To supplement our financial results presented in accordance with generally accepted accounting principles in the United States ("GAAP"), we disclose operating results that have been adjusted to exclude the impact of changes due to the translation of foreign currencies into U.S. dollars, including changes in: revenue, operating profit, Adjusted operating profit, operating margin and Adjusted operating margin. We also refer to these adjusted financial measures as Constant \$ items, which are Non-GAAP financial measures. We believe these measures provide investors an additional perspective on trends and underlying business results. To exclude the impact of changes due to the translation of foreign currencies into U.S. dollars, we calculate current-year results and prior-year results at constant exchange rates, which are updated on an annual basis as part of our budgeting process. When comparing 2015 results to 2014 results, we used constant exchange rates that were in effect from our 2015 budgeting process. Foreign currency impact is determined as the difference between actual growth rates and Constant \$ growth rates.

We also present gross margin, selling, general and administrative expenses as a percentage of revenue, operating profit, operating margin and effective tax rate on a Non-GAAP basis. We refer to these Non-GAAP financial measures as "Adjusted." We have provided a quantitative reconciliation of the difference between the Non-GAAP financial measures and the financial measures calculated and reported in accordance with GAAP. See "Reconciliation of Non-GAAP Financial Measures" within "Results of Operations – Consolidated" on page 37 of this MD&A for this quantitative reconciliation.

The Company uses the Non-GAAP financial measures to evaluate its operating performance. These Non-GAAP measures should not be considered in isolation, or as a substitute for, or superior to, financial measures calculated in accordance with GAAP. The Company believes investors find the Non-GAAP information helpful in understanding the ongoing performance of operations separate from items that may

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have a disproportionate positive or negative impact on the Company's financial results in any particular period. The Company believes that it is meaningful for investors to be made aware of the impacts of: 1) CTI restructuring initiatives; 2) the net proceeds recognized as a result of settling claims relating to professional services ("Legal settlement"); 3) charges related to the deconsolidation of our Venezuelan operations as of March 31, 2016 and the devaluations of Venezuelan currency in February 2015 and March 2014, combined with being designated as a highly inflationary economy ("Venezuelan special items"); 4) the additional \$46 accrual in 2014 for the settlements related to the Foreign Corrupt Practices Act ("FCPA") investigations and, in the fourth quarter of 2014, the associated approximate \$19 net tax benefit ("FCPA accrual"); 5) the settlement charges associated with the U.S. pension plan ("Pension settlement charge"); 6) the goodwill impairment charge related to the Egypt business ("Asset impairment and other charges"); 7) various other items associated with the sale of Liz Earle, the separation of the North America business and debt-related charges ("Other items"); and, as it relates to our effective tax rate discussion, 8) income tax benefits realized in 2016 and 2015 as a result of tax planning strategies, an income tax benefit in the second quarter of 2016 primarily due to the release of a valuation allowance associated with Russia and the non-cash income tax adjustments associated with our deferred tax assets recorded in 2016, 2015 and 2014 ("Special tax items").

The Legal settlement includes the impact on the Consolidated Statements of Operations in the third quarter of 2016 associated with the net proceeds of \$27.2 recognized as a result of settling claims relating to professional services that had been provided to the Company prior to 2013 in connection with a previously disclosed legal matter.

The Venezuelan special items include the impact on the Consolidated Statements of Operations in 2016 caused by the deconsolidation of our Venezuelan operations for which we recorded a loss of approximately \$120 in other expense, net. The loss was comprised of approximately \$39 in net assets of the Venezuelan business and approximately \$81 in accumulated foreign currency translation adjustments within AOCI associated with foreign currency changes before Venezuela was accounted for as a highly inflationary economy. The Venezuelan special items include the impact on the Consolidated Statements of Operations in 2015 and 2014 caused by the devaluations of Venezuelan currency on monetary assets and liabilities, such as cash, receivables and payables; deferred tax assets and liabilities; and non-monetary assets, such as inventories. For non-monetary assets, the Venezuelan special items include the earnings impact caused by the difference between the historical U.S. dollar cost of the assets at the previous exchange rate and the revised exchange rate. In 2015 and 2014, the Venezuelan special items also include adjustments of approximately \$11 and approximately \$116, respectively, to reflect certain non-monetary assets at their net realizable value. In 2015, the Venezuelan special items also include an impairment charge of approximately \$90 to reflect the write-down of the long-lived assets to their estimated fair value.

The Pension settlement charge includes the impact on the Consolidated Statements of Operations in the third and fourth quarters of 2015 and the second, third and fourth quarters of 2014 associated with the payments made to former employees who were vested and participated in the U.S. defined benefit pension plan. Such payments fully settled our pension plan obligation to those participants who elected to receive such payment.

The Asset impairment and other charges include the impact on the Consolidated Statements of Operations caused by the goodwill impairment charge related to the Egypt business in the fourth quarter of 2015.

The Other items include the impact during 2016 on the Consolidated Statements of Operations due to a net gain on extinguishment of debt associated with the cash tender offers in August 2016, the debt repurchases in October and December 2016, and the prepayment of the remaining principal amount of our 4.20% Notes (as defined in "Capital Resources") and our 5.75% Notes (as defined in "Capital Resources") in November 2016. The Other items also include the impact during 2015 on the Consolidated Statements of Operations due to the gain on the sale of Liz Earle. In addition, the Other items include the impact on the Consolidated Statements of Operations in the fourth quarter of 2015 caused by transaction-related costs of \$3.1 associated with the planned separation of the North America business that were included in continuing operations. In addition, Other items in 2015 include the impact on the Consolidated Statements of Operations of the loss on extinguishment of debt caused by the make-whole premium and the write-off of debt issuance costs and discounts associated with the prepayment of our 2.375% Notes (as defined in "Capital Resources"). Other items, in 2015, also include the impact on other expense, net in the Consolidated Statements of Operations of \$2.5 associated with the write-off of issuance costs related to our previous \$1 billion revolving credit facility.

In addition, the effective tax rate discussion includes Special tax items, including the impact during the fourth quarter of 2016 on the provision for income taxes in the Consolidated Statements of Operations due to the non-cash income tax charge of approximately \$9

associated with valuation allowances to adjust certain non-U.S. deferred tax assets to an amount that is “more likely than not” to be realized. The Special tax items also include the impact during the second quarter of 2016 on the provision for income taxes in the Consolidated Statements of Operations primarily due to the release of a valuation allowance associated with Russia of approximately \$7. The Special tax items also include the impact during the first quarter of 2016 and the fourth quarter of 2015 on the provision for income taxes in the Consolidated Statements of Operations due to income tax benefits of approximately \$29 and approximately \$19, respectively, recognized as the result of the implementation of foreign tax planning strategies. The Special tax items also include the impact during the first and second quarters of 2015 on the provision for income taxes in the Consolidated Statements of Operations due to a non-cash income tax charge of approximately \$31 and a benefit of approximately \$3, respectively, associated with valuation allowances to adjust our U.S. deferred tax assets to an amount that was “more likely than not” to be realized. The additional valuation allowance was due to the strengthening of the U.S. dollar against currencies of some of our key markets and its associated effect on our tax planning strategies, and the partial release of the valuation allowance was due to the weakening of the U.S. dollar against currencies of some of our key markets. The Special tax items also include the impact during the third quarter of 2015 on the provision for income taxes in the Consolidated Statements of Operations due to a non-cash income tax charge of approximately \$642 as a result of establishing a valuation allowance for the full amount of our U.S. deferred tax assets due to the impact of the continued strengthening of the U.S. dollar against currencies of some of our key markets and its associated effect on our tax planning strategies. Additionally, the Special tax items include the impact during the third quarter of 2015 on the provision for income taxes in the Consolidated Statements of Operations due to a non-cash income tax charge of approximately \$15 associated with valuation allowances to adjust certain non-U.S. deferred tax assets to an amount that is “more likely than not” to be realized. The non-U.S. valuation allowance included an adjustment associated with Russia, which was primarily the result of lower earnings, which were significantly impacted by foreign exchange losses on working capital balances. The Special tax items also include the impact during the fourth quarter of 2014 on the income taxes in the Consolidated Statements of Operations due to a non-cash income tax charge primarily associated with a valuation allowance to reduce our U.S. deferred tax assets to an amount that is “more likely than not” to be realized, and was primarily due to the strengthening of the U.S. dollar against currencies of some of our key markets and, to a lesser extent, the finalization of the FCPA settlements.

See Note 15, Restructuring Initiatives on pages F-47 through F-52 of our 2016 Annual Report, Note 13, Segment Information on pages F-44 through F-46 of our 2016 Annual Report, “Results Of Operations – Consolidated” below, “Venezuela Discussion” below, Note 1, Description of the Business and Summary of Significant Accounting Policies on pages F-8 through F-14 of our 2016 Annual Report, Note 17, Contingencies on pages F-53 through F-56 of our 2016 Annual Report, Note 12, Employee Benefit Plans on pages F-36 through F-44 of our 2016 Annual Report, Note 18, Goodwill on pages F-56 through F-57 of our 2016 Annual Report, Note 3, Discontinued Operations and Divestitures on pages F-15 through F-17 of our 2016 Annual Report, “Liquidity and Capital Resources” below, Note 6, Debt and Other Financing on pages F-19 through F-22 of our 2016 Annual Report, and Note 8, Income Taxes on pages F-24 through F-28 of our 2016 Annual Report for more information on these items.

Critical Accounting Estimates

We believe the accounting policies described below represent our critical accounting policies due to the estimation processes involved in each. See Note 1, Description of the Business and Summary of Significant Accounting Policies on pages F-8 through F-14 of our 2016 Annual Report for a detailed discussion of the application of these and other accounting policies.

Allowances for Doubtful Accounts Receivable

Representatives contact their customers, selling primarily through the use of brochures for each sales campaign, generally on credit if they meet certain criteria. Sales campaigns are generally for a three- to four-week duration. The Representative purchases products directly from us and may or may not sell them to an end user. In general, the Representative, an independent contractor, remits a payment to us during each sales campaign, which relates to the prior campaign cycle. The Representative is generally precluded from submitting an order for the current sales campaign until the accounts receivable balance past due for prior campaigns is paid; however, there are circumstances where the Representative fails to make the required payment. We record an estimate of an allowance for doubtful accounts on receivable balances based on an analysis of historical data and current circumstances, including seasonality and changing trends. Over the past three years, annual bad debt expense was \$191 in 2016, \$144 in 2015 and \$171 in 2014, or approximately 3% of total revenue in 2016, and approximately 2% of total revenue 2015 and 2014. The allowance for doubtful accounts is reviewed for adequacy, at a minimum, on a quarterly basis. We generally have no detailed information concerning, or any communication with, any end user of our products beyond the Representative. We have no legal recourse against the end user for the collection of any accounts receivable balances due from the Representative to us. If the financial condition of our Representatives were to deteriorate, resulting in their inability to make payments, additional allowances may be required.

Allowances for Sales Returns

Policies and practices for product returns vary by jurisdiction, but we generally allow an unlimited right of return. We record a provision for estimated sales returns based on historical experience with product returns. Over the past three years, annual sales returns were \$187 for 2016, \$191 for 2015 and \$241 for 2014, or approximately 3% of total revenue in each year, which has been generally in line with our expectations. If the historical data we use to calculate these estimates does not approximate future returns, due to changes in marketing or promotional strategies, or for other reasons, additional allowances may be required.

Provisions for Inventory Obsolescence

We record an allowance for estimated obsolescence, when applicable, equal to the difference between the cost of inventory and the estimated market value. In determining the allowance for estimated obsolescence, we classify inventory into various categories based upon its stage in the product life cycle, future marketing sales plans and the disposition process. We assign a degree of obsolescence risk to products based on this classification to estimate the level of obsolescence provision. If actual sales are less favorable than those projected, additional inventory allowances may need to be recorded for such additional obsolescence. Annual obsolescence expense was \$37 in 2016, \$45 in 2015 and \$78 in 2014.

Pension and Postretirement Expense

We maintain defined benefit pension plans, which cover substantially all employees in the U.S. and a portion of employees in international locations. However, our U.S. defined benefit pension plan is closed to employees hired on or after January 1, 2015. Additionally, we have unfunded supplemental pension benefit plans for some current and retired executives and provide retiree health care benefits subject to certain limitations to many retired employees in the U.S. and certain foreign countries. See Note 12, Employee Benefit Plans on pages F-36 through F-44 of our 2016 Annual Report for more information on our benefit plans.

Pension and postretirement expense and the requirements for funding our major pension plans are determined based on a number of actuarial assumptions, which are generally reviewed and determined on an annual basis. These assumptions include the discount rate applied to plan obligations, the expected rate of return on plan assets, the rate of compensation increase of plan participants, price inflation, cost-of-living adjustments, mortality rates and certain other demographic assumptions, and other factors. We use a December 31 measurement date for all of our employee benefit plans.

For 2016, the weighted average assumed rate of return on all pension plan assets, including the U.S. and non-U.S. defined benefit pension plans was 6.65%, as compared with 6.87% for 2015. In determining the long-term rates of return, we consider the nature of the plans' investments, an expectation for the plans' investment strategies, historical rates of return and current economic forecasts. We generally evaluate the expected long-term rate of return annually and adjust as necessary.

In some of our defined benefit pension plans, we have adopted investment strategies which are designed to match the movements in the pension liability through an increased allocation towards debt securities. In addition, we also utilize derivative instruments in some of our non-U.S. defined benefit pension plans to achieve the desired market exposures or to hedge certain risks. Derivative instruments may include, but are not limited to, futures, options, swaps or swaptions. Investment types, including the use of derivatives are based on written guidelines established for each investment manager and monitored by the plan's investment committee.

A significant portion of our pension plan assets relate to the United Kingdom ("UK") defined benefit pension plan. The assumed rate of return for determining 2016 net costs for the UK defined benefit pension plan was 6.65%. In addition, the current rate of return assumption for the UK defined benefit pension plan was based on an asset allocation of approximately 80% in corporate and government bonds and mortgage-backed securities (which are expected to earn approximately 2% to 4% in the long-term) and approximately 20% in equity securities, emerging market debt and high yield securities (which are expected to earn approximately 6% to 9% in the long-term). In addition to the physical assets, the asset portfolio for the UK defined benefit pension plan has derivative instruments which increase our exposure to fixed income (in order to better match liabilities) and, to a lesser extent, impact our equity exposure. The rate of return on the plan assets in the UK was approximately 36% in 2016 and approximately 12% in 2015.

Historically, the pension plan with the most significant pension plan assets was the U.S. defined benefit pension plan. As part of the separation of the North America business, we transferred \$499.6 of pension liabilities under the U.S. defined benefit pension plan associated

with current and former employees of the North America business and certain other former Avon employees, along with \$355.9 of assets held by the U.S. defined benefit pension plan, to a defined benefit pension plan sponsored by New Avon. We also transferred \$60.4 of other postretirement liabilities (namely, retiree medical and supplemental pension liabilities) in respect of such employees and former employees. See Note 3, Discontinued Operations and Divestitures on pages F-15 through F-17 of our 2016 Annual Report. We continue to retain certain U.S. pension and other postretirement liabilities primarily associated with employees who are actively employed by Avon outside of the North America business. Prior to this separation, our net periodic benefit costs for the U.S. pension and postretirement benefit plans were allocated between Discontinued Operations and Global as the plan included both North America and U.S. Corporate Avon associates, and as such, our ongoing net periodic benefit costs within Global were not materially impacted by the separation of the North America business.

The assumed rate of return for 2016 for the U.S. defined benefit pension plan was 7.00%, which was based on an asset allocation of approximately 70% in corporate and government bonds and mortgage-backed securities (which are expected to earn approximately 3% to 4% in the long-term) and approximately 30% in equity securities and high yield securities (which are expected to earn approximately 6% to 8% in the long-term). Historical rates of return on the assets of the U.S. defined benefit pension plan were approximately 8% for the most recent 10-year period and approximately 8% for the 20-year period. In the U.S. defined benefit pension plan, our asset allocation policy has historically favored U.S. equity securities, which have returned approximately 7% over the 10-year period and approximately 8% over the 20-year period. The rate of return on the plan assets in the U.S. was approximately 6% in 2016 and approximately 3% in 2015.

The discount rate used for determining the present value of future pension obligations for each individual plan is based on a review of bonds that receive a high-quality rating from a recognized rating agency. The discount rates for calculating the balance sheet obligations of our more significant plans, including our UK defined benefit pension plan and our U.S. defined benefit pension plan, were based on the internal rates of return for a portfolio of high-quality bonds with maturities that are consistent with the projected future benefit payment obligations of each plan. The weighted-average discount rate for U.S. and non-U.S. defined benefit pension plans determined on this basis was 2.81% at December 31, 2016, and 3.92% at December 31, 2015. For the determination of the expected rate of return on assets and the discount rate, we take external actuarial and investment advice into consideration.

Our funding requirements may be impacted by standards and regulations or interpretations thereof. Our calculations of pension and postretirement costs are dependent on the use of assumptions, including discount rates, hybrid plan maximum interest crediting rates and expected return on plan assets discussed above, rate of compensation increase of plan participants, interest cost, benefits earned, mortality rates, the number of participants and certain demographics and other factors. Actual results that differ from assumptions are accumulated and amortized to expense over future periods and, therefore, generally affect recognized expense in future periods. At December 31, 2016, we had pretax actuarial losses and prior service credits totaling approximately \$49 for the U.S. defined benefit pension and postretirement plans and approximately \$176 for the non-U.S. defined benefit pension and postretirement plans that have not yet been charged to expense. These actuarial losses have been charged to accumulated other comprehensive loss ("AOCI") within shareholders' equity. While we believe that the assumptions used are reasonable, differences in actual experience or changes in assumptions may materially affect our pension and postretirement obligations and future expense. For 2017, our assumption for the expected rate of return on assets is 5.50% for our U.S. defined benefit pension plan and 5.09% for our non-U.S. defined benefit pension plans (which includes 5.15% for our UK defined benefit pension plan). The decrease in the expected rate of return on assets for our U.S. defined benefit pension plan was largely due to the elimination of the derivative instruments from our portfolio, as a result of the transfer of a portion of the assets held by the U.S. defined benefit pension plan to a defined benefit pension plan sponsored by New Avon. The decrease in the expected rate of return on assets for the UK defined benefit pension plan was driven by a reduction in the exposure to equity markets obtained through derivative instruments, simultaneously increasing the extent to which the plan assets match the pension obligation, as the plan's funding level improved. Our assumptions are generally reviewed and determined on an annual basis.

PART II

A 50 basis point change (in either direction) in the expected rate of return on plan assets, the discount rate or the rate of compensation increases, would have had approximately the following effect on 2016 pension expense and the pension benefit obligation at December 31, 2016:

	Increase/(Decrease) in Pension Expense		Increase/(Decrease) in Pension Obligation	
	50 Basis Point		50 Basis Point	
	Increase	Decrease	Increase	Decrease
Rate of return on assets	\$(3.2)	\$3.2	N/A	N/A
Discount rate	(1.4)	1.4	\$(53.8)	\$58.6
Rate of compensation increase	.9	(.8)	3.3	(3.1)

Restructuring Reserves

We record the estimated expense for our restructuring initiatives when such costs are deemed probable and estimable, when approved by the appropriate corporate authority and by accumulating detailed estimates of costs for such plans. These expenses include the estimated costs of employee severance and related benefits, impairment or accelerated depreciation of property, plant and equipment and capitalized software, and any other qualifying exit costs. These estimated costs are grouped by specific projects within the overall plan and are then monitored on a quarterly basis by finance personnel. Such costs represent our best estimate, but require assumptions about the programs that may change over time, including attrition rates. Estimates are evaluated periodically to determine whether an adjustment is required.

Taxes

We record a valuation allowance to reduce our deferred tax assets to an amount that is “more likely than not” to be realized. Evaluating the need for and quantifying the valuation allowance often requires significant judgment and extensive analysis of all the weighted positive and negative evidence available to the Company in order to determine whether all or some portion of the deferred tax assets will not be realized. In performing this analysis, the Company’s forecasted U.S. and foreign taxable income, and the existence of potential prudent and feasible tax planning strategies that would enable the Company to utilize some or all of its excess foreign tax credits, are taken into consideration. At December 31, 2016, we had net deferred tax assets of approximately \$140 (net of valuation allowances of approximately \$3,277).

With respect to our deferred tax assets, at December 31, 2016, we had recognized deferred tax assets relating to tax loss carryforwards of approximately \$2,033, primarily from foreign jurisdictions, for which a valuation allowance of approximately \$1,994 has been provided. Prior to December 31, 2016, we had recognized deferred tax assets of approximately \$874 relating to excess U.S. foreign tax and other U.S. general business credit carryforwards for which a full valuation allowance has been provided. We have a history of U.S. source losses, and our excess U.S. foreign tax and general business credits have primarily resulted from having a greater U.S. source loss in recent years which reduces our ability to credit foreign taxes or utilize the general business credits which we generate.

Our ability to realize our U.S. deferred tax assets, such as our foreign tax and general business credit carryforwards, is dependent on future U.S. taxable income within the carryforward period. At December 31, 2016, we would need to generate approximately \$2.5 billion of excess net foreign source income in order to realize the U.S. foreign tax and general business credits before they expire.

During the fourth quarter of 2014, the Company’s expected net foreign source income was reduced significantly, primarily due to the strengthening of the U.S. dollar against currencies for some of our key markets and, to a lesser extent, the finalization of the FCPA settlements. This strengthening of the U.S. dollar reduced the expected dividends and royalties that could be remitted to the U.S. by our foreign subsidiaries, particularly Russia, Brazil, Mexico and Colombia. The effectiveness of our tax planning strategies, including the repatriation of foreign earnings and the acceleration of royalties from our foreign subsidiaries, was also negatively impacted by the strengthening of the U.S. dollar. In addition, the finalization of the FCPA settlements, which included a \$68 fine related to Avon China in connection with the DOJ settlement and \$67 in disgorgement and prejudgment interest related to Avon Products, Inc. in connection with the SEC settlement, negatively impacted expected future repatriation of foreign earnings and reduced current U.S. taxable income, respectively. As a result of these developments, we determined that we may not generate sufficient taxable income to realize all of our U.S. deferred tax assets. As such, we recorded a valuation allowance of \$441 to reduce our U.S. deferred tax assets to an amount that is “more likely than not” to be realized, of which \$367 was recorded to income taxes in the Consolidated Statements of Operations and the remainder was recorded to various components of other comprehensive (loss) income.

During 2015, the Company recorded an additional valuation allowance for the remaining U.S. deferred tax assets of approximately \$670. The increase in the valuation allowance resulted from reduced tax benefits expected to be obtained from tax planning strategies associated with an anticipated accelerated receipt in the U.S. of foreign source income. As the U.S. dollar had further strengthened against currencies of some of our key markets during 2015, the benefits associated with the Company's tax planning strategies were no longer sufficient for the Company to continue to conclude that its tax planning strategies were prudent. In the absence of any alternative prudent tax planning strategies and other sources of future taxable income, it was determined that a full valuation allowance should be recorded. Although the Company continues to expect that it will generate taxable income and tax liability in the U.S., the Company is expected to offset its current and future tax liability with foreign tax credits, and as a result, the expected level of future taxable income and tax liability is not adequate to realize the benefit of previously recorded deferred tax assets. Although the Company may not be able to recognize a financial statement benefit associated with its deferred tax assets, the Company will continue to manage and plan for the utilization of its deferred tax assets to avoid the expiration of deferred tax assets that may have limited lives.

In addition, in the fourth quarter of 2015, we recognized a benefit of approximately \$19 associated with the implementation of the initial stages of foreign tax planning strategies. We completed the implementation of these tax planning strategies and recognized an additional benefit of approximately \$29 in the first quarter of 2016.

At December 31, 2016, as a result of our U.S. liquidity profile, we continue to assert that our foreign earnings are not indefinitely reinvested. Accordingly, we adjusted our deferred tax liability to account for our 2016 undistributed earnings of foreign subsidiaries and for the tax effect of earnings that were actually repatriated to the U.S. during the year. The net impact on the deferred tax liability associated with the Company's undistributed earnings is a decrease of approximately \$2, resulting in a deferred tax liability balance of approximately \$87 related to the incremental tax cost on approximately \$1.4 billion of undistributed foreign earnings at December 31, 2016. This deferred income tax liability amount is net of the estimated foreign tax credits that would be generated upon the repatriation of such earnings. The repatriation of foreign earnings may result in the utilization of a portion of our foreign tax credits in the year of repatriation; therefore, the utilization of foreign tax credits is dependent on the amount and timing of repatriations, as well as the jurisdictions involved.

With respect to our uncertain tax positions, we recognize the benefit of a tax position, if that position is more likely than not of being sustained on examination by the taxing authorities, based on the technical merits of the position. We believe that our assessment of more likely than not is reasonable, but because of the subjectivity involved and the unpredictable nature of the subject matter at issue, our assessment may prove ultimately to be incorrect, which could materially impact the Consolidated Financial Statements.

We file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. In 2017, a number of open tax years are scheduled to close due to the expiration of the statute of limitations and it is possible that a number of tax examinations may be completed. If our tax positions are ultimately upheld or denied, it is possible that the 2017 provision for income taxes, as well as tax related cash receipts or payments, may be impacted.

Loss Contingencies

We determine whether to disclose and/or accrue for loss contingencies based on an assessment of whether the risk of loss is remote, reasonably possible or probable. We record loss contingencies when it is probable that a liability has been incurred and the amount of loss is reasonably estimable. Our assessment is developed in consultation with our outside counsel and other advisors and is based on an analysis of possible outcomes under various strategies. Loss contingency assumptions involve judgments that are inherently subjective and can involve matters that are in litigation, which, by its nature is unpredictable. We believe that our assessment of the probability of loss contingencies is reasonable, but because of the subjectivity involved and the unpredictable nature of the subject matter at issue, our assessment may prove ultimately to be incorrect, which could materially impact the Consolidated Financial Statements.

Impairment of Assets

Plant, Property and Equipment and Capitalized Software

We evaluate our plant, property and equipment and capitalized software for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated pre-tax undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. The fair value of the asset is determined using revenue and cash flow projections, and royalty and discount rates, as appropriate.

In February 2015, we reviewed Avon Venezuela's long-lived assets to determine whether the carrying amount of the assets was recoverable. Based on our expected cash flows associated with the asset group, we determined that the carrying amount of the assets, carried at their historical U.S. dollar cost basis, was not recoverable. As such, an impairment charge of approximately \$90 to selling, general and administrative expenses was recorded to reflect the write-down of the long-lived assets to their estimated fair value of approximately \$16, which was recorded in the first quarter of 2015. The fair value of Avon Venezuela's long-lived assets was determined using both market and cost valuation approaches. The valuation analysis performed required several estimates, including market conditions and inflation rates. As discussed in Note 1, Description of the Business and Summary of Significant Accounting Policies, we concluded that, effective March 31, 2016, we deconsolidated our Venezuelan operations. Our Consolidated Balance Sheets no longer includes the assets and liabilities of our Venezuelan operations, and we no longer include the results of our Venezuelan operations in the Consolidated Financial Statements. See Note 1, Description of the Business and Summary of Significant Accounting Policies on pages F-8 through F-14 of our 2016 Annual Report for more information on Avon Venezuela.

Goodwill

We test goodwill for impairment annually, and more frequently if circumstances warrant, using various fair value methods. We completed our annual goodwill impairment assessment for 2016 and determined that the estimated fair values were considered substantially in excess of the carrying values of each of our reporting units.

The impairment analyses performed for goodwill require several estimates in computing the estimated fair value of a reporting unit. As part of our goodwill impairment analysis, we typically use a discounted cash flow ("DCF") approach to estimate the fair value of a reporting unit, which we believe is the most reliable indicator of fair value of a business, and is most consistent with the approach that we would generally expect a market participant would use. In estimating the fair value of our reporting units utilizing a DCF approach, we typically forecast revenue and the resulting cash flows for periods of five to ten years and include an estimated terminal value at the end of the forecasted period. When determining the appropriate forecast period for the DCF approach, we consider the amount of time required before the reporting unit achieves what we consider a normalized, sustainable level of cash flows. The estimation of fair value utilizing a DCF approach includes numerous uncertainties which require significant judgment when making assumptions of expected growth rates and the selection of discount rates, as well as assumptions regarding general economic and business conditions, and the structure that would yield the highest economic value, among other factors.

During the 2015 year-end close process, our analysis of the Egypt business indicated an impairment as the carrying value of the business exceeded the estimated fair value. This was primarily the result of reducing our long-term projections of the business. During 2015, Egypt performed generally in line with our revenue and earnings projections, which assumed growth as compared to 2014. However, as a result of currency restrictions for the payment of goods in Egypt, we lowered our long-term revenue and earnings projections for the business. Accordingly, a non-cash impairment charge of approximately \$7 was recorded to reduce the carrying amount of goodwill. There is no amount remaining associated with goodwill for our Egypt reporting unit as a result of this impairment charge.

Key assumptions used in measuring the fair value of Egypt during this impairment assessment included projections of revenue and the resulting cash flows, as well as the discount rate (based on the estimated weighted-average cost of capital). To estimate the fair value of Egypt, we forecasted revenue and the resulting cash flows over five years using a DCF model which included a terminal value at the end of the projection period. We believed that a five-year period was a reasonable amount of time in order to return cash flows of Egypt to normalized, sustainable levels.

See Note 18, Goodwill on pages F-56 through F-57 of our 2016 Annual Report for more information regarding Egypt.

Results Of Operations – Consolidated

	Years ended December 31			% / Point Change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Select Financial Information					
Total revenue	\$5,717.7	\$ 6,160.5	\$7,648.0	(7)%	(19)%
Cost of sales	2,257.0	2,445.4	3,006.9	(8)%	(19)%
Selling, general and administrative expenses	3,138.8	3,543.2	4,206.8	(11)%	(16)%
Impairment of goodwill	—	6.9	—	*	*
Operating profit	321.9	165.0	434.3	95%	(62)%
Interest expense	136.6	120.5	108.8	13%	11%
(Gain) loss on extinguishment of debt	(1.1)	5.5	—	*	*
Interest income	(15.8)	(12.5)	(14.8)	26%	(16)%
Other expense, net	171.0	73.7	139.5	*	(47)%
Gain on sale of business	—	(44.9)	—	*	*
Loss from continuing operations, net of tax	(93.4)	(796.5)	(344.5)	88%	*
Net loss attributable to Avon	\$ (107.6)	\$ (1,148.9)	\$ (388.6)	91%	*
Diluted loss per share from continuing operations	\$ (.25)	\$ (1.81)	\$ (.79)	86%	*
Diluted loss per share attributable to Avon	\$ (.29)	\$ (2.60)	\$ (.88)	89%	*
Advertising expenses ⁽¹⁾	\$ 108.9	\$ 128.0	\$ 166.4	(15)%	(23)%
Reconciliation of Non-GAAP Financial Measures					
Gross margin	60.5%	60.3%	60.7%	.2	(.4)
Venezuelan special items	—	.5	1.6	(.5)	(1.1)
Adjusted gross margin	60.5%	60.8%	62.3%	(.3)	(1.5)
Selling, general and administrative expenses as a % of total revenue	54.9%	57.5%	55.0%	(2.6)	2.5
CTI restructuring	(1.3)	(.8)	(1.1)	(.5)	.3
Legal settlement	.5	—	—	.5	—
Venezuelan special items	—	(1.5)	(.2)	1.5	(1.3)
FCPA accrual	—	—	(.6)	—	.6
Pension settlement charge	—	(.1)	(.1)	.1	—
Other items	—	(.1)	—	.1	(.1)
Adjusted selling, general and administrative expenses as a % of total revenue	54.0%	55.1%	52.9%	(1.1)	2.2
Operating profit	\$ 321.9	\$ 165.0	\$ 434.3	95%	(62)%
CTI restructuring	77.4	49.1	86.6		
Legal settlement	(27.2)	—	—		
Venezuelan special items	—	120.2	137.1		
FCPA accrual	—	—	46.0		
Pension settlement charge	—	7.3	9.5		
Other items	—	3.1	—		
Asset impairment and other charges	—	6.9	—		
Adjusted operating profit	\$ 372.1	\$ 351.6	\$ 713.5	6%	(51)%
Operating margin	5.6%	2.7%	5.7%	2.9	(3.0)
CTI restructuring	1.4	.8	1.1	.6	(.3)
Legal settlement	(.5)	—	—	(.5)	—
Venezuelan special items	—	2.0	1.8	(2.0)	.2
FCPA accrual	—	—	.6	—	(.6)
Pension settlement charge	—	.1	.1	(.1)	—
Other items	—	.1	—	(.1)	.1
Asset impairment and other charges	—	.1	—	(.1)	.1
Adjusted operating margin	6.5%	5.7%	9.3%	.8	(3.6)
Change in Constant \$ Adjusted operating margin ⁽²⁾				1.6	(1.9)
Performance Metrics					
Change in Active Representatives				(2)%	1%
Change in units sold				(4)%	(2)%
Change in Ending Representatives				(2)%	3%

Amounts in the table above may not necessarily sum due to rounding.

* Calculation not meaningful

⁽¹⁾ Advertising expenses are included within selling, general and administrative expenses.

⁽²⁾ Change in Constant \$ Adjusted operating margin for all years presented is calculated using the current-year Constant \$ rates.

PART II

2016 Compared to 2015

Revenue

Total revenue in 2016 declined 7% compared to the prior-year period, primarily due to unfavorable foreign exchange, while Constant \$ revenue increased 2%. A number of items affected the year-over-year comparison of Constant \$ revenue, the most significant being the sale of Liz Earle, which was completed in July 2015, that negatively impacted Constant \$ revenue growth by approximately 1 point. The other items affecting the year-over-year comparison netted to an immaterial impact. In addition, our Constant \$ revenue benefited from growth in Argentina, South Africa, Russia, Mexico and Brazil. Argentina contributed approximately 1 point to Avon's consolidated Constant \$ revenue growth, as this market's results were impacted by the inflationary impact on pricing. The growth in Constant \$ revenue was driven by higher average order, partially offset by a 2% decrease in Active Representatives. Average order benefited from the net impact of price and mix which increased 6%, while units sold decreased 4%, primarily due to declines in units sold in Brazil and Mexico, and the impact of the deconsolidation of Venezuela. We have been improving our discipline of pricing with inflation, strategically pricing in certain markets and categories, and launching products at more advantageous price points, while managing the potential impact on unit sales. The decrease in Active Representatives was primarily due to the impact of the deconsolidation of Venezuela and a decline in Asia Pacific, which included the impact caused by a reduction in the number of sales campaigns in the Philippines. These declines in Active Representatives were partially offset by growth in Europe, Middle East & Africa, most significantly Russia, which was primarily due to sustained momentum in recruitment and retention. See "Segment Review" in this MD&A for additional information related to changes in revenue by segment.

Ending Representatives decreased by 2%. The decrease in Ending Representatives at December 31, 2016 as compared to the prior-year period was primarily due to the impact of the deconsolidation of Venezuela, which had a negative impact of 2 points, and declines in Asia Pacific. These decreases were partially offset by growth in Europe, Middle East & Africa, most significantly South Africa and Russia, as well as growth in South Latin America, most significantly Brazil.

See "Venezuela Discussion" in this MD&A and Note 1, Description of the Business and Summary of Significant Accounting Policies on pages F-8 through F-14 of our 2016 Annual Report to the consolidated financial statements included herein for further discussion of our Venezuelan operations. See Note 3, Discontinued Operations and Divestitures on pages F-15 through F-17 of our 2016 Annual Report, and Note 4, Related Party Transactions on page F-18 of our 2016 Annual Report for more information on New Avon.

On a category basis, our net sales from reportable segments and associated growth rates were as follows:

	Years ended December 31		% / Point Change	
	2016	2015	US\$	Constant \$
Beauty:				
Skincare	\$1,607.3	\$1,734.0	(7)%	1%
Fragrance	1,514.7	1,616.1	(6)	4
Color	997.1	1,069.8	(7)	2
Total Beauty	4,119.1	4,419.9	(7)	2
Fashion & Home:				
Fashion	850.4	904.2	(6)	2
Home	595.8	659.4	(10)	2
Total Fashion & Home	1,446.2	1,563.6	(8)	2
Net sales from reportable segments	5,565.3	5,983.5	(7)	2
Net sales from Other operating segments and business activities	13.5	93.0	(85)	(87)
Net sales	\$5,578.8	\$6,076.5	(8)	1

See "Segment Review" in this MD&A for additional information related to changes in revenue by segment.

Operating Margin

Operating margin and Adjusted operating margin increased 290 basis points and 80 basis points, respectively, compared to 2015. The increases in operating margin and Adjusted operating margin includes the benefits associated with costs savings initiatives, including the

Transformation Plan, primarily reductions in headcount, as well as other cost reductions. The increases in operating margin and Adjusted operating margin are discussed further below in “Gross Margin,” “Selling, General and Administrative Expenses” and “Impairment of Goodwill.”

Gross Margin

Gross margin and Adjusted gross margin increased 20 basis points and decreased 30 basis points, respectively, compared to 2015. The gross margin comparison was impacted by approximately 50 basis points in the prior year by the devaluation of the Venezuelan currency in conjunction with highly inflationary accounting, as approximately \$29 was recognized in the prior-year period associated with carrying certain non-monetary assets at the historical U.S. dollar cost following a devaluation. See “Venezuela Discussion” in this MD&A for a further discussion of our Venezuelan operations.

The remaining decrease in gross margin and the decrease of 30 basis points in Adjusted gross margin was primarily due to the following:

- a decrease of approximately 260 basis points due to the unfavorable impact of foreign currency transaction losses and foreign currency translation;
- a decrease of 30 basis points due to sales of products to New Avon since the separation of the Company's North America business into New Avon on March 1, 2016; and
- various other insignificant items that decreased gross margin.

These items were partially offset by the following:

- an increase of 190 basis points due to the favorable net impact of mix and pricing, primarily due to inflationary and strategic pricing in South Latin America, Europe, Middle East & Africa and North Latin America; and
- an increase of 90 basis points due to lower supply chain costs, primarily from lower material costs and cost savings initiatives in Europe, Middle East & Africa and South Latin America.

See Note 4, Related Party Transactions on page F-18 of our 2016 Annual Report for more information on New Avon.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for 2016 decreased approximately \$404 compared to 2015. This decrease is primarily due to the favorable impact of foreign currency translation, as the strengthening of the U.S. dollar against many of our foreign currencies resulted in lower reported selling, general and administrative expenses. The decrease in selling, general and administrative expenses is also due to approximate \$90 impairment charge recorded in the prior-year period to reflect the write-down of the long-lived assets to their estimated fair value associated with the devaluation of the Venezuelan currency in conjunction with highly inflationary accounting, lower fixed expenses resulting primarily from our cost savings initiatives, lower expenses associated with employee incentive compensation plans, the approximate \$27 of net proceeds recognized as a result of a legal settlement in the third quarter of 2016 and lower advertising expense. Partially offsetting the decrease in selling, general and administrative expenses was higher bad debt expense, higher amount of CTI restructuring, higher foreign currency transaction costs and higher Representative, sales leader and field expense.

Selling, general and administrative expenses as a percentage of revenue and Adjusted selling, general, and administrative expenses as a percentage of revenue decreased 260 basis points and 110 basis points, respectively, compared to 2015. The selling, general and administrative expenses as a percentage of revenue comparison benefited from:

- approximately 150 basis points by the devaluation of the Venezuelan currency in conjunction with highly inflationary accounting in the prior-year period, primarily as an approximate \$90 impairment charge was recognized in the prior-year period to reflect the write-down of the long-lived assets to their estimated fair value following a devaluation;
- approximately 50 basis points by the approximate \$27 of net proceeds recognized as a result of a legal settlement in the third quarter of 2016;
- approximately 10 basis points by the approximate \$7 aggregate settlement charges associated with the payments made to former employees who were vested and participated in the U.S. defined benefit pension plan recorded in the prior-year period, which did not occur in 2016; and
- approximately 10 basis points by the approximately \$3 of transaction-related costs associated with the separation of North America that were included in continuing operations recorded in the prior-year period.

These items were partially offset by:

- approximately 50 basis points for higher CTI restructuring.

See “Venezuela Discussion” in this MD&A and Note 1, Description of the Business and Summary of Significant Accounting Policies on pages F-8 through F-14 of our 2016 Annual Report for a further discussion of our Venezuelan operations, Note 13, Segment Information on pages F-44 through F-46 of our 2016 Annual Report for more information on the legal settlement, Note 12, Employee Benefit Plans on pages F-36 through F-44 of our 2016 Annual Report for a further discussion of the pension settlement charges, and Note 15, Restructuring Initiatives on pages F-47 through F-52 of our 2016 Annual Report for more information on CTI restructuring.

The remaining decrease in selling, general and administrative expenses as a percentage of revenue and the decrease of 110 basis points in Adjusted selling, general and administrative expenses as a percentage of revenue was primarily due to the following:

- a decrease of 210 basis points primarily due to lower fixed expenses, as well as the impact of the Constant \$ revenue growth with respect to our fixed expenses. Lower fixed expenses resulted primarily from our costs savings initiatives, mainly reductions in headcount, but were partially offset by the inflationary impact on our expenses;
- a decrease of 40 basis points due to lower expenses associated with employee incentive compensation plans; and
- a decrease of 30 basis points from lower advertising expense, primarily in Europe, Middle East & Africa.

These items were partially offset by the following:

- an increase of 80 basis points from higher bad debt expense, driven by Brazil primarily due to the macroeconomic environment, coupled with actions taken to recruit new Representatives;
- an increase of approximately 50 basis points due to the unfavorable impact of foreign currency translation and foreign currency transaction losses; and
- an increase of 20 basis points as a result of the Industrial Production Tax (“IPI”) tax law on cosmetics in Brazil that went into effect in May 2015, which reduced revenue as we did not raise the prices paid by Representatives to the same extent as the IPI tax.

See “Segment Review – South Latin America” in this MD&A for a further discussion of the IPI tax law in Brazil.

Impairment of Goodwill

During the fourth quarter of 2015, we recorded a non-cash impairment charge of approximately \$7 for goodwill associated with our Egypt business. See Note 18, Goodwill on pages F-56 through F-57 of our 2016 Annual Report for more information on Egypt.

See “Segment Review” in this MD&A for additional information related to changes in segment margin.

Other Expense

Interest expense increased by approximately \$16 compared to the prior-year period, primarily due to the interest associated with the \$500 of Senior Secured Notes (as defined in “Capital Resources”) issued in August 2016 and the increase in the interest rates on the 2013 Notes (as defined in “Capital Resources”) as a result of the downgrades of our long-term credit ratings. These items were partially offset by the interest savings associated with the prepayment of the remaining principal amount of the 4.20% Notes (as defined in “Capital Resources”) and 5.75% Notes (as defined in “Capital Resources”) in November 2016, the prepayment of the \$250 principal amount of our 2.375% Notes (as defined in “Capital Resources”) in the third quarter of 2015 and the August 2016 cash tender offers. Refer to Note 6, Debt on pages F-19 through F-22 of our 2016 Annual Report and “Liquidity and Capital Resources” in this MD&A for additional information.

Gain on extinguishment of debt in 2016 of approximately \$1 was comprised of a gain of approximately \$4 associated with the cash tender offers in August 2016 and a gain of approximately \$1 associated with the debt repurchases in December 2016, partially offset by a loss of approximately \$3 associated with the prepayment of the remaining principal amount of the 4.20% Notes (as defined in “Capital Resources”) and 5.75% Notes (as defined in “Capital Resources”) in November 2016 and a loss of approximately \$1 associated with the debt repurchases in October 2016. Loss on extinguishment of debt in 2015 of approximately \$6 was associated with the prepayment of our 2.375% Notes (as defined in “Capital Resources”). Refer to Note 6, Debt and Other Financing on pages F-19 through F-22 of our 2016 Annual Report and “Liquidity and Capital Resources” in this MD&A for additional information.

Interest income increased by approximately \$3 compared to the prior-year period.

Other expense, net, increased by approximately \$97 compared to the prior-year period, primarily due to the year-on-year impact of the Venezuelan special items as we recorded a loss of approximately \$120 in the first quarter of 2016 as compared to a benefit of approximately \$4 in the first quarter of 2015. In addition, other expense, net was positively impacted by lower losses on foreign exchange, partially offset by our proportionate share of New Avon's loss of approximately \$12. Foreign exchange losses decreased by approximately \$40 compared to the prior-year period, despite the unfavorable impact of approximately \$17 as a result of the devaluation of the Egyptian pound in the fourth quarter of 2016. See "Venezuela Discussion" in this MD&A for a further discussion of our Venezuelan operations. See Note 3, Discontinued Operations and Divestitures on pages F-15 through F-17 of our 2016 Annual Report for more information on New Avon.

Gain on sale of business in 2015 was the result of the sale of Liz Earle in July 2015. Refer to Note 3, Discontinued Operations and Divestitures on pages F-15 through F-17 of our 2016 Annual Report, for additional information regarding the sale of Liz Earle.

Effective Tax Rate

The effective tax rates in 2016 and 2015 continue to be impacted by our inability to recognize additional deferred tax assets in various jurisdictions related to our current-year operating results. In addition, the effective tax rates in 2016 and 2015 continue to be impacted by withholding taxes associated with certain intercompany payments, including royalties, service charges and dividends, which in the aggregate are relatively consistent each year due to the need to repatriate funds to cover U.S.-based costs, such as interest on debt and corporate overhead. Our inability to recognize additional deferred tax assets in various jurisdictions related to our current-year operating results, along with these withholding taxes, resulted in unusually high effective tax rates in 2016 and 2015.

The effective tax rate in 2016 was impacted by the deconsolidation of our Venezuelan operations, valuation allowances for deferred tax assets outside of the U.S. of approximately \$9 and CTI restructuring, partially offset by a benefit of approximately \$29 as a result of the implementation of foreign tax planning strategies, a net benefit of approximately \$7 primarily due to the release of a valuation allowance associated with Russia and a benefit from the net proceeds recognized as a result of a legal settlement.

The effective tax rate in 2015 was negatively impacted by additional valuation allowances for U.S. deferred tax assets of approximately \$670. The additional valuation allowances in 2015 were due to the continued strengthening of the U.S. dollar against currencies of some of our key markets and the impact on the benefits from our tax planning strategies associated with the realization of our deferred tax assets. In addition, the effective tax rate in 2015 was negatively impacted by valuation allowances for deferred tax assets outside of the U.S. of approximately \$15, primarily in Russia, which was largely due to lower earnings, which were significantly impacted by foreign exchange losses on working capital balances. During 2015, we also recognized a benefit of approximately \$19 as a result of the implementation of the initial stages of foreign tax planning strategies. The valuation allowances for deferred tax assets in 2015 caused income taxes to be significantly in excess of income before taxes. In addition, the effective tax rate in 2015 was negatively impacted by the devaluation of the Venezuelan currency in conjunction with highly inflationary accounting.

The Adjusted effective tax rates in 2016 and 2015 were negatively impacted by the country mix of earnings and the inability to recognize additional deferred tax assets in various jurisdictions related to our current-year operating results, including the impact caused by the withholding taxes associated with certain intercompany payments, including royalties, service charges and dividends.

See Note 8, Income Taxes on pages F-24 through F-28 of our 2016 Annual Report, for more information. In addition, see "Venezuela Discussion" in this MD&A and Note 1, Description of the Business and Summary of Significant Accounting Policies on pages F-8 through F-14 of our 2016 Annual Report for further discussion of our Venezuelan operations, Note 15, Restructuring Initiatives on pages F-47 through F-52 of our 2016 Annual Report for more information on CTI restructuring, and Note 13, Segment Information on pages F-44 through F-46 of our 2016 Annual Report for more information on the legal settlement.

Impact of Foreign Currency

During 2016, foreign currency continued to have a significant impact on our financial results. Specifically, as compared to the prior-year period, foreign currency has impacted our consolidated financial results in the form of:

- foreign currency transaction losses (classified within cost of sales, and selling, general and administrative expenses), which had an unfavorable impact to operating profit and Adjusted operating profit of an estimated \$165, or approximately 270 points to operating margin and Adjusted operating margin;
- foreign currency translation, which had an unfavorable impact to operating profit of approximately \$60 and Adjusted operating profit of approximately \$65, or approximately 40 points to operating margin and Adjusted operating margin; and

PART II

- foreign exchange losses on our working capital (classified within other expense, net), which were lower by approximately \$35 before tax and \$40 before tax on an Adjusted basis, despite the unfavorable impact of approximately \$17 as a result of the devaluation of the Egyptian pound in the fourth quarter of 2016.

Discontinued Operations

Loss from discontinued operations, net of tax was approximately \$14 compared to approximately \$349 for 2015. During 2016, we recorded charges of approximately \$16 before tax (approximately \$5 after tax) in the aggregate associated with the separation of the North America business which closed on March 1, 2016. During 2015, we recorded a charge of approximately \$340 before tax (approximately \$340 after tax) associated with the estimated loss on the separation of the North America business. See Note 3, Discontinued Operations and Divestitures on pages F-15 through F-17 of our 2016 Annual Report for further discussion.

Venezuela Discussion

Avon Venezuela operates in the direct-selling channel offering Beauty and Fashion & Home products. Avon Venezuela has a manufacturing facility that produces the Beauty products that it sells. Avon Venezuela imports many of its Fashion & Home products and raw materials and components needed to manufacture its Beauty products.

Currency restrictions enacted by the Venezuelan government since 2003 impacted the ability of Avon Venezuela to obtain foreign currency to pay for imported products. In 2010, we began accounting for our operations in Venezuela under accounting guidance associated with highly inflationary economies. Under U.S. GAAP, the financial statements of a foreign entity operating in a highly inflationary economy are required to be remeasured as if the functional currency is the company's reporting currency, the U.S. dollar. This generally results in translation adjustments, caused by changes in the exchange rate, being reported in earnings currently for monetary assets (e.g., cash, accounts receivable) and liabilities (e.g., accounts payable, accrued expenses) and requires that different procedures be used to translate non-monetary assets (e.g., inventories, fixed assets). Non-monetary assets and liabilities are remeasured at the historical U.S. dollar cost basis. This diverges significantly from the application of accounting rules prior to designation as highly inflationary accounting, where such gains and losses would have been recognized only in other comprehensive income (loss) (shareholders' deficit).

Venezuela's restrictive foreign exchange control regulations and our Venezuelan operations' increasingly limited access to U.S. dollars resulted in lack of exchangeability between the Venezuelan bolivar and the U.S. dollar, and restricted our Venezuelan operations' ability to pay dividends and settle intercompany obligations. The severe currency controls imposed by the Venezuelan government significantly limited our ability to realize the benefits from earnings of our Venezuelan operations and access the resulting liquidity provided by those earnings. We expected that this lack of exchangeability would continue for the foreseeable future, and as a result, we concluded that, effective March 31, 2016, this condition was other-than-temporary and we no longer met the accounting criteria of control in order to continue consolidating our Venezuelan operations. As a result, since March 31, 2016, we account for our Venezuelan operations using the cost method of accounting.

As a result of the change to the cost method of accounting, in the first quarter of 2016 we recorded a loss of approximately \$120 in other expense, net. The loss was comprised of approximately \$39 in net assets of the Venezuelan business and approximately \$81 in accumulated foreign currency translation adjustments within AOCI associated with foreign currency movements before Venezuela was accounted for as a highly inflationary economy. The net assets of the Venezuelan business were comprised of inventories of approximately \$24, property, plant and equipment, net of approximately \$15, other assets of approximately \$11, accounts receivable of approximately \$5, cash of approximately \$4, and accounts payable and accrued liabilities of approximately \$20. Our Consolidated Balance Sheets no longer include the assets and liabilities of our Venezuelan operations, and we no longer include the results of our Venezuelan operations in the Consolidated Financial Statements, and will include income relating to our Venezuelan operations only to the extent that we receive cash for dividends or royalties remitted by Avon Venezuela.

In February 2015, the Venezuelan government announced the creation of a new foreign exchange system referred to as the SIMADI exchange ("SIMADI"), which represented the rate which better reflected the economics of Avon Venezuela's business activity, in comparison to the other then available exchange rates; as such, we concluded that we should utilize the SIMADI exchange rate to remeasure our Venezuelan operations. As a result of the change to the SIMADI rate, which caused the recognition of a devaluation of approximately 70% as compared to the exchange rate we had used previously, we recorded an after-tax benefit of approximately \$3 (a benefit of approximately \$4 in other expense, net, and a loss of approximately \$1 in income taxes) in the first quarter of 2015, primarily reflecting the write-down of

net monetary assets. In addition, as a result of using the historical U.S. dollar cost basis of non-monetary assets, such as inventories, these assets continued to be remeasured, following the change to the SIMADI rate, at the applicable rate at the time of their acquisition. The remeasurement of non-monetary assets at the historical U.S. dollar cost basis caused a disproportionate expense as these assets were consumed in operations, negatively impacting operating profit and net income by approximately \$19 during 2015. Also as a result of the change to the SIMADI rate, we determined that an adjustment of approximately \$11 to cost of sales was needed to reflect certain non-monetary assets, primarily inventories, at their net realizable value, which was recorded in the first quarter of 2015.

In addition, in February 2015, we reviewed Avon Venezuela's long-lived assets to determine whether the carrying amount of the assets was recoverable. Based on our expected cash flows associated with the asset group, we determined that the carrying amount of the assets, carried at their historical U.S. dollar cost basis, was not recoverable. As such, an impairment charge of approximately \$90 to selling, general and administrative expenses was needed to reflect the write-down of the long-lived assets to their estimated fair value of approximately \$16, which was recorded in the first quarter of 2015.

In February 2014, the Venezuelan government announced a foreign exchange system which began operating in March 2014, referred to as the SICAD II exchange ("SICAD II"). As SICAD II represented the rate which better reflected the economics of Avon Venezuela's business activity, in comparison to the other then available exchange rates, we concluded that we should utilize the SICAD II exchange rate to remeasure our Venezuelan operations effective March 31, 2014. As a result of the change to the SICAD II rate, which caused the recognition of a devaluation of approximately 88% as compared to the official exchange rate we used previously, we recorded an after-tax loss of approximately \$42 (approximately \$54 in other expense, net, and a benefit of approximately \$12 in income taxes) in the first quarter of 2014, primarily reflecting the write-down of net monetary assets. In addition, as a result of using the historical U.S. dollar cost basis of non-monetary assets, such as inventories, these assets continued to be remeasured, following the change to the SICAD II rate, at the applicable rate at the time of their acquisition. The remeasurement of non-monetary assets at the historical U.S. dollar cost basis caused a disproportionate expense as these assets are consumed in operations, negatively impacting operating profit and net income by approximately \$21 during 2014. Also as a result, we determined that an adjustment of approximately \$116 to cost of sales was needed to reflect certain non-monetary assets, primarily inventories, at their net realizable value, which was recorded in the first quarter of 2014.

2015 Compared to 2014

Revenue

Total revenue in 2015 declined 19% compared to the prior-year period, primarily due to unfavorable foreign exchange. Constant \$ revenue increased 2%. Constant \$ revenue was negatively impacted by approximately 2 points due to taxes in Brazil from the combined impact of the recognition of Value Added Tax ("VAT") credits in 2014 which did not recur in 2015 along with a new IPI tax law on cosmetics which went into effect in May 2015. Constant \$ revenue was also negatively impacted by approximately 1 point as a result of the sale of Liz Earle which was completed in July 2015. Our Constant \$ revenue benefited from growth in markets experiencing relatively high inflation (Venezuela and Argentina), which contributed approximately 2 points to our Constant \$ revenue growth. Our Constant \$ revenue also benefited from growth in Europe, Middle East & Africa, most significantly Eastern Europe (Russia and Ukraine), and to a lesser extent, South Africa and underlying growth in Brazil. Constant \$ revenue benefited from higher average order and a 1% increase in Active Representatives. The increase in Active Representatives was primarily due to growth in Europe, Middle East & Africa, most significantly Russia, which was primarily due to sustained momentum in recruitment and retention, partially offset by markets experiencing relatively high inflation (Venezuela and Argentina). The net impact of price and mix increased 4%, driven by increases in all segments. The net impact of price and mix was primarily positively impacted by markets experiencing relatively high inflation (Venezuela and Argentina), as these markets benefited from the inflationary impact on pricing. Units sold decreased 2%, primarily due to declines in units sold in Brazil and Venezuela, partially offset by an increase in units sold in Russia. See "Segment Review – South Latin America" in this MD&A for a further discussion of the tax benefits in Brazil.

Ending Representatives increased by 3%. The increase in Ending Representatives at December 31, 2015 as compared to the prior-year period was primarily due growth in Europe, Middle East & Africa, most significantly Russia and South Africa, as well as growth in South Latin America.

On a category basis, our net sales from reportable segments and associated growth rates were as follows:

	Years ended December 31		% / Point Change	
	2015	2014	US\$	Constant \$
Beauty:				
Skincare	\$1,734.0	\$2,137.3	(19)%	1%
Fragrance	1,616.1	1,900.5	(15)	5
Color	1,069.8	1,339.0	(20)	–
Total Beauty	4,419.9	5,376.8	(18)	2
Fashion & Home:				
Fashion	904.2	1,016.2	(11)	6
Home	659.4	780.9	(16)	3
Total Fashion & Home	1,563.6	1,797.1	(13)	5
Net sales from reportable segments	5,983.5	7,173.9	(17)	3
Net sales from Other operating segments and business activities	93.0	298.6	(69)	23
Net sales	\$6,076.5	\$7,472.5	(19)	3

See “Segment Review” in this MD&A for additional information related to changes in revenue by segment.

Operating Margin

Operating margin and Adjusted operating margin decreased 300 basis points and 360 basis points, respectively, compared to 2014. The decrease in Adjusted operating margin includes the benefits associated with the restructuring actions taken during 2015 and the \$400M Cost Savings Initiative, primarily reductions in headcount, as well as other cost reductions. The decrease in operating margin and Adjusted operating margin are discussed further below in “Gross Margin,” “Selling, General and Administrative Expenses” and “Impairment of Goodwill.”

Gross Margin

Gross margin and Adjusted gross margin decreased 40 basis points and 150 basis points, respectively, compared to 2014. The gross margin comparison was impacted by approximately 110 basis points by a lower negative impact of the devaluation of the Venezuelan currency in conjunction with highly inflationary accounting, as approximately \$29 was recognized in the current-year period as compared to approximately \$121 in the prior-year period, primarily associated with adjustments to reflect certain non-monetary assets at their net realizable value. See “Venezuela Discussion” in this MD&A for a further discussion of our Venezuelan operations.

The remaining decrease in gross margin and the decrease of 150 basis points in Adjusted gross margin was primarily due to the following:

- a decrease of approximately 270 basis points due to the unfavorable impact of foreign currency transaction losses and foreign currency translation;
- a decrease of 40 basis points associated with the net impact of VAT credits in Brazil recognized in revenue in 2014 that did not recur in 2015; and
- a decrease of 20 basis points as a result of the IPI tax law on cosmetics in Brazil that went into effect in May 2015.

These items were partially offset by the following:

- an increase of 130 basis points due to the favorable net impact of mix and pricing, which includes the realization of price increases in markets experiencing relatively high inflation (Venezuela and Argentina), on inventory acquired in advance of such inflation; and
- an increase of approximately 60 basis points due to lower supply chain costs, primarily in Europe, Middle East & Africa which was largely due to lower overhead costs.

The negative impact of foreign currency transaction losses was partially mitigated by the benefits of pricing as we realized the impact of inflation in certain of our markets.

See “Segment Review – South Latin America” in this MD&A for a further discussion of the VAT credits and IPI tax law in Brazil.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for 2015 decreased approximately \$664 compared to 2014. This decrease is primarily due to the favorable impact of foreign currency translation, as the strengthening of the U.S. dollar against many of our foreign currencies resulted in lower reported selling, general and administrative expenses. The decrease in selling, general and administrative expenses is also due to the additional \$46 accrual recorded in the first quarter of 2014 for the settlements related to the FCPA investigations and a lower amount of CTI restructuring. Partially offsetting the decrease in selling, general and administrative expenses was an approximate \$90 impairment charge recorded in 2015 to reflect the write-down of the long-lived assets to their estimated fair value associated with the devaluation of the Venezuelan currency in conjunction with highly inflationary accounting, higher Representative, sales leader and field expense, higher foreign currency transaction costs and higher expenses associated with long-term employee incentive compensation plans as the prior-year period includes the benefit from the reversal of such accruals that did not recur in the current-year period.

Selling, general and administrative expenses and Adjusted selling, general, and administrative expenses as a percentage of revenue increased 250 basis points and 220 basis points, respectively, compared to 2014. The selling, general and administrative expenses as a percentage of revenue comparison was negatively impacted by:

- approximately 130 basis points by the devaluation of the Venezuelan currency in conjunction with highly inflationary accounting. During 2015, an approximate \$90 impairment charge was recorded to reflect the write-down of the long-lived assets to their estimated fair value following a devaluation. In addition, approximately \$1 was recorded in 2015 as compared to \$16 recorded in 2014 associated with our Venezuelan operations for certain non-monetary assets carried at the historical U.S. dollar cost following the devaluation of the Venezuelan currency in conjunction with highly inflationary accounting; and
- approximately 10 basis points by the approximate \$3 of transaction-related costs recorded in 2015 associated with the separation of North America that were included in continuing operations.

These items were partially offset by:

- approximately 60 basis points by the additional \$46 accrual recorded in 2014 for the settlements related to the FCPA investigations that did not recur in 2015; and
- approximately 30 basis points for lower CTI restructuring.

In addition, during 2015 and 2014 we recorded approximately \$7 and \$10, respectively, of aggregate settlement charges associated with the payments made to former employees who were vested and participated in the U.S. defined benefit pension plan.

See “Venezuela Discussion” in this MD&A and Note 1, Description of the Business and Summary of Significant Accounting Policies on pages F-8 through F-14 of our 2016 Annual Report for a further discussion of our Venezuelan operations, Note 17, Contingencies on pages F-53 through F-56 of our 2016 Annual Report for more information on the FCPA investigations, Note 12, Employee Benefit Plans on pages F-36 through F-44 of our 2016 Annual Report for a further discussion of the pension settlement charges, and Note 15, Restructuring Initiatives on pages F-47 through F-52 of our 2016 Annual Report for more information on CTI restructuring.

The remaining increase in selling, general and administrative expenses as a percentage of revenue and the increase of 220 basis points in Adjusted selling, general and administrative expenses as a percentage of revenue was primarily due to the following:

- an increase of approximately 210 basis points due to the unfavorable impact of foreign currency translation and foreign currency transaction losses;
- an increase of 60 basis points associated with the net impact of VAT credits in Brazil recognized in revenue in 2014 that did not recur in 2015;
- an increase of 60 basis points as a result of the IPI tax law on cosmetics in Brazil, which reduced revenue as we did not raise the prices paid by Representatives to the same extent as the IPI tax; and

- an increase of 40 basis points due to higher expenses associated with long-term employee incentive compensation plans as the prior-year period includes the benefit from the reversal of such accruals that did not recur in the current-year period.

These items were partially offset by the following:

- a decrease of 160 basis points primarily due to the impact of Constant \$ revenue growth with respect to our fixed expenses. In addition, lower fixed expenses, primarily resulting from our cost savings initiatives, mainly reductions in headcount, were largely offset by the inflationary impact on our expenses.

See “Segment Review – South Latin America” in this MD&A for a further discussion of the VAT credits and IPI tax law in Brazil.

Impairment of Goodwill

During the fourth quarter of 2015, we recorded a non-cash impairment charge of approximately \$7 for goodwill associated with our Egypt business. See Note 18, Goodwill on pages F-54 through F-57 of our 2016 Annual Report for more information on Egypt.

See “Segment Review” in this MD&A for additional information related to changes in segment margin.

Other Expense

Interest expense increased by approximately \$12 compared to the prior-year period, primarily due to the increase in the interest rates on the 2013 Notes (as defined in “Capital Resources”) as a result of the downgrades of our long-term credit ratings.

Loss on extinguishment of debt in 2015 of approximately \$6 was associated with the prepayment of our 2.375% Notes (as defined in “Capital Resources”). Refer to Note 6, Debt and Other Financing on pages F-19 through F-22 of our 2016 Annual Report and “Liquidity and Capital Resources” in this MD&A for additional information.

Interest income decreased by approximately \$2 compared to the prior-year period.

Other expense, net, decreased by approximately \$66 compared to the prior-year period, primarily due to the year-on-year impact of the Venezuelan special items as we recorded a benefit of approximately \$4 in the first quarter of 2015 as compared to a loss of approximately \$54 in the first quarter of 2014. In addition, the decrease in other expense, net was partially due to lower losses on foreign exchange of approximately \$10 compared to the prior-year period. See “Venezuela Discussion” in this MD&A for a further discussion of our Venezuelan operations.

Gain on sale of business in 2015 was the result of the sale of Liz Earle in July 2015. Refer to Note 3, Discontinued Operations and Divestitures on pages F-15 through F-17 of our 2016 Annual Report, for additional information regarding the sale of Liz Earle.

Effective Tax Rate

The effective tax rate in 2015 was negatively impacted by additional valuation allowances for U.S. deferred tax assets of approximately \$670. The additional valuation allowances in 2015 were due to the continued strengthening of the U.S. dollar against currencies of some of our key markets and the impact on the benefits from our tax planning strategies associated with the realization of our deferred tax assets. In addition, the effective tax rate in 2015 was negatively impacted by valuation allowances for deferred tax assets outside of the U.S. of approximately \$15, primarily in Russia, which was largely due to lower earnings, which were significantly impacted by foreign exchange losses on working capital balances. During 2015, we also recognized a benefit of approximately \$19 as a result of the implementation of the initial stages of foreign tax planning strategies. The valuation allowances for deferred tax assets in 2015 caused income taxes to be significantly in excess of income before taxes.

The effective tax rate in 2014 was negatively impacted by a non-cash income tax charge of approximately \$396. This was largely due to a valuation allowance, recorded in the fourth quarter of 2014, against deferred tax assets of approximately \$375 which is primarily due to the strengthening of the U.S. dollar against currencies of some of our key markets. The approximate \$375 includes the valuation allowance recorded for U.S. deferred tax assets of approximately \$367, as well as approximately \$8 associated with other foreign subsidiaries.

In addition, the effective tax rates in 2015 and 2014 were negatively impacted by the devaluations of the Venezuelan currency in conjunction with highly inflationary accounting discussed further within “Venezuela Discussion” in this MD&A.

The Adjusted effective tax rate in 2015 was negatively impacted by the country mix of earnings and the inability to recognize additional deferred tax assets in various jurisdictions related to our current-year operating results. The Adjusted effective tax rate in 2014 was negatively impacted by an adjustment to the carrying value of our state deferred tax balances due to changes in the expected tax rate, valuation allowances for deferred taxes, including the impact of legislative changes, and out-of-period adjustments of approximately \$6 recorded in the fourth quarter of 2014.

See Note 8, Income Taxes on pages F-24 through F-28 of our 2016 Annual Report, for more information.

Impact of Foreign Currency

During 2015, foreign currency had a significant impact on our financial results. Specifically, as compared to the prior-year period, foreign currency has impacted our consolidated financial results in the form of:

- foreign currency transaction losses (classified within cost of sales, and selling, general and administrative expenses), which had an unfavorable impact to operating profit and Adjusted operating profit of an estimated \$210, or approximately 280 points to operating margin and Adjusted operating margin;
- foreign currency translation, which had an unfavorable impact of approximately \$385 (of which approximately \$210 related to Venezuela, primarily from the impact from the devaluation of the Venezuelan currency in conjunction with highly inflationary accounting) to operating profit and approximately \$265 (of which approximately \$90 related to Venezuela) to Adjusted operating profit, or approximately 420 points to operating margin and 200 points to Adjusted operating margin; and
- foreign exchange losses on our working capital (classified within other expense, net), which were lower by approximately \$68 before tax (of which approximately \$60 related to Venezuela, primarily from the impact from the devaluation of the Venezuelan currency in conjunction with highly inflationary accounting) and \$10 before tax on an Adjusted basis.

See “Venezuela Discussion” in this MD&A for a further discussion of our Venezuelan operations.

Discontinued Operations

Loss from discontinued operations, net of tax was approximately \$349 compared approximately \$40 for 2014. During 2015, we recorded a charge of approximately \$340 before tax (approximately \$340 after tax) associated with the estimated loss on the sale of the North America business. In addition, the North America operations achieved higher operating income in 2015 as compared with 2014 despite lower revenues as a result of significant cost savings, as well as lower costs to implement restructuring initiatives.

The estimated loss on sale was comprised of the following:

Pension and postretirement benefit plan liabilities	\$ 236
Cash to be contributed to the North America business at closing	(100)
Gain on net liability reduction	136
Acceleration of pension and postretirement items in AOCI	(278)
Total pension and postretirement related items	(142)
Net assets to be contributed at closing (excluding pension items above)	(206)
Costs to sell	(35)
Implied value of ownership interest in North America business	43
Estimated loss on sale	<u>\$(340)</u>

See Note 3, Discontinued Operations and Divestitures on pages F-15 through F-17 of our 2016 Annual Report for further discussion.

Other Comprehensive Income (Loss)

Other comprehensive income (loss), net of taxes was approximately \$333 in 2016 compared with approximately (\$151) in 2015, driven by the recognition of losses of \$259 from other comprehensive income (loss) into the Consolidated Statements of Operations as a result of the separation of the North America business, primarily related to unamortized losses associated with the employee benefit plans. Other comprehensive income (loss), net of taxes was also favorably impacted by foreign currency translation adjustments, which decreased by approximately \$240 as compared to 2015 primarily due to the favorable year-over-year comparison of movements of the Brazilian real, Colombian peso and Argentine peso, partially offset by the unfavorable year-over-year comparison of movements of the British pound.

In addition, other comprehensive income (loss) in 2016 as compared with 2015 was favorably impacted by the approximate \$82 impact of the deconsolidation of Venezuela. These favorable impacts to other comprehensive income (loss) were partially offset by the unfavorable impacts of lower amortization of net actuarial losses of approximately \$64, largely as a result of the separation of the North America business, and lower net actuarial gains, which were approximately \$3 in 2016 as compared with net actuarial gains of approximately \$41 in 2015. In 2016, net actuarial gains decreased as a result of lower discount rates for the non-U.S. and U.S. pension plans, partially offset by higher asset returns in the U.S. and non-U.S. pension plans in 2016 as compared to 2015.

Other comprehensive income (loss), net of taxes was approximately (\$151) in 2015 compared with approximately (\$348) in 2014, primarily due to net actuarial gains of approximately \$41 in 2015 as compared with net actuarial losses of approximately \$187 in 2014. In 2015, net actuarial gains benefited from higher discount rates for the non-U.S. and U.S. pension plans, partially offset by lower asset returns in the non-U.S. and U.S. pension plans in 2015 as compared to 2014. The other comprehensive income (loss) year-over-year comparison was also unfavorably impacted by foreign currency translation adjustments, which increased by approximately \$27 as compared to 2014 primarily due to unfavorable movements of the Brazilian real, partially offset by the year-over-year comparison of movements of the Polish zloty and Russian ruble.

See Note 3, Discontinued Operations and Divestitures on pages F-15 through F-17 of our 2016 Annual Report for more information on the separation of the North America business, see “Venezuela Discussion” in this MD&A and Note 1, Description of the Business and Summary of Significant Accounting Policies on pages F-8 through F-14 of our 2016 Annual Report for a further discussion of our Venezuelan operations, and see Note 12, Employee Benefit Plans on pages F-36 through F-44 of our 2016 Annual Report for more information on our benefit plans.

Segment Review

We determine segment profit by deducting the related costs and expenses from segment revenue. In order to ensure comparability between periods, segment profit includes an allocation of global marketing expenses based on actual revenues. Segment profit excludes global expenses other than the allocation of marketing, CTI restructuring initiatives, certain significant asset impairment charges, and other items, which are not allocated to a particular segment, if applicable. This is consistent with the manner in which we assess our performance and allocate resources. Refer to Note 13, Segment Information on pages F-44 through F-46 of our 2016 Annual Report for a reconciliation of segment profit to operating profit.

Summarized financial information concerning our reportable segments was as follows:

Years ended December 31	2016		2015		2014	
	Total revenue	Segment profit	Total revenue	Segment profit	Total revenue	Segment profit
Europe, Middle East & Africa	\$2,138.2	\$329.9	\$2,229.2	\$311.2	\$2,614.1	\$ 432.3
South Latin America	2,145.9	200.5	2,309.6	238.9	3,028.9	466.0
North Latin America	829.9	114.4	901.0	107.2	1,003.6	128.3
Asia Pacific	556.0	59.9	626.0	68.6	700.9	59.0
Total from reportable segments	\$5,670.0	\$704.7	\$6,065.8	\$725.9	\$7,347.5	\$1,085.6

Below is an analysis of the key factors affecting revenue and segment profit by reportable segment for each of the years in the three-year period ended December 31, 2016. Foreign currency impact is determined as the difference between actual growth rates and Constant \$ growth rates. Refer to “Non-GAAP Financial Measures” in this MD&A for more information.

Europe, Middle East & Africa – 2016 Compared to 2015

	2016	2015	% / Point Change	
			US\$	Constant \$
Total revenue	\$2,138.2	\$2,229.2	(4)%	4%
Segment profit	329.9	311.2	6%	14%
Segment margin	15.4%	14.0%	1.4	1.3
Change in Active Representatives				3%
Change in units sold				(1)%
Change in Ending Representatives				3%

Amounts in the table above may not necessarily sum due to rounding.

Total revenue decreased 4% compared to the prior-year period, due to the unfavorable impact from foreign exchange, most significantly the strengthening of the U.S. dollar relative to the British pound, Russian ruble and South African rand. On a Constant \$ basis, revenue grew 4%, primarily driven by South Africa and Russia. The segment's Constant \$ revenue growth was driven primarily by an increase in Active Representatives as well as higher average order. The increase in Ending Representatives was driven primarily by growth in Russia and South Africa.

In Russia, revenue was relatively unchanged, which was unfavorably impacted by foreign exchange. On a Constant \$ basis, Russia's revenue grew 9%, primarily due to an increase in Active Representatives, which benefited from sustained momentum in recruiting and retention, and to a lesser extent, higher average order, which was driven by pricing benefits. Russia's Constant \$ revenue growth was driven by the strength of the performance in the first half of 2016 which tempered in the second half of 2016. During the fourth quarter of 2016, Russia's Constant \$ revenue declined primarily as a result of increased pricing that negatively impacted Representative engagement and activity.

In the United Kingdom, revenue declined 12%, which was unfavorably impacted by foreign exchange. On a Constant \$ basis, the United Kingdom's revenue was relatively unchanged, as higher average order was offset by a decrease in Active Representatives. In South Africa, revenue grew 6%, which was unfavorably impacted by foreign exchange. On a Constant \$ basis, South Africa's revenue grew 21%, primarily due to an increase in Active Representatives.

Segment margin increased 1.4 points, or 1.3 points on a Constant \$ basis, primarily as a result of:

- a net benefit of 1.0 point primarily due to the impact of the Constant \$ revenue growth with respect to our fixed expenses;
- a benefit of .7 points due to lower advertising expense, most significantly in Russia; and
- a decline of .3 points due to lower gross margin, caused primarily by an estimated 3 points from the unfavorable impact of foreign currency transaction losses, which was partially offset by benefits of 1.5 points from the favorable net impact of mix and pricing and 1.1 points due to lower supply chain costs. Mix and pricing was primarily driven by inflationary and strategic pricing in Russia and lower supply chain costs included benefits from lower material costs and cost savings initiatives.

Europe, Middle East & Africa – 2015 Compared to 2014

	2015	2014	% / Point Change	
			US\$	Constant \$
Total revenue	\$2,229.2	\$2,614.1	(15)%	8%
Segment profit	311.2	432.3	(28)%	(7)%
Segment margin	14.0%	16.5%	(2.5)	(2.3)
Change in Active Representatives				7%
Change in units sold				5%
Change in Ending Representatives				10%

Amounts in the table above may not necessarily sum due to rounding.

PART II

Total revenue decreased 15% compared to the prior-year period, due to the unfavorable impact from foreign exchange including the strengthening of the U.S. dollar relative to the Russian ruble. On a Constant \$ basis, revenue grew 8%, primarily driven by Eastern Europe. An increase in Active Representatives drove the segment's Constant \$ revenue growth. The increase in Ending Representatives was driven primarily by growth in Eastern Europe, largely due to Russia.

In Russia, revenue declined 23%, which was unfavorably impacted by foreign exchange. On a Constant \$ basis, Russia's revenue grew 23%, primarily due to an increase in Active Representatives which benefited from sustained momentum in recruiting and retention, and higher average order. In the United Kingdom, revenue declined 12%, which was unfavorably impacted by foreign exchange. On a Constant \$ basis, the United Kingdom's revenue declined 5%, primarily due to a decrease in Active Representatives. In Turkey, revenue declined 15%, which was unfavorably impacted by foreign exchange. On a Constant \$ basis, Turkey's revenue grew 5%. In South Africa, revenue grew 1%, which was unfavorably impacted by foreign exchange. On a Constant \$ basis, South Africa's revenue grew 19%, primarily due to an increase in Active Representatives and higher average order.

Segment margin decreased 2.5 points, or 2.3 points on a Constant \$ basis, primarily as a result of:

- a decline of 2.4 points due to lower gross margin caused primarily by an estimated 4 points from the unfavorable impact of foreign currency transaction losses, partially offset by approximately 1.0 point from lower supply chain costs and 1.0 point from the favorable net impact of mix and pricing. Supply chain costs benefited primarily as a result of lower overhead costs which were attributable to increased productivity. The favorable net impact of mix and pricing was primarily driven by Eastern Europe;
- a decline of .5 points from higher Representative, sales leader and field expense; and
- various other insignificant items that partially offset the decrease in segment margin.

South Latin America – 2016 Compared to 2015

			% / Point Change	
			US\$	Constant \$
	2016	2015		
Total revenue	\$2,145.9	\$2,309.6	(7)%	5%
Segment profit	200.5	238.9	(16)%	(4)%
Segment margin	9.3%	10.3%	(1.0)	(.8)
Change in Active Representatives				(1)%
Change in units sold				(5)%
Change in Ending Representatives				1%

Amounts in the table above may not necessarily sum due to rounding.

Total revenue decreased 7% compared to the prior-year period, due to the unfavorable impact from foreign exchange which was primarily driven by the strengthening of the U.S. dollar relative to the Argentine peso and the Brazilian real. On a Constant \$ basis, revenue increased 5%. The segment's Constant \$ revenue growth was negatively impacted by an estimated 1 point from additional VAT state taxes in Brazil that were implemented in late 2015. In addition, an IPI tax law on cosmetics in Brazil that went into effect in May 2015 caused an estimated 1 point negative impact on the segment's Constant \$ revenue growth. The segment's Constant \$ revenue benefited from higher average order, which was driven by pricing, and was partially offset by a decrease in Active Representatives. The segment's Constant \$ revenue and higher average order benefited from relatively high inflation in Argentina, as this market's results were impacted by the inflationary impact on pricing. Argentina contributed approximately 4 points to the segment's Constant \$ revenue growth. Revenue in Argentina decreased 20%, unfavorably impacted by foreign exchange. On a Constant \$ basis, Argentina's revenue grew 28% which was primarily due to higher average order, partially offset by a decrease in Active Representatives. The increase in Ending Representatives was primarily driven by growth in Brazil.

Revenue in Brazil decreased 3%, unfavorably impacted by foreign exchange. Brazil's Constant \$ revenue increased 2%, despite the negative impact of an estimated 3 points due to the additional VAT state taxes discussed above. Constant \$ revenue in Brazil was also negatively impacted by an estimated 3 points from the impact of the IPI tax discussed above. The negative impact of the additional VAT state taxes and the IPI tax was partially offset by higher average order, which was driven by pricing. In addition, Brazil continued to be impacted by a difficult economic environment. On a Constant \$ basis, Brazil's sales from Beauty products increased 1%, despite the negative impact of the IPI tax and the additional VAT state taxes. On a Constant \$ basis, Brazil's sales from Fashion & Home products increased 1%.

Segment margin decreased 1.0 point, or .8 points on a Constant \$ basis, primarily as a result of:

- a decline of 2.0 points from higher bad debt expense, driven by Brazil primarily due to the macroeconomic environment, coupled with actions taken to recruit new Representatives, including the adjustment of credit terms;
- a decline of .6 points as a result of the IPI tax law on cosmetics in Brazil, which are a reduction of revenue and we have not raised the prices paid by Representatives to the same extent as the IPI tax;
- a decline of .4 points from higher advertising expense, primarily in Brazil in the second half of 2016;
- a benefit of .7 points primarily due to the impact of the Constant \$ revenue growth with respect to our fixed expenses;
- a benefit of .5 points due to higher gross margin caused by 2.6 points from the favorable net impact of mix and pricing, primarily due to inflationary and strategic pricing, and 1.2 points from lower supply chain costs, partially offset by an estimated 3.2 points from the unfavorable impact of foreign currency transaction losses. Supply chain costs benefited primarily as a result of lower material costs and cost savings initiatives;
- a benefit of .3 points primarily due to the net impact of the Constant \$ revenue growth with respect to our Representative, sales leader and field expense; and
- various other insignificant items that partially offset the decline in segment margin.

As a result of enhancements to our collection processes and tightening recruiting terms, we anticipate moderated growth of Ending Representatives in Brazil.

South Latin America – 2016 Compared to 2015

			% / Point Change	
	2016	2015	US\$	Constant \$
Total revenue	\$2,309.6	\$3,028.9	(24)%	(2)%
Segment profit	238.9	466.0	(49)%	(34)%
Segment margin	10.3%	15.4%	(5.1)	(5.0)
Change in Active Representatives				(1)%
Change in units sold				(5)%
Change in Ending Representatives				1%

Amounts in the table above may not necessarily sum due to rounding.

Total revenue decreased 24% compared to the prior-year period, due to the unfavorable impact from foreign exchange which was primarily driven by the strengthening of the U.S. dollar relative to the Brazilian real. On a Constant \$ basis, revenue decreased 2%, negatively impacted by approximately 6 points due to taxes in Brazil from the combined impact of the recognition of VAT credits in 2014 along with the IPI tax discussed above in 2015. Specifically, during 2014, we recognized \$85 in Brazil for expected VAT recoveries which did not recur in 2015, and as such, there was an approximate 3 point negative impact on the segment's Constant \$ growth rate. In addition, the IPI tax law on cosmetics in Brazil in 2015 caused an estimated 3 point negative impact on the segment's Constant \$ revenue growth. Further, Argentina, which is a market experiencing relatively high inflation, contributed approximately 4 points to the segment's Constant \$ revenue growth. Average order in the segment benefited from the inflationary impact on pricing in Argentina, while Active Representatives was negatively impacted by this market. Average order was negatively impacted by the taxes in Brazil. The increase in Ending Representatives was primarily driven by growth in Brazil.

Revenue in Brazil decreased 34%, unfavorably impacted by foreign exchange. Brazil's Constant \$ revenue decreased 8%, negatively impacted by approximately 10 points due to the combined impact of the VAT credits in 2014 and the IPI tax in 2015 discussed above. The negative impact of these tax items were partially offset by an increase in Active Representatives. On a Constant \$ basis, Brazil's sales from Beauty products decreased 5%, negatively impacted by the IPI tax. This negative impact on Beauty sales was partially offset by increased sales of fragrance, which benefited from our alliance with Coty, as well as from new product launches during the first quarter of 2015. The IPI tax also negatively impacted Brazil's Beauty units, as we increased prices to partially offset the new tax. On a Constant \$ basis, Brazil's sales from Fashion & Home products increased 1%. Brazil continues to be impacted by a difficult economic environment as well as high levels of competition.

Segment margin decreased 5.1 points, or 5.0 points on a Constant \$ basis, primarily as a result of:

- a decline of 2.5 points associated with the net impact of VAT credits in Brazil recognized in revenue in 2014, discussed above;
- a decline of 1.8 points as a result of the IPI tax law on cosmetics in Brazil, which are a reduction of revenue and we have not raised the prices paid by Representatives to the same extent as the IPI tax; and
- a decline of 1.0 point due to lower gross margin caused primarily by 2.3 points from the unfavorable impact of foreign currency transaction losses, partially offset by 1.3 points from the favorable net impact of mix and pricing, which includes the realization of price increases in Argentina on inventory acquired in advance of inflation.

North Latin America – 2016 Compared to 2015

	2016	2015	%/Point Change	
			US\$	Constant \$
Total revenue	\$829.9	\$901.0	(8)%	3%
Segment profit	114.4	107.2	7%	22%
Segment margin	13.8%	11.9%	1.9	2.2
Change in Active Representatives				–%
Change in units sold				(6)%
Change in Ending Representatives				(1)%

Amounts in the table above may not necessarily sum due to rounding.

North Latin America consists largely of the Mexico business. Total revenue decreased 8% compared to the prior-year period, due to the unfavorable impact from foreign exchange which was primarily driven by the strengthening of the U.S. dollar relative to the Mexican peso. On a Constant \$ basis, revenue increased 3%, which benefited from higher average order. Revenue in Mexico decreased 11%, unfavorably impacted by foreign exchange. On a Constant \$ basis, Mexico's revenue grew 5%, primarily due to higher average order driven primarily from pricing, partially offset by a decline in units sold. Segment margin increased 1.9 points, or 2.2 points on a Constant \$ basis, primarily as a result of:

- a benefit of 1.1 points due to higher gross margin caused primarily by a benefit of 2.7 points from the favorable impact of mix and pricing, primarily due to inflationary and strategic pricing, partially offset by 1.5 points from the unfavorable impact of foreign currency transaction losses; and
- a benefit of .8 points primarily from lower fixed expenses, which includes .6 points as a result of an out-of-period adjustment which negatively impacted the prior-year period, as well as due to the impact of the Constant \$ revenue growth with respect to our fixed expenses.

North Latin America – 2015 Compared to 2014

	2015	2014	%/Point Change	
			US\$	Constant \$
Total revenue	\$901.0	\$1,003.6	(10)%	2%
Segment profit	107.2	128.3	(16)%	(3)%
Operating margin	11.9%	12.8%	(.9)	(.6)
Change in Active Representatives				1%
Change in units sold				(1)%
Change in Ending Representatives				–%

Amounts in the table above may not necessarily sum due to rounding.

Total revenue decreased 10% compared to the prior-year period, due to the unfavorable impact from foreign exchange which was primarily driven by the strengthening of the U.S. dollar relative to the Mexican peso. On a Constant \$ basis, revenue increased 2%. The segment's Constant \$ revenue growth benefited from an increase in Active Representatives and higher average order. Revenue in Mexico declined 15%, unfavorably impacted by foreign exchange, or increased 2% on a Constant \$ basis, primarily due to higher average order.

Segment margin decreased .9 points, or .6 points on a Constant \$ basis, primarily as a result of:

- a decline of 1.0 points from higher Representative, sales leader and field expense, primarily in Mexico;
- a decline of .3 points from higher fixed expenses, which includes .6 points as a result of an out-of-period adjustment, partially offset by the impact of the Constant \$ revenue growth with respect to our fixed expenses;
- a benefit of .4 points due to higher gross margin caused primarily by .4 points from lower supply chain costs and .4 points from the favorable net impact of mix and pricing, partially offset by immaterial items that unfavorably impacted gross margin. Lower supply chain costs were driven by lower material costs and productivity initiatives, partially offset by higher obsolescence; and
- various other insignificant items that partially offset the decline in segment margin.

Asia Pacific – 2016 Compared to 2015

	2016	2015	%/Point Change	
			US\$	Constant \$
Total revenue	\$556.0	\$626.0	(11)%	(7)%
Segment profit	59.9	68.6	(13)%	(6)%
Segment margin	10.8%	11.0%	(.2)	.1
Change in Active Representatives				(10)%
Change in units sold				(6)%
Change in Ending Representatives				(11)%

Amounts in the table above may not necessarily sum due to rounding.

Total revenue decreased 11% compared to the prior-year period, partially due to the unfavorable impact from foreign exchange. On a Constant \$ basis, revenue decreased 7%, due to declines in most markets. The segment's Constant \$ revenue decline was primarily due to a decrease in Active Representatives, partially offset by higher average order. Revenue in the Philippines decreased 3%, but grew 2% on a Constant \$ basis, primarily due to higher average order, partially offset by a decrease in Active Representatives. The segment's and the Philippines' Active Representatives decline was impacted by a reduction in the number of sales campaigns in the Philippines. The decrease in Ending Representatives was driven by declines in all markets and included a negative impact of 1 point due to the closure of Thailand.

Segment margin declined .2 points, or increased .1 point on a Constant \$ basis, primarily as a result of:

- a net benefit of .3 points primarily from lower fixed expenses, largely offset by the unfavorable impact of the declining revenue with respect to our fixed expenses;
- a decline of .8 points due to lower gross margin, caused primarily by 1.1 points from the unfavorable impact of mix and pricing and .3 points from the unfavorable impact of foreign currency transaction losses, partially offset by .7 points from lower supply chain costs; and
- various other insignificant items that benefited segment margin. We continue to evaluate strategic alternatives for China.

Asia Pacific – 2015 Compared to 2014

	2015	2014	%/Point Change	
			US\$	Constant \$
Total revenue	\$626.0	\$700.9	(11)%	(5)%
Segment profit	68.6	59.0	16%	25%
Operating margin	11.0%	8.4%	2.5	2.6
Change in Active Representatives				(2)%
Change in units sold				(7)%
Change in Ending Representatives				1%

Amounts in the table above may not necessarily sum due to rounding.

Total revenue decreased 11% compared to the prior-year period, primarily due to the unfavorable impact from foreign exchange. On a Constant \$ basis, revenue decreased 5%, as growth in the Philippines was more than offset by declines in other Asia Pacific markets, led by China which declined 29%, or 28% on a Constant \$ basis. The segment's Constant \$ revenue decline was due to lower average order, primarily driven by declines in China, and a decrease in Active Representatives. Revenue in the Philippines increased 3%, or 5% on a Constant \$ basis, primarily due to higher average order, as a result of strength in Fashion & Home, and an increase in Active Representatives. The increase in Ending Representatives was primarily driven by growth in the Philippines.

Segment margin increased 2.5 points, or 2.6 points on a Constant \$ basis, primarily as a result of:

- a net benefit of 1.8 points primarily from lower fixed expenses, which primarily resulted from our cost savings initiatives, mainly reductions in headcount. Partially offsetting the lower fixed expenses was the unfavorable impact of the declining revenue with respect to our fixed expenses; and
- a benefit of .9 points due to lower advertising spend.

Liquidity and Capital Resources

Our principal sources of funding historically have been cash flows from operations, public offerings of notes, bank financings, borrowings under lines of credit, issuance of commercial paper, a private placement of notes and an issuance of shares of preferred stock. At December 31, 2016, we had cash and cash equivalents totaling approximately \$654. We believe that our sources of funding will be sufficient to satisfy our currently anticipated cash requirements through at least the next twelve months.

We may seek to repurchase our equity or to retire our outstanding debt in open market purchases, privately negotiated transactions, through derivative instruments, cash tender offers or otherwise. Repurchases of equity and debt may be funded by the incurrence of additional debt or the issuance of equity (including shares of preferred stock) or convertible securities and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors, and the amounts involved may be material. We may also elect to incur additional debt or issue equity (including shares of preferred stock) or convertible securities to finance ongoing operations or to meet our other liquidity needs. Any issuances of equity (including shares of preferred stock) or convertible securities could have a dilutive effect on the ownership interest of our current shareholders and may adversely impact earnings per share in future periods. Our credit ratings were downgraded in 2016, 2015 and 2014, which may impact our access to these transactions on favorable terms, if at all. For more information see "Risk Factors – Our credit ratings were downgraded in each of the last three years, which could limit our access to financing, affect the market price of our financing and increase financing costs. A further downgrade in our credit ratings may adversely affect our access to liquidity," "Risk Factors – Our indebtedness and any future inability to meet any of our obligations under our indebtedness, could adversely affect us by reducing our flexibility to respond to changing business and economic conditions," and "Risk Factors – A general economic downturn, a recession globally or in one or more of our geographic regions or markets or sudden disruption in business conditions or other challenges may adversely affect our business, our access to liquidity and capital, and our credit ratings" included in Item 1A on pages 7 through 21 of our 2016 Annual Report.

Our liquidity could also be negatively impacted by restructuring initiatives, dividends, capital expenditures, acquisitions, and certain contingencies, including any legal or regulatory settlements, described more fully in Note 17, Contingencies on pages F-53 through F-56 of our 2016 Annual Report. See our Cautionary Statement for purposes of the "Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995 on pages 1 through 2 of our 2016 Annual Report.

Balance Sheet Data

	2016	2015
Cash and cash equivalents	\$ 654.4	\$ 686.9
Total debt	1,893.9	2,205.7
Working capital	506.6	146.0

Cash Flows

	2016	2015	2014
Net cash from continuing operating activities	\$128.0	\$ 91.4	\$ 288.9
Net cash from continuing investing activities	(82.7)	142.5	(100.5)
Net cash from continuing financing activities	137.0	(430.5)	(208.7)
Effect of exchange rate changes on cash and equivalents	(50.4)	(80.7)	(183.3)

Net Cash from Continuing Operating Activities

Net cash provided by continuing operating activities during 2016 was approximately \$37 higher than during 2015. The approximate \$37 increase to net cash provided by continuing operating activities was primarily due to the approximate \$67 payment to the U.S. Securities and Exchange Commission in connection with the FCPA settlement in 2015, which did not recur in 2016, lower operating tax payments, primarily in Brazil, and higher cash-related earnings. The net cash provided by continuing operating activities in 2016 also benefited from approximately \$27 of proceeds, net of legal fees, related to settling claims relating to professional services in connection with a previously disclosed legal matter. These items were partially offset by the timing of payments, primarily for inventory, increased levels of accounts receivable which was primarily attributable to macroeconomic conditions in Brazil, and the contribution to the U.S. pension plan in 2016 of \$20, which did not occur in 2015.

Net cash provided by continuing operating activities during 2015 was approximately \$198 lower than during 2014. The approximate \$198 decrease to net cash provided by continuing operating activities was primarily due to lower cash-related earnings, which were impacted by the unfavorable impact of foreign currency translation. Lower operating tax payments, primarily in Brazil, and lower payments for employee incentive compensation in 2015 as compared to 2014, partially offset these items.

We maintain defined benefit pension plans and unfunded supplemental pension benefit plans (see Note 12, Employee Benefit Plans on pages F-36 through F-44 of our 2016 Annual Report). Our funding policy for these plans is based on legal requirements and available cash flows. The amounts necessary to fund future obligations under these plans could vary depending on estimated assumptions (as detailed in "Critical Accounting Estimates – Pension and Postretirement Expense" in this MD&A). The future funding for these plans will depend on economic conditions, employee demographics, mortality rates, the number of associates electing to take lump-sum distributions, investment performance and funding decisions. Based on current assumptions, we expect to make contributions in the range of \$10 to \$15 to our U.S. defined benefit pension and postretirement plans and in the range of \$20 to \$25 to our non-U.S. defined benefit pension and postretirement plans during 2017.

Net Cash from Continuing Investing Activities

Net cash used by continuing investing activities during 2016 was approximately \$83, as compared to net cash provided by continuing investing activities of approximately \$143 during 2015. The approximate \$226 decrease to net cash (used) provided by continuing investing activities was primarily due to the net proceeds on the sale of Liz Earle in 2015 of approximately \$208.

Net cash provided by continuing investing activities during 2015 was approximately \$143, as compared to net cash used of \$101 during 2014. The approximate \$243 increase to net cash provided (used) by continuing investing activities was primarily due to the net proceeds on the sale of Liz Earle of approximately \$208, which was partially offset by lower capital expenditures.

Capital expenditures during 2016 were approximately \$93 compared with approximately \$92 during 2015 and approximately \$126 during 2014.

Capital expenditures in 2017 are currently expected to be in the range of \$150 to \$170 and are expected to be funded by cash from operations.

Net Cash from Continuing Financing Activities

Net cash provided by continuing financing activities during 2016 was approximately \$137, as compared to net cash used by continuing financing activities of approximately \$431 during 2015. The approximately \$568 increase to net cash provided (used) by continuing financing activities was primarily due to the net proceeds related to the \$500 principal amount of our Senior Secured Notes (as defined

PART II

below in “Liquidity and Capital Resources”) issued in the third quarter of 2016, the net proceeds of approximately \$426 from the sale of Series C Preferred Stock, the suspension of our dividend, and the prepayment of the \$250 principal amount of our 2.375% Notes (as defined below in “Liquidity and Capital Resources”) in the third quarter of 2015, which were partially offset by the payments for the August 2016 cash tender offers of approximately \$301, the prepayment of the remaining principal amount of our 4.20% Notes (as defined below in “Liquidity and Capital Resources”) and 5.75% Notes (as defined below in “Liquidity and Capital Resources”) of approximately \$238 in the aggregate, and the payments for the October and December debt repurchases of approximately \$181 in the aggregate. See Note 16, Series C Convertible Preferred Shares on pages F-52 through F-53 of our 2016 Annual Report and Note 6, Debt and Other Financing on pages F-19 through F-22 of our 2016 Annual Report for more information.

Net cash used by continuing financing activities was approximately \$431 during 2015, as compared to approximately \$209 during 2014 primarily due to the prepayment of \$250 principal amount of our 2.375% Notes (as defined below in “Liquidity and Capital Resources”) in the third quarter of 2015, partially offset by the repayment of the remaining \$53 outstanding principal amount of a term loan agreement in the second quarter of 2014. See Note 6, Debt and Other Financing on pages F-19 through F-22 of our 2016 Annual Report for more information.

We purchased approximately 1.4 million shares of our common stock for \$5.6 during 2016, as compared to .3 million shares of our common stock for \$3.1 during 2015 and .7 million shares for \$9.8 during 2014, through acquisition of stock from employees in connection with tax payments upon vesting of restricted stock units and upon vesting of performance restricted stock units in 2016, as well as through private transactions with a broker in connection with stock based obligations under our Deferred Compensation Plan in 2014.

We did not declare a dividend for 2016 as we suspended the dividend effective in the first quarter of 2016. We maintained a quarterly dividend of \$.06 per share for 2015 and 2014.

Debt and Contractual Financial Obligations and Commitments

At December 31, 2016, our debt and contractual financial obligations and commitments by due dates were as follows:

	2017	2018	2019	2020	2021	2022 and Beyond	Total
Short-term debt	\$ 13.7	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 13.7
Long-term debt	–	–	237.9	409.9	–	1,233.9	1,881.7
Capital lease obligations	4.4	2.5	.6	.1	–	–	7.6
Total debt	18.1	2.5	238.5	410.0	–	1,233.9	1,903.0
Debt-related interest ⁽¹⁾	137.9	137.9	125.1	101.0	95.4	95.4	692.7
Total debt-related	156.0	140.4	363.6	511.0	95.4	1,329.3	2,595.7
Operating leases ⁽²⁾	56.1	43.5	39.2	29.5	23.8	55.7	247.8
Purchase obligations	177.8	117.4	71.5	57.5	30.5	27.2	481.9
Benefit obligations ⁽³⁾	41.8	24.3	23.2	22.6	29.3	128.8	270.0
Total debt and contractual financial obligations and commitments ⁽⁴⁾	\$431.7	\$325.6	\$497.5	\$620.6	\$179.0	\$1,541.0	\$3,595.4

⁽¹⁾ Amounts are based on our current long-term credit ratings. See Note 6, Debt and Other Financing on pages F-19 through F-22 of our 2016 Annual Report for more information.

⁽²⁾ Amounts are net of expected sublease rental income. See Note 14, Leases and Commitments on page F-47 of our 2016 Annual Report for more information.

⁽³⁾ Amounts represent expected future benefit payments for our unfunded defined benefit pension and postretirement benefit plans, as well as expected contributions for 2017 to our funded defined benefit pension benefit plans. We are not able to estimate our contributions to our funded defined benefit pension and postretirement plans beyond 2017.

⁽⁴⁾ The amount of debt and contractual financial obligations and commitments excludes amounts due under derivative transactions. The table also excludes information on non-binding purchase orders of inventory. The table does not include any reserves for uncertain income tax positions because we are unable to reasonably predict the ultimate amount or timing of settlement of these uncertain income tax positions. At December 31, 2016, our reserves for uncertain income tax positions, including interest and penalties, totaled approximately \$51.

See Note 6, Debt and Other Financing, and Note 14, Leases and Commitments, on pages F-19 through F-22, and on page F-47, respectively, of our 2016 Annual Report for more information on our debt and contractual financial obligations and commitments. Additionally, as disclosed in Note 15, Restructuring Initiatives on pages F-47 through F-52 of our 2016 Annual Report, at December 31, 2016, we have liabilities of approximately \$51 associated with our Transformation Plan, approximately \$1 associated with various restructuring initiatives during 2016 and approximately \$3 associated with our \$400M Cost Savings Initiative. The majority of future cash payments associated with these restructuring liabilities are expected to be made during 2017.

Off Balance Sheet Arrangements

At December 31, 2016, we had no material off-balance-sheet arrangements.

Capital Resources

Revolving Credit Facility

In June 2015, the Company and Avon International Operations, Inc., a wholly-owned domestic subsidiary of the Company ("AIO"), entered into a five-year \$400.0 senior secured revolving credit facility (the "2015 facility"). Borrowings under the 2015 facility bear interest, at our option, at a rate per annum equal to LIBOR plus 250 basis points or a floating base rate plus 150 basis points, in each case subject to adjustment based upon a leverage-based pricing grid. The 2015 facility may be used for general corporate purposes. As of December 31, 2016, there were no amounts outstanding under the 2015 facility. The 2015 facility replaced the Company's previous \$1 billion unsecured revolving credit facility (the "2013 facility"). In the second quarter of 2015, \$2.5 before tax was recorded for the write-off of issuance costs related to the 2013 facility.

All obligations of AIO under the 2015 facility are (i) unconditionally guaranteed by each material domestic restricted subsidiary of the Company (other than AIO, the borrower), in each case, subject to certain exceptions and (ii) fully guaranteed on an unsecured basis by the Company. The obligations of AIO and the subsidiary guarantors are secured by first priority liens on and security interest in substantially all of the assets of AIO and the subsidiary guarantors, in each case, subject to certain exceptions.

The 2015 facility will terminate in June 2020; provided, however, that it shall terminate on the 91st day prior to the maturity of the 6.50% Notes (as defined below) and the 4.60% Notes (as defined below), if on such 91st day, the applicable notes are not redeemed, repaid, discharged, defeased or otherwise refinanced in full.

The 2015 facility contains affirmative and negative covenants, which are customary for secured financings of this type, as well as financial covenants (interest coverage and total leverage ratios). As of December 31, 2016, we were in compliance with our interest coverage and total leverage ratios under the 2015 facility. The amount of the facility available to be drawn down on is reduced by any standby letters of credit granted by AIO, which, as of December 31, 2016, was approximately \$46. As of December 31, 2016, based on then applicable interest rates, the entire amount of the remaining 2015 facility, which is approximately \$354, could have been drawn down without violating any covenant. A decline in our business results (including the impact of any adverse foreign exchange movements and significant restructuring charges) may further reduce our borrowing capacity under the 2015 facility or cause us to be non-compliant with our interest coverage and total leverage ratios. If we were to be non-compliant with our interest coverage or total leverage ratio, we would no longer have access to our 2015 facility and our credit ratings may be downgraded. As of December 31 2016, there were no amounts outstanding under the 2015 facility.

Public Notes

In March 2013, we issued, in a public offering, \$250.0 principal amount of 2.375% Notes due March 15, 2016 (the "2.375% Notes"), \$500.0 principal amount of 4.60% Notes due March 15, 2020 (the "4.60% Notes"), \$500.0 principal amount of 5.00% Notes due March 15, 2023 (the "5.00% Notes") and \$250.0 principal amount of 6.95% Notes due March 15, 2043 (the "6.95% Notes") (collectively, the "2013 Notes"). The net proceeds from these 2013 Notes were used to repay outstanding debt. Interest on the 2013 Notes is payable semi-annually on March 15 and September 15 of each year. On August 10, 2015, we prepaid our 2.375% Notes at a prepayment price equal to 100% of the principal amount of \$250.0, plus accrued interest of \$3.1 and a make-whole premium of \$5.0. In connection with the prepayment of our 2.375% Notes, we incurred a loss on extinguishment of debt of \$5.5 before tax in the third quarter of 2015 consisting of the \$5.0 make-whole premium for the 2.375% Notes and the write-off of \$.5 of debt issuance costs and discounts related to the initial issuance of the 2.375% Notes.

The indenture governing the 2013 Notes contains interest rate adjustment provisions depending on the long-term credit ratings assigned to the 2013 Notes with S&P and Moody's. As described in the indenture, the interest rates on the 2013 Notes increase by .25% for each one-notch downgrade below investment grade on each of our long-term credit ratings assigned to the 2013 Notes by S&P or Moody's. These adjustments are limited to a total increase of 2% above the respective interest rates in effect on the date of issuance of the 2013 Notes. As a result of the long-term credit rating downgrades by S&P and Moody's since issuance of the 2013 Notes, the interest rates on these notes have increased by the maximum allowable increase.

In August 2016, we completed cash tender offers which resulted in a reduction of principal of \$108.6 of our 5.75% Notes due March 1, 2018 (the "5.75% Notes"), \$73.8 of our 4.20% Notes due July 15, 2018 (the "4.20% Notes"), \$68.1 of our 6.50% Notes due March 1, 2019 (the "6.50% Notes") and \$50.1 of our 4.60% Notes. In connection with the cash tender offers, we incurred a gain on extinguishment of debt of \$3.9 before tax in the third quarter of 2016, consisting of a deferred gain of \$12.8 associated with the March 2012 and January 2013 interest-rate swap agreement terminations (see Note 9, Financial Instruments and Risk Management on pages F-28 through F-30 of our 2016 Annual Report), partially offset by the \$5.8 of early tender premium paid for the cash tender offers, \$1.2 of a deferred loss associated with treasury lock agreements designated as cash flow hedges of the anticipated interest payments on the 5.75% Notes (see Note 9, Financial Instruments and Risk Management on pages F-28 through F-30 of our 2016 Annual Report), \$1.0 of deal costs and the write-off of \$.9 of debt issuance costs and discounts related to the initial issuances of the notes that were the subject of the cash tender offers.

In October 2016, we repurchased \$44.0 of our 6.50% Notes, \$44.0 of our 4.20% Notes, \$40.0 of our 4.60% Notes and \$35.2 of our 5.75% Notes. The aggregate repurchase price was equal to the principal amount of the notes, plus a premium of \$6.2 and accrued interest of \$1.1. In connection with these repurchases of debt, we incurred a loss on extinguishment of debt of \$1.0 before tax in the fourth quarter of 2016 consisting of the \$6.2 premium paid for the repurchases, \$.5 for the write-off of debt issuance costs and discounts related to the initial issuance of the notes that were repurchased and \$.4 for a deferred loss associated with treasury lock agreements designated as cash flow hedges of the anticipated interest payments on the 5.75% Notes (see Note 9, Financial Instruments and Risk Management on pages F-28 through F-30 of our 2016 Annual Report), partially offset by a deferred gain of approximately \$6.1 associated with the March 2012 and January 2013 interest-rate swap agreement terminations (see Note 9, Financial Instruments and Risk Management on pages F-26 through F-28 of our 2016 Annual Report).

On November 30, 2016, we prepaid the remaining principal amount of our 4.20% Notes and 5.75% Notes. The prepayment price was equal to the remaining principal amount of \$132.2 for our 4.20% Notes and \$106.2 for our 5.75% Notes, plus a make-whole premium of \$12.1 for both series of notes and accrued interest of \$3.6 for both series of notes. In connection with the prepayment of our 4.20% Notes and 5.75% Notes, we incurred a loss on extinguishment of debt of \$2.9 before tax in the fourth quarter of 2016 consisting of the \$12.1 make-whole premium, \$1.0 of a deferred loss associated with treasury lock agreements designated as cash flow hedges of the anticipated interest payments on the 5.75% Notes (see Note 9, Financial Instruments and Risk Management on pages F-28 through F-30 of our 2016 Annual Report) and the write-off of \$.3 of debt issuance costs and discounts related to the initial issuances of the notes that were prepaid, partially offset by a deferred gain of \$10.5 associated with the January 2013 interest-rate swap agreement termination (see Note 9, Financial Instruments and Risk Management on pages F-28 through F-30 of our 2016 Annual Report).

In December 2016, we repurchased \$11.1 of our 5.00% Notes and \$6.2 of our 6.95% Notes, and the aggregate repurchase price was equal to the principal amount of the notes, less a discount received of \$1.3 and plus accrued interest of \$.3. In connection with this repurchase of debt, we incurred a gain on extinguishment of debt of \$1.1 before tax in the fourth quarter of 2016 consisting of the \$1.3 discount received for the repurchases, partially offset by \$.2 for the write-off of debt issuance costs and discounts related to the initial issuance of the notes that were repurchased.

The indentures governing our outstanding notes described above contain certain customary covenants and customary events of default and cross-default provisions. Further, we would be required to make an offer to repurchase all of our outstanding notes described above, with the exception of our 4.20% Notes, at a price equal to 101% of their aggregate principal amount plus accrued and unpaid interest in the event of a change in control involving Avon and, at such time, the outstanding notes are rated below investment grade.

Senior Secured Notes

In August 2016, AIO issued, in a private placement exempt from registration under the Securities Act of 1933, as amended, \$500.0 in aggregate principal amount of 7.875% Senior Secured Notes, which will mature on August 15, 2022 (the "Senior Secured Notes"). Interest on the Senior Secured Notes is payable semi-annually on February 15 and August 15 of each year.

All obligations of AIO under the Senior Secured Notes are unconditionally guaranteed by each current and future wholly-owned domestic restricted subsidiary of the Company that is a guarantor under the 2015 facility and fully guaranteed on an unsecured basis by the Company. The obligations of AIO and the subsidiary guarantors are secured by first priority liens on and security interest in substantially all of the assets of AIO and the subsidiary guarantors, in each case, subject to certain exceptions.

The indenture governing our Senior Secured Notes contains certain customary covenants and restrictions as well as customary events of default and cross-default provisions. The indenture also contains a covenant requiring AIO and its restricted subsidiaries to, at the end of each year, own at least a certain percentage of the total assets of API and its restricted subsidiaries, subject to certain qualifications. Further, we would be required to make an offer to repurchase all of our Senior Secured Notes, at a price equal to 101% of their aggregate principal amount plus accrued and unpaid interest, in the event of a change in control involving Avon.

Long-Term Credit Ratings

Our long-term credit ratings are: Moody's ratings of Negative Outlook with Ba3 for corporate family debt, B1 for senior unsecured debt, and Ba1 for the Senior Secured Notes; S&P ratings of Positive Outlook with B for corporate family debt and senior unsecured debt and BB- for the Senior Secured Notes; and Fitch rating of Negative Outlook with B+, each of which are below investment grade. We do not believe these long-term credit ratings will have a material impact on our near-term liquidity. However, any rating agency reviews could result in a change in outlook or downgrade, which could further limit our access to new financing, particularly short-term financing, reduce our flexibility with respect to working capital needs, affect the market price of some or all of our outstanding debt securities, and likely result in an increase in financing costs, and less favorable covenants and financial terms under our financing arrangements. For more information, see "Risk Factors – A general economic downturn, a recession globally or in one or more of our geographic regions or markets or sudden disruption in business conditions or other challenges may adversely affect our business, our access to liquidity and capital, and our credit ratings," "Risk Factors – Our credit ratings were downgraded in each of the last three years, which could limit our access to financing, affect the market price of our financing and increase financing costs. A further downgrade in our credit ratings may adversely affect our access to liquidity," and "Risk Factors – Our indebtedness could adversely affect us by reducing our flexibility to respond to changing business and economic conditions" included in Item 1A on pages 7 through 21 of our 2016 Annual Report.

Please also see Note 6, Debt and Other Financing on pages F-19 through F-22 of our 2016 Annual Report for more information relating to our debt and the maturities thereof.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

(U.S. dollars in millions, except per share data)

The overall objective of our financial risk management program is to reduce the potential negative effects from changes in foreign exchange and interest rates arising from our business activities. We may reduce our exposure to fluctuations in cash flows associated with changes in interest rates and foreign exchange rates by creating offsetting positions through the use of derivative financial instruments and through operational means. Since we may use foreign currency rate-sensitive instruments to hedge a portion of our existing and forecasted transactions, we expect that any loss in value for the hedge instruments generally would be offset by changes in the value of the underlying transactions.

We do not enter into derivative financial instruments for trading or speculative purposes, nor are we a party to leveraged derivatives. The master agreements governing our derivative contracts generally contain standard provisions that could trigger early termination of the contracts in some circumstances, including if we were to merge with another entity and the creditworthiness of the surviving entity were to be "materially weaker" than that of Avon prior to the merger.

Interest Rate Risk

In the past we have used interest-rate swaps to manage our interest rate exposure. The interest-rate swaps were used to either convert our fixed rate borrowing to a variable interest rate or to unwind an existing variable interest-rate swap on a fixed rate borrowing. As of December 31, 2016, we do not have any interest-rate swap agreements. Approximately 1% and approximately 2% of our debt portfolio at December 31, 2016 and 2015, respectively, was exposed to floating interest rates.

Our long-term borrowings were analyzed at year-end to determine their sensitivity to interest rate changes. Based on the outstanding balance of all these financial instruments at December 31, 2016, a hypothetical 50-basis-point change (either an increase or a decrease) in interest rates prevailing at that date, sustained for one year, would not represent a material potential change in fair value, earnings or cash flows. This potential change was calculated based on discounted cash flow analyses using interest rates comparable to our current cost of debt.

PART II

Foreign Currency Risk

We conduct business globally, with operations in various locations around the world. Over the past three years, all of our consolidated revenue was derived from operations of subsidiaries outside of the United States ("U.S."). The functional currency for most of our foreign operations is their local currency. We are exposed to changes in financial market conditions in the normal course of our operations, primarily due to international businesses and transactions denominated in foreign currencies and the use of various financial instruments. We are not able to project, in any meaningful way, the possible effect of these foreign currency fluctuations on translated amounts or future earnings. At December 31, 2016, the primary foreign currencies for which we had net underlying foreign currency exchange rate exposures were the Argentine peso, Brazilian real, British pound, Chilean peso, Colombian peso, the euro, Mexican peso, Peruvian new sol, Philippine peso, Polish zloty, Romanian leu, Russian ruble, South African rand, Turkish lira and Ukrainian hryvnia.

We may reduce our exposure to fluctuations in cash flows associated with changes in foreign exchange rates by creating offsetting positions, including through the use of derivative financial instruments. Our hedges of our foreign currency exposure are not designed to, and, therefore, cannot entirely eliminate the effect of changes in foreign exchange rates on the consolidated financial position, results of operations and cash flows.

Our foreign-currency financial instruments were analyzed at year-end to determine their sensitivity to foreign exchange rate changes. Based on our outstanding foreign exchange contracts at December 31, 2016, the impact of a hypothetical 10% appreciation or 10% depreciation of the U.S. dollar against our foreign exchange contracts would not represent a material potential change in fair value, earnings or cash flows. This potential change does not consider our underlying foreign currency exposures. The hypothetical impact was calculated on the open positions using forward rates at December 31, 2016, adjusted for an assumed 10% appreciation or 10% depreciation of the U.S. dollar against these hedging contracts.

Credit Risk of Financial Instruments

At times, we attempt to minimize our credit exposure to counterparties by entering into derivative transactions and similar agreements with major international financial institutions with "A" or higher credit ratings as issued by Standard & Poor's Corporation. Our foreign currency derivatives are typically comprised of over-the-counter forward contracts, swaps or options with major international financial institutions. Although our theoretical credit risk is the replacement cost at the then estimated fair value of these instruments, we believe that the risk of incurring credit risk losses is remote and that such losses, if any, would not be material.

Non-performance of the counterparties on the balance of all the foreign exchange agreements would have resulted in a write-off of \$.6 at December 31, 2016. In addition, in the event of non-performance by such counterparties, we would be exposed to market risk on the underlying items being hedged as a result of changes in foreign exchange rates.

See Note 9, Financial Instruments and Risk Management on pages F-28 through F-30 of our 2016 Annual Report for more information.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the Index on page F-1 of our Consolidated Financial Statements and Notes thereto contained herein.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, our principal executive and principal financial officers carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating and implementing possible controls and procedures. Based upon their evaluation, the principal executive and principal financial officers concluded that our disclosure controls and procedures were effective as of December 31, 2016, at the reasonable assurance level. Disclosure controls and procedures are designed to

ensure that information relating to Avon (including our consolidated subsidiaries) required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the United States Securities and Exchange Commission's rules and forms and to ensure that information required to be disclosed is accumulated and communicated to management to allow timely decisions regarding disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is defined as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process, and it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Under the supervision and with the participation of our management, including our principal executive and principal financial officers, we assessed as of December 31, 2016, the effectiveness of our internal control over financial reporting. This assessment was based on criteria established in the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on our assessment using those criteria, our management concluded that our internal control over financial reporting as of December 31, 2016, was effective.

PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited the financial statements included in this 2016 Annual Report on Form 10-K, has audited the effectiveness of our internal control over financial reporting as of December 31, 2016. Their report is included on page F-2 of our 2016 Annual Report.

Changes in Internal Control over Financial Reporting

Our management has evaluated, with the participation of our principal executive and principal financial officers, whether any changes in our internal control over financial reporting that occurred during our last fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on the evaluation we conducted, our management has concluded that no such changes have occurred.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors

Information regarding directors is incorporated by reference to the “Proposal 1 – Election of Directors” and “Information Concerning the Board of Directors” sections of our proxy statement for the 2017 Annual Meeting of Shareholders (“2017 Proxy Statement”).

Executive Officers

Information regarding executive officers is incorporated by reference to the “Executive Officers” section of our 2017 Proxy Statement.

Section 16(a) Beneficial Ownership Reporting Compliance

This information is incorporated by reference to the “Section 16(a) Beneficial Ownership Reporting Compliance” section of our 2017 Proxy Statement.

Code of Conduct

We have adopted a Code of Conduct, amended in June 2013, that applies to all members of the Board of Directors and to all of our employees, including our principal executive officer, principal financial officer and principal accounting officer or controller. Our Code of Conduct is available, free of charge, on our investor website, www.avoninvestor.com. Our Code of Conduct is also available, without charge, by sending a letter to Investor Relations, Avon Products, Inc., 601 Midland Avenue, Rye, N.Y. 10580, by sending an email to investor.relations@avon.com or by calling (212) 282-5320. None of the provisions of the Code of Conduct may be waived. However, any amendment to, or waiver from, the provisions of the Code of Conduct that applies to any of those officers would be posted to the same location on our website in accordance with applicable rules.

Audit Committee; Audit Committee Financial Expert

This information is incorporated by reference to the “Information Concerning the Board of Directors” section of our 2017 Proxy Statement.

Material Changes in Nominating Procedures

This information is incorporated by reference to the “Information Concerning the Board of Directors” section of our 2017 Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

This information is incorporated by reference to the “Information Concerning the Board of Directors,” “Executive Compensation” and “Director Compensation” sections of our 2017 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

This information is incorporated by reference to the “Equity Compensation Plan Information” and “Ownership of Shares” sections of our 2017 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

This information is incorporated by reference to the “Information Concerning the Board of Directors” and “Transactions with Related Persons” sections of our 2017 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

This information is incorporated by reference to the “Proposal 4 – Ratification of Appointment of Independent Registered Public Accounting Firm” section of our 2017 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

(a) 1. Consolidated Financial Statements and Report of Independent Registered Public Accounting Firm

See Index on page F-1.

(a) 2. Financial Statement Schedule

See Index on page F-1.

All other schedules are omitted because they are not applicable or because the required information is shown in the consolidated financial statements and notes.

(a) 3. Index to Exhibits

Exhibit Number	Description
2.1	Share Purchase Agreement, dated as of July 9, 2015, among Avon Products Holding Limited, Liz Earle Beauty Co. Limited and Alliance Boots Holdings Limited (incorporated by reference to Exhibit 2.1 to Avon's Current Report on Form 8-K filed on July 9, 2015).
2.2	Separation and Investment Agreement, dated as of December 17, 2015, by and among Avon Products, Inc., C-A NA LLC and Cleveland NA Investors LLC (incorporated by reference to Exhibit 2.1 to Avon's Current Report on Form 8-K filed on December 21, 2015).
3.1	Restated Certificate of Incorporation of Avon Products, Inc., as amended with the Secretary of State of the State of New York on October 12, 2016 (incorporated by reference to Exhibit 3.1 to Avon's Current Report on Form 8-K filed on October 13, 2016).
3.2	By-Laws of Avon Products, Inc., effective October 6, 2016 (incorporated by reference to Exhibit 3.2 to Avon's Current Report on Form 8-K filed on October 13, 2016).
4.1	Indenture, dated as of February 27, 2008, between Avon Products, Inc. and Deutsche Bank Trust Company Americas, as Trustee (incorporated by reference to Exhibit 4.5 to Avon's Current Report on Form 8-K filed on March 4, 2008).
4.2	Fourth Supplemental Indenture, dated as of March 2, 2009, between Avon Products, Inc. and Deutsche Bank Trust Company Americas, as Trustee, with respect to the issuance of the 6.500% Notes due 2019 (incorporated by reference to Exhibit 4.2 to Avon's Current Report on Form 8-K filed on March 2, 2009).
4.3	Sixth Supplemental Indenture, dated as of March 12, 2013, between Avon Products, Inc. and Deutsche Bank Trust Company Americas, as Trustee, with respect to the issuance of the 4.600% Notes due 2020 (incorporated by reference to Exhibit 4.3 to Avon's Current Report on Form 8-K filed on March 13, 2013).
4.4	Seventh Supplemental Indenture, dated as of March 12, 2013, between Avon Products, Inc. and Deutsche Bank Trust Company Americas, as Trustee, with respect to the issuance of the 5.000% Notes due 2023 (incorporated by reference to Exhibit 4.4 to Avon's Current Report on Form 8-K filed on March 13, 2013).
4.5	Eighth Supplemental Indenture, dated as of March 12, 2013, between Avon Products, Inc. and Deutsche Bank Trust Company Americas, as Trustee, with respect to the issuance of the 6.950% Notes due 2043 (incorporated by reference to Exhibit 4.5 to Avon's Current Report on Form 8-K filed on March 13, 2013).
4.6	Indenture, dated August 15, 2016, among Avon International Operations, Inc., the guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee and collateral agent (incorporated by reference to Exhibit 4.1 to Avon's Current Report on Form 8-K filed on August 16, 2016).
10.1*	Avon Products, Inc. 2005 Stock Incentive Plan (incorporated by reference to Appendix G to Avon's Proxy Statement as filed on March 28, 2005).

PART IV

Exhibit Number	Description
10.2*	First Amendment of the Avon Products, Inc. 2005 Stock Incentive Plan, effective January 1, 2006 (incorporated by reference to Exhibit 10.12 to Avon's Annual Report on Form 10-K for the year ended December 31, 2006).
10.3*	Second Amendment of the Avon Products, Inc. 2005 Stock Incentive Plan, effective January 1, 2007 (incorporated by reference to Exhibit 10.13 to Avon's Annual Report on Form 10-K for the year ended December 31, 2006).
10.4*	Third Amendment to the Avon Products, Inc. 2005 Stock Incentive Plan, dated October 2, 2008 (incorporated by reference to Exhibit 10.14 to Avon's Annual Report on Form 10-K for the year ended December 31, 2008).
10.5*	Fourth Amendment to the Avon Products, Inc. 2005 Stock Incentive Plan, dated March 1, 2016. (incorporated by reference to Exhibit 10.7 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).
10.6*	Form of U.S. Stock Option Agreement under the Avon Products, Inc. Year 2005 Stock Incentive Plan (incorporated by reference to Exhibit 99.1 to Avon's Current Report on Form 8-K filed on September 6, 2005).
10.7*	Avon Products, Inc. 2010 Stock Incentive Plan (incorporated by reference to Appendix E to Avon's Proxy Statement as filed on March 25, 2010).
10.8*	First Amendment to the Avon Products, Inc. 2010 Stock Incentive Plan, dated March 1, 2016 (incorporated by reference to Exhibit 10.6 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).
10.9*	Form of Stock Option Award Agreement under the Avon Products, Inc. 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K filed on May 24, 2010).
10.10*	Form of Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to Avon's Current Report on Form 8-K filed on May 24, 2010).
10.11*	Form of Retention Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to Avon's Current Report on Form 8-K filed on May 24, 2010).
10.12*	Form of Performance Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K filed on March 8, 2011).
10.13*	Form of Performance Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.21 to Avon's Annual Report on Form 10-K for the year ended December 31, 2011).
10.14*	Form of Retention Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to Avon's Current Report on Form 8-K filed on March 8, 2011).
10.15*	Form of Retention Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012).
10.16*	Form of Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012).
10.17*	Avon Products, Inc. 2013 Stock Incentive Plan (incorporated by reference to Appendix A to Avon's Proxy Statement as filed on April 2, 2013).
10.18*	Avon Products, Inc. 2013 Stock Incentive Plan, as amended and restated (incorporated by reference to Appendix A to Avon's Proxy Statement as filed on March 27, 2015).
10.19*	First Amendment to the Avon Products, Inc. 2013 Stock Incentive Plan, as amended and restated, dated March 1, 2016 (incorporated by reference to Exhibit 10.5 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).
10.20*	Form of Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2013 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to Avon's Current Report on Form 8-K filed on May 7, 2013).
10.21*	Form of Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2013 Stock Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.2 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).

Exhibit Number	Description
10.22*	Form of Retention Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2013 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to Avon's Current Report on Form 8-K filed on May 7, 2013).
10.23*	Form of Retention Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2013 Stock Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.3 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).
10.24*	Form of Performance Contingent Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2013 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to Avon's Current Report on Form 8-K filed on May 7, 2013).
10.25*	Form of Performance Contingent Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2013 Stock Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.4 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).
10.26*	Form of Stock Option Award Agreement under the Avon Products, Inc. 2013 Stock Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.11 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).
10.27*	Avon Products, Inc. 2016 Omnibus Incentive Plan (incorporated by reference to Appendix B to Avon's Proxy Statement as filed on April 15, 2016).
10.28*	Form of Retention Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2016 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 to Avon's Current Report on Form 8-K filed on May 26, 2016).
10.29*	Form of Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2016 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.3 to Avon's Current Report on Form 8-K filed on May 26, 2016).
10.30*	Form of Performance Contingent Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2016 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.4 to Avon's Current Report on Form 8-K filed on May 26, 2016).
10.31*	Form of Stock Option Award Agreement under the Avon Products, Inc. 2016 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.5 to Avon's Current Report on Form 8-K filed on May 26, 2016).
10.32*	Form of Stock Appreciation Right Certificate Agreement under the Avon Products, Inc. 2016 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.6 to Avon's Current Report on Form 8-K filed on May 26, 2016).
10.33*	Avon Products, Inc. Deferred Compensation Plan, as amended and restated as of January 1, 2008 (incorporated by reference to Exhibit 10.20 to Avon's Annual Report on Form 10-K for the year ended December 31, 2007).
10.34*	First Amendment, dated as of December 7, 2010, to the Avon Products, Inc. Deferred Compensation Plan, as amended and restated as of January 1, 2008 (incorporated by reference to Exhibit 10.22 to Avon's Annual Report on Form 10-K for the year ended December 31, 2010).
10.35*	Second Amendment, dated March 2, 2011, to the Avon Products, Inc. Deferred Compensation Plan, as amended and restated as of January 1, 2008 (incorporated by reference to Exhibit 10.4 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011).
10.36*	Third Amendment, dated November 10, 2014, to the Avon Products, Inc. Deferred Compensation Plan, as amended and restated as of January 1, 2008 (incorporated by reference to Exhibit 10.27 to Avon's Annual Report on Form 10-K for the year ended December 31, 2014).
10.37*	Fourth Amendment, dated February 29, 2016, to the Avon Products, Inc. Deferred Compensation Plan, as amended and restated as of January 1, 2008 (incorporated by reference to Exhibit 10.10 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).
10.38*	Avon Products, Inc. Compensation Plan for Non-Employee Directors, amended and restated as of May 6, 2010 (incorporated by reference to Exhibit 10.5 to Avon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010).

PART IV

Exhibit Number	Description
10.39*	Avon Products, Inc. Compensation Plan for Non-Employee Directors, amended and restated as of January 1, 2013 (incorporated by reference to Exhibit 10.28 to Avon's Annual Report on Form 10-K/A for the year ended December 31, 2012).
10.40*	Avon Products, Inc. Compensation Plan for Non-Employee Directors, amended and restated as of February 8, 2016 (incorporated by reference to Exhibit 10.29 to Avon's Annual Report on Form 10-K for the year ended December 31, 2015).
10.41*	Board of Directors of Avon Products, Inc. Deferred Compensation Plan, amended and restated as of May 6, 2010 (incorporated by reference to Exhibit 10.6 to Avon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010).
10.42*	Avon Products, Inc. 2013-2017 Executive Incentive Plan (incorporated by reference to Appendix B to Avon's Proxy Statement as filed on April 2, 2013).
10.43*	First Amendment, dated March 1, 2016, to Avon Products, Inc. 2013-2017 Executive Incentive Plan (incorporated by reference to Exhibit 10.8 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).
10.44*	Benefit Restoration Pension Plan of Avon Products, Inc., as amended and restated as of January 1, 2009 (incorporated by reference to Exhibit 10.26 to Avon's Annual Report on Form 10-K for the year ended December 31, 2008).
10.45*	First Amendment, dated as of December 13, 2010, to the Benefit Restoration Pension Plan of Avon Products, Inc., as amended and restated as of January 1, 2009 (incorporated by reference to Exhibit 10.32 to Avon's Annual report on Form 10-K for the year ended December 31, 2011).
10.46*	Second Amendment, dated as of September 19, 2012, to the Benefit Restoration Pension Plan of Avon Products, Inc., as amended and restated as of January 1, 2009 (incorporated by reference to Exhibit 10.3 to Avon's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012).
10.47*	Third Amendment, dated as of November 10, 2014, to the Benefit Restoration Pension Plan of Avon Products, Inc., as amended and restated as of January 1, 2009 (incorporated by reference to Exhibit 10.35 to Avon's Annual Report on Form 10-K for the year ended December 31, 2014).
10.48*	Fourth Amendment, dated February 29, 2016, to the Benefit Restoration Pension Plan of Avon Products, Inc., as amended and restated as of January 1, 2009 (incorporated by reference to Exhibit 10.9 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).
10.49*	Avon Products, Inc. Management Incentive Plan, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.50 to Avon's Annual Report on Form 10-K for the year ended December 31, 2008).
10.50*	Avon Products, Inc. Compensation Recoupment Policy (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K filed on March 17, 2010).
10.51*	Avon Products, Inc. Amended and Restated Compensation Recoupment Policy, effective as of January 14, 2013 (incorporated by reference to Exhibit 10.41 to Avon's Annual Report on Form 10-K/A for the year ended December 31, 2012).
10.52*	Avon Products, Inc. Change in Control Policy (incorporated by reference to Exhibit 10.2 to Avon's Current Report on Form 8-K filed on March 17, 2010).
10.53*	Avon Products, Inc. Amended and Restated Change in Control Policy, dated as of January 9, 2013 (incorporated by reference to Exhibit 10.43 to Avon's Annual Report on Form 10-K/A for the year ended December 31, 2012).
10.54*	Avon Products, Inc. Long Term Incentive Cash Plan, effective as of January 1, 2011 (incorporated by reference to Exhibit 10.5 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011).
10.55*	Avon Products, Inc. International Retirement Plan, amended and restated effective as of January 1, 2009 (incorporated by reference to Exhibit 10.5 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).
10.56*	First Amendment, dated as of December 13, 2010, to the Avon Products, Inc. International Retirement Plan as amended and restated effective as of January 1, 2009 (incorporated by reference to Exhibit 10.6 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).

Exhibit Number	Description
10.57*	Employment Offer Letter Agreement, dated as of February 8, 2012, between Avon Products, Inc. and Fernando Acosta (incorporated by reference to Exhibit 10.52 to Avon's Annual Report on Form 10-K for the year ended December 31, 2011).
10.58*	Letter Agreement, dated as of April 4, 2012, between the Company and Sheri McCoy (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K filed on April 10, 2012) as modified by the "CEO stock holding requirement" adopted on March 13, 2014 (incorporated by reference to Exhibit 10.1 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014).
10.59*	International Assignment Letter Agreement, dated July 20, 2016, between Avon Products, Inc. and Sheri McCoy.
10.60*	Restricted Stock Unit Award Agreement, dated as of April 23, 2012 between the Company and Sheri McCoy (incorporated by reference to Exhibit 10.2 to Avon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012).
10.61*	Letter Agreement, dated as of September 13, 2012, between Avon Products, Inc. and John P. Higson (incorporated by reference to Exhibit 10.8 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).
10.62*	Letter Agreement, dated as of February 7, 2012, and Extension Letter, dated as of July 1, 2014, between Avon Products, Inc. and David Legher (incorporated by reference to Exhibit 10.9 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).
10.63*	Letter Agreement, dated as of June 1, 2015, and Extension Letter, dated as of June 1, 2016, between Avon Products, Inc. and David Legher (incorporated by reference to Exhibit 10.7 to Avon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016).
10.64*	Employment Offer Letter Agreement including Forms of Restricted Stock Unit ("RSU") Award Agreement and Performance Contingent RSU Award Agreement, dated as of January 23, 2015, between Avon Products, Inc. and James Scully (incorporated by reference to Exhibit 10.7 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).
10.65*	Bonus Agreement, dated as of March 18, 2016, between Avon Products, Inc. and Robert Loughran (incorporated by reference to Exhibit 10.12 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).
10.66*	Employment Offer Letter Agreement, dated as of September 10, 2012, between Avon Products, Inc. and Jeff Benjamin (incorporated by reference to Exhibit 10.13 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).
10.67*	Employment Offer Letter and Contract of Employment Agreement dated November 28, 2016, between Avon Cosmetics Limited and James Wilson.
10.68	Revolving Credit Agreement, dated as of June 5, 2015, among Avon Products, Inc., Avon International Operations, Inc., the banks and other lenders party thereto, Citibank, N.A., as Administrative Agent, Collateral Agent and an L/C issuer (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K filed on June 8, 2015).
10.69	First Amendment to Credit Agreement and General Security Agreement (Revolving Credit Agreement), dated as of December 7, 2015, among Avon Products, Inc., Avon International Operations, Inc., the banks and other lenders party thereto, Citibank, N.A., as Administrative Agent, Collateral Agent and an L/C issuer (incorporated by reference to Exhibit 10.53 to Avon's Annual Report on Form 10-K for the year ended December 31, 2015).
10.70	Second Amendment to Credit Agreement and General Security Agreement and First Amendment to API Limited Recourse Guaranty, dated August 1, 2016 (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K filed on August 2, 2016).
10.71	Investment Agreement, dated as of December 17, 2015, between Avon Products, Inc. and Cleveland Apple Investor LLC (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K filed on December 21, 2015).
10.72	Investor Rights Agreement, dated as of March 1, 2016, between Avon Products, Inc. and Cleveland Apple Investor L.P. (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K filed on March 7, 2016).
10.73	Intellectual Property License Agreement, dated as of March 1, 2016, among Avon Products, Inc., Avon International Operations, Inc., Avon NA IP LLC and New Avon LLC (incorporated by reference to Exhibit 10.2 to Avon's Current Report on Form 8-K filed on March 7, 2016).

PART IV

Exhibit Number	Description
10.74	Agreement, dated as of March 27, 2016, between Avon Products, Inc. and an investor group led by Barington Capital Group, L.P. (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K filed on March 28, 2016).
21	Subsidiaries of the registrant.
23	Consent of PricewaterhouseCoopers LLP.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Operations, (ii) Consolidated Statements of Comprehensive Income (Loss), (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Changes in Shareholders' Equity, (vi) Notes to Consolidated Financial Statements and (vi) Schedule of Valuation and Qualifying Accounts.

* The Exhibits identified above with an asterisk (*) are management contracts or compensatory plans or arrangements.

Avon's Annual Report on Form 10-K for the year ended December 31, 2016, at the time of filing with the United States Securities and Exchange Commission, shall modify and supersede all prior documents filed pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended, for purposes of any offers or sales of any securities after the date of such filing pursuant to any Registration Statement or Prospectus filed pursuant to the Securities Act of 1933, which incorporates by reference such Annual Report on Form 10-K.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 22nd day of February 2017.

Avon Products, Inc.

/s/ Robert Loughran

Robert Loughran

Group Vice President and Chief Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Sherilyn S. McCoy</u> Sherilyn S. McCoy	Chief Executive Officer – Principal Executive Officer	February 22, 2017
<u>/s/ James Wilson</u> James Wilson	Executive Vice President and Chief Financial Officer – Principal Financial Officer	February 22, 2017
<u>/s/ Jose Armario</u> Jose Armario	Director	February 22, 2017
<u>/s/ W. Don Cornwell</u> W. Don Cornwell	Director	February 22, 2017
<u>/s/ Chan W. Galbato</u> Chan W. Galbato	Director	February 22, 2017
<u>/s/ Nancy Killefer</u> Nancy Killefer	Director	February 22, 2017
<u>/s/ Susan J. Kropf</u> Susan J. Kropf	Director	February 22, 2017
<u>/s/ Steven F. Mayer</u> Steven F. Mayer	Director	February 22, 2017
<u>/s/ Helen McCluskey</u> Helen McCluskey	Director	February 22, 2017
<u>/s/ Charles H. Noski</u> Charles H. Noski	Director	February 22, 2017
<u>/s/ Cathy D. Ross</u> Cathy D. Ross	Director	February 22, 2017
<u>/s/ Michael F. Sanford</u> Michael F. Sanford	Director	February 22, 2017

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Avon Products, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income, cash flows and changes in shareholders' equity present fairly, in all material respects, the financial position of Avon Products, Inc. at December 31, 2016 and December 31, 2015, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework* 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting, appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 22, 2017

AVON PRODUCTS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

Years ended December 31

	2016	2015	2014
Net sales	\$5,578.8	\$ 6,076.5	\$7,472.5
Other revenue	138.9	84.0	175.5
Total revenue	5,717.7	6,160.5	7,648.0
Costs, expenses and other:			
Cost of sales	2,257.0	2,445.4	3,006.9
Selling, general and administrative expenses	3,138.8	3,543.2	4,206.8
Impairment of goodwill	—	6.9	—
Operating profit	321.9	165.0	434.3
Interest expense	136.6	120.5	108.8
(Gain) loss on extinguishment of debt	(1.1)	5.5	—
Interest income	(15.8)	(12.5)	(14.8)
Other expense, net	171.0	73.7	139.5
Gain on sale of business	—	(44.9)	—
Total other expenses	290.7	142.3	233.5
Income from continuing operations, before taxes	31.2	22.7	200.8
Income taxes	(124.6)	(819.2)	(545.3)
Loss from continuing operations, net of tax	(93.4)	(796.5)	(344.5)
Loss from discontinued operations, net of tax	(14.0)	(349.1)	(40.4)
Net loss	(107.4)	(1,145.6)	(384.9)
Net income attributable to noncontrolling interests	(0.2)	(3.3)	(3.7)
Net loss attributable to Avon	\$ (107.6)	\$ (1,148.9)	\$ (388.6)
Loss per share:			
Basic from continuing operations	\$ (0.25)	\$ (1.81)	\$ (0.79)
Basic from discontinued operations	(0.03)	(0.79)	(0.09)
Basic attributable to Avon	(0.29)	(2.60)	(0.88)
Diluted from continuing operations	\$ (0.25)	\$ (1.81)	\$ (0.79)
Diluted from discontinued operations	(0.03)	(0.79)	(0.09)
Diluted attributable to Avon	(0.29)	(2.60)	(0.88)
Weighted-average shares outstanding:			
Basic	437.0	435.2	434.5
Diluted	437.0	435.2	434.5

The accompanying notes are an integral part of these statements.

AVON PRODUCTS, INC.**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(In millions)			
Years ended December 31	2016	2015	2014
Net loss	\$(107.4)	\$(1,145.6)	\$(384.9)
Other comprehensive income (loss):			
Foreign currency translation adjustments	38.6	(275.0)	(248.3)
Change in derivative losses on cash flow hedges, net of taxes of \$2.7, \$0.0 and \$0.0	1.3	1.9	1.9
Amortization of net actuarial loss and prior service cost, net of taxes of \$10.9, \$1.2 and \$2.5	287.3	81.8	85.8
Adjustments of net actuarial loss and prior service cost, net of taxes of \$7.1, \$3.9 and \$(12.0)	3.1	40.7	(187.2)
Other comprehensive income related to equity method investment, net of taxes of \$0.0	2.2	—	—
Total other comprehensive income (loss), net of taxes	332.5	(150.6)	(347.8)
Comprehensive income (loss)	225.1	(1,296.2)	(732.7)
Less: comprehensive loss attributable to noncontrolling interests	(2.1)	(1.6)	(1.9)
Comprehensive income (loss) attributable to Avon	\$ 227.2	\$(1,294.6)	\$(730.8)

The accompanying notes are an integral part of these statements.

AVON PRODUCTS, INC.

CONSOLIDATED BALANCE SHEETS

(In millions, except per share data)

December 31	2016	2015
Assets		
Current Assets		
Cash, including cash equivalents of \$79.4 and \$123.2	\$ 654.4	\$ 686.9
Accounts receivable (less allowances of \$131.1 and \$86.7)	458.9	443.0
Inventories	586.4	624.0
Prepaid expenses and other	291.3	296.1
Current assets of discontinued operations	1.3	291.1
Total current assets	1,992.3	2,341.1
Property, plant and equipment, at cost		
Land	29.5	32.2
Buildings and improvements	621.5	665.8
Equipment	773.1	797.7
	1,424.1	1,495.7
Less accumulated depreciation	(712.8)	(728.8)
Property, plant and equipment, net	711.3	766.9
Goodwill	93.6	92.3
Other assets	621.7	490.0
Noncurrent assets of discontinued operations	–	180.1
Total assets	\$ 3,418.9	\$ 3,870.4
Liabilities and Shareholders' (Deficit) Equity		
Current Liabilities		
Debt maturing within one year	\$ 18.1	\$ 55.2
Accounts payable	768.1	774.2
Accrued compensation	129.2	157.6
Other accrued liabilities	401.9	419.6
Sales and taxes other than income	147.0	174.9
Income taxes	10.7	23.9
Payable to discontinued operations	–	100.0
Current liabilities of discontinued operations	10.7	489.7
Total current liabilities	1,485.7	2,195.1
Long-term debt	1,875.8	2,150.5
Employee benefit plans	164.5	177.5
Long-term income taxes	78.6	65.1
Other liabilities	205.8	78.4
Noncurrent liabilities of discontinued operations	–	260.2
Total liabilities	3,810.4	4,926.8
Commitments and contingencies (Notes 14 and 17)		
Series C convertible preferred stock	444.7	–
Shareholders' Deficit		
Common stock, par value \$.25 – authorized 1,500 shares; issued 754.9 and 751.4 shares	188.8	187.9
Additional paid-in capital	2,273.9	2,254.0
Retained earnings	2,322.2	2,448.1
Accumulated other comprehensive loss	(1,033.2)	(1,366.2)
Treasury stock, at cost (317.3 and 315.9 shares)	(4,599.7)	(4,594.1)
Total Avon shareholders' deficit	(848.0)	(1,070.3)
Noncontrolling interests	11.8	13.9
Total shareholders' deficit	(836.2)	(1,056.4)
Total liabilities, series C convertible preferred stock and shareholders' deficit	\$ 3,418.9	\$ 3,870.4

The accompanying notes are an integral part of these statements.

AVON PRODUCTS, INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions) Years ended December 31	2016	2015	2014
Cash Flows from Operating Activities			
Net loss	\$(107.4)	\$(1,145.6)	\$ (384.9)
Loss from discontinued operations, net of tax	14.0	349.1	40.4
Loss from continuing operations, net of tax	(93.4)	(796.5)	(344.5)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	83.3	94.0	121.7
Amortization	30.6	32.1	47.7
Provision for doubtful accounts	190.5	144.1	171.1
Provision for obsolescence	36.5	45.4	78.4
Share-based compensation	24.0	51.2	38.9
Foreign exchange losses	6.1	44.3	41.4
Deferred income taxes	(8.5)	644.6	236.4
Charge for Venezuelan monetary assets and liabilities	—	(4.2)	53.7
Charge for Venezuelan non-monetary assets	—	101.7	115.7
Loss on deconsolidation of Venezuela	120.5	—	—
Pre-tax gain on sale of business	—	(44.9)	—
Impairment of goodwill	—	6.9	—
Other	(3.3)	11.6	10.8
Changes in assets and liabilities:			
Accounts receivable	(216.6)	(184.7)	(179.0)
Inventories	(28.6)	(106.6)	(170.5)
Prepaid expenses and other	16.8	8.7	(77.0)
Accounts payable and accrued liabilities	(17.6)	80.4	142.6
Income and other taxes	(4.7)	50.7	57.5
Noncurrent assets and liabilities	(7.6)	(87.4)	(56.0)
Net cash provided by operating activities of continuing operations	128.0	91.4	288.9
Cash Flows from Investing Activities			
Capital expenditures	(93.0)	(92.4)	(126.3)
Disposal of assets	13.3	8.2	15.7
Net proceeds from sale of business	—	208.3	—
Purchases of investments	—	(35.3)	(26.8)
Net proceeds from sale of investments	—	53.7	36.9
Reduction of cash due to Venezuela deconsolidation	(4.5)	—	—
Other investing activities	1.5	—	—
Net cash (used) provided by investing activities of continuing operations	(82.7)	142.5	(100.5)
Cash Flows from Financing Activities			
Cash dividends	—	(108.8)	(110.2)
Debt, net (maturities of three months or less)	(36.4)	(59.1)	(22.4)
Proceeds from debt	508.7	7.6	—
Repayment of debt	(733.0)	(261.2)	(66.5)
Net proceeds from exercise of stock options	—	—	2
Repurchase of common stock	(5.6)	(3.1)	(9.8)
Net proceeds from the sale of Series C convertible preferred stock	426.3	—	—
Other financing activities	(23.0)	(5.9)	—
Net cash provided (used) by financing activities of continuing operations	137.0	(430.5)	(208.7)
Cash Flows from Discontinued Operations			
Net cash (used) provided by operating activities of discontinued operations	(67.6)	20.7	70.9
Net cash used by investing activities of discontinued operations	(94.6)	(4.2)	(4.6)
Net cash used by financing activities of discontinued operations	—	(15.0)	(10.1)
Net cash (used) provided by discontinued operations	(162.2)	1.5	56.2
Effect of exchange rate changes on cash and equivalents	(50.4)	(80.7)	(183.3)
Net decrease in cash and equivalents	(30.3)	(275.8)	(147.4)
Cash and equivalents at beginning of year ⁽¹⁾	684.7	960.5	1,107.9
Cash and equivalents at end of year⁽²⁾	\$ 654.4	\$ 684.7	\$ 960.5
Cash paid for:			
Interest	\$ 87.1	\$ 128.6	\$ 123.8
Income taxes, net of refunds received	\$ 143.3	\$ 162.5	\$ 229.2

(1) Includes cash and cash equivalents of discontinued operations of \$(2.2), \$24.1, \$17.9 at the beginning of the year in 2016, 2015 and 2014, respectively.

(2) Includes cash and cash equivalents of discontinued operations of \$(2.2) and \$24.1 at the end of the year in 2015 and 2014, respectively.

The accompanying notes are an integral part of these statements.

AVON PRODUCTS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

(In millions, except per share data)	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Noncontrolling Interests	Total
	Shares	Amount				Shares	Amount		
Balances at December 31, 2013	748.8	\$189.4	\$2,175.6	\$4,196.7	\$ (870.4)	314.9	\$(4,581.2)	\$17.4	\$1,127.5
Net (loss) income				(388.6)				3.7	(384.9)
Other comprehensive loss					(347.2)			(0.6)	(347.8)
Dividends – \$0.24 per share				(105.2)					(105.2)
Exercise / vesting of share-based compensation	1.5	(1.8)	41.0			–	–		39.2
Repurchase of common stock						0.7	(9.8)		(9.8)
Purchases and sales of noncontrolling interests, net of dividends paid of \$5.0								(5.0)	(5.0)
Income tax expense – stock transactions			(8.7)						(8.7)
Balances at December 31, 2014	750.3	\$187.6	\$2,207.9	\$3,702.9	\$(1,217.6)	315.6	\$(4,591.0)	\$15.5	\$305.3
Net (loss) income				(1,148.9)				3.3	(1,145.6)
Other comprehensive loss					(148.6)			(2.0)	(150.6)
Dividends – \$0.24 per share				(105.9)					(105.9)
Exercise / vesting of share-based compensation	1.1	0.3	50.7			–	–		51.0
Repurchase of common stock						0.3	(3.1)		(3.1)
Purchases and sales of noncontrolling interests, net of dividends paid of \$2.9								(2.9)	(2.9)
Income tax expense – stock transactions			(4.6)						(4.6)
Balances at December 31, 2015	751.4	\$187.9	\$2,254.0	\$2,448.1	\$(1,366.2)	315.9	\$(4,594.1)	\$13.9	\$(1,056.4)
Net (loss) income				(107.6)				0.2	(107.4)
Other comprehensive income (loss)					333.0			(0.5)	332.5
Dividends accrued – Series C convertible preferred stock				(18.3)					(18.3)
Exercise / vesting of share-based compensation	3.5	0.9	22.3			–	–		23.2
Repurchase of common stock						1.4	(5.6)		(5.6)
Purchases and sales of noncontrolling interests, net of dividends paid of \$1.8								(1.8)	(1.8)
Income tax expense – stock transactions			(2.4)						(2.4)
Balances at December 31, 2016	754.9	\$188.8	\$2,273.9	\$2,322.2	\$(1,033.2)	317.3	\$(4,599.7)	\$11.8	\$(836.2)

The accompanying notes are an integral part of these statements.

AVON PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(U.S. dollars in millions, except per share and share data)

NOTE 1. Description of the Business and Summary of Significant Accounting Policies

Business

When used in these notes, the terms "Avon," "Company," "we," "our" or "us" mean Avon Products, Inc.

We are a global manufacturer and marketer of beauty and related products. Our business is conducted primarily in one channel, direct selling. Our reportable segments are based on geographic operations in four regions: Europe, Middle East & Africa; South Latin America; North Latin America; and Asia Pacific. Our product categories are Beauty and Fashion & Home. Beauty consists of skincare (which includes personal care), fragrance and color (cosmetics). Fashion & Home consists of fashion jewelry, watches, apparel, footwear, accessories, gift and decorative products, housewares, entertainment and leisure products, children's products and nutritional products. Sales are made to the ultimate consumer principally by independent Representatives.

In December 2015, we entered into definitive agreements with affiliates of Cerberus Capital Management L.P. ("Cerberus"), which include a \$435 investment in Avon by an affiliate of Cerberus through the purchase of our convertible preferred stock and the separation of the North America business (including approximately \$100 of cash, subject to certain adjustments) from Avon into New Avon LLC ("New Avon"), a privately-held company that is majority-owned and managed by an affiliate of Cerberus. These transactions closed in March 2016 and Avon retained approximately 20% ownership in New Avon. Refer to Note 3, Discontinued Operations and Divestitures for additional information regarding the investment by an affiliate of Cerberus and the separation of the North America business. As a result of this transaction, all of our consolidated revenue is derived from operations of subsidiaries outside of the U.S.

Principles of Consolidation

The consolidated financial statements include the accounts of Avon and our majority and wholly-owned subsidiaries. Intercompany balances and transactions are eliminated.

Use of Estimates

We prepare our consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America, or GAAP. In preparing these statements, we are required to use estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates and assumptions. On an ongoing basis, we review our estimates, including those related to allowances for sales returns, allowances for doubtful accounts receivable, provisions for inventory obsolescence, the determination of discount rate and other actuarial assumptions for pension and postretirement benefit expenses, restructuring expense, income taxes and tax valuation allowances, share-based compensation, loss contingencies and the evaluation of goodwill, property, plant and equipment and capitalized software for potential impairment.

Foreign Currency

Financial statements of foreign subsidiaries operating in other than highly inflationary economies are translated at year-end exchange rates for assets and liabilities and average exchange rates during the year for income and expense accounts. The resulting translation adjustments are recorded within accumulated other comprehensive income (loss) ("AOCI"). Gains or losses resulting from the impact of changes in foreign currency rates on assets and liabilities denominated in a currency other than the functional currency are recorded in other expense, net.

For financial statements of Avon subsidiaries operating in highly inflationary economies, the United States ("U.S.") dollar is required to be used as the functional currency. At December 31, 2016, none of our consolidated Avon subsidiaries are considered to be operating in a highly inflationary economy. Highly inflationary accounting requires monetary assets and liabilities, such as cash, receivables and payables, to be remeasured into U.S. dollars at the current exchange rate at the end of each period with the impact of any changes in exchange rates being recorded in income. We record the impact of changes in exchange rates on monetary assets and liabilities in other expense, net. Similarly, deferred tax assets and liabilities are remeasured into U.S. dollars at the current exchange rates; however, the impact of changes in exchange rates is recorded in income taxes in the Consolidated Statements of Operations. Non-monetary assets and liabilities, such as inventory, property, plant and equipment and prepaid expenses are recorded in U.S. dollars at the historical rates at the time of acquisition of such assets or liabilities.

Venezuela Currency

Currency restrictions enacted by the Venezuelan government since 2003 impacted the ability of Avon Venezuela to obtain foreign currency to pay for imported products. In 2010, we began accounting for our operations in Venezuela under accounting guidance associated with highly inflationary economies.

Venezuela's restrictive foreign exchange control regulations and our Venezuelan operations' increasingly limited access to U.S. dollars resulted in lack of exchangeability between the Venezuelan bolivar and the U.S. dollar, and restricted our Venezuelan operations' ability to pay dividends and settle intercompany obligations. The severe currency controls imposed by the Venezuelan government significantly limited our ability to realize the benefits from earnings of our Venezuelan operations and access the resulting liquidity provided by those earnings. We expected that this lack of exchangeability would continue for the foreseeable future, and as a result, we concluded that, effective March 31, 2016, this condition was other-than-temporary and we no longer met the accounting criteria of control in order to continue consolidating our Venezuelan operations. As a result, since March 31, 2016, we account for our Venezuelan operations using the cost method of accounting.

As a result of the change to the cost method of accounting, in the first quarter of 2016, we recorded a loss of \$120.5 in other expense, net. The loss was comprised of \$39.2 in net assets of the Venezuelan business and \$81.3 in accumulated foreign currency translation adjustments within AOCI (shareholders' deficit) associated with foreign currency changes before Venezuela was accounted for as a highly inflationary economy. The net assets of the Venezuelan business were comprised of inventories of \$23.7, property, plant and equipment, net of \$15.0, other assets of \$11.4, accounts receivable of \$4.6, cash of \$4.5, and accounts payable and accrued liabilities of \$20.0. Our Consolidated Balance Sheets no longer include the assets and liabilities of our Venezuelan operations, and we no longer include the results of our Venezuelan operations in the Consolidated Financial Statements, and will include income relating to our Venezuelan operations only to the extent that we receive cash for dividends or royalties remitted by Avon Venezuela.

In February 2015, the Venezuelan government announced the creation of a new foreign exchange system referred to as the SIMADI exchange ("SIMADI"), which represented the rate which better reflected the economics of Avon Venezuela's business activity, in comparison to the other then available exchange rates; as such, we concluded that we should utilize the SIMADI exchange rate to remeasure our Venezuelan operations. As a result of the change to the SIMADI rate, which caused the recognition of a devaluation of approximately 70% as compared to the exchange rate we had used previously, we recorded an after-tax benefit of \$3.4 (a benefit of \$4.2 in other expense, net, and a loss of \$.8 in income taxes) in the first quarter of 2015, primarily reflecting the write-down of net monetary assets. In addition, as a result of using the historical U.S. dollar cost basis of non-monetary assets, such as inventories, these assets continued to be remeasured, following the change to the SIMADI rate, at the applicable rate at the time of their acquisition. The remeasurement of non-monetary assets at the historical U.S. dollar cost basis caused a disproportionate expense as these assets were consumed in operations, negatively impacting operating profit and net income by \$18.5 during 2015. Also as a result of the change to the SIMADI rate, we determined that an adjustment of \$11.4 to cost of sales was needed to reflect certain non-monetary assets, primarily inventories, at their net realizable value, which was recorded in the first quarter of 2015.

In addition, in February 2015, we reviewed Avon Venezuela's long-lived assets to determine whether the carrying amount of the assets was recoverable. Based on our expected cash flows associated with the asset group, we determined that the carrying amount of the assets, carried at their historical U.S. dollar cost basis, was not recoverable. As such, an impairment charge of \$90.3 to selling, general and administrative expenses was needed to reflect the write-down of the long-lived assets to their estimated fair value of \$15.7, which was recorded in the first quarter of 2015. The fair value of Avon Venezuela's long-lived assets was determined using both market and cost valuation approaches. The valuation analysis performed required several estimates, including market conditions and inflation rates.

In February 2014, the Venezuelan government announced a foreign exchange system which began operating in March 2014, referred to as the SICAD II exchange ("SICAD II"). As SICAD II represented the rate which better reflected the economics of Avon Venezuela's business activity, in comparison to the other then available exchange rates, we concluded that we should utilize the SICAD II exchange rate to remeasure our Venezuelan operations effective March 31, 2014. As a result of the change to the SICAD II rate, which caused the recognition of a devaluation of approximately 88% as compared to the official exchange rate we used previously, we recorded an after-tax loss of \$41.8 (\$53.7 in other expense, net, and a benefit of \$11.9 in income taxes) in the first quarter of 2014, primarily reflecting the write-down of net monetary assets. In addition, as a result of using the historical U.S. dollar cost basis of non-monetary assets, such as inventories, these assets continued to be remeasured, following the change to the SICAD II rate, at the applicable rate at the time of their acquisition. The remeasurement of non-monetary assets at the historical U.S. dollar cost basis caused a disproportionate expense as these assets are

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

consumed in operations, negatively impacting operating profit and net income by \$21.4 during 2014. Also as a result, we determined that an adjustment of \$115.7 to cost of sales was needed to reflect certain non-monetary assets, primarily inventories, at their net realizable value, which was recorded in the first quarter of 2014.

Revenue Recognition

Net sales primarily include sales generated as a result of Representative orders less any discounts, taxes and other deductions. We recognize revenue upon delivery, when both title and the risks and rewards of ownership pass to the independent Representatives, who are our customers. Our internal financial systems accumulate revenues as orders are shipped to the Representative. Since we report revenue upon delivery, revenues recorded in the financial system must be reduced for an estimate of the financial impact of those orders shipped but not delivered at the end of each reporting period. We use estimates in determining the adjustments to revenue and operating profit for orders that have been shipped but not delivered as of the end of the period. These estimates are based on daily sales levels, delivery lead times, gross margin and variable expenses. We also record a provision for estimated sales returns based on historical experience with product returns. In addition, we estimate an allowance for doubtful accounts on receivable balances based on an analysis of historical data and current circumstances.

Other Revenue

Other revenue is primarily comprised of shipping and handling and order processing fees billed to Representatives, as well as revenue from the sale of products to New Avon since the separation of the Company's North America business into New Avon on March 1, 2016 and ongoing royalties from the licensing of our name and products.

Cash and Cash Equivalents

Cash equivalents are stated at cost plus accrued interest, which approximates fair value. Cash equivalents are generally high-quality, short-term money market instruments with an original maturity of three months or less and consist of time deposits with a number of U.S. and non-U.S. commercial banks and money market fund investments.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. We classify inventory into various categories based upon its stage in the product life cycle, future marketing sales plans and the disposition process. We assign a degree of obsolescence risk to products based on this classification to estimate the level of obsolescence provision.

Prepaid Brochure Costs

Costs to prepare brochures are initially deferred to prepaid expenses and other and are expensed to selling, general and administrative expenses over the campaign length. In addition, fees charged to Representatives for brochures are initially deferred and presented as a reduction to prepaid expenses and other and are recorded as a reduction to selling, general and administrative expenses over the campaign length. The campaign length is typically three to four weeks.

Brochure costs and associated fees that are presented as prepaid expenses and other were \$27.2 at December 31, 2016 and \$25.8 at December 31, 2015. Additionally, paper stock is purchased in advance of creating the brochures. Prepaid expenses and other include paper supply of \$4.3 at December 31, 2016 and \$3.8 at December 31, 2015.

Brochure costs expensed to selling, general and administrative expenses amounted to \$244.7 in 2016, \$256.6 in 2015 and \$309.4 in 2014. The fees charged to Representatives recorded as a reduction to selling, general and administrative expenses amounted to \$138.6 in 2016, \$141.9 in 2015 and \$173.2 in 2014.

Property, Plant and Equipment and Capitalized Software

Property, plant and equipment are stated at cost and are depreciated using a straight-line method over the estimated useful lives of the assets. The estimated useful lives generally are as follows: buildings, 45 years; land improvements, 20 years; machinery and equipment, 15 years; and office equipment, five to ten years. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the asset. Upon disposal of property, plant and equipment, the cost of the assets and the related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in earnings. Costs associated with repair and maintenance activities are expensed as incurred.

Certain systems development costs related to the purchase, development and installation of computer software are capitalized and amortized over the estimated useful life of the related project, generally not to exceed five years. Costs incurred prior to the development stage, as well as maintenance, training costs, and general and administrative expenses are expensed as incurred. The other assets balance included unamortized capitalized software costs of \$83.9 at December 31, 2016 and \$82.4 at December 31, 2015. The amortization expense associated with capitalized software was \$30.5, \$31.0 and \$44.8 for the years ended December 31, 2016, 2015 and 2014, respectively.

We evaluate our property, plant and equipment and capitalized software for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated pre-tax undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. The fair value of the asset is determined using revenue and cash flow projections, and royalty and discount rates, as appropriate. See above for more information on Avon Venezuela's long-lived assets.

Goodwill

Goodwill is not amortized and is assessed for impairment annually during the fourth quarter or on the occurrence of an event that indicates impairment may have occurred, at the reporting unit level. A reporting unit is the operating segment, or a component, which is one level below that operating segment. Components are aggregated as a single reporting unit if they have similar economic characteristics. When testing goodwill for impairment, we perform either a qualitative or quantitative assessment for each of our reporting units. Factors considered in the qualitative analysis include macroeconomic conditions, industry and market considerations, cost factors and overall financial performance specific to the reporting unit. If the qualitative analysis results in a more likely than not probability of impairment, the first quantitative step, as described below, is required.

The quantitative test to evaluate goodwill for impairment is a two-step process. In the first step, we compare the fair value of a reporting unit to its carrying value. If the fair value of a reporting unit is less than its carrying value, we perform a second step to determine the implied fair value of the reporting unit's goodwill. The second step of the impairment analysis requires a valuation of a reporting unit's tangible and intangible assets and liabilities in a manner similar to the allocation of the purchase price in a business combination. If the resulting implied fair value of the reporting unit's goodwill is less than its carrying value, that difference represents an impairment.

The impairment analysis performed for goodwill requires several estimates in computing the estimated fair value of a reporting unit. We typically use a discounted cash flow ("DCF") approach to estimate the fair value of a reporting unit, which we believe is the most reliable indicator of fair value of this business, and is most consistent with the approach that we would generally expect a marketplace participant would use. In estimating the fair value of our reporting units utilizing a DCF approach, we typically forecast revenue and the resulting cash flows for periods of five to ten years and include an estimated terminal value at the end of the forecasted period. When determining the appropriate forecast period for the DCF approach, we consider the amount of time required before the reporting unit achieves what we consider a normalized, sustainable level of cash flows. The estimation of fair value utilizing a DCF approach includes numerous uncertainties which require significant judgment when making assumptions of expected growth rates and the selection of discount rates, as well as assumptions regarding general economic and business conditions, and the structure that would yield the highest economic value, among other factors.

See Note 18, Goodwill for more information regarding Egypt.

Financial Instruments

We use derivative financial instruments, including forward foreign currency contracts, to manage foreign currency exposures.

If applicable, derivatives are recognized in the Consolidated Balance Sheets at their fair values. When we become a party to a derivative instrument and intend to apply hedge accounting, we designate the instrument, for financial reporting purposes, as a fair value hedge, a cash flow hedge, or a net investment hedge. The accounting for changes in fair value (gains or losses) of a derivative instrument depends on whether we had designated it and it qualified as part of a hedging relationship and further, on the type of hedging relationship. We apply the following:

- Changes in the fair value of a derivative that is designated as a fair value hedge, along with the loss or gain on the hedged asset or liability that is attributable to the hedged risk are recorded in earnings.

- Changes in the fair value of a derivative that is designated as a cash flow hedge are recorded in AOCI to the extent effective and reclassified into earnings in the same period or periods during which the transaction hedged by that derivative also affects earnings.
- Changes in the fair value of a derivative that is designated as a hedge of a net investment in a foreign operation are recorded in foreign currency translation adjustments within AOCI to the extent effective as a hedge.
- Changes in the fair value of a derivative that is not designated as a hedging instrument are recognized in earnings in other expense, net in the Consolidated Statements of Operations.

Realized gains and losses on a derivative are reported in the Consolidated Statements of Cash Flows consistent with the nature of the underlying hedged item.

For derivatives designated as hedges, we assess, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Highly effective means that cumulative changes in the fair value of the derivative are between 80% and 125% of the cumulative changes in the fair value of the hedged item. The ineffective portion of a derivative's gain or loss, if any, is recorded in earnings in other expense, net in the Consolidated Statements of Operations. In addition, when we determine that a derivative is not highly effective as a hedge, hedge accounting is discontinued. When it is probable that a hedged forecasted transaction will not occur, we discontinue hedge accounting for the affected portion of the forecasted transaction, and reclassify gains or losses that were accumulated in AOCI to earnings in other expense, net in the Consolidated Statements of Operations.

Deferred Income Taxes

Deferred income taxes have been provided on items recognized for financial reporting purposes in different periods than for income tax purposes using tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is provided to reduce our deferred tax assets to an amount that is "more likely than not" to be realized. The ultimate realization of our deferred tax assets depends upon generating sufficient future taxable income during the periods in which our temporary differences become deductible or before our net operating loss and tax credit carryforwards expire. See Note 8, Income Taxes for more information.

Uncertain Tax Positions

We recognize the benefit of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. We record interest expense and penalties payable to relevant tax authorities in income taxes in the Consolidated Statements of Operations.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include costs associated with selling; marketing; distribution, including shipping and handling costs; advertising; net brochure costs; research and development; information technology; and other administrative costs, including finance, legal and human resource functions.

Shipping and Handling

Shipping and handling costs are expensed as incurred and amounted to \$489.3 in 2016, \$538.8 in 2015 and \$695.8 in 2014.

Advertising

Advertising costs, excluding brochure preparation costs, are expensed as incurred and amounted to \$108.9 in 2016, \$128.0 in 2015 and \$166.4 in 2014.

Research and Development

Research and development costs are expensed as incurred and amounted to \$52.1 in 2016, \$61.9 in 2015 and \$64.7 in 2014. Research and development costs include all costs related to the design and development of new products such as salaries and benefits, supplies and materials and facilities costs.

Share-based Compensation

All share-based payments to employees are recognized in the financial statements based on their fair value at the date of grant. If applicable, we use a Monte-Carlo simulation to calculate the fair value of performance restricted stock units with market conditions and the fair value of premium-priced stock options.

Restructuring Expense

We record the estimated expense for our restructuring initiatives when such costs are deemed probable and estimable, when approved by the appropriate corporate authority and by accumulating detailed estimates of costs for such plans. These expenses include the estimated costs of employee severance and related benefits, impairment or accelerated depreciation of property, plant and equipment and capitalized software, and any other qualifying exit costs. Such costs represent our best estimate, but require assumptions about the programs that may change over time, including attrition rates. Estimates are evaluated periodically to determine whether an adjustment is required.

Pension and Postretirement Expense

Pension and postretirement expense is determined based on a number of actuarial assumptions, which are generally reviewed and determined on an annual basis. These assumptions include the discount rate applied to plan obligations, the expected rate of return on plan assets, the rate of compensation increase of plan participants, price inflation, cost-of-living adjustments, mortality rates and certain other demographic assumptions, and other factors. Actual results that differ from assumptions are accumulated and amortized to expense over future periods and, therefore, generally affect recognized expense in future periods. We recognize the funded status of pension and other postretirement benefit plans in the Consolidated Balance Sheets. Each overfunded plan is recognized as an asset and each underfunded plan is recognized as a liability. The recognition of prior service costs or credits and net actuarial gains or losses, as well as subsequent changes in the funded status, are recognized as components of AOCI, net of tax, in shareholders' equity, until they are amortized as a component of net periodic benefit cost. We recognize prior service costs or credits and actuarial gains and losses beyond a 10% corridor to earnings based on the estimated future service period of the participants. The determination of the 10% corridor utilizes a calculated value of plan assets for our more significant plans, whereby gains and losses are smoothed over three- and five-year periods. We use a December 31 measurement date for all of our employee benefit plans.

Contingencies

We determine whether to disclose and/or accrue for loss contingencies based on an assessment of whether the risk of loss is remote, reasonably possible or probable. We record loss contingencies when it is probable that a liability has been incurred and the amount of loss is reasonably estimable.

Out-of-Period Items

During 2015, we recorded out-of-period adjustments which decreased income from continuing operations by approximately \$8 before tax (approximately \$14 after tax). We evaluated the total out-of-period adjustments impacting 2015, both individually and in the aggregate, in relation to the quarterly and annual periods in which they originated and the annual period in which they were corrected, and concluded that these adjustments were not material to the consolidated annual financial statements for all impacted periods.

During 2014, we recorded out-of-period adjustments in our South Latin America segment (primarily related to revenue and selling, general and administrative expenses) which increased income from continuing operations by approximately \$15 before tax. The total out-of-period adjustments increasing income from continuing operations during 2014 was approximately \$13 before tax (approximately \$6 after tax), and the total out-of-period adjustments decreasing income from discontinued operations during 2014 was approximately \$7 after tax. We evaluated the total out-of-period adjustments impacting 2014, both individually and in the aggregate, in relation to the quarterly and annual periods in which they originated and the annual period in which they were corrected, and concluded that these adjustments were not material to the consolidated annual financial statements for all impacted periods.

Earnings (Loss) per Share

We compute earnings (loss) per share ("EPS") using the two-class method, which is an earnings (loss) allocation formula that determines earnings (loss) per share for common stock, and earnings (loss) allocated to convertible preferred stock and participating securities, as appropriate. The earnings allocated to convertible preferred stock are the larger of 1) the preferred dividends accrued in the year or 2) the percentage of earnings from continuing operations allocable to the preferred stock as if they had been converted to common stock. Our participating securities are our grants of restricted stock and restricted stock units, which contain non-forfeitable rights to dividend equivalents to the extent any dividends are declared and paid on our common stock. We compute basic EPS by dividing net income (loss) allocated to common shareholders by the weighted-average number of shares outstanding during the year. Diluted EPS is calculated to give effect to all potentially dilutive common shares that were outstanding during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For each of the three years ended December 31 the components of basic and diluted EPS were as follows:

(Shares in millions)	2016	2015	2014
Numerator from continuing operations:			
Loss from continuing operations less amounts attributable to noncontrolling interests	\$ (93.6)	\$ (799.8)	\$(348.1)
Less: Loss allocated to participating securities	1.2	10.9	4.2
Less: Earnings allocated to convertible preferred stock	(18.4)	—	—
Loss from continuing operations allocated to common shareholders	(110.8)	(788.9)	(343.9)
Numerator from discontinued operations:			
Loss from discontinued operations less amounts attributable to noncontrolling interests	\$ (14.0)	\$ (349.1)	\$ (40.5)
Less: Loss allocated to participating securities	.2	4.7	.6
Loss from discontinued operations allocated to common shareholders	(13.8)	(344.4)	(39.9)
Numerator attributable to Avon:			
Loss attributable to Avon less amounts attributable to noncontrolling interests	\$(107.6)	\$(1,148.9)	\$(388.6)
Less: Loss allocated to participating securities	1.4	15.7	4.7
Less: Earnings allocated to convertible preferred stock	(18.4)	—	—
Loss attributable to Avon allocated to common shareholders	(124.6)	(1,133.2)	(383.9)
Denominator:			
Basic EPS weighted-average shares outstanding	437.0	435.2	434.5
Diluted effect of assumed conversion of stock options	—	—	—
Diluted effect of assumed conversion of preferred stock	—	—	—
Diluted EPS adjusted weighted-average shares outstanding	437.0	435.2	434.5
Loss per Common Share from continuing operations:			
Basic	\$ (.25)	\$ (1.81)	\$ (.79)
Diluted	(.25)	(1.81)	(.79)
Loss per Common Share from discontinued operations:			
Basic	\$ (.03)	\$ (.79)	\$ (.09)
Diluted	(.03)	(.79)	(.09)
Loss per Common Share attributable to Avon:			
Basic	\$ (.29)	\$ (2.60)	\$ (.88)
Diluted	(.29)	(2.60)	(.88)

Amounts in the table above may not necessarily sum due to rounding.

During the years ended December 31, 2016, 2015 and 2014, we did not include stock options to purchase 14.2 million shares, 12.7 million shares and 18.0 million shares of Avon common stock, respectively, in the calculations of diluted EPS as we had a loss from continuing operations, net of tax and the inclusion of these shares would decrease the net loss per share. Since the inclusion of such shares would be anti-dilutive, these are excluded from the calculation.

For the year ended December 31, 2016, it is more dilutive to assume the Series C Convertible Preferred Stock is not converted into common stock and therefore the weighted-average outstanding shares outstanding were not adjusted by the as-if converted Series C Convertible Preferred Stock because the effect would decrease the net loss per share, and therefore, their inclusion would be anti-dilutive. If the as-if converted Series C Convertible Preferred Stock had been dilutive, approximately 87.1 million additional shares would have been included in the diluted weighted average number of shares outstanding for the year ended December 31, 2016. There were no shares of Series C Convertible Preferred Stock outstanding for the years ended December 31, 2015 and 2014. See Note 16, Series C Convertible Preferred Stock.

NOTE 2. New Accounting Standards

Standards to be Implemented

In March 2016, the FASB issued ASU 2016-09, *Compensation — Stock Compensation*, which is intended to simplify the accounting for share-based payment transactions. This new guidance will change several aspects of the accounting for share-based payment transactions, including accounting for income taxes, forfeitures and employer-tax withholding requirements. ASU 2016-09 also clarifies the Statements of Cash Flows presentation for certain components of share-based payment awards.

We will be adopting this new accounting guidance in the first quarter of 2017. We do not believe that this new accounting guidance will have a material impact on the consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, issued as a new Topic, Accounting Standards Codification Topic 606. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, *Deferral of the Effective Date*, which resulted in the standard being effective beginning in 2018, with early adoption permitted in 2017. We intend to adopt this new accounting guidance effective January 1, 2018. This new accounting guidance can be adopted either retrospectively or as a cumulative-effect adjustment as of the date of adoption, but we have not yet determined our method of adoption. We are currently evaluating the effect that adopting this new accounting guidance will have on the consolidated financial statements. Based on the evaluation completed to-date, we believe that we will need to consider some of our sales incentive programs as a separate deliverable and allocate a portion of the sales transaction price to this deliverable, and we will need to adjust the manner in which we present our allowance for sales returns in the Consolidated Balance Sheets.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires all assets and liabilities arising from leases to be recognized in the statement of financial position. This standard is effective as of January 1, 2019. We are currently evaluating the effect that adopting this new accounting guidance will have on the consolidated financial statements.

NOTE 3. Discontinued Operations and Divestitures

Discontinued Operations

North America

On December 17, 2015, the Company entered into definitive agreements with affiliates controlled by Cerberus. The agreements include an investment agreement providing for a \$435.0 investment by Cleveland Apple Investor L.P. ("Cerberus Investor") (an affiliate of Cerberus) in the Company through the purchase of perpetual convertible preferred stock (see Note 16, Series C Convertible Preferred Stock) and a separation and investment agreement providing for the separation of the Company's North America business, which represented the Company's operations in the U.S., Canada and Puerto Rico, from the Company into New Avon, a privately-held company that is majority-owned and managed by Cerberus NA Investor LLC ("Cerberus NA") (an affiliate of Cerberus). These transactions closed on March 1, 2016.

Proceeds from the sale of the perpetual convertible preferred stock were used to fund the \$100 cash contribution into New Avon, approximately \$250 was used to reduce debt, and the remainder was used for restructuring and reinvestment in the business. The Company considered that the transactions with affiliates of Cerberus should help to drive enhanced focus on Avon's international markets, revitalize the North America business and deliver long-term value to shareholders.

Cerberus NA contributed approximately \$170 of cash into New Avon in exchange for 80.1% of its ownership interests. The Company contributed (i) assets primarily related to our North America business (including approximately \$100 of cash, subject to certain adjustments), (ii) certain assumed liabilities (primarily pension and postretirement liabilities) of our North America business and (iii) the employees of our North America business into New Avon in exchange for a 19.9% ownership interest of New Avon. The Company received approximately \$6 of cash from New Avon as part of a customary working capital adjustment.

The North America business was previously its own reportable segment and has been presented as discontinued operations for all periods presented as the separation represented a significant strategic shift and was determined to have a major effect on our operations and financial results.

During the fourth quarter of 2015, the Company recorded an estimated loss on sale of discontinued operations of \$340.0 before tax (\$340.0 after tax) as the carrying value exceeded the estimated fair value less costs to sell. During 2016, the Company recognized an additional loss on sale of \$15.6 before tax (\$5.4 after tax), respectively. The cumulative loss on sale of \$355.6 before tax (\$345.4 after tax) represents the net assets contributed into New Avon, including certain pension and postretirement benefit plan liabilities and amounts in AOCI associated with the North America business, which were primarily unrecognized losses associated with our U.S. defined benefit pension plan, and costs to sell, as compared to the implied value of our ownership interests in New Avon, at closing, which was \$42.5.

New Avon entered into a perpetual, irrevocable royalty-free licensing agreement with the Company for the use of the Avon brand and certain other intellectual property. Avon and New Avon also entered into a transition services agreement which covers, among other things, information technology, financial services and human resources, as well as other commercial agreements, including research and development, product supply and a sublease of office space from Avon to New Avon. See Note 4, Related Party Transactions.

The Company accounts for its ownership interests in New Avon using the equity method of accounting, which results in the Company recognizing its proportionate share of New Avon's income or loss and other comprehensive income or loss. The Company's proportionate share of the post-separation losses of New Avon was \$11.9 during 2016, and was recorded within other expense, net. In addition, the Company's proportionate share of the post-separation other comprehensive income of New Avon was \$2.2 during 2016, and was recorded within other comprehensive income.

The major classes of financial statement components comprising the loss on discontinued operations, net of tax for North America are shown below:

	Years ended December 31,		
	2016	2015	2014
Total revenue	\$135.2	\$1,012.5	\$1,203.4
Cost of sales	53.2	404.0	492.4
Selling, general and administrative expenses	91.5	606.2	745.2
Operating (loss) income	(9.5)	2.3	(34.2)
Other income (expense) items	.6	(3.2)	(2.4)
Loss from discontinued operations, before tax	(8.9)	(.9)	(36.6)
Loss on sale of discontinued operations, before tax	(15.6)	(340.0)	—
Income taxes	10.5	(8.2)	(3.8)
Loss from discontinued operations, net of tax	<u>\$ (14.0)</u>	<u>\$ (349.1)</u>	<u>\$ (40.4)</u>

At December 31, 2016 the carrying amounts of assets and liabilities for North America discontinued operations were not material. The carrying amounts of the major classes of assets and liabilities for North America discontinued operations at December 31, 2015 are shown below:

	2015
Cash and cash equivalents	\$ (2.2)
Receivable from continuing operations ⁽¹⁾	100.0
Accounts receivable, net	41.4
Inventories	128.2
Prepaid expenses and other	23.7
Current assets of discontinued operations	\$291.1
Property, plant and equipment, net	\$171.8
Other assets	8.3
Noncurrent assets of discontinued operations	\$180.1
Debt maturing within one year	\$ 5.9
Accounts payable	78.4
Accrued compensation	18.2
Other accrued liabilities ⁽²⁾	380.6
Other classes of current liabilities that are not major	6.6
Current liabilities of discontinued operations	\$489.7
Long-term debt	\$ 29.3
Employee benefit plans	228.2
Other liabilities	.2
Other classes of noncurrent liabilities that are not major	2.5
Noncurrent liabilities of discontinued operations	\$260.2

(1) Represents the cash contribution by the Company into New Avon that was made at close of the transactions.

(2) Includes the accrual for the estimated loss on sale of approximately \$340 at December 31, 2015.

As of December 31, 2015, there was also \$19.4 of net deferred tax assets that was fully offset by a valuation allowance, reflected in discontinued operations associated with the separation of North America.

Divestitures

Liz Earle

On July 9, 2015, the Company sold Liz Earle Beauty Co. Limited ("Liz Earle") for approximately \$215, less expenses of approximately \$5. Liz Earle was previously reported within our Europe, Middle East & Africa segment. In 2015, we recorded a gain on sale of \$44.9 before tax, which was reported separately in the Consolidated Statements of Operations, and \$51.6 after tax, representing the difference between the proceeds, including the expected working capital settlement, and the carrying value of the Liz Earle business on the date of sale. Proceeds from the sale of Liz Earle were used to fund a portion of the Company's redemption of the \$250 principal amount of its 2.375% Notes due March 15, 2016, which occurred on August 10, 2015. See Note 6, Debt and Other Financing for additional information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. Related Party Transactions

The following tables present the related party transactions, which were solely in connection with the separation of the Company's North America business, as discussed in Note 3, Discontinued Operations and Divestitures:

	Year Ended December 31,
	2016
Statement of Operations Data	
Revenue from sale of product to New Avon ⁽¹⁾	\$ 29.2
Gross profit from sale of product to New Avon ⁽¹⁾	2.3
Cost of sales for purchases from New Avon ⁽²⁾	4.6
Selling, general and administrative expenses:	
Transition services, research and development and subleases ⁽³⁾	(35.3)
Project management team ⁽⁴⁾	2.7
Net reduction of selling, general and administrative expenses	(32.6)
	December 31, 2016
Balance Sheet Data	
Inventories ⁽⁵⁾	\$ 1.0
Receivables due from New Avon ⁽⁶⁾	11.6
Payables due to New Avon ⁽⁷⁾	.7
Payables due to an affiliate of Cerberus ⁽⁸⁾	.6

(1) The Company supplies product to New Avon as part of a manufacturing and supply agreement. The Company recorded revenue of \$29.2, within other revenue, and gross profit of \$2.3 associated with this agreement during the year ended December 31, 2016.

(2) New Avon also supplies product to the Company as part of this manufacturing and supply agreement. The Company purchased \$5.6 from New Avon associated with this agreement during the year ended December 31, 2016, and recorded \$4.6 associated with these purchases within cost of sales during 2016.

(3) The Company entered into a transition services agreement to provide certain services to New Avon, as well as an agreement for research and development and subleases for office space. In addition, New Avon is performing certain services for the Company under a similar transition services agreement. The Company recorded a net \$35.3 reduction of selling, general and administrative expenses associated with these agreements during the year ended December 31, 2016, which generally represents a recovery of the related costs.

(4) The Company also entered into agreements with an affiliate of Cerberus, which provide for the secondment of Cerberus affiliate personnel to the Company's project management team responsible for assisting with the execution of the transformation plan (the "Transformation Plan") announced in January 2016. The Company recorded \$2.7 in selling, general and administrative expenses associated with these agreements during the year ended December 31, 2016. See Note 15, Restructuring Initiatives for additional information related to the Transformation Plan.

(5) Inventories relate to purchases from New Avon, associated with the manufacturing and supply agreement, which have not yet been sold, and were classified within inventories in the Consolidated Balance Sheets.

(6) The receivables due from New Avon relate to the agreements for transition services, research and development and subleases for office space, as well as the manufacturing and supply agreement, and were classified within prepaid expenses and other in the Consolidated Balance Sheets.

(7) The payables due to New Avon relate to the manufacturing and supply agreement, and were classified within other accrued liabilities in the Consolidated Balance Sheets.

(8) The payables due to an affiliate of Cerberus relate to the agreement for the project management team, and were classified within other accrued liabilities in the Consolidated Balance Sheets.

In addition, the Company issued standby letters of credit to the lessors of certain equipment, a lease for which was transferred to New Avon in connection with the separation of the Company's North America business. The initial liability for the estimated value of such standby letters of credit was \$2.1, which was included in the additional loss on sale of the North America business recognized in loss from discontinued operations, net of tax in the Consolidated Statements of Operations during the year ended December 31, 2016. As of December 31, 2016 the Company has a liability \$1.6 for the estimated value of such standby letters of credit. The reduction of this estimated liability of \$.5 was recognized in other expense, net in the Consolidated Statements of Operations during the year ended December 31, 2016.

See Note 16, Series C Convertible Preferred Stock, for discussion of preferred shares issued to Cerberus Investor.

NOTE 5. Inventories

Inventories at December 31 consisted of the following:

	2016	2015
Raw materials	\$179.3	\$180.5
Finished goods	407.1	443.5
Total	\$586.4	\$624.0

NOTE 6. Debt and Other Financing

Debt

Debt at December 31 consisted of the following:

	2016	2015
Debt maturing within one year:		
Notes payable	\$ 13.5	\$ 50.4
Current portion of long-term debt	4.6	4.8
Total	\$ 18.1	\$ 55.2
Long-term debt:		
5.75% Notes, due March 2018	\$ -	\$ 249.4
4.20% Notes, due July 2018	-	249.6
6.50% Notes, due March 2019	236.8	347.7
Other debt, payable through 2020 with interest from .4% to 11.3%	9.0	12.7
4.60% Notes, due March 2020	408.2	497.3
7.875% Senior Secured Notes, due August 2022	491.0	-
5.00% Notes, due March 2023	483.7	493.7
6.95% Notes, due March 2043	240.8	246.8
Total	1,869.5	2,097.2
Unamortized deferred gain-swap terminations	10.9	58.1
Less current portion	(4.6)	(4.8)
Total long-term debt	\$1,875.8	\$2,150.5

Notes payable included short-term borrowings of international subsidiaries at average annual interest rates of approximately 11.0% at December 31, 2016 and 4.0% at December 31, 2015.

Other debt included obligations under capital leases of \$7.6 at December 31, 2016 and \$11.7 at December 31, 2015, which primarily relate to leases of automobiles and equipment.

Public Notes

In March 2013, we issued, in a public offering, \$250.0 principal amount of 2.375% Notes due March 15, 2016 (the "2.375% Notes"), \$500.0 principal amount of 4.60% Notes due March 15, 2020 (the "4.60% Notes"), \$500.0 principal amount of 5.00% Notes due March 15, 2023 (the "5.00% Notes") and \$250.0 principal amount of 6.95% Notes due March 15, 2043 (the "6.95% Notes") (collectively, the "2013 Notes"). The net proceeds from these 2013 Notes were used to repay outstanding debt. Interest on the 2013 Notes is payable semi-annually on March 15 and September 15 of each year. On August 10, 2015, we prepaid our 2.375% Notes at a prepayment price equal to 100% of the principal amount of \$250.0, plus accrued interest of \$3.1 and a make-whole premium of \$5.0. In connection with the prepayment of our 2.375% Notes, we incurred a loss on extinguishment of debt of \$5.5 before tax in the third quarter of 2015 consisting of the \$5.0 make-whole premium for the 2.375% Notes and the write-off of \$.5 of debt issuance costs and discounts related to the initial issuance of the 2.375% Notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The indenture governing the 2013 Notes contains interest rate adjustment provisions depending on the long-term credit ratings assigned to the 2013 Notes with S&P and Moody's. As described in the indenture, the interest rates on the 2013 Notes increase by .25% for each one-notch downgrade below investment grade on each of our long-term credit ratings assigned to the 2013 Notes. by S&P or Moody's. These adjustments are limited to a total increase of 2% above the respective interest rates in effect on the date of issuance of the 2013 Notes. As a result of the long-term credit rating downgrades by S&P and Moody's since issuance of the 2013 Notes, the interest rates on these notes have increased by the maximum allowable increase.

In August 2016, we completed cash tender offers which resulted in a reduction of principal of \$108.6 of our 5.75% Notes due March 1, 2018 (the "5.75% Notes"), \$73.8 of our 4.20% Notes due July 15, 2018 (the "4.20% Notes"), \$68.1 of our 6.50% Notes due March 1, 2019 (the "6.50% Notes") and \$50.1 of our 4.60% Notes. In connection with the cash tender offers, we incurred a gain on extinguishment of debt of \$3.9 before tax in the third quarter of 2016, consisting of a deferred gain of \$12.8 associated with the March 2012 and January 2013 interest-rate swap agreement terminations (see Note 9, Financial Instruments and Risk Management), partially offset by the \$5.8 of early tender premium paid for the cash tender offers, \$1.2 of a deferred loss associated with treasury lock agreements designated as cash flow hedges of the anticipated interest payments on the 5.75% Notes (see Note 9, Financial Instruments and Risk Management), \$1.0 of deal costs and the write-off of \$.9 of debt issuance costs and discounts related to the initial issuances of the notes that were the subject of the cash tender offers.

In October 2016, we repurchased \$44.0 of our 6.50% Notes, \$44.0 of our 4.20% Notes, \$40.0 of our 4.60% Notes and \$35.2 of our 5.75% Notes. The aggregate repurchase price was equal to the principal amount of the notes, plus a premium of \$6.2 and accrued interest of \$1.1. In connection with these repurchases of debt, we incurred a loss on extinguishment of debt of \$1.0 before tax in the fourth quarter of 2016 consisting of the \$6.2 premium paid for the repurchases, \$.5 for the write-off of debt issuance costs and discounts related to the initial issuance of the notes that were repurchased and \$.4 for a deferred loss associated with treasury lock agreements designated as cash flow hedges of the anticipated interest payments on the 5.75% Notes (see Note 9, Financial Instruments and Risk Management), partially offset by a deferred gain of approximately \$6.1 associated with the March 2012 and January 2013 interest-rate swap agreement terminations (see Note 9, Financial Instruments and Risk Management).

On November 30, 2016, we prepaid the remaining principal amount of our 4.20% Notes and 5.75% Notes. The prepayment price was equal to the remaining principal amount of \$132.2 for our 4.20% Notes and \$106.2 for our 5.75% Notes, plus a make-whole premium of \$12.1 for both series of notes and accrued interest of \$3.6 for both series of notes. In connection with the prepayment of our 4.20% Notes and 5.75% Notes, we incurred a loss on extinguishment of debt of \$2.9 before tax in the fourth quarter of 2016 consisting of the \$12.1 make-whole premium, \$1.0 of a deferred loss associated with treasury lock agreements designated as cash flow hedges of the anticipated interest payments on the 5.75% Notes (see Note 9, Financial Instruments and Risk Management) and the write-off of \$.3 of debt issuance costs and discounts related to the initial issuances of the notes that were prepaid, partially offset by a deferred gain of \$10.5 associated with the January 2013 interest-rate swap agreement termination (see Note 9, Financial Instruments and Risk Management).

In December 2016, we repurchased \$11.1 of our 5.00% Notes and \$6.2 of our 6.95% Notes, and the aggregate repurchase price was equal to the principal amount of the notes, less a discount received of \$1.3 and plus accrued interest of \$.3. In connection with this repurchase of debt, we incurred a gain on extinguishment of debt of \$1.1 before tax in the fourth quarter of 2016 consisting of the \$1.3 discount received for the repurchases, partially offset by \$.2 for the write-off of debt issuance costs and discounts related to the initial issuance of the notes that were repurchased.

At December 31, 2016 and 2015, the carrying values of our public notes were comprised of the following:

	2016				2015			
	Remaining Principal	Unamortized Discounts	Unamortized Debt Issuance Costs	Total	Remaining Principal	Unamortized Discounts	Unamortized Debt Issuance Costs	Total
5.75% Notes, due March 2018	\$ —	\$ —	\$ —	\$ —	\$250.0	\$(.2)	\$(.4)	\$249.4
4.20% Notes, due July 2018	—	—	—	—	250.0	(.2)	(.2)	249.6
6.50% Notes, due March 2019	237.9	(.7)	(.4)	236.8	350.0	(1.4)	(.9)	347.7
4.60% Notes, due March 2020	409.9	(.3)	(1.4)	408.2	500.0	(.4)	(2.3)	497.3
5.00% Notes, due March 2023	488.9	(2.9)	(2.3)	483.7	500.0	(3.5)	(2.8)	493.7
6.95% Notes, due March 2043	243.8	(.6)	(2.4)	240.8	250.0	(.7)	(2.5)	246.8

The indentures governing our outstanding notes described above contain certain customary covenants and customary events of default and cross-default provisions. Further, we would be required to make an offer to repurchase all of our outstanding notes described above, with the exception of our 4.20% Notes, at a price equal to 101% of their aggregate principal amount plus accrued and unpaid interest in the event of a change in control involving Avon and, at such time, the outstanding notes are rated below investment grade.

Senior Secured Notes

In August 2016, Avon International Operations, Inc., a wholly-owned domestic subsidiary of the Company ("AIO"), issued, in a private placement exempt from registration under the Securities Act of 1933, as amended, \$500.0 in aggregate principal amount of 7.875% Senior Secured Notes, which will mature on August 15, 2022 (the "Senior Secured Notes"). Interest on the Senior Secured Notes is payable semi-annually on February 15 and August 15 of each year. The carrying value of the Senior Secured Notes represented the \$500.0 principal amount, net of unamortized debt issuance costs of \$9.0 at December 31, 2016. This represents the total debt for AIO at December 31, 2016.

All obligations of AIO under the Senior Secured Notes are unconditionally guaranteed by each current and future wholly-owned domestic restricted subsidiary of the Company that is a guarantor under the 2015 facility and fully guaranteed on an unsecured basis by the Company. The obligations of AIO and the subsidiary guarantors are secured by first priority liens on and security interest in substantially all of the assets of AIO and the subsidiary guarantors, in each case, subject to certain exceptions.

The indenture governing our Senior Secured Notes contains certain customary covenants and restrictions as well as customary events of default and cross-default provisions. The indenture also contains a covenant requiring AIO and its restricted subsidiaries to, at the end of each year, own at least a certain percentage of the total assets of API and its restricted subsidiaries, subject to certain qualifications. Further, we would be required to make an offer to repurchase all of our Senior Secured Notes, at a price equal to 101% of their aggregate principal amount plus accrued and unpaid interest, in the event of a change in control involving Avon.

Maturities of Long-Term Debt

Annual maturities of long-term debt, which includes our notes and capital leases outstanding at December 31, 2016, are as follows:

	2017	2018	2019	2020	2021	2022 and Beyond	Total
Maturities	\$4.4	\$2.5	\$238.5	\$410.0	\$—	\$1,233.9	\$1,889.3

Other Financing

Revolving Credit Facility

In June 2015, AIO entered into a five-year \$400.0 senior secured revolving credit facility (the "2015 facility"). Borrowings under the 2015 facility bear interest, at our option, at a rate per annum equal to LIBOR plus 250 basis points or a floating base rate plus 150 basis points, in

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each case subject to adjustment based upon a leverage-based pricing grid. The 2015 facility may be used for general corporate purposes. As of December 31, 2016, there were no amounts outstanding under the 2015 facility. The 2015 facility replaced the Company's previous \$1 billion unsecured revolving credit facility (the "2013 facility"). In the second quarter of 2015, \$2.5 before tax was recorded for the write-off of issuance costs related to the 2013 facility.

All obligations of AIO under the 2015 facility are (i) unconditionally guaranteed by each material domestic restricted subsidiary of the Company (other than AIO, the borrower), in each case, subject to certain exceptions and (ii) fully guaranteed on an unsecured basis by the Company. The obligations of AIO and the subsidiary guarantors are secured by first priority liens on and security interest in substantially all of the assets of AIO and the subsidiary guarantors, in each case, subject to certain exceptions.

The 2015 facility will terminate in June 2020; provided, however, that it shall terminate on the 91st day prior to the maturity of the 6.50% Notes (as defined below) and the 4.60% Notes (as defined below), if on such 91st day, the applicable notes are not redeemed, repaid, discharged, defeased or otherwise refinanced in full.

The 2015 facility contains affirmative and negative covenants, which are customary for secured financings of this type, as well as financial covenants (interest coverage and total leverage ratios). As of December 31, 2016, we were in compliance with our interest coverage and total leverage ratios under the 2015 facility. The amount of the facility available to be drawn down on is reduced by any standby letters of credit granted by AIO, which, as of December 31, 2016, was approximately \$46. As of December 31, 2016, based on then applicable interest rates, the entire amount of the remaining 2015 facility, which is approximately \$354, could have been drawn down without violating any covenant.

Letters of Credit

At December 31, 2016 and December 31, 2015, we also had letters of credit outstanding totaling \$45.9 and \$12.9, respectively. The balance at December 31, 2016 primarily relates to letters of credit issued to lessors of certain equipment, a lease for which was transferred to New Avon in connection with the separation of the Company's North America business. The balances at December 31, 2016 and December 31, 2015 both include letters of credit which guarantee various insurance activities. In addition, at December 31, 2015, we had outstanding letters of credit for trade activities and commercial commitments executed in the ordinary course of business, such as purchase orders for normal replenishment of inventory levels.

Long-Term Credit Ratings

Our long-term credit ratings are: Moody's ratings of Negative Outlook with Ba3 for corporate family debt, B1 for senior unsecured debt, and Ba1 for the Senior Secured Notes; S&P ratings of Positive Outlook with B for corporate family debt and senior unsecured debt and BB- for the Senior Secured Notes; and Fitch rating of Negative Outlook with B+, each of which are below investment grade. We do not believe these long-term credit ratings will have a material impact on our near-term liquidity. However, any rating agency reviews could result in a change in outlook or downgrade, which could further limit our access to new financing, particularly short-term financing, reduce our flexibility with respect to working capital needs, affect the market price of some or all of our outstanding debt securities, and likely result in an increase in financing costs, and less favorable covenants and financial terms under our financing arrangements.

NOTE 7. Accumulated Other Comprehensive Income (Loss)

The tables below present the changes in AOCI by component and the reclassifications out of AOCI during 2016 and 2015:

	Foreign Currency Translation Adjustments	Cash Flow Hedges	Net Investment Hedges	Pension and Postretirement Benefits	Equity Method Investment	Total
Balance at December 31, 2015	\$(950.0)	\$(1.3)	\$(4.3)	\$(410.6)	\$ –	\$(1,366.2)
Other comprehensive (loss) income other than reclassifications	(34.9)	–	–	3.1	2.2	(29.6)
Reclassifications into earnings:						
Derivative losses on cash flow hedges, net of tax of \$2.7 ⁽¹⁾	–	1.3	–	–	–	1.3
Amortization of net actuarial loss and prior service cost, net of tax of \$.7 ⁽²⁾	–	–	–	17.3	–	17.3
Deconsolidation of Venezuela, net of tax of \$0.0	81.3	–	–	.8	–	82.1
Separation of North America, net of tax of \$10.2	(10.0)	–	–	269.2	–	259.2
Closure of Thailand market	2.7	–	–	–	–	2.7
Total reclassifications into earnings	74.0	1.3	–	287.3	–	362.6
Balance at December 31, 2016	\$(910.9)	\$ –	\$(4.3)	\$(120.2)	\$2.2	\$(1,033.2)

	Foreign Currency Translation Adjustments	Cash Flow Hedges	Net Investment Hedges	Pension and Postretirement Benefits	Total
Balance at December 31, 2014	\$(677.0)	\$(3.2)	\$(4.3)	\$(533.1)	\$(1,217.6)
Other comprehensive (loss) income other than reclassifications	(273.0)	–	–	40.7	(232.3)
Reclassifications into earnings:					
Derivative losses on cash flow hedges, net of tax of \$0.0 ⁽¹⁾	–	1.9	–	–	1.9
Amortization of net actuarial loss and prior service cost, net of tax of \$1.2 ⁽²⁾	–	–	–	81.8	81.8
Total reclassifications into earnings	–	1.9	–	81.8	83.7
Balance at December 31, 2015	\$(950.0)	\$(1.3)	\$(4.3)	\$(410.6)	\$(1,366.2)

(1) Gross amount reclassified to interest expense, and related taxes reclassified to income taxes.

(2) Gross amount reclassified to pension and postretirement expense, within selling, general and administrative expenses, and related taxes reclassified to income taxes.

Foreign exchange net losses of \$23.7, \$21.9 and \$18.2 for 2016, 2015 and 2014, respectively, resulting from the translation of actuarial losses and prior service cost recorded in AOCI are included in changes in foreign currency translation adjustments in the Consolidated Statements of Comprehensive Income (Loss).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. Income Taxes

(Loss) income from continuing operations, before taxes for the years ended December 31 was as follows:

	2016	2015	2014
United States	\$(403.0)	\$(230.3)	\$(185.0)
Foreign	434.2	253.0	385.8
Total	\$ 31.2	\$ 22.7	\$ 200.8

The U.S. loss before taxes, for the years ended December 31, 2016, 2015 and 2014, does not include dividend income from foreign subsidiaries. The provision for income taxes for the years ended December 31 was as follows:

	2016	2015	2014
Federal:			
Current	\$ –	\$ –	\$ –
Deferred	–	668.3	207.9
Total Federal	–	668.3	207.9
Foreign:			
Current	128.5	173.9	309.3
Deferred	(4.2)	(24.3)	(11.4)
Total Foreign	124.3	149.6	297.9
State and Local:			
Current	.3	.7	(.4)
Deferred	–	.6	39.9
Total State and other	.3	1.3	39.5
Total	\$124.6	\$819.2	\$545.3

The presentation of the federal and foreign tax provisions for the years ended December 31, 2015 and 2014 have been revised to reflect certain taxes, primarily withholding taxes, as foreign taxes, which were previously reported as federal taxes. While the withholding taxes associated with remittances to the U.S. parent from foreign subsidiaries is a tax paid to a foreign government on behalf of our U.S. entity, since our U.S. entity is not benefiting from the credit for those foreign taxes paid as it is in a loss position, we believe that the categorization as foreign taxes is a better presentation of these taxes. The amounts now reflected as foreign taxes, previously reported as federal taxes, were \$41.6 and \$57.3 for the years ended December 31, 2015 and 2014, respectively. This change in presentation did not have an impact on the Consolidated Statements of Operations.

The effective tax rate for the years ended December 31 was as follows:

	2016	2015	2014
Statutory federal rate	35.0%	35.0%	35.0%
State and local taxes, net of federal tax benefit	.6	2.5	7.0
Tax on foreign income	(24.4)	141.4	(6.5)
Tax on uncertain tax positions	34.1	8.2	17.3
Venezuela deconsolidation, devaluation and highly inflationary accounting	23.9	168.1	27.4
FCPA accrual	—	—	(7.1)
Reorganizations	(93.6)	(173.5)	—
Net change in valuation allowances	375.1	3,395.6	193.9
Imputed royalties and associated non-deductible expenses	50.3	41.2	4.7
Research credits	(5.4)	(8.9)	(1.0)
Other	3.8	(.8)	.9
Effective tax rate	399.4%	3,608.8%	271.6%

In the fourth quarter of 2015, the Company recognized a benefit of \$18.7 associated with the initial stages of implementation of foreign tax planning strategies which is reflected within the "Reorganizations" line above. We completed the implementation of these tax planning strategies and recognized an additional benefit of \$29.3 in the first quarter of 2016.

Deferred tax assets (liabilities) resulting from temporary differences in the recognition of income and expense for tax and financial reporting purposes at December 31 consisted of the following:

	2016	2015
Deferred tax assets:		
Tax loss and deduction carryforwards	\$ 2,033.0	\$ 899.9
Tax credit carryforwards	874.0	746.1
Accrued expenses and reserves	219.4	183.4
Capitalized expenses	124.5	171.0
Pension and postretirement benefits	44.3	129.2
All other	355.8	234.9
Valuation allowance	(3,296.0)	(2,090.1)
Total deferred tax assets	355.0	274.4
Deferred tax liabilities	\$ (215.1)	\$ (123.8)
Net deferred tax assets	\$ 139.9	\$ 150.6

The presentation of the deferred tax balances at December 31, 2015 has been revised to include a foreign net operating loss deferred tax asset of \$118.0 and a related valuation allowance of \$118.0. This change in presentation did not have an impact on the Consolidated Balance Sheets.

Deferred tax assets (liabilities) at December 31 were classified as follows:

	2016	2015
Deferred tax assets:		
Other assets	\$162.1	\$172.8
Total deferred tax assets	162.1	172.8
Deferred tax liabilities:		
Long-term income taxes	\$ (22.2)	\$ (22.2)
Total deferred tax liabilities	(22.2)	(22.2)
Net deferred tax assets	\$139.9	\$150.6

At December 31, 2016, we had recognized deferred tax assets of \$874.0 relating to U.S. tax credit carryforwards (foreign tax credits, minimum tax credits, research and experimentation credits and investment tax credits) for which a valuation allowance of \$874.0 has been provided. The U.S. tax credit carryforwards consist of foreign tax credits of \$815.8 which are subject to expiration between 2018 and 2026; minimum tax credits of \$35.9 which are not subject to expiration; research and experimentation credits of \$18.0 which are subject to expiration between 2027 and 2036 and U.S. investment tax credits of \$4.3 which are subject to expiration between 2020 and 2031.

At December 31, 2016, we had recognized deferred tax assets of \$2,033.0 relating to foreign, state tax and federal loss carryforwards for which a valuation allowance of \$1,994.1 has been provided. The deferred tax assets relating to tax loss carryforwards consist of \$1,935.3 of foreign tax loss carryforwards, for which a valuation allowance of \$1,896.4 has been provided, and state tax loss carryforwards of \$97.7, for which a valuation allowance of \$97.7 has been provided.

The foreign tax loss carryforwards at December 31, 2016 were \$7,510.7, of which \$7,118.3 are not subject to expiration and \$392.4 are subject to expiration between 2017 and 2031. The state tax loss carryforwards at December 31, 2016, after taking into consideration the estimated effects of pre-apportionment states, were \$1,579.6 which are subject to expiration between 2017 and 2036.

At December 31, 2016, as a result of our U.S. liquidity profile, we continue to assert that our foreign earnings are not indefinitely reinvested. Accordingly, we adjusted our deferred tax liability to account for the balance of our undistributed earnings of foreign subsidiaries and for the tax effect of earnings that were actually repatriated to the U.S. during the year. The deferred tax liability associated with the Company's undistributed earnings decreased by \$2.2, resulting in a deferred tax liability balance of \$87.0 related to the incremental tax cost on \$1.4 billion of undistributed foreign earnings at December 31,

2016. This deferred income tax liability amount is net of the estimated foreign tax credits that would be generated upon the repatriation of such earnings. The repatriation of foreign earnings may result in the utilization of a portion of our excess foreign tax credit carryforwards in the year of repatriation; therefore the utilization of our foreign tax credit carryforwards is dependent on the amount, timing and jurisdictional source of dividend repatriations.

At December 31, 2016, the valuation allowance primarily represents amounts for all U.S. deferred tax assets, certain foreign tax loss carryforwards and certain other foreign deferred tax assets. The recognition of deferred tax assets was based on the evaluation of current and estimated future profitability of the operations, reversal of deferred tax liabilities and the likelihood of utilizing tax credit and/or loss carryforwards. Tax planning strategies were also considered and evaluated as support for the realization of deferred tax assets. Where these sources of income existed along with sufficient positive evidence that indicated it was more likely than not that such sources of income could be relied upon, then the deferred tax assets were not reduced by a valuation allowance.

During 2015, the Company recorded an additional valuation allowance for the remaining U.S. deferred tax assets of \$669.7. The increase in the valuation allowance resulted from management's determination that it was no longer more likely than not to realize the tax benefits expected to be obtained from tax planning strategies associated with an anticipated accelerated receipt in the U.S. of foreign source income. As the U.S. dollar had further strengthened against currencies of some of our key markets during 2015, the benefits associated with the Company's tax planning strategies were no longer sufficient for the Company to continue to conclude that its tax planning strategies were prudent. In the absence of any alternative prudent tax planning strategies and other sources of future taxable

income, it was determined that a full valuation allowance should be recorded. Although the Company continues to expect that it will generate taxable income and tax liability in the U.S., the Company is expected to offset its current and future tax liability with foreign tax credits, and as a result, the expected level of future taxable income and tax liability is not adequate to realize the benefit of previously recorded deferred tax assets. Although the Company may not be able to recognize a financial statement benefit associated with its deferred tax assets, the Company will continue to manage and plan for the utilization of its deferred tax assets to avoid the expiration of deferred tax assets that have limited lives.

During 2014, the Company's expected net foreign source income was reduced significantly, primarily due to the strengthening of the U.S. dollar against currencies for some of our key markets and, to a lesser extent, the finalization of the Foreign Corrupt Practices Act ("FCPA") settlements. This strengthening of the U.S. dollar reduced the expected dividends and royalties that could be remitted to the U.S. by our foreign subsidiaries, particularly Russia, Brazil, Mexico and Colombia. The effectiveness of our tax planning strategies, including the repatriation of foreign earnings and the acceleration of royalties from our foreign subsidiaries, was also negatively impacted by the strengthening of the U.S. dollar. In addition, the finalization of the FCPA settlements, which included a \$68 fine related to Avon China in connection with the U.S. Department of Justice (the "DOJ") settlement and \$67 in disgorgement and prejudgment interest related to Avon Products, Inc. in connection with the U.S. Securities and Exchange Commission (the "SEC") settlement, negatively impacted expected future repatriation of foreign earnings and reduced current U.S. taxable income, respectively. As a result of these developments, we determined that we may not generate sufficient taxable income to realize all of our U.S. deferred tax assets. As such, we recorded a valuation allowance of \$441 to reduce our U.S. deferred tax assets to an amount that is "more likely than not" to be realized, of which \$367 was recorded to income taxes in the Consolidated Statements of Income and the remainder was recorded to various components of other comprehensive (loss) income.

Uncertain Tax Positions

At December 31, 2016, we had \$58.7 of total gross unrecognized tax benefits of which approximately \$43.1 would favorably impact the provision for income taxes, if recognized.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Balance at December 31, 2013	\$ 26.0
Additions based on tax positions related to the current year	1.4
Additions for tax positions of prior years	37.7
Reductions for tax positions of prior years	(4.7)
Reductions due to lapse of statute of limitations	(1.7)
Reductions due to settlements with tax authorities	(2.0)
Balance at December 31, 2014	56.7
Additions based on tax positions related to the current year	3.5
Additions for tax positions of prior years	5.7
Reductions for tax positions of prior years	(1.5)
Reductions due to lapse of statute of limitations	(.4)
Reductions due to settlements with tax authorities	(11.0)
Balance at December 31, 2015	53.0
Additions based on tax positions related to the current year	1.8
Additions for tax positions of prior years	9.4
Reductions for tax positions of prior years	(2.8)
Reductions due to lapse of statute of limitations	(.7)
Reductions due to settlements with tax authorities	(2.0)
Balance at December 31, 2016	\$ 58.7

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We accrue interest and penalties related to unrecognized tax benefits in the provision for income taxes. We recorded expense of \$2.5, \$2.8 and \$.9 for interest and penalties, net of taxes during 2016, 2015 and 2014, respectively. At December 31, 2016 and December 31, 2015 we had \$9.3 and \$6.6, respectively, recorded for interest and penalties, net of tax benefit.

We file income tax returns in the U.S. and foreign jurisdictions. As of December 31, 2016, the tax years that remained subject to examination by major tax jurisdiction for our most significant subsidiaries were as follows:

Jurisdiction	Open Years
Brazil	2010-2016
Mexico	2011-2016
Philippines	2013-2016
Poland	2011-2016
Russia	2014-2016
United States (Federal)	2014-2016

We anticipate that it is reasonably possible that the total amount of unrecognized tax benefits could decrease in the range of \$14 to \$30 within the next twelve months due to the closure of tax years by expiration of the statute of limitations, audit closures and settlements.

NOTE 9. Financial Instruments and Risk Management

We operate globally, with manufacturing and distribution facilities in various countries around the world. We may reduce our exposure to fluctuations in the fair value and cash flows associated with changes in interest rates and foreign exchange rates by creating offsetting positions, including through the use of derivative financial instruments. If we use foreign currency-rate sensitive and interest-rate sensitive instruments to hedge a certain portion of our existing and forecasted transactions, we would expect that any gain or loss in value of the hedge instruments generally would be offset by decreases or increases in the value of the underlying forecasted transactions. As of December 31, 2016, we do not have any interest-rate swap agreements.

We do not enter into derivative financial instruments for trading or speculative purposes, nor are we a party to leveraged derivatives. The master agreements governing our derivative contracts generally contain standard provisions that could trigger early termination of the contracts in certain circumstances, including if we were to merge with another entity and the creditworthiness of the surviving entity were to be "materially weaker" than that of Avon prior to the merger.

Derivatives are recognized in the Consolidated Balance Sheets at their fair values. The following table presents the fair value of derivative instruments outstanding at December 31, 2016:

Asset			Liability	
	Balance Sheet Classification	Fair Value	Balance Sheet Classification	Fair Value
Derivatives not designated as hedges:				
Foreign exchange forward contracts	Prepaid expenses and other	\$.6	Accounts payable	\$ 3.0
Total derivatives not designated as hedges		\$.6		\$ 3.0
Total derivatives		\$.6		\$ 3.0

The following table presents the fair value of derivative instruments outstanding at December 31, 2015:

Asset			Liability	
	Balance Sheet Classification	Fair Value	Balance Sheet Classification	Fair Value
Derivatives not designated as hedges:				
Foreign exchange forward contracts	Prepaid expenses and other	\$ 1.2	Accounts payable	\$ 1.1
Total derivatives not designated as hedges		\$ 1.2		\$ 1.1
Total derivatives		\$ 1.2		\$ 1.1

Interest Rate Risk

A portion of our borrowings is subject to interest rate risk. In the past we have used interest-rate swap agreements, which effectively converted the fixed rate on long-term debt to a floating interest rate, to manage our interest rate exposure. The agreements were designated as fair value hedges. As of December 31, 2016 and 2015, all designated interest-rate swap agreements have been terminated either in conjunction with repayment of the associated debt or in the January 2013 and March 2012 transactions described below. Approximately 1% and approximately 2% of our debt portfolio at December 31, 2016 and 2015, respectively, was exposed to floating interest rates.

In January 2013, we terminated eight of our interest-rate swap agreements previously designated as fair value hedges, with notional amounts totaling \$1,000. The interest-rate swap agreements were terminated in order to improve our capital structure, including increasing our ratio of fixed-rate debt. As of the interest-rate swap agreements' termination date, the aggregate favorable adjustment to the carrying value (deferred gain) of our debt was \$90.4, which is being amortized as a reduction to interest expense over the remaining term of the underlying debt obligations. During the years ended December 31, 2016 and December 31, 2015, the net impact of the gain amortization was \$35.4 and \$14.6, respectively, including \$23.6 related to the extinguishment of debt during the year ended December 31, 2016 (see Note 6, Debt and Other Financing). At December 31, 2016, there is no unamortized deferred gain associated with the January 2013 interest-rate swap termination, as the underlying debt obligations have been paid.

In March 2012, we terminated two of our interest-rate swap agreements previously designated as fair value hedges, with notional amounts totaling \$350. The interest-rate swap agreements were terminated in order to increase our ratio of fixed-rate debt. As of the interest-rate swap agreements' termination date, the aggregate favorable adjustment to the carrying value (deferred gain) of our debt was \$46.1, which is being amortized as a reduction to interest expense over the remaining term of the underlying debt obligations through March 2019. During the years ended December 31, 2016 and 2015, the net impact of the gain amortization was \$11.9 and \$6.6, respectively, including \$5.8 related to the extinguishment of debt during the year ended December 31, 2016 (see Note 6, Debt and Other Financing). At December 31, 2016, the unamortized deferred gain associated with the March 2012 interest-rate swap termination was \$10.9, and was classified within long-term debt in the Consolidated Balance Sheets.

At times, we may de-designate the hedging relationship of a receive-fixed/pay-variable interest-rate swap agreement. In these cases, we enter into receive-variable/pay fixed interest-rate swap agreements that are designated to offset the gain or loss on the de-designated contract. At December 31, 2016 and 2015, we do not have any undesignated interest-rate swap agreements.

During 2007, we entered into treasury lock agreements (the "2007 locks") with notional amounts totaling \$500.0 that expired on July 31, 2008. The 2007 locks were designated as cash flow hedges of the anticipated interest payments on \$250.0 principal amount of notes due in 2013 and \$250.0 principal amount of the 2018 Notes. The losses on the 2007 locks of \$38.0 were recorded in AOCI. \$19.2 of the losses were amortized to interest expense in the Consolidated Statements of Operations over five years and \$18.8 were being amortized over ten years. During 2016, we accelerated the recognition of \$2.6 of the losses on the 2007 locks related to the extinguishment of debt (see Note 6, Debt and Other Financing). As a result, there are no more unamortized deferred losses relating to the treasury lock agreements in AOCI.

For the years ended December 31, 2016 and 2015, treasury lock agreements impacted AOCI as follows:

	2016	2015
Pre-tax net unamortized deferred losses at beginning of year ⁽¹⁾	\$(4.0)	\$(5.9)
Reclassification of net losses to earnings	4.0	1.9
Pre-tax net unamortized deferred losses at end of year ⁽¹⁾	\$ —	\$(4.0)

(1) Amounts above exclude taxes of \$2.7 at the beginning of year in 2016 and 2015 and at the end of year in 2015.

Foreign Currency Risk

We use foreign exchange forward contracts to manage a portion of our foreign currency exchange rate exposures. At December 31, 2016, we had outstanding foreign exchange forward contracts with notional amounts totaling approximately \$125 for various currencies.

We use foreign exchange forward contracts to manage foreign currency exposure of certain intercompany loans. These contracts are not designated as hedges. The change in fair value of these contracts is immediately recognized in earnings and substantially offsets the foreign

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

currency impact recognized in earnings relating to the associated intercompany loans. During 2016 and 2015, we recorded losses of \$13.5 and \$2.7, respectively, in other expense, net in the Consolidated Statements of Operations related to these undesignated foreign exchange forward contracts. Also during 2016 and 2015, we recorded a gain of \$10.4 and a loss \$2.5, respectively, related to the intercompany loans, caused by changes in foreign currency exchange rates.

Credit Risk of Financial Instruments

At times, we attempt to minimize our credit exposure to counterparties by entering into derivative transactions and similar agreements with major international financial institutions with "A" or higher credit ratings as issued by Standard & Poor's Corporation. Our foreign currency derivatives are typically comprised of over-the-counter forward contracts, swaps or options with major international financial institutions. Although our theoretical credit risk is the replacement cost at the then estimated fair value of these instruments, we believe that the risk of incurring credit risk losses is remote and that such losses, if any, would not be material.

Non-performance of the counterparties on the balance of all the foreign exchange agreements would have resulted in a write-off of \$.6 at December 31, 2016. In addition, in the event of non-performance by such counterparties, we would be exposed to market risk on the underlying items being hedged as a result of changes in foreign exchange rates.

NOTE 10. Fair Value

Assets and Liabilities Recorded at Fair Value

The fair value measurement provisions required by GAAP establish a fair value hierarchy, which prioritizes the inputs used in measuring fair value into three broad levels as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.
- Level 3 – Unobservable inputs based on our own assumptions.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2016:

	Level 1	Level 2	Total
Assets:			
Available-for-sale securities	\$ 2.8	\$ –	\$ 2.8
Foreign exchange forward contracts	–	.6	.6
Total	\$ 2.8	\$.6	\$ 3.4
Liabilities:			
Foreign exchange forward contracts	\$ –	\$3.0	\$ 3.0
Total	\$ –	\$3.0	\$ 3.0

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2015:

	Level 1	Level 2	Total
Assets:			
Available-for-sale securities	\$ 2.8	\$ –	\$ 2.8
Foreign exchange forward contracts	–	1.2	1.2
Total	\$ 2.8	\$ 1.2	\$ 4.0
Liabilities:			
Foreign exchange forward contracts	\$ –	\$ 1.1	\$ 1.1
Total	\$ –	\$ 1.1	\$ 1.1

The tables above exclude our defined benefit pension and postretirement plan assets. See Note 12, Employee Benefit Plans, for the fair value hierarchy for our plan assets. The available-for-sale securities include securities held in a trust in order to fund future benefit payments for non-qualified retirement plans (see Note 12, Employee Benefit Plans). The foreign exchange forward contracts are hedges of either recorded assets or liabilities or anticipated transactions. The underlying hedged assets and liabilities or anticipated transactions are not reflected in the table above (see Note 9, Financial Instruments and Risk Management).

Assets and Liabilities Recorded at Fair Value on a Non-recurring Basis

December 31, 2015 – Egypt Goodwill

During the 2015 year-end close process, we completed our annual impairment assessment of the fair value of goodwill related to Egypt and subsequently determined that the goodwill associated with Egypt was impaired. Accordingly, a non-cash impairment charge of \$6.9 was recorded to reduce the carrying amount of goodwill. There is no amount remaining associated with goodwill for our Egypt reporting unit as a result of this impairment charge.

The impairment analyses performed for goodwill require several estimates in computing the estimated fair value of a reporting unit. As part of our goodwill impairment analysis, we typically use a DCF approach to estimate the fair value of a reporting unit, which we believe is the most reliable indicator of fair value of a business, and is most consistent with the approach that we would generally expect a market participant would use. In estimating the fair value of our reporting units utilizing a DCF approach, we typically forecast revenue and the resulting cash flows for periods of five to ten years and include an estimated terminal value at the end of the forecasted period. When determining the appropriate forecast period for the DCF approach, we consider the amount of time required before the reporting unit achieves what we consider a normalized, sustainable level of cash flows. The estimation of fair value utilizing a DCF approach includes numerous uncertainties which require significant judgment when making assumptions of expected growth rates and the selection of discount rates, as well as assumptions regarding general economic and business conditions, and the structure that would yield the highest economic value, among other factors.

Key assumptions used in measuring the fair value of Egypt during this impairment assessment included projections of revenue and the resulting cash flows, as well as the discount rate (based on the estimated weighted-average cost of capital). To estimate the fair value of Egypt, we forecasted revenue and the resulting cash flows over five years using a DCF model which included a terminal value at the end of the projection period. We believed that a five-year period was a reasonable amount of time in order to return Egypt's cash flows to normalized, sustainable levels.

March 31, 2015 – Venezuela Long-Lived Assets

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a non-recurring basis as of March 31, 2015, and indicates the placement in the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Level 1	Level 2	Level 3	Total
Assets:				
Venezuela long-lived assets	\$—	\$—	\$15.7	\$15.7
Total	\$—	\$—	\$15.7	\$15.7

In February 2015, we reviewed Avon Venezuela's long-lived assets to determine whether the carrying amount of the assets was recoverable. Based on our expected cash flows associated with the asset group, we determined that the carrying amount of the assets, carried at their historical U.S. dollar cost basis, was not recoverable. As such, an impairment charge of \$90.3 to selling, general and administrative expenses was recorded to reflect the write-down of the long-lived assets to their estimated fair value, which was \$15.7 at March 31, 2015. The fair value of Avon Venezuela's long-lived assets was determined using both market and cost valuation approaches. The valuation analysis performed required several estimates, including market conditions and inflation rates. As discussed in Note 1, Description of the Business and Summary of Significant Accounting Policies, we concluded that, effective March 31, 2016, we deconsolidated our Venezuelan operations. Our Consolidated Balance Sheets no longer include the assets and liabilities of our Venezuelan operations, and we no longer include the results of our Venezuelan operations in the Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fair Value of Financial Instruments

Our financial instruments include cash and cash equivalents, available-for-sale securities, short-term investments, money market funds, accounts receivable, loans receivable, debt maturing within one year, accounts payable, long-term debt and foreign exchange forwards contracts. The carrying value for cash and cash equivalents, accounts receivable, accounts payable and short-term investments approximate fair value because of the short-term nature of these instruments.

The net asset (liability) amounts recorded in the balance sheet (carrying amount) and the estimated fair values of our remaining financial instruments at December 31 consisted of the following:

	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Available-for-sale securities	\$ 2.8	\$ 2.8	\$ 2.8	\$ 2.8
Debt maturing within one year ⁽¹⁾	(18.1)	(18.1)	(55.2)	(55.2)
Long-term debt ⁽¹⁾	(1,875.8)	(1,877.5)	(2,150.5)	(1,622.7)
Foreign exchange forward contracts	(2.4)	(2.4)	.1	.1

⁽¹⁾ The carrying value of debt maturing within one year and long-term debt is presented net of debt issuance costs and includes any related discount or premium and unamortized deferred gains on terminated interest-rate swap agreements, as applicable.

The methods and assumptions used to estimate fair value are as follows:

Available-for-sale securities — The fair values of these investments were the quoted market prices for issues listed on securities exchanges.

Debt maturing within one year and long-term debt — The fair values of our debt and other financing were determined using Level 2 inputs based on indicative market prices.

Foreign exchange forward contracts — The fair values of forward contracts were estimated based on quoted forward foreign exchange prices at the reporting date.

NOTE 11. Share-Based Compensation Plans

The Avon Products, Inc. 2013 Stock Incentive Plan, as amended and restated (the “2013 Plan”) and the Avon Products, Inc. 2016 Omnibus Incentive Plan (the “2016 Plan”), which are shareholder-approved plans, provide for several types of share-based incentive compensation awards including stock options, restricted stock, restricted stock units and performance restricted stock units. Following shareholder approval of the 2016 Plan in May 2016, there were no further awards made under the 2013 Plan. Under the 2013 Plan, the maximum number of shares that may be awarded is 55,000,000 shares, where the maximum number of shares are reduced as follows: (i) in the case of the grant of an award of an option or SAR, by each share subject to such an award and (ii) in the case of the grant of an award payable in shares other than an option or SAR by 3.13 multiplied by each share subject to such an award. Under the 2016 Plan, the maximum number of shares that may be awarded is 48,000,000 shares, where the maximum number of shares are reduced as follows: (i) in the case of the grant of an award of an option or SAR, by each share subject to such an award and (ii) in the case of the grant of an award payable in shares other than an option or SAR by 2.4 multiplied by each share subject to such an award. Shares issued under share-based awards will be primarily funded with issuance of new shares.

We have issued stock options under the 2016 Plan, and restricted stock units and performance restricted stock units under the 2013 Plan and the 2016 Plan. We also have outstanding stock options under our prior shareholder-approved plans. Stock option awards are granted with an exercise price generally equal to the closing market price of our stock at the date of grant. Stock options generally vest in thirds over the three-year period following each option grant date and have ten-year contractual terms. Restricted stock units granted to Associates generally vest and settle after three years. Restricted stock units awarded to non-management directors vest in approximately one year and settle upon a director's departure from the Board of Directors. Performance restricted stock units generally vest after three years only upon the satisfaction of certain performance conditions.

For the years ended December 31:

	2016	2015	2014
Compensation cost for stock options, performance restricted stock units and restricted stock units	\$24.0	\$51.2	\$38.9
Total income tax benefit recognized for share-based arrangements	1.9	4.1	3.2

All of the compensation cost for stock options, performance restricted stock units and restricted stock units, including those that will be funded with treasury shares, for 2016, 2015 and 2014 was recorded in selling, general and administrative expenses in the Consolidated Statements of Operations.

Stock Options

During 2016, we granted premium-priced stock options, in which the exercise price was equal to a 30% premium from the closing market price of our stock price at the date of grant. The premium-priced stock options vest on a three-year graded vesting schedule. The fair value of each premium-priced stock option is estimated on the date of grant using a Monte-Carlo simulation. When estimating the fair value of each option, we used the following weighted-average assumptions for options granted during the year ended December 31, 2016:

Risk-free rate ⁽¹⁾	1.6%
Expected term ⁽²⁾	7 years
Expected Avon volatility ⁽³⁾	39%
Expected dividends	–%

(1) The risk-free rate was based upon the rate on a zero coupon U.S. Treasury bill, for periods within the contractual life of the option, in effect at the time of grant.

(2) The expected term of the option was based on historical employee exercise behavior, the vesting terms of the respective option and a contractual life of 10 years.

(3) Expected Avon volatility was based on the weekly historical volatility of our stock price, over a period similar to the expected life of the option.

The weighted-average grant-date fair value per share of options granted were \$1.37 during 2016. There were no stock options granted during 2015 or 2014.

A summary of stock options as of December 31, 2016, and changes during 2016, is as follows:

	Shares (in 000's)	Weighted- Average Exercise Price	Weighted- Average Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2016	11,648	\$28.70		
Granted	6,059	5.53		
Exercised	–	–		
Forfeited	(634)	5.49		
Expired	(2,249)	29.28		
Outstanding at December 31, 2016	14,824	\$20.09	4.8	\$ –
Exercisable at December 31, 2016	8,744	\$27.94	2.2	\$ –

We recognize expense on stock options using a graded vesting method, which recognizes the associated expense based on the timing of option vesting dates. At December 31, 2016, there was \$3.3 of unrecognized compensation cost related to stock options outstanding. That cost is expected to be recognized over a weighted-average period of 2.1 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

There were no stock options exercised during 2016 or 2015. Cash proceeds, tax obligations and intrinsic value related to total stock options exercised during 2014 were as follows:

	2014
Cash proceeds from stock options exercised	\$.2
Tax obligation realized for stock options exercised	—
Intrinsic value of stock options exercised	—

Restricted Stock, Restricted Stock Units and Performance Restricted Stock Units

During 2014, we granted performance restricted stock units that would vest and settle after three years only upon the satisfaction of certain performance conditions over three years. We have adjusted the compensation cost recognized to-date to reflect our performance. The fair value of restricted stock units, and performance restricted stock units granted in 2014 was determined based on the closing price of our common stock on the date of grant.

During 2015, we granted performance restricted stock units that would vest and settle after three years only upon the satisfaction of certain performance conditions over two years ("2015 PRSUs"). In addition, if the performance conditions are achieved above target, these performance restricted stock units are subject to a market condition in which the number of performance restricted stock units that vest will be limited to the target amount if the Company's absolute total shareholder return during the three-year service period is negative. We have adjusted the compensation cost recognized to-date to reflect our performance, which reflects an estimated payout below target, and as such, the absolute total shareholder return market condition will not impact the number of performance restricted stock units that vest.

In 2016, we granted performance restricted stock units that would vest and settle after three years based on the relative total shareholder return of our common stock against companies included in the S&P 400 index as of the date of grant over a three year performance period ("2016 PRSUs"). The grant date fair value per share of these awards already reflects the estimated probability of achieving the market condition, and therefore we record the expense ratably over the performance period.

The fair value of the 2016 PRSUs and 2015 PRSUs was estimated on the date of grant using a Monte-Carlo simulation that estimates the fair value based on the Company's share price activity, expected term of the award, risk-free interest rate, expected dividends and the expected volatility of the stock of the Company. When estimating the fair value of the 2016 PRSUs and the 2015 PRSUs, we used the following weighted-average assumptions:

	2016 PRSUs	2015 PRSUs
Risk-free rate ⁽¹⁾	1.1%	1.1%
Expected Avon volatility ⁽²⁾	56%	38%
Expected average volatility ⁽³⁾	28%	N/A
Expected dividends	—%	3%

(1) The risk-free rate was based upon the rate on a zero coupon U.S. Treasury bill, for periods within the three year performance period, in effect at the time of grant.

(2) Expected Avon volatility was based on the weekly historical volatility of our stock price, over a period similar to the three year performance period of the 2016 PRSUs and the three year service period of the 2015 PRSUs.

(3) Expected average volatility was based on the weekly historical volatility of the stock prices of each member of companies included in the S&P 400 index as of the date of the grant, over a period similar to the three year performance period of the 2016 PRSUs.

The weighted-average grant-date fair value per share of the 2016 PRSUs and 2015 PRSUs was \$4.42 and \$7.49, respectively.

A summary of restricted stock and restricted stock units at December 31, 2016, and changes during 2016, is as follows:

	Restricted Stock And Units (in 000's)	Weighted- Average Grant-Date Fair Value
January 1, 2016	6,022	\$12.62
Granted	2,150	4.27
Vested	(1,740)	16.62
Forfeited	(1,076)	9.45
December 31, 2016	5,356	\$ 8.64

A summary of performance restricted stock units at December 31, 2016, and changes during 2016, is as follows:

	Performance Restricted Stock Units (in 000's)	Weighted- Average Grant- Date Fair Value
January 1, 2016 ⁽¹⁾	5,334	\$13.51
Granted	1,578	4.47
Vested	(1,199)	20.20
Forfeited	(791)	13.39
December 31, 2016 ⁽¹⁾	4,922	\$ 8.99

⁽¹⁾ Based on initial target payout.

The total fair value of restricted stock units and performance restricted stock units that vested during 2016 was \$12.1, based upon market prices on the vesting dates. At December 31, 2016, there was \$16.9 of unrecognized compensation cost related to these restricted stock, restricted stock units and performance restricted stock units compensation arrangements outstanding. That cost is expected to be recognized over a weighted-average period of 1.7 years.

Later in 2015, we granted 1,123,183 performance restricted stock units that vested and settled in 2016 only upon the satisfaction of certain performance conditions through 2015. The terms of this award did not result in a fair value measurement date until 2016. During 2016 and 2015, we recognized compensation cost of \$2.0 and \$1.6, respectively, for these performance restricted stock units.

Restricted Stock Units and Performance Restricted Stock Units Funded With Treasury Shares

In March 2015 and April 2012, we granted 489,596 and 200,000 restricted stock units, respectively, that will be funded with treasury shares, outside of our shareholder-approved plans, in reliance upon The New York Stock Exchange rules. The restricted stock units granted in March 2015 have a weighted-average grant-date fair value of \$9.00 and vest and settle ratably over three years. The restricted stock units granted in April 2012 have a weighted-average grant-date fair value of \$21.69 and vest and settle ratably over five years. During 2016, 203,199 of these restricted stock units vested, and 366,397 of these restricted stock units were outstanding at December 31, 2016. During 2016, 2015 and 2014, we recognized compensation cost of \$1.7, \$2.7 and \$.8, respectively, for these restricted stock units. At December 31, 2016, there was \$.8 of unrecognized compensation cost related to these restricted stock units.

In March 2015, we granted 121,951 performance restricted stock units that will be funded with treasury shares, outside of the 2013 Plan, in reliance upon The New York Stock Exchange rules. These performance restricted stock units have a weighted-average grant-date fair value of \$7.49 and the same terms exist for these awards as the 2015 PRSUs discussed above. All of these performance restricted stock units were outstanding at December 31, 2016. During 2016 and 2015, we recognized compensation cost of \$.1 and \$.2, respectively, for these performance restricted stock units. At December 31, 2016, there was \$.2 of unrecognized compensation cost related to these performance restricted stock units.

NOTE 12. Employee Benefit Plans**Savings Plan**

We offer a qualified defined contribution plan for U.S.-based employees, the Avon Personal Savings Account Plan (the "PSA"), which allows eligible participants to contribute up to 25% of eligible compensation through payroll deductions. We match employee contributions dollar for dollar up to the first 3% of eligible compensation and fifty cents for each dollar contributed from 4% to 6% of eligible compensation. We made matching contributions in cash to the PSA of \$3.8 in 2016, \$4.0 in 2015 and \$5.0 in 2014, which follow the same investment allocation that the participant has selected for his or her own contributions. Prior to the separation of the North America business, the costs associated with the contributions to the PSA were allocated between Discontinued Operations and Global as the plan included both North America and U.S. Corporate Avon associates. See Note 3, Discontinued Operations and Divestitures.

For U.S.-based employees hired on or after January 1, 2015, we made additional contributions to a Retirement Savings Account ("RSA") within the PSA. Such contributions will range from 3% to 6% of a participant's eligible compensation depending on the sum of the participant's age and length of service (as of December 31 of the prior year). Investment of such contributions will follow the same investment allocation that the participant has selected for his or her own contributions to the PSA. A participant will be vested in the RSA generally after three full years of applicable service.

Defined Benefit Pension and Postretirement Plans

Avon and certain subsidiaries have contributory and noncontributory defined benefit retirement plans for substantially all employees of those subsidiaries. Benefits under these plans are generally based on an employee's length of service and average compensation near retirement, and certain plans have vesting requirements. Plans are funded based on legal requirements and cash flow.

Our largest non-U.S. defined benefit pension plan is in the United Kingdom ("UK"). Benefits under the UK defined benefit pension plan were frozen as of April 1, 2013. The U.S. defined benefit pension plan, the Avon Products, Inc. Personal Retirement Account Plan (the "PRA"), is closed to employees hired on or after January 1, 2015. Qualified retirement benefits for U.S.-based employees hired on or after January 1, 2015 will be provided solely through the PSA, as described above.

As part of the separation of the North America business, we transferred \$499.6 of pension liabilities under the PRA associated with current and former employees of the North America business and certain other former Avon employees, along with \$355.9 of assets held by the PRA, to a defined benefit pension plan sponsored by New Avon. We also transferred \$60.4 of other postretirement liabilities (namely, retiree medical and supplemental pension liabilities) in respect of such employees and former employees. See Note 3, Discontinued Operations and Divestitures. We continue to retain certain U.S. pension and other postretirement liabilities primarily associated with employees who are actively employed by Avon outside of the North America business. Prior to this separation, our net periodic benefit costs for the U.S. pension and postretirement benefit plans were allocated between Discontinued Operations and Global as the plan included both North America and U.S. Corporate Avon associates.

We provide health care benefits, subject to certain limitations, to many retired associates in the U.S. and certain foreign countries. In the U.S., such health care benefits for Corporate Avon associates hired on or before January 1, 2005 are in the form of a health reimbursement account ("HRA"). U.S. Corporate Avon associates hired after January 1, 2005 are not eligible for retiree health care benefits.

We recognize the funded status of defined benefit pension and other postretirement benefit plans on the balance sheet. Each overfunded plan is recognized as an asset and each underfunded plan is recognized as a liability. The recognition of prior service costs or credits and net actuarial gains or losses, as well as subsequent changes in the funded status, are recognized as components of AOCI, net of tax, in shareholders' equity, until they are amortized as a component of net periodic benefit cost. We recognize prior service costs or credits and actuarial gains and losses beyond a 10% corridor to earnings based on the estimated future service period of the participants. The determination of the 10% corridor utilizes a calculated value of plan assets for our more significant plans, whereby gains and losses are smoothed over three- and five-year periods.

Reconciliation of Benefit Obligations, Plan Assets and Funded Status

The following table summarizes changes in the benefit obligation, plan assets and the funded status of our significant defined benefit pension and postretirement plans. We use a December 31 measurement date for all of our employee benefit plans.

	Pension Plans				Postretirement Benefits	
	U.S. Plans		Non-U.S. Plans			
	2016	2015	2016	2015	2016	2015
Change in Benefit Obligation:						
Beginning balance	\$(606.8)	\$(705.2)	\$(667.7)	\$(777.6)	\$(76.6)	\$(93.4)
Service cost	(6.4)	(13.0)	(5.0)	(5.3)	(.1)	(.7)
Interest cost	(6.5)	(25.1)	(21.8)	(23.6)	(1.7)	(3.7)
Actuarial (loss) gain	(7.5)	44.4	(95.9)	54.3	2.6	5.7
Plan participant contributions	—	—	—	—	—	(2.5)
Benefits paid	26.0	92.1	37.3	35.6	1.4	7.9
Plan amendments	—	—	—	—	(1.0)	9.0
Curtailments	.2	—	1.0	.2	—	—
Settlements	—	—	—	—	—	—
Special termination benefits	—	—	—	—	(.1)	—
Divestitures	509.9	—	—	—	50.1	—
Venezuela deconsolidation	—	—	1.5	—	—	—
Foreign currency changes and other	3.5	—	97.7	48.7	(.6)	1.1
Ending balance	\$ (87.6)	\$(606.8)	\$(652.9)	\$(667.7)	\$(26.0)	\$(76.6)
Change in Plan Assets:						
Beginning balance	\$ 408.3	\$ 506.5	\$ 576.3	\$ 607.9	\$ —	\$ —
Actual return on plan assets	.7	(13.7)	153.6	16.3	—	—
Company contributions	26.6	7.6	20.0	21.6	1.4	5.4
Plan participant contributions	—	—	—	—	—	2.5
Benefits paid	(26.0)	(92.1)	(37.3)	(35.6)	(1.4)	(7.9)
Divestitures	(355.9)	—	—	—	—	—
Foreign currency changes and other	(2.3)	—	(98.9)	(33.9)	—	—
Ending balance	\$ 51.4	\$ 408.3	\$ 613.7	\$ 576.3	\$ —	\$ —
Funded Status:						
Funded status at end of year ⁽¹⁾	\$ (36.2)	\$(198.5)	\$ (39.2)	\$ (91.4)	\$(26.0)	\$(76.6)
Amount Recognized in Balance Sheet:						
Other assets	\$ —	\$ —	\$ 54.8	\$ 8.1	\$ —	\$ —
Accrued compensation	(1.7)	(6.6)	(1.4)	(1.6)	(2.4)	(6.9)
Employee benefit plans liability	(34.5)	(191.9)	(92.6)	(97.9)	(23.6)	(69.7)
Net amount recognized ⁽¹⁾	\$ (36.2)	\$(198.5)	\$ (39.2)	\$ (91.4)	\$(26.0)	\$(76.6)
Pretax Amounts Recognized in Accumulated Other Comprehensive Loss:						
Net actuarial loss	\$ 49.5	\$ 310.2	\$ 176.5	\$ 239.6	\$ 1.7	\$ 15.5
Prior service credit	(.2)	(1.4)	(1.0)	(1.2)	(1.6)	(29.1)
Total pretax amount recognized	\$ 49.3	\$ 308.8	\$ 175.5	\$ 238.4	\$.1	\$(13.6)
Supplemental Information:						
Accumulated benefit obligation	\$ 85.2	\$ 601.7	\$ 182.3	\$ 185.0	N/A	N/A
Plans with Projected Benefit Obligation in Excess of Plan Assets:						
Projected benefit obligation	\$ 87.6	\$ 606.8	\$ 200.8	\$ 207.3	N/A	N/A
Fair value plan assets	51.4	408.3	106.8	107.8	N/A	N/A
Plans with Accumulated Benefit Obligation in Excess of Plan Assets:						
Projected benefit obligation	\$ 87.6	\$ 606.8	\$ 182.8	\$ 186.3	N/A	N/A
Accumulated benefit obligation	85.2	601.7	172.8	173.7	N/A	N/A
Fair value plan assets	51.4	408.3	92.9	93.7	N/A	N/A

(1) Includes \$145.7 of the U.S. pension plans net liability and \$53.6 of the postretirement benefit plans net liability (related to the U.S.) at December 31, 2015, which are included in discontinued operations. Amounts associated with the pension and postretirement benefit plans in Canada and the postretirement benefit plan in Puerto Rico, which are included in discontinued operations, have been excluded from all amounts in the table above.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The U.S. pension plans include a funded qualified plan (the PRA) and unfunded non-qualified plans. As of December 31, 2016, the PRA had benefit obligations of \$75.5 and plan assets of \$51.4. As of December 31, 2015, the PRA had benefit obligations of \$578.4 and plan assets of \$408.3, of which \$507.6 and \$374.8, respectively, are included in discontinued operations. We believe we have adequate investments and cash flows to fund the liabilities associated with the unfunded non-qualified plans. The Non-U.S. pension plans include a funded qualified pension plan in the UK. As of December 31, 2016, the UK qualified pension plan had benefit obligations of \$448.6 and plan assets of \$502.0. As of December 31, 2015, the UK qualified pension plan had benefit obligations of \$456.1 and plan assets of \$462.0.

Components of Net Periodic Benefit Cost and Other Amounts Recognized in Other Comprehensive Loss

	Pension Benefits						Postretirement Benefits		
	U.S. Plans			Non-U.S. Plans					
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Net Periodic Benefit Cost:									
Service cost	\$ 6.4	\$ 13.0	\$ 14.1	\$ 5.0	\$ 5.3	\$ 6.0	\$.1	\$.7	\$.7
Interest cost	6.5	25.1	27.8	21.8	23.6	31.0	1.7	3.7	4.1
Expected return on plan assets	(8.2)	(32.6)	(35.8)	(33.0)	(36.4)	(36.4)	—	—	—
Amortization of prior service credit	(.2)	(.7)	(.3)	(.1)	(.1)	(.1)	(1.2)	(4.0)	(4.4)
Amortization of net actuarial losses	10.8	43.7	45.1	6.5	8.4	6.5	.3	1.8	1.3
Amortization of transition obligation	—	—	—	—	.1	—	—	—	—
Settlements/curtailments	.1	27.9	38.0	.3	.5	2.7	(.1)	—	(2.7)
Net periodic benefit cost ⁽²⁾	\$ 15.4	\$ 76.4	\$ 88.9	\$.5	\$ 1.4	\$ 9.7	\$.8	\$ 2.2	\$ (1.0)
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive (Loss) Income:									
Actuarial losses (gains)	\$ 13.6	\$ 1.8	\$ 105.9	\$ (24.6)	\$ (34.2)	\$ 97.0	\$ (2.6)	\$ (5.6)	\$ 2.0
Prior service (credit) cost	—	—	(2.0)	—	—	—	1.0	(9.0)	—
Amortization of prior service credit	1.3	.7	.3	.1	.1	.1	26.7	4.0	7.2
Amortization of net actuarial losses	(274.4)	(71.6)	(81.5)	(7.8)	(9.1)	(9.9)	(11.3)	(1.8)	(1.6)
Amortization of transition obligation	—	—	—	—	(.1)	—	—	—	—
Foreign currency changes	—	—	—	(29.6)	(19.4)	(28.0)	(.1)	.2	.1
Total recognized in other comprehensive (loss) income*	\$(259.5)	\$(69.1)	\$ 22.7	\$(61.9)	\$(62.7)	\$ 59.2	\$ 13.7	\$(12.2)	\$ 7.7
Total recognized in net periodic benefit cost and other comprehensive (loss) income	\$(244.1)	\$ 7.3	\$ 111.6	\$(61.4)	\$(61.3)	\$ 68.9	\$ 14.5	\$(10.0)	\$ 6.7

⁽²⁾ Includes \$4.4, \$53.7 and \$62.6 of the U.S. pension plans in 2016, 2015 and 2014, respectively, and immaterial amounts of the postretirement benefit plans (related to the U.S.) in 2016, 2015 and 2014, which are included in discontinued operations. Amounts associated with the pension and postretirement benefit plans in Canada and the postretirement benefit plan in Puerto Rico, which are included in discontinued operations, have been excluded from all amounts in the table above.

* Amounts represent the pre-tax effect classified within other comprehensive (loss) income. The net of tax amounts are classified within the Consolidated Statements of Comprehensive Income (Loss).

As a result of lump-sum payments made to former employees who were vested and participated in the PRA, in the third quarter of 2015, we recorded a settlement charge of \$23.8. These lump sum payments were made from our plan assets and were not the result of a specific offer to participants of our PRA as described below. Because the settlement threshold was exceeded in the third quarter of 2015, a settlement charge of \$4.1 was also recorded in the fourth quarter of 2015, as a result of additional payments from the PRA. Such payments fully settled our pension plan obligation to those participants who elected to receive such payment. These settlement charges were allocated between Global and Discontinued Operations.

In an effort to reduce our pension benefit obligations, in March 2014, we offered former employees who were vested and participated in the PRA a payment that would fully settle our pension plan obligation to those participants who elected to receive such payment. The election period ended during the second quarter of 2014 and the payments were made in June 2014 from our plan assets. As a result of the lump-sum payments made, in the second quarter of 2014, we recorded a settlement charge of \$23.5. Because the settlement threshold was exceeded in the second quarter of 2014, settlement charges of \$5.4 and \$7.5 were also recorded in the third and fourth quarters of 2014, respectively, as a result of additional payments from the PRA. Such payments fully settled our pension plan obligation to those participants who elected to receive such payment. These settlement charges were allocated between Global and Discontinued Operations.

The amounts in AOCI that are expected to be recognized as components of net periodic benefit cost during 2017 are as follows:

	Pension Benefits		Postretirement Benefits
	U.S. Plans	Non-U.S. Plans	
Net actuarial loss	\$5.0	\$7.3	\$.1
Prior service credit	(.1)	(.1)	(.3)

Assumptions

Weighted-average assumptions used to determine benefit obligations recorded in the Consolidated Balance Sheets as of December 31 were as follows:

	Pension Benefits					
	U.S. Plans		Non-U.S. Plans		Postretirement Benefits	
	2016	2015	2016	2015	2016	2015
Discount rate	3.67%	4.19%	2.69%	3.69%	5.33%	4.50%
Rate of compensation increase	4.00%	4.00%	2.79%	3.26%	N/A	N/A

The discount rate used for determining the present value of future pension obligations for each individual defined benefit pension plan is based on a review of bonds that receive a high-quality rating from a recognized rating agency. The discount rates for our more significant plans, including the UK defined benefit pension plan and the PRA, were based on the internal rates of return for a portfolio of high-quality bonds with maturities that are consistent with the projected future benefit payment obligations of each plan. The weighted-average discount rate for U.S. and non-U.S. defined benefit pension plans determined on this basis has decreased to 2.81% at December 31, 2016, from 3.92% at December 31, 2015. Amounts associated with the pension plan in Canada and postretirement benefit plans in Canada and Puerto Rico, which are associated with discontinued operations, have been excluded from all amounts.

Weighted-average assumptions used to determine net benefit cost recorded in the Consolidated Statements of Operations for the years ended December 31 were as follows:

	Pension Benefits								
	U.S. Plans			Non-U.S. Plans			Postretirement Benefits		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Discount rate	4.19%	3.83%	4.54%	3.58%	3.27%	4.59%	4.50%	4.20%	4.97%
Rate of compensation increase	4.00%	4.00%	4.00%	2.94%	3.20%	3.70%	N/A	N/A	N/A
Rate of return on assets	7.00%	7.25%	7.50%	6.40%	6.55%	6.33%	N/A	N/A	N/A

In determining the long-term rates of return, we consider the nature of each plan's investments, an expectation for each plan's investment strategies, historical rates of return and current economic forecasts, among other factors. We generally evaluate the expected rate of return on plan assets annually and adjust as necessary. In determining the net cost for the year ended December 31, 2016, the assumed rate of return on assets globally was 6.65%, which represents the weighted-average rate of return on all plan assets, including the U.S. and non-U.S. defined benefit pension plans. Amounts associated with the pension and postretirement benefit plans in Canada and the postretirement benefit plan in Puerto Rico, which are associated with discontinued operations, have been excluded from all amounts above.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A significant portion of our pension plan assets relate to the UK defined benefit pension plan. The assumed rate of return for determining 2016 net costs for the UK defined benefit pension plan was 6.65%. In addition, the current rate of return assumption for the UK defined benefit pension plan was based on an asset allocation of approximately 80% in corporate and government bonds and mortgage-backed securities (which are expected to earn approximately 2% to 4% in the long-term) and approximately 20% in equity securities, emerging market debt and high yield securities (which are expected to earn approximately 6% to 9% in the long-term). In addition to the physical assets, the asset portfolio for the UK defined benefit pension plan has derivative instruments which increase our exposure to fixed income (in order to better match liabilities) and, to a lesser extent, impact our equity exposure.

Historically, the pension plan with the most significant pension plan assets was the PRA. The assumed rate of return for determining 2016 net costs for the PRA was 7.00%. In addition, the current rate of return assumption for the PRA was based on an asset allocation of approximately 70% in corporate and government bonds and mortgage-backed securities (which are expected to earn approximately 3% to 4% in the long-term) and approximately 30% in equity securities and high yield securities (which are expected to earn approximately 6% to 8% in the long-term).

Similar assessments were performed in determining rates of return on other non-U.S. defined benefit pension plan assets, to arrive at our weighted-average assumed rate of return of 6.40% for determining 2016 net cost.

Plan Assets

Our U.S. and non-U.S. funded defined benefit pension plans target and weighted-average asset allocations at December 31, 2016 and 2015, by asset category were as follows:

Asset Category	U.S. Pension Plan			Non-U.S. Pension Plans		
	% of Plan Assets			% of Plan Assets		
	Target	at Year-End		Target	at Year-End	
	2017	2016	2015	2017	2016	2015
Equity securities	30%	28%	27%	20%	22%	23%
Debt securities	70	69	69	70	68	72
Other	—	3	4	10	10	5
Total	100%	100%	100%	100%	100%	100%

Amounts associated with the pension plan in Canada, which are included in discontinued operations, have been excluded from all amounts in the table above.

The following tables present the fair value hierarchy for pension assets measured at fair value on a recurring basis as of December 31, 2016:

Asset Category	U.S. Pension Plan		
	Level 1	Level 2	Total
Equity Securities:			
Domestic equity	\$ –	\$15.7	\$15.7
	–	15.7	15.7
Fixed Income Securities:			
Corporate bonds	–	25.7	25.7
Government securities	–	9.9	9.9
	–	35.6	35.6
Cash	.1	–	.1
Total	\$.1	\$51.3	\$51.4

Asset Category	Non-U.S. Pension Plans			
	Level 1	Level 2	Level 3	Total
Equity Securities:				
Domestic equity	\$ –	\$ 27.7	\$ –	\$ 27.7
International equity	–	107.6	–	107.6
	–	135.3	–	135.3
Fixed Income Securities:				
Corporate bonds	–	194.8	–	194.8
Government securities	–	192.8	–	192.8
Other	–	32.0	–	32.0
	–	419.6	–	419.6
Other				
Cash	23.2	–	–	23.2
Derivatives	–	34.1	–	34.1
Real estate	–	–	.9	.9
Other	–	–	.6	.6
	23.2	34.1	1.5	58.8
Total	\$23.2	\$589.0	\$1.5	\$613.7

The following tables present the fair value hierarchy for pension assets measured at fair value on a recurring basis as of December 31, 2015:

Asset Category	U.S. Pension Plan		
	Level 1	Level 2	Total
Equity Securities:			
Domestic equity	\$ –	\$ 13.3	\$ 13.3
International equity	–	79.5	79.5
Emerging markets	–	16.5	16.5
	–	109.3	109.3
Fixed Income Securities:			
Corporate bonds	–	156.8	156.8
Government securities	–	126.8	126.8
	–	283.6	283.6
Cash	12.2	–	12.2
Derivatives	–	3.2	3.2
Total⁽³⁾	\$12.2	\$396.1	\$408.3

⁽³⁾ Includes \$374.8 which is included in discontinued operations at December 31, 2015.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Asset Category	Non-U.S. Pension Plans			
	Level 1	Level 2	Level 3	Total
Equity Securities:				
Domestic equity	\$ —	\$ 24.1	\$ —	\$ 24.1
International equity	—	109.7	—	109.7
	—	133.8	—	133.8
Fixed Income Securities:				
Corporate bonds	—	206.5	—	206.5
Government securities	—	197.7	—	197.7
Other	—	11.1	—	11.1
	—	415.3	—	415.3
Other:				
Cash	11.5	—	—	11.5
Derivatives	—	13.9	—	13.9
Real estate	—	—	1.0	1.0
Other	—	—	.8	.8
	11.5	13.9	1.8	27.2
Total	\$11.5	\$563.0	\$1.8	\$576.3

Amounts associated with the pension plan in Canada, which are included in discontinued operations, have been excluded from all amounts in the table above.

A reconciliation of the beginning and ending balances for our Level 3 investments is provided in the table below:

	Amount
Balance at January 1, 2015	\$1.9
Actual return on plan assets held	.1
Foreign currency changes	(.2)
Balance at December 31, 2015	1.8
Actual return on plan assets held	(.2)
Foreign currency changes	(.1)
Balance at December 31, 2016	\$1.5

Investments in equity securities classified as Level 1 in the fair value hierarchy are valued at quoted market prices. Investments in equity securities classified as Level 2 in the fair value hierarchy include collective funds that are valued at quoted market prices for non-active securities. Fixed income securities are based on broker quotes for non-active securities. Mutual funds are valued at quoted market prices. Real estate is valued by reference to investment and leasing transactions at similar types of property, supplemented by third party appraisals. Derivative instruments are not publicly traded and each derivative contract is specifically negotiated with a unique financial counterparty. The derivative instruments are valued based upon valuation statements received from the financial counterparties, which use underlying yield curves or market indices.

The overall objective of the PRA and the UK defined benefit pension plan is to provide the means to pay benefits to participants and their beneficiaries in the amounts and at the times called for by the plan. This is expected to be achieved through the investment of our contributions and other trust assets and by utilizing investment policies designed to achieve adequate funding over a reasonable period of time.

In some of our defined benefit pension plans, we have adopted investment strategies which are designed to match the movements in the pension liability through an increased allocation towards debt securities. In addition, we also utilize derivative instruments in some of our non-U.S. defined benefit pension plans to achieve the desired market exposures or to hedge certain risks. Derivative instruments may include, but are not limited to, futures, options, swaps or swaptions. Investment types, including the use of derivatives are based on written guidelines established for each investment manager and monitored by the plan's investment committee.

Pension trust assets are invested so as to achieve a return on investment, based on levels of liquidity and investment risk that are prudent and reasonable as circumstances change from time to time. While we recognize the importance of the preservation of capital, we also adhere to the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with compensating returns. Consequently, prudent risk-taking is justifiable.

The asset allocation decision includes consideration of the non-investment aspects of the PRA and the UK defined benefit pension plan, including future retirements, lump-sum elections, growth in the number of participants, company contributions, and cash flow. These characteristics of the plan place certain demands upon the level, risk, and required growth of trust assets. We regularly conduct analyses of the plan's current and likely future financial status by forecasting assets, liabilities, benefits and company contributions over time. In so doing, the impact of alternative investment policies upon the plan's financial status is measured and an asset mix which balances asset returns and risk is selected.

Our decision with regard to asset mix is reviewed periodically. Asset mix guidelines include target allocations and permissible ranges for each asset category. Assets are monitored on an ongoing basis and rebalanced as required to maintain an asset mix within the permissible ranges. The guidelines will change from time to time, based on an ongoing evaluation of the plan's tolerance of investment risk.

Cash flows

We expect to make contributions related to continuing operations in the range of \$10 to \$15 to our U.S. defined benefit pension and postretirement plans and in the range of \$20 to \$25 to our non-U.S. defined benefit pension and postretirement plans during 2017.

Total benefit payments expected to be paid from the plans are as follows:

	Pension Benefits			Postretirement Benefits
	U.S. Plans	Non-U.S. Plans	Total	
2017	\$13.2	\$ 26.2	\$ 39.4	\$2.4
2018	10.2	27.5	37.7	2.3
2019	9.3	28.0	37.3	2.3
2020	8.8	28.7	37.5	2.2
2021	8.4	29.8	38.2	2.1
2022-2026	35.6	212.4	248.0	9.4

Postemployment Benefits

We provide postemployment benefits, which include salary continuation, severance benefits, disability benefits and continuation of health care benefits to eligible former employees after employment but before retirement. The accrued cost for such postemployment benefits was \$15.0 at December 31, 2016, and was included in employee benefit plans in the Consolidated Balance Sheets, and was \$18.2 at December 31, 2015, of which \$6.0 is included in discontinued operations at December 31, 2015, and the remaining was included in employee benefit plans in the Consolidated Balance Sheets. Amounts associated with postemployment benefits in Canada, which are included in discontinued operations, have been excluded from all amounts.

Supplemental Retirement Programs

In the U.S., in addition to qualified retirement plans (i.e., the PSA and the PRA), we also maintain unfunded non-qualified plans. We offer a non-qualified deferred compensation plan, the Avon Products, Inc. Deferred Compensation Plan (the "DCP"), for certain higher paid key employees. The DCP is an unfunded, unsecured plan for which obligations are paid to participants out of our general assets. The DCP allows for the deferral of up to 50% of a participant's base salary, the deferral of up to 100% of incentive compensation bonuses, and the deferral of contributions that would normally have been made to the PSA but are not deferred because the amount was in excess of U.S. Internal Revenue Code limits on contributions to the PSA. Participants may elect to have their deferred compensation invested in one or more of three permitted investment alternatives. Expense associated with the DCP was \$1.0 in 2016, \$.5 in 2015 and \$1.3 in 2014. The benefit obligation under the DCP was \$26.1 at December 31, 2016 and \$34.5 at December 31, 2015 and was included in other liabilities and accrued compensation in the Consolidated Balance Sheets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

We maintain supplemental retirement programs consisting of the Supplemental Executive Retirement Plan of Avon Products, Inc. ("SERP") and the Benefit Restoration Pension Plan of Avon Products, Inc. under which non-qualified supplemental pension benefits are paid to higher paid key employees in addition to amounts received under our qualified defined benefit retirement plan, which is subject to IRS limitations on covered compensation. The SERP has not been offered to new employees in the last seven years. The annual cost of these programs has been included in the determination of the net periodic benefit cost shown previously and amounted to \$3.9 in 2016, \$6.3 in 2015 and \$7.1 in 2014. The benefit obligation under these programs was \$12.1 at December 31, 2016 and \$28.4 at December 31, 2015 and was included in employee benefit plans and accrued compensation in the Consolidated Balance Sheets.

We also maintain a Supplemental Life Plan ("SLIP") under which additional death benefits ranging from \$.4 to \$2.0 are provided to certain active and retired officers. The SLIP has not been offered to new officers in over six years.

We established a grantor trust to provide assets that may be used for the benefits payable under the SERP and SLIP. The trust is irrevocable and, although subject to creditors' claims, assets contributed to the trust can only be used to pay such benefits with certain exceptions. The assets held in the trust are included in other assets and at December 31 consisted of the following:

	2016	2015
Corporate-owned life insurance policies	\$34.9	\$32.7
Cash and cash equivalents	.3	.7
Total	\$35.2	\$33.4

The assets are recorded at fair market value, except for investments in corporate-owned life insurance policies which are recorded at their cash surrender values as of each balance sheet date, which is a proxy of fair value. Changes in the cash surrender value during the period are recorded as a gain or loss within selling, general and administrative expenses in the Consolidated Statements of Operations.

NOTE 13. Segment Information

Our reportable segments are based on geographic operations in four regions: Europe, Middle East & Africa; South Latin America; North Latin America; and Asia Pacific. The segments have similar business characteristics and each offers similar products through similar customer access methods.

The accounting policies of the segments are the same as those described in Note 1, Description of the Business and Summary of Significant Accounting Policies. We evaluate the performance of our segments based on revenues and segment profits or losses. Segment revenues primarily reflect direct sales of products to Representatives based on the Representative's geographic location.

We determine segment profit by deducting the related costs and expenses from segment revenue. In order to ensure comparability between periods, segment profit includes an allocation of global marketing expenses based on actual revenues. Segment profit excludes global expenses other than the allocation of marketing, costs to implement ("CTI") restructuring initiatives (see Note 15, Restructuring Initiatives), certain significant asset impairment charges (see Note 18, Goodwill), and other items, which are not allocated to a particular segment, if applicable. This is consistent with the manner in which we assess our performance and allocate resources.

Other operating segments and business activities include the business results for Liz Earle, which was sold in July 2015, Venezuela, which was deconsolidated effective March 31, 2016, as well as other market exits (South Korea, Vietnam, Republic of Ireland, Bolivia and France).

Summarized financial information concerning our reportable segments as of December 31 is shown in the following tables:

Total Revenue

	2016	2015	2014
Europe, Middle East & Africa	\$2,138.2	\$2,229.2	\$2,614.1
South Latin America	2,145.9	2,309.6	3,028.9
North Latin America	829.9	901.0	1,003.6
Asia Pacific	556.0	626.0	700.9
Total segment revenue	5,670.0	6,065.8	7,347.5
Other operating segments and business activities	47.7	94.7	300.5
Total revenue	\$5,717.7	\$6,160.5	\$7,648.0

Operating Profit

	2016	2015	2014
<i>Segment Profit</i>			
Europe, Middle East & Africa	\$ 329.9	\$ 311.2	\$ 432.3
South Latin America	200.5	238.9	466.0
North Latin America	114.4	107.2	128.3
Asia Pacific	59.9	68.6	59.0
Total segment profit	704.7	725.9	1,085.6
Other operating segments and business activities	6.0	16.9	24.3
Unallocated global expenses	(338.6)	(391.2)	(396.4)
CTI restructuring initiatives	(77.4)	(49.1)	(86.6)
Legal settlement ⁽¹⁾	27.2	—	—
Venezuelan special items	—	(120.2)	(137.1)
FCPA accrual	—	—	(46.0)
Pension settlement charge	—	(7.3)	(9.5)
Other items	—	(3.1)	—
Asset impairment and other charges	—	(6.9)	—
Operating profit	\$ 321.9	\$ 165.0	\$ 434.3

⁽¹⁾ In the third quarter of 2016, we settled claims relating to professional services that had been provided to the Company prior to 2013 in connection with a previously disclosed legal matter. The proceeds, net of legal fees, of \$27.2 before tax (\$27.2 after tax) were recognized as a reduction of selling, general and administrative expenses in the third quarter of 2016 and were subsequently received by the Company in the fourth quarter of 2016.

Total Assets

	2016	2015	2014
Europe, Middle East & Africa	\$ 949.3	\$ 909.9	\$ 992.5
South Latin America	1,306.3	1,126.8	1,435.8
North Latin America	344.4	368.3	433.9
Asia Pacific	297.4	317.0	390.8
Total from reportable segments	2,897.4	2,722.0	3,253.0
Total from discontinued operations ⁽²⁾	1.3	371.2	426.0
Other operating segments	.9	48.5	341.2
Global	519.3	628.7	1,465.0
Total assets ⁽²⁾	\$3,418.9	\$3,770.4	\$5,485.2

⁽²⁾ Total assets from discontinued operations and total assets at December 31, 2015 and 2014 in the table above exclude the \$100.0 receivable from continuing operations that was presented within current assets of discontinued operations. See Note 3, Discontinued Operations and Divestitures.

Capital Expenditures

	2016	2015	2014
Europe, Middle East & Africa	\$18.8	\$17.2	\$ 16.9
South Latin America	39.2	42.0	55.1
North Latin America	11.7	9.7	22.3
Asia Pacific	4.5	3.5	3.3
Total from reportable segments	74.2	72.4	97.6
Other operating segments	—	4.8	7.3
Global	18.8	15.2	21.4
Total capital expenditures	\$93.0	\$92.4	\$126.3

Depreciation and Amortization

	2016	2015	2014
Europe, Middle East & Africa	\$ 28.2	\$ 29.0	\$ 35.9
South Latin America	30.9	34.2	49.7
North Latin America	13.1	14.2	15.7
Asia Pacific	11.3	13.6	17.3
Total from reportable segments	83.5	91.0	118.6
Other operating segments	.4	4.6	9.6
Global	30.0	30.5	41.2
Total depreciation and amortization	\$113.9	\$126.1	\$169.4

Total Revenue by Major Country

A major country is defined as one with total revenues greater than 10% of consolidated total revenues.

	2016	2015	2014
Brazil	\$1,220.4	\$1,252.6	\$1,909.3
All other	4,497.3	4,907.9	5,738.7
Total	\$5,717.7	\$6,160.5	\$7,648.0

Long-Lived Assets by Major Country

A major country is defined as one with long-lived assets greater than 10% of consolidated long-lived assets, and also includes our country of domicile (the U.S.). Long-lived assets primarily includes property, plant and equipment associated with our continuing operations. Long-lived assets in Brazil consist primarily of property, plant and equipment related to manufacturing and distribution facilities and long-lived assets in the U.S. consist primarily of property, plant and equipment, including our global research and development facility.

	2016	2015	2014
Brazil	\$ 400.9	\$ 302.7	\$ 361.9
U.S.	196.1	225.9	250.0
All other	559.9	597.3	969.8
Total	\$1,156.9	\$1,125.9	\$1,581.7

NOTE 14. Leases and Commitments

Minimum rental commitments under noncancellable operating leases, primarily for equipment and office facilities at December 31, 2016, are included in the following table under leases. Purchase obligations include commitments to purchase paper, inventory and other services.

Year	Leases	Purchase Obligations
2017	\$ 62.6	\$177.8
2018	46.2	117.4
2019	41.8	71.5
2020	32.3	57.5
2021	26.7	30.5
Later years	68.5	27.2
Sublease rental income	(30.3)	N/A
Total	\$247.8	\$481.9

Rent expense was \$75.0 in 2016, \$74.4 in 2015 and \$90.7 in 2014. Plant construction, expansion and modernization projects with an estimated cost to complete of \$40.7 were in progress at December 31, 2016.

NOTE 15. Restructuring Initiatives

Transformation Plan

In January 2016, we announced a transformation plan ("the Transformation Plan"), which includes cost reduction efforts to continue to improve our cost structure and to enable us to reinvest in growth. As a result of this plan, we have targeted pre-tax annualized cost savings of approximately \$350 after three years, with an estimated \$200 from supply chain reductions and an estimated \$150 from other cost reductions, which are expected to be achieved through restructuring actions, as well as other cost-savings strategies that will not result in restructuring charges. We plan to reinvest a portion of these cost savings in growth initiatives, including media, social selling and information technology systems that will help us modernize our business. We initiated the Transformation Plan in order to enable us to achieve our long-term goals of double-digit operating margin and mid single-digit constant-dollar revenue growth. As part of the Transformation Plan, we identified certain actions, that we believe will reduce ongoing costs, primarily consisting of global headcount reductions relating to operating model changes, as well as the closure of Thailand, a smaller, under-performing market. These operating model changes include the streamlining of our corporate functions to align with the current and future needs of the business and an information technology infrastructure outsourcing initiative.

As a result of these restructuring actions approved-to-date, we have recorded total costs to implement these restructuring initiatives of \$106.1 before taxes, of which \$83.7 was recorded in 2016, in the Consolidated Statements of Operations. The additional charges not yet incurred associated with the restructuring actions approved to-date of approximately \$20 to \$30 before taxes are expected to be recorded primarily in 2017. At this time we are unable to quantify the total costs to implement these restructuring initiatives that will be incurred through the time the Transformation Plan is fully implemented as we have not yet identified all actions to be taken.

Restructuring Charges – 2016

During 2016, we recorded costs to implement of \$83.7 related to the Transformation Plan, in the Consolidated Statements of Operations. The costs consisted of the following:

- net charge of \$62.6 primarily for employee-related costs, including severance benefits;
- contract termination and other net charges of \$8.7;
- implementation costs of \$7.4 primarily related to professional service fees;
- charge of \$2.7 due to the accumulated foreign currency translation adjustments associated with the closure of the Thailand market;
- accelerated depreciation of \$1.9; and
- inventory write-off of \$.4.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Of the total costs to implement during year ended December 31, 2016, \$83.3 was recorded in selling, general and administrative expenses and \$.4 was recorded in cost of sales.

Restructuring Charges – 2015

During 2015, we recorded costs to implement of \$22.4 related to the Transformation Plan in selling, general and administrative expenses, in the Consolidated Statements of Operations. The costs consisted of \$21.4 of employee-related costs due to severance benefits and \$1.0 of implementation costs for professional service fees.

The liability balance for the Transformation Plan at December 31, 2016 is as follows:

	Employee- Related Costs	Inventory Write-offs	Foreign Currency Translation Adjustment Write-offs	Contract Terminations/ Other	Total
2015 charges	\$ 21.4	\$ –	\$ –	\$ –	\$ 21.4
Balance at December 31, 2015	\$ 21.4	\$ –	\$ –	\$ –	\$ 21.4
2016 charges	73.4	.4	2.7	8.7	85.2
Adjustments	(10.8)	–	–	–	(10.8)
Cash payments	(34.6)	–	–	(5.9)	(40.5)
Non-cash write-offs	–	(.4)	(2.7)	–	(3.1)
Foreign exchange	(.8)	–	–	–	(.8)
Balance at December 31, 2016	\$ 48.6	\$ –	\$ –	\$ 2.8	\$ 51.4

The majority of cash payments, if applicable, associated with this liability are expected to be made during 2017.

The following table presents the restructuring charges incurred to date, under the Transformation Plan, along with the estimated charges expected to be incurred on approved initiatives under the plan:

	Employee- Related Costs	Inventory Write-offs	Foreign Currency Translation Adjustment Write-offs	Contract Terminations/ Other	Total
Charges incurred to-date on approved initiatives	\$84.0	\$.4	\$ 2.7	\$ 8.7	\$ 95.8
Estimated charges to be incurred on approved initiatives	6.2	–	–	1.9	8.1
Total expected charges on approved initiatives	\$90.2	\$.4	\$ 2.7	\$ 10.6	\$ 103.9

The charges, net of adjustments, of initiatives under the Transformation Plan, along with the estimated charges expected to be incurred on approved initiatives under the plan, by reportable segment are as follows:

	Europe, Middle East & Africa	South Latin America	North Latin America	Asia Pacific	Global & Other Operating Segments	Total
2015	\$ -	\$ -	\$ -	\$ -	\$21.4	\$21.4
2016	30.9	13.2	4.4	11.7	14.2	74.4
Charges incurred to-date on approved initiatives	30.9	13.2	4.4	11.7	35.6	95.8
Estimated charges to be incurred on approved initiatives	1.9	-	-	-	6.2	8.1
Total expected charges on approved initiatives	\$32.8	\$13.2	\$4.4	\$11.7	\$41.8	\$103.9

We expect our total costs to implement restructuring on approved initiatives to be an estimated \$95 to \$105 before taxes under the Transformation Plan. The amounts shown in the tables above as charges recorded to-date relate to initiatives that have been approved and recorded in the financial statements as the costs are probable and estimable. The amounts shown in the tables above as total expected charges on approved initiatives represent charges recorded to-date plus charges yet to be recorded for approved initiatives as the relevant accounting criteria for recording an expense have not yet been met. In addition to the charges included in the tables above, we have incurred and will continue to incur other costs to implement restructuring initiatives such as professional services fees and accelerated depreciation.

Additional Restructuring Charges 2015

As a result of the then-current economic environment, including the impact of foreign currency movements and inflation on our expenses, and in an effort to continue to improve our cost structure, we identified certain actions during 2015 that we believe would reduce ongoing costs. These actions primarily consisted of global headcount reductions.

As a result of these restructuring actions, we recorded costs to implement of \$28.9 before taxes, of which a net benefit of \$.8 was recorded in 2016, in selling, general and administrative expenses, in the Consolidated Statements of Operations. There are no material remaining costs for restructuring actions approved-to-date.

Restructuring Charges – 2016

During 2016, we recorded a net benefit of \$.8 in selling, general and administrative expenses, in the Consolidated Statements of Operations, primarily for employee-related costs due to severance benefits.

Restructuring Charges – 2015

During 2015, we recorded costs to implement of \$29.7 in selling, general and administrative expenses, in the Consolidated Statements of Operations. The costs consisted of the following:

- charge of \$22.1 for employee-related costs due to severance benefits; and
- implementation costs of \$7.6 primarily for professional service fees associated with Global and Asia Pacific.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The liability balance, which primarily consists of employee-related costs, for these various restructuring initiatives at December 31, 2016 is as follows:

	Total
2015 charges	\$ 24.9
Adjustments	(2.8)
Cash payments	(17.8)
Foreign exchange	(.3)
Balance at December 31, 2015	\$ 4.0
2016 charges	-
Adjustments	(.7)
Cash payments	(2.2)
Foreign exchange	-
Balance at December 31, 2016	\$ 1.1

The majority of cash payments, if applicable, associated with this liability are expected to be made during 2017.

The charges approved to date under these various restructuring initiatives by reportable business segment were as follows:

	Europe, Middle East & Africa	South Latin America	North Latin America	Asia Pacific	Global & Other Operating Segments	Total
Total charges incurred	\$4.2	\$2.6	\$2	\$5.7	\$8.6	\$21.3

In addition to the charges included in the tables above, we have incurred other costs to implement restructuring initiatives such as professional services fees.

\$400M Cost Savings Initiative

In 2012, we announced a cost savings initiative (the “\$400M Cost Savings Initiative”) in an effort to stabilize the business and return Avon to sustainable growth, which was expected to be achieved through restructuring actions as well as other cost-savings strategies that will not result in restructuring charges. The \$400M Cost Savings Initiative was designed to reduce our operating expenses as a percentage of total revenue to help us achieve a targeted low double-digit operating margin, which included the North America business which has since been presented as discontinued operations for all periods presented. The restructuring actions under the \$400M Cost Savings Initiative primarily consist of global headcount reductions and related actions, as well as the closure of certain smaller, under-performing markets, including South Korea, Vietnam, Republic of Ireland, Bolivia and France. Other costs to implement these restructuring initiatives consist primarily of professional service fees and accelerated depreciation.

As a result of the restructuring actions associated with the \$400M Cost Savings Initiative, we recorded total costs to implement these restructuring initiatives of \$164.0 before taxes, of which a net benefit of \$1.5 was recorded in 2016. There are no significant remaining costs for restructuring actions approved-to-date as the actions associated with the \$400M Cost Savings Initiative are substantially complete.

Restructuring Charges – 2016

During 2016, we recorded a net benefit of \$1.5 related to the \$400M Cost Savings Initiative, in the Consolidated Statements of Operations, primarily for employee-related costs due to severance benefits. Of the net benefit during year ended December 31, 2016, a net benefit of \$1.7 was recorded in selling, general and administrative expenses and a charge of \$.2 was recorded in cost of sales.

Restructuring Charges – 2015

During 2015, we recorded a net benefit of \$3.5 related to the \$400M Cost Savings Initiative, in selling, general and administrative expenses, in the Consolidated Statements of Operations. The costs consisted of the following:

- net benefit of \$4.4 primarily for employee-related benefits, associated with severance;

- implementation costs of \$.9 primarily related to professional service fees associated with our Europe, Middle East & Africa and Asia Pacific businesses;
- benefit of \$.4 primarily related to the accumulated foreign currency translation adjustments associated with Asia Pacific markets;
- accelerated depreciation of \$.3 associated with the closure and rationalization of certain facilities; and
- contract termination and other charge of \$.1, primarily related to Asia Pacific.

Restructuring Charges – 2014

During 2014, we recorded total costs to implement of \$83.9 related to the \$400M Cost Savings Initiative, in selling, general and administrative expenses, in the Consolidated Statements of Operations. The costs consisted of the following:

- net charge of \$57.9 primarily for employee-related costs, including severance benefits;
- accelerated depreciation of \$12.2 associated with the closure and rationalization of certain facilities and other assets;
- contract termination and other charges of \$6.3, primarily related to the costs associated with the closure of the France market and the exit of the Service Model Transformation (“SMT”) facility;
- implementation costs of \$3.8 primarily related to professional service fees; and
- charge of \$3.7 primarily related to the accumulated foreign currency translation adjustments associated with the closure of the France market.

The liability balance for the \$400M Cost Savings Initiative at December 31, 2016 is as follows:

	Employee- Related Costs	Inventory/ Asset Write-offs	Foreign Currency Translation Adjustment Write-offs	Contract Terminations/ Other	Total
Balance at December 31, 2013	\$ 25.9	\$ -	\$ -	\$ 1.6	\$ 27.5
2014 Charges	64.2	-	3.7	7.4	75.3
Adjustments	(6.3)	-	-	(1.1)	(7.4)
Cash payments	(44.8)	-	-	(6.9)	(51.7)
Non-cash write-offs	.2	-	(3.7)	-	(3.5)
Foreign exchange	(2.1)	-	-	(.1)	(2.2)
Balance at December 31, 2014	\$ 37.1	\$ -	\$ -	\$.9	\$ 38.0
2015 Charges	.6	-	(.4)	.3	.5
Adjustments	(5.0)	-	-	(.1)	(5.1)
Cash payments	(25.8)	-	-	(.6)	(26.4)
Non-cash write-offs	.4	-	.4	-	.8
Foreign exchange	(1.5)	-	-	(.1)	(1.6)
Balance at December 31, 2015	\$ 5.8	\$ -	\$ -	\$.4	\$ 6.2
2016 Charges	(.1)	.2	-	-	.1
Adjustments	(1.6)	-	-	-	(1.6)
Cash payments	(1.6)	-	-	(.3)	(1.9)
Non-cash write-offs	-	(.2)	-	-	(.2)
Foreign exchange	(.1)	-	-	-	(.1)
Balance at December 31, 2016	\$ 2.4	\$ -	\$ -	\$.1	\$ 2.5

Non-cash write-offs associated with employee-related costs are the result of settlements, curtailments and special termination benefits for pension and postretirement benefits plans due to the initiatives implemented.

The majority of cash payments, if applicable, associated with this liability are expected to be made during 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the restructuring charges incurred to-date, net of adjustments, under our \$400M Cost Savings Initiative:

	Employee- Related Costs	Inventory/ Asset Write-offs	Foreign Currency Translation Adjustment Write-offs	Contract Terminations/ Other	Total
Total charges incurred	\$124.4	\$.9	\$(.2)	\$12.9	\$138.0

The charges, net of adjustments, of initiatives under the \$400M Cost Savings Initiative by reportable business segment were as follows:

	Europe, Middle East & Africa	South Latin America	North Latin America	Asia Pacific	Global & Other Operating Segments	Total
2012	\$ 1.1	\$11.5	\$1.2	\$11.4	\$ 5.3	\$30.5
2013	13.1	1.4	(.3)	4.3	27.2	45.7
2014	12.3	15.4	5.6	6.5	28.2	68.0
2015	(1.2)	(.6)	(.9)	.2	(2.2)	(4.7)
2016	(1.2)	.2	(.3)	-	(.2)	(1.5)
Total charges incurred	\$24.1	\$27.9	\$5.3	\$22.4	\$58.3	\$138.0

As noted previously, we have recorded total costs to implement of \$164.0 before taxes under the \$400M Cost Savings Initiative. The amounts shown in the tables above as total charges incurred relate to initiatives that have been approved and recorded in the financial statements. No material additional charges are expected to be incurred. In addition to the charges included in the tables above, we have incurred other costs to implement restructuring initiatives such as other professional services and accelerated depreciation.

Other Restructuring Initiatives

During 2016, 2015 and 2014, we recorded a net benefit of \$4.0 and net charges of \$.5 and \$2.1, respectively, in selling, general and administrative expenses, in the Consolidated Statements of Operations, associated with the restructuring programs launched in 2005 and 2009 and the restructuring initiative launched in 2012 (the "Other Restructuring Initiatives"), each of which are substantially complete. The net benefit in 2016 primarily consisted of a net gain of \$3.7 due to the sale of a distribution center in the U.S. The liability balance associated with the Other Restructuring Initiatives is not material at December 31, 2016.

NOTE 16. Series C Convertible Preferred Stock

On March 1, 2016, we issued and sold to Cerberus Investor 435,000 shares of newly issued Series C Preferred Stock for an aggregate purchase price of \$435.0 pursuant to an Investment Agreement, dated as of December 17, 2015, between the Company and Cerberus Investor. In connection with the issuance of the Series C Preferred Stock, the Company incurred direct and incremental expenses of \$8.7, comprised of financial advisory fees and legal expenses, which reduced the carrying value of the Series C Preferred Stock. The Series C Preferred Stock has accrued dividends daily since March 1, 2016 at a rate of 1.25% per quarter, and as of December 31, 2016, had accrued unpaid dividends of \$18.4. There were no dividends declared in the year ended December 31, 2016.

Dividend Rights. The Series C Preferred Stock ranks senior to the shares of our common stock with respect to dividend rights and rights on the distribution of assets on any liquidation, dissolution or winding up of our affairs. The Series C Preferred Stock has a liquidation preference of \$1,000 per share, representing an aggregate liquidation preference of \$435.0 upon issuance. Holders of Series C Preferred Stock are entitled to participate on an as-converted basis in any dividends paid to the holders of shares of the Company's common stock. In addition, cumulative preferred dividends accrue daily on the Series C Preferred Stock and are payable at a rate of 1.25% per quarter (net of any dividends on the Company's common stock and subject to increase up to a maximum rate of 5.00% per quarter if the Company breaches certain obligations). Except to the extent not otherwise previously paid by the Company, preferred dividends are payable on the seventh anniversary of the issuance date of the Series C Preferred Stock as and when declared by the Board of Directors and at the end of each quarter thereafter. Accrued and unpaid preferred dividends may be paid, at the Company's option, (i) in cash, (ii) subject to certain

conditions, in shares of the Company's common stock or (iii) upon conversion of shares of Series C Preferred Stock, in shares of the Company's non-voting, non-convertible Series D Preferred Stock. Any such shares of Series D Preferred Stock issued would have similar preferential rights.

Conversion Features. Series C Preferred Stock is convertible at the option of the holders at any time into shares of the Company's common stock at an initial conversion price of \$5.00 per share, subject to certain anti-dilution adjustments. Prior to receipt of applicable shareholder approval, shares of Series C Preferred Stock are not convertible into more than 19.99% of the number of shares of common stock outstanding immediately prior to the issuance of the Series C Preferred Stock, subject to certain anti-dilution adjustments. As of December 31, 2016, Series C Preferred Stock was convertible into 87,051,524 shares of common stock. If at any time the volume weighted average price of the common stock exceeds \$10.00 per share (subject to certain anti-dilution adjustments) for a period of 30 consecutive trading days, the Company may cause all of the Series C Preferred Stock to be converted into shares of common stock based on the then applicable conversion price.

Voting Rights. Holders of Series C Preferred Stock are entitled to vote generally with the holders of common stock on an as-converted basis. Holders of Series C Preferred Stock are also entitled to a separate class vote with respect to (i) the election of up to three directors to the Board of Directors, subject to maintaining certain levels of beneficial ownership of Series C Preferred Stock and/or common stock, (ii) amendments to the Company's organizational documents that have an adverse effect on the Series C Preferred Stock, (iii) issuances by the Company of securities that are senior to, or equal in priority with, the Series C Preferred Stock or (iv) the delisting of the Company's common stock, other than in connection with a change of control event.

Change of Control Put. Upon certain change of control events involving the Company, holders of Series C Preferred Stock can require the Company to repurchase the Series C Preferred Stock for an amount equal to the greater of (i) an amount in cash equal to 100% of the liquidation preference thereof plus all accrued but unpaid dividends or (ii) the consideration the holders would have received if they had converted their shares of Series C Preferred Stock into common stock immediately prior to the change of control event.

NOTE 17. Contingencies

Settlements of FCPA Investigations

As previously reported, we engaged outside counsel to conduct an internal investigation and compliance reviews focused on compliance with the FCPA and related U.S. and foreign laws in China and additional countries. The internal investigation, which was conducted under the oversight of our Audit Committee, began in June 2008 and along with the compliance reviews, was completed in 2014.

Following our voluntary reporting of the internal investigation to both the DOJ and the SEC and our subsequent cooperation with those agencies, the United States District Court for the Southern District of New York (the "USDC") approved in December 2014 a deferred prosecution agreement ("DPA") entered into between the Company and the DOJ related to charges of violations of the books and records and internal controls provisions of the FCPA. In addition, Avon Products (China) Co. Ltd., a subsidiary of the Company operating in China, pleaded guilty to conspiring to violate the books and records provision of the FCPA and was sentenced by the USDC to pay a \$68 fine. The SEC also filed a complaint against the Company charging violations of the books and records and internal controls provisions of the FCPA and the Consent which was approved in a judgment entered by the USDC in January 2015, and included \$67 in disgorgement and prejudgment interest. The DPA, the above-mentioned guilty plea and the Consent resolved the SEC's and the DOJ's investigations of the Company's compliance with the FCPA and related U.S. laws in China and additional countries. The fine was paid in December 2014 and the payment to the SEC was made in January 2015.

Under the DPA, the DOJ will defer criminal prosecution of the Company for a term of three years. If the Company remains in compliance with the DPA during its term, the charges against the Company will be dismissed with prejudice. Under the DPA, the Company also represented that it has implemented and agreed that it will continue to implement a compliance and ethics program designed to prevent and detect violations of the FCPA and other applicable anti-corruption laws throughout its operations.

Under the DPA and the Consent, among other things, the Company agreed to have a compliance monitor (the "monitor"). During July 2015, the Company engaged a monitor, who had been approved by the DOJ and SEC. With the approval of the DOJ and the SEC, the monitor can be replaced by the Company, if the Company agrees to undertake self-reporting obligations for the remainder of the monitoring period. The monitoring period is scheduled to expire in July 2018. There can be no assurance as to whether or when the DOJ

and the SEC will approve replacing the monitor with the Company's self-reporting. If the DOJ determines that the Company has knowingly violated the DPA, the DOJ may commence prosecution or extend the term of the DPA, including the monitoring provisions described above, for up to one year.

The monitor is assessing and monitoring the Company's compliance with the terms of the DPA and the Consent by evaluating, among other things, the Company's internal accounting controls, recordkeeping and financial reporting policies and procedures. The monitor has recommended some changes to our policies and procedures that we are in the process of adopting, and may make additional recommendations that we must adopt unless they are unduly burdensome or otherwise inadvisable, in which case we may propose alternatives, which the DOJ and the SEC may or may not accept. In addition, operating under the oversight of the monitor may result in additional time and attention on these matters by members of our management, which may divert their time from the operation of our business. Assuming the monitor is replaced by a self-reporting period, the Company's self-reporting obligations may be costly or time-consuming.

The third-party costs incurred in connection with ongoing compliance with the DPA and the Consent, including the monitorship, have not been material to date and we do not anticipate material costs going forward. We currently cannot estimate the costs that we are likely to incur in connection with self-reporting, if applicable, and any additional costs of implementing the changes, if any, to our policies and procedures required by the monitor.

Litigation Matters

In July and August 2010, derivative actions were filed in state court against certain present or former officers and/or directors of the Company (*Carol J. Parker, derivatively on behalf of Avon Products, Inc. v. W. Don Cornwell, et al. and Avon Products, Inc. as nominal defendant* (filed in the New York Supreme Court, Nassau County, Index No. 600570/2010); *Lynne Schwartz, derivatively on behalf of Avon Products, Inc. v. Andrea Jung, et al. and Avon Products, Inc. as nominal defendant* (filed in the New York Supreme Court, New York County, Index No. 651304/2010)). On November 22, 2013, a derivative action was filed in federal court against certain present or former officers and/or directors of the Company and following the federal court's dismissal, an additional action was subsequently filed in New York state court on May 1, 2015 (*Sylvia Pritika, derivatively on behalf of Avon Products, Inc. v. Andrea Jung, et al. and Avon Products, Inc. as nominal defendant* (filed in the New York Supreme Court, New York County, Index No. 651479/2015)). The claims asserted in one or more of these actions include alleged breach of fiduciary duty, abuse of control, waste of corporate assets, and unjust enrichment, relating to the Company's compliance with the FCPA, including the adequacy of the Company's internal controls. The relief sought against the individual defendants in one or more of these derivative actions include certain declaratory and equitable relief, restitution, damages, exemplary damages and interest. The Company is a nominal defendant, and no relief is sought against the Company itself. On April 28, 2015, an action was filed to seek enforcement of demands for the inspection of certain of the Company's books and records (*Belle Cohen v. Avon Products, Inc.* (filed in the New York Supreme Court, New York County, Index No. 651418/2015)). The parties reached agreements to settle the derivative and books and records actions. The terms of settlement include certain corporate governance measures as well as releases of claims and payment of plaintiffs' attorneys' fees in the amount of \$4. On March 30, 2016, the court granted preliminary approval of the settlement, and on August 1, 2016, the court entered an order and judgment granting final approval of the settlement. The \$4 was paid by the Company's insurers. The order and judgment approving the settlement has become final. In light of the settlement, stipulations voluntarily dismissing or discontinuing the actions with prejudice have been filed in the *Pritika* and *Parker* actions.

On July 6, 2011, a purported shareholder's class action complaint (*City of Brockton Retirement System v. Avon Products, Inc., et al.*, No. 11-CIV-4665) was filed in the United States District Court for the Southern District of New York against the Company and certain present or former officers and/or directors of the Company. On September 29, 2011, the Court appointed LBBW Asset Management Investmentgesellschaft mbH and SGSS Deutschland Kapitalanlagegesellschaft mbH as lead plaintiffs and Motley Rice LLC as lead counsel. Lead plaintiffs filed an amended complaint, and the defendants moved to dismiss the amended complaint on June 14, 2012. On September 29, 2014, the Court granted the defendants' motion to dismiss and also granted the plaintiffs leave to amend their complaint. On October 24, 2014, plaintiffs filed their second amended complaint on behalf of a purported class consisting of all persons or entities who purchased or otherwise acquired shares of Avon's common stock from July 31, 2006 through and including October 26, 2011. The second amended complaint names as defendants the Company and two individuals and asserts violations of Sections 10(b) and 20(a) of the Exchange Act based on allegedly false or misleading statements and omissions with respect to, among other things, the Company's compliance with the FCPA, including the adequacy of the Company's internal controls. Plaintiffs seek compensatory damages and declaratory, injunctive, and other equitable relief. Defendants moved to dismiss the Second Amended Complaint on November 21, 2014. The parties reached an agreement on a settlement of this class action. The terms of settlement include releases by members of the class of claims against the

Company and the individual defendants and payment of \$62. Approximately \$60 of the settlement was paid by the Company's insurers and approximately \$2 was paid by the Company (which represented the remaining deductible under the Company's applicable insurance policy). On August 21, 2015, the court granted preliminary approval of the settlement, and on August 24, 2016, the court entered an order and judgment granting final approval of the settlement. There has been an appeal of the court's separate order relating to plaintiffs' attorneys' fees, dated August 25, 2016. However, no appeal was filed from the court's August 24, 2016 order and judgment approving the settlement and thus that judgment has now become final.

Between December 23, 2014 and March 12, 2015, two purported class actions were filed in the United States District Court for the Southern District of New York-Poovathur v. Avon Products, Inc., et al. (No. 14-CV-10083) and McCoy et al. v. Avon Products, Inc., et al. (No. 15-CV-01828) asserting claims under the Employee Retirement Income Security Act ("ERISA") against the Company, the Plan's administrator, benefits board and investment committee, and certain individuals alleged to have served as Plan fiduciaries. On April 8, 2015, the Court consolidated the two actions and recaptioned the consolidated case as *In re 2014 Avon Products, Inc. ERISA Litigation*, (No. 14-CV-10083). On May 8, 2015, plaintiffs filed a consolidated complaint, asserting claims for alleged breach of fiduciary duty and failure to monitor under ERISA on behalf of a purported class of participants in and beneficiaries of the Plan who invested in and/or held shares of the Avon Common Stock Fund between July 31, 2006 and May 1, 2014 and between December 14, 2011 and the present. Plaintiffs seek, *inter alia*, certain monetary relief, damages, and declaratory, injunctive and other equitable relief. On July 9, 2015, Defendants moved to dismiss the consolidated complaint. The parties reached an agreement on a settlement of this class action. The terms of settlement include releases by members of the class of claims against the Company and the individual defendants and payment of approximately \$6. Approximately \$5 of the settlement was paid by the Company's insurer and approximately \$1 was paid by the Company (which represented the remaining deductible under the Company's applicable insurance policy). On June 7, 2016, the court granted preliminary approval of the settlement and scheduled a hearing to consider final approval for October 11, 2016. On January 3, 2017, the Court issued a Final Approval Order approving the settlement.

Under some circumstances, any losses incurred in connection with adverse outcomes in the litigation matters described above could be material.

Brazilian Tax Matters

In 2002, our Brazilian subsidiary received an excise tax (IPI) assessment from the Brazilian tax authorities for alleged tax deficiencies during the years 1997-1998. In December 2012, additional assessments were received for the year 2008 with respect to excise tax (IPI) and taxes charged on gross receipts (PIS and COFINS). In the second quarter of 2014, the PIS and COFINS assessments were officially closed in favor of Avon Brazil. The 2002 and the 2012 IPI assessments assert that the establishment in 1995 of separate manufacturing and distribution companies in Brazil was done without a valid business purpose and that Avon Brazil did not observe minimum pricing rules to define the taxable basis of excise tax. The structure adopted in 1995 is comparable to that used by many other companies in Brazil. We believe that our Brazilian corporate structure is appropriate, both operationally and legally, and that the 2002 and 2012 IPI assessments are unfounded.

These matters are being vigorously contested. In January 2013, we filed a protest seeking a first administrative level review with respect to the 2012 IPI assessment. In July 2013, the 2012 IPI assessment was upheld at the first administrative level and we have appealed this decision to the second administrative level. The 2012 IPI assessment totals approximately \$331, including penalties and accrued interest. In October 2010, the 2002 IPI assessment was upheld at the first administrative level at an amount reduced to approximately \$28 from approximately \$68, including penalties and accrued interest. We appealed this decision to the second administrative level, which ruled in favor of Avon in March 2015 and canceled the 2002 IPI assessment. The Brazilian tax authorities' appeal to this favorable decision regarding the 2002 IPI assessment was decided in Avon's favor in February 2017. This favorable decision remains subject to further appeal by the Brazilian tax authorities.

In the event that the 2002 or 2012 IPI assessments are upheld, it may be necessary for us to provide security to pursue further appeals, which, depending on the circumstances, may result in a charge to earnings. It is not possible to reasonably estimate the likelihood or potential amount of assessments that may be issued for subsequent periods (tax years up through 2010 are closed by statute). However, other similar IPI assessments involving different periods (1998-2001) have been canceled and officially closed in our favor by the second administrative level. We believe that the likelihood that the 2002 IPI assessment will be upheld on any further appeal is remote and the likelihood that the 2012 IPI assessment will be upheld is reasonably possible. As stated above, we believe that the 2002 and 2012 IPI assessments are unfounded.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Brazil IPI Tax on Cosmetics

In May 2015, an Executive Decree on certain cosmetics went into effect in Brazil which increased the amount of IPI taxes that are to be remitted by Avon Brazil to the taxing authority on the sales of cosmetic products subject to IPI. Avon Brazil filed an objection to this IPI tax increase on the basis that it is not constitutional. In December 2016, Avon Brazil received a favorable decision from the Federal District Court regarding this objection. This decision has been appealed by the tax authorities.

From May 2015 through April 2016, Avon Brazil remitted the taxes associated with this IPI tax increase into a judicial deposit which would be remitted to the taxing authorities in the event that we are not successful in our objection to the tax increase. In May 2016, Avon Brazil received a favorable preliminary decision on its objection to the tax and was granted a preliminary injunction. As a result, beginning in May 2016, Avon Brazil is no longer required to remit the taxes associated with IPI into a judicial deposit. As the IPI tax increase remains in effect, Avon Brazil is continuing to recognize the IPI taxes associated with the May 2015 Executive Decree as a liability. At December 31, 2016, the liability to the taxing authorities for this IPI tax increase was approximately \$125 and was classified within other liabilities in the Consolidated Balance Sheets, and the judicial deposit was approximately \$69 and was classified within other assets in the Consolidated Balance Sheets. The net liability that does not have a corresponding judicial deposit was \$56 at December 31, 2016, and the accretion expense associated with this net liability will be recognized in other expense, net. Our cash flow from operations has benefited as compared to our earnings as we have recognized the expense and associated interest associated with this IPI tax in the Consolidated Statements of Operations; however, since May 2016, we have not made a corresponding cash payment into a judicial deposit.

An unfavorable ruling to our objection of this IPI tax increase would have an adverse effect on the consolidated cash flows as Avon Brazil would have to remit the liability owed to the taxing authorities. This amount would be partially offset by the amount of the judicial deposit held by Avon Brazil. We are not able to reliably predict the timing of the outcome of our objection to this tax increase.

Other Matters

Various other lawsuits and claims, arising in the ordinary course of business or related to businesses previously sold, are pending or threatened against Avon. In management's opinion, based on its review of the information available at this time, the total cost of resolving such other contingencies at December 31, 2016, is not expected to have a material adverse effect on the consolidated financial position, results of operations or cash flows.

NOTE 18. Goodwill

Q4 2015 Egypt Impairment Assessment

During the 2015 year-end close process, our analysis of the Egypt business indicated an impairment as the carrying value of the business exceeded the estimated fair value. This was primarily the result of reducing our long-term projections of the business. During 2015, Egypt performed generally in line with our revenue and earnings projections, which assumed growth as compared to 2014. However, as a result of currency restrictions for the payment of goods in Egypt, we lowered our long-term revenue and earnings projections for the business. Accordingly, a non-cash before tax impairment charge of \$6.9 (\$6.9 after tax) was recorded to reduce the carrying amount of goodwill. There is no amount remaining associated with goodwill for our Egypt reporting unit as a result of this impairment charge.

Key assumptions used in measuring the fair value of Egypt during the impairment assessment included projections of revenue and the resulting cash flows, as well as the discount rate (based on the estimated weighted-average cost of capital). To estimate the fair value of Egypt, we forecasted revenue and the resulting cash flows over five years using a DCF model which included a terminal value at the end of the projection period. We believed that a five-year period was a reasonable amount of time in order to return cash flows of Egypt to normalized, sustainable levels.

Goodwill

	Europe, Middle East & Africa	South Latin America	Asia Pacific	Total
Gross balance at December 31, 2015	\$27.7	\$68.9	\$ 85.0	\$181.6
Accumulated impairments	(6.9)	–	(82.4)	(89.3)
Net balance at December 31, 2015	\$20.8	\$68.9	\$ 2.6	\$ 92.3
Changes during the period ended December 31, 2016:				
Foreign exchange	(2.1)	3.4	–	1.3
Gross balance at December 31, 2016	\$25.6	\$72.3	\$ 85.0	\$182.9
Accumulated impairments	(6.9)	–	(82.4)	(89.3)
Net balance at December 31, 2016	\$18.7	\$72.3	\$ 2.6	\$ 93.6

NOTE 19. Supplemental Balance Sheet Information

At December 31, 2016 and 2015, prepaid expenses and other included the following:

	2016	2015
Prepaid expenses and other		
Prepaid taxes and tax refunds receivable	\$ 99.3	\$ 96.3
Prepaid brochure costs, paper and other literature	73.2	64.5
Receivables other than trade	68.3	69.6
Other	50.5	65.7
Prepaid expenses and other	\$ 291.3	\$ 296.1

At December 31, 2016 and 2015, other assets included the following:

	2016	2015
Other assets		
Deferred tax assets (Note 8)	\$162.1	\$172.8
Long-term receivables	156.9	128.8
Capitalized software (Note 1)	83.9	82.4
Judicial deposit for Brazil IPI tax on cosmetics (Note 17)	69.0	33.3
Pension plans (Note 12)	54.8	8.1
Grantor trust (Note 12)	35.2	33.4
Investment in New Avon (Note 3)	32.8	–
Tooling (plates and molds associated with our beauty products)	14.7	15.3
Other	12.3	15.9
Other assets	\$621.7	\$490.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20. Results of Operations by Quarter (Unaudited)

2016	First	Second	Third	Fourth	Year
Total revenue	\$1,306.5	\$1,434.3	\$1,408.8	\$1,568.1	\$ 5,717.7
Gross profit	787.7	869.3	857.9	945.8	3,460.7
Operating profit ⁽¹⁾	7.8	95.1	112.0	107.0	321.9
(Loss) income from continuing operations, before taxes ⁽²⁾	(158.1)	71.9	74.6	42.8	31.2
(Loss) income from continuing operations, net of tax ⁽³⁾	(155.8)	35.8	36.3	(9.7)	(93.4)
Loss from discontinued operations, net of tax	(9.6)	(2.6)	(.7)	(1.1)	(14.0)
Net (income) loss attributable to noncontrolling interests	(.5)	(.2)	.4	.1	(.2)
Net (loss) income attributable to Avon	\$ (165.9)	\$ 33.0	\$ 36.0	\$ (10.7)	\$ (107.6)
(Loss) earnings per common share from continuing operations					
Basic	\$ (.38)	\$.07	\$.07	\$ (.03)	\$ (.25) ⁽⁴⁾
Diluted	(.38)	.07	.07	(.03)	(.25) ⁽⁴⁾

2015	First	Second	Third	Fourth	Year
Total revenue	\$1,552.1	\$1,564.9	\$1,436.2	\$1,607.3	\$ 6,160.5
Gross profit	940.4	953.9	877.2	943.6	3,715.1
Operating (loss) profit ⁽¹⁾	(32.9)	89.7	45.3	62.9	165.0
(Loss) income from continuing operations, before taxes ⁽²⁾	(76.7)	61.2	31.0	7.2	22.7
(Loss) income from continuing operations, net of tax ⁽³⁾	(142.6)	28.9	(668.0)	(14.8)	(796.5)
(Loss) income from discontinued operations, net of tax	(3.8)	.8	(29.0)	(317.1)	(349.1)
Net income attributable to noncontrolling interests	(.9)	(.9)	—	(1.5)	(3.3)
Net (loss) income attributable to Avon	\$ (147.3)	\$ 28.8	\$ (697.0)	\$ (333.4)	\$ (1,148.9)
(Loss) earnings per common share from continuing operations					
Basic	\$ (.33)	\$.06	\$ (1.51)	\$ (.04)	\$ (1.81) ⁽⁴⁾
Diluted	(.33)	.06	(1.51)	(.04)	(1.81) ⁽⁴⁾

⁽¹⁾ Operating profit (loss) was impacted by the following:

2016	First	Second	Third	Fourth	Year
Costs to implement restructuring initiatives:					
Cost of sales	\$ —	\$.3	\$ —	\$.3	\$.6
Selling, general and administrative expenses	46.8	9.1	14.0	6.9	76.8
Total costs to implement restructuring initiatives	\$ 46.8	\$ 9.4	\$ 14.0	\$ 7.2	\$ 77.4
Legal settlement	\$ —	\$ —	\$(27.2)	\$ —	\$ (27.2)

2015	First	Second	Third	Fourth	Year
Costs to implement restructuring initiatives:					
Cost of sales	\$ —	\$ —	\$ —	\$ —	\$ —
Selling, general and administrative expenses	27.2	2.9	(1.9)	20.9	49.1
Total costs to implement restructuring initiatives	\$ 27.2	\$ 2.9	\$ (1.9)	\$ 20.9	\$ 49.1
Venezuelan special items	\$106.4	\$6.2	\$ 5.7	\$ 1.9	\$120.2
Pension settlement charge	\$ —	\$ —	\$ 6.2	\$ 1.1	\$ 7.3
Other items	\$ —	\$ —	\$ —	\$ 3.1	\$ 3.1
Asset impairment and other charges	\$ —	\$ —	\$ —	\$ 6.9	\$ 6.9

In addition to the items impacting operating profit (loss) above:

(2) (Loss) income from continuing operations, before taxes during 2016 was impacted by:

- the deconsolidation of our Venezuelan operations. As a result of the change to the cost method of accounting, in the first quarter of 2016 we recorded a loss of \$120.5 in other expense, net. The loss was comprised of \$39.2 in net assets of the Venezuelan business and \$81.3 in accumulated foreign currency translation adjustments within AOCI associated with foreign currency movements before Venezuela was accounted for as a highly inflationary economy;
- a gain on extinguishment of debt of \$3.9 before and after tax in the third quarter caused by the deferred gain associated with interest-rate swap agreement terminations, partially offset by the early tender premium paid, the deferred loss associated with treasury lock agreements, deal costs and the write-off of debt issuance costs and discounts associated with the cash tender offers in August 2016;
- a loss on extinguishment of debt of \$1.0 before and after tax in the fourth quarter caused by the premium paid for the repurchases, the write-off of debt issuance costs and discounts and the deferred loss associated with treasury lock agreements, partially offset by the deferred gain associated with interest-rate swap agreement terminations associated with the debt repurchases in October 2016;
- a loss on extinguishment of debt of \$2.9 before and after tax in the fourth quarter caused by the make-whole premium, the deferred loss associated with treasury lock agreements and the write-off of debt issuance costs and discounts and partially offset by the deferred gain associated with interest-rate swap agreement terminations associated with the prepayment of the remaining principal amount of the 4.20% Notes (as defined in Note 6, Debt and Other Financing) and 5.75% Notes (as defined in Note 6, Debt and Other Financing); and
- a gain on extinguishment of debt of \$1.1 before and after tax in the fourth quarter consisting of the discount received for the repurchases, partially offset by the write-off of debt issuance costs and discounts associated with the debt repurchases in December 2016.

(Loss) income from continuing operations, before taxes during 2015 was impacted by:

- an after-tax benefit of \$3.4 (benefit of \$4.2 in other expense, net, and a loss of \$.8 in income taxes) recorded in the first quarter, primarily reflecting the write-down of net monetary assets due to the change to the SIMADI rate;
- the gain on sale of Liz Earle of \$44.9 before tax (\$51.6 after tax), primarily recorded in the third quarter;
- a loss on extinguishment of debt of \$5.5 before and after tax in the third quarter caused by the make-whole premium and the write-off of debt issuance costs and discounts, associated with the prepayment of the 2.375% Notes (as defined in Note 6, Debt and Other Financing); and
- a charge of \$2.5 before and after tax in the second quarter of 2015 associated with the write-off of issuance costs related to our previous \$1 billion revolving credit facility.

(3) (Loss) income from continuing operations, net of tax during 2016 was impacted by a non-cash income tax charge for valuation allowances for deferred tax assets outside of the U.S. of \$8.6, which was recorded in the fourth quarter, the release of a valuation allowance associated with Russia of \$7.1 which was recorded in the second quarter, and an income tax benefit of \$29.3 recognized as the result of the implementation of foreign tax planning strategies which was recorded in the first quarter.

(Loss) income from continuing operations, net of tax during 2015 was impacted by an aggregate non-cash income tax charge of \$685.1. This was primarily due to additional valuation allowances for U.S. deferred tax assets of \$641.6 and \$31.3 which were recorded in the third and first quarters of 2015, respectively, partially offset by a partial release of a valuation allowance for deferred tax assets of \$3.2 which was recorded in the second quarter of 2015. The additional valuation allowances in the third and first quarters of 2015 was due to the continued strengthening of the U.S. dollar against currencies of some of our key markets and the impact on the benefits from our tax planning strategies associated with the realization of our deferred tax assets. The partial release of the valuation allowance in the second quarter of 2015 was due to the weakening of the U.S. dollar against currencies of some of our key markets. In addition, the non-cash income tax charge was due to valuation allowances for deferred tax assets outside of the U.S. of \$15.4, primarily in Russia, which was recorded in the third quarter of 2015, which was largely due to lower earnings, which were significantly impacted by foreign exchange losses on working capital balances. In addition, (loss) income from continuing operations, net of tax during 2015 was impacted by an income tax benefit of \$18.7, which was recorded in the fourth quarter of 2015, recognized as a result of the implementation of the initial stages of foreign tax planning strategies.

(4) The sum of per share amounts for the quarters does not necessarily equal that for the year because the computations were made independently.

See Note 15, Restructuring Initiatives, "Results Of Operations-Consolidated" within MD&A on pages 35 through 48, Note 13, Segment Information, "Venezuela Discussion" within MD&A on pages 42 through 43, Note 1, Description of the Business and Summary of Significant Accounting Policies, Note 12, Employee Benefit Plans, Note 18, Goodwill, Note 17, Contingencies, Note 6, Debt and Other Financing, Note 3, Discontinued Operations and Divestitures and Note 8, Income Taxes, for more information on these items.

AVON PRODUCTS, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
Years ended December 31, 2016, 2015 and 2014

(In millions) Description	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Costs and Expenses	Charged to Revenue		
2016					
Allowance for doubtful accounts receivable	\$ 77.6	\$ 190.5	\$ —	\$(145.2) ⁽¹⁾	\$ 122.9
Allowance for sales returns	9.1	—	186.9	(187.8) ⁽²⁾	8.2
Allowance for inventory obsolescence	71.3	36.5	—	(49.4) ⁽³⁾	58.4
Deferred tax asset valuation allowance	2,090.1	1,205.9 ⁽⁴⁾	—	—	3,296.0
2015					
Allowance for doubtful accounts receivable	\$ 93.7	\$ 144.1	\$ —	\$(160.2) ⁽¹⁾	\$ 77.6
Allowance for sales returns	13.2	—	190.8	(194.9) ⁽²⁾	9.1
Allowance for inventory obsolescence	98.9	45.4	—	(73.0) ⁽³⁾	71.3
Deferred tax asset valuation allowance	1,480.6	609.5 ⁽⁴⁾	—	—	2,090.1
2014					
Allowance for doubtful accounts receivable	\$ 118.4	\$ 171.1	\$ —	\$(195.8) ⁽¹⁾	\$ 93.7
Allowance for sales returns	14.5	—	240.9	(242.2) ⁽²⁾	13.2
Allowance for inventory obsolescence	113.9	78.4	—	(93.4) ⁽³⁾	98.9
Deferred tax asset valuation allowance	1,060.1	420.5 ⁽⁴⁾	—	—	1,480.6

⁽¹⁾ Accounts written off, net of recoveries and foreign currency translation adjustment.

⁽²⁾ Returned product destroyed and foreign currency translation adjustment.

⁽³⁾ Obsolete inventory destroyed and foreign currency translation adjustment.

⁽⁴⁾ Increase in valuation allowance primarily for deferred tax assets that are not more likely than not to be realized in the future.

BOARD OF DIRECTORS



Chan W. Galbato

Non-Executive Chairman
Avon Products, Inc.
Chief Executive Officer
Cerberus Operations and Advisory Company, LLC



W. Don Cornwell

Lead Independent Director
Avon Products, Inc.
Former Chairman and
Chief Executive Officer
Granite Broadcasting Corporation



Sheri McCoy

Chief Executive Officer
Avon Products, Inc.



Jose Armario

Former Corporate Executive
Vice President of Worldwide Supply Chain,
Development and Franchising
McDonald's Corporation



Nancy Killefer

Former Senior Partner
McKinsey & Company



Susan J. Kropf

Former President and
Chief Operating Officer
Avon Products, Inc.



Steven F. Mayer

Senior Managing Director,
Co-Head Global Private Equity &
Chairman of Investment Committee
Cerberus Capital Management, L.P.



Helen McCluskey

Former President and
Chief Executive Officer
The Warnaco Group



Charles H. Noski

Former Vice Chairman
Bank of America Corporation



Cathy D. Ross

Former Executive Vice President
and Chief Financial Officer
FedEx Express



Michael F. Sanford

Managing Director and Co-Head
North American Private Equity
Cerberus Capital Management, L.P.

CORPORATE INFORMATION

Avon Products, Inc.

Building 6, Chiswick Park
London, W4 5HR
United Kingdom
+44 1604 232425
www.avoncompany.com

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
300 Madison Avenue, New York, NY 10017

Institutional Investor Inquiries

Please call Gina Grant at 203-682-8200
or email avoninvestorrelations@icrinc.com

Individual Investor Inquiries

For questions regarding stock certificates or accounts,
or Avon's direct stock purchase plan, contact our
**Stock Transfer Agent and Registrar
at Computershare Investor Services**
250 Royall Street
Canton, MA 02021
(781) 575-2723
www.computershare.com

For other investor questions or document requests,
please visit our website at www.avoncompany.com;
email avoninvestorrelations@icrinc.com; or call 203-682-8200

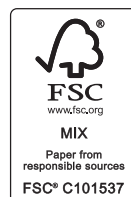
Form 10-K

The company's 2016 Annual Report (Form 10-K) can be
viewed on the Internet at www.avoninvestor.com

For information about becoming an Avon Representative or
purchasing Avon products, please visit www.avoncompany.com

Annual Report design by Avon Corporate Identity

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Beauty
for a
Purpose

AVON

LINDA CRAWLEY, et al
Plaintiffs

and

AVON CANADA INC., et al
Defendants

Court File No.: CV-19-00632937-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at **TORONTO**
Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF LINDA CRAWLEY
(Sworn December 4, 2020)

GOLDBLATT PARTNERS LLP
20 Dundas Street West, Suite 1039
Toronto, ON M5G 2C2
Fax: 416.591.7333

Charles Sinclair LSUC#: 43178A
Tel: 416.979.4234
Email: csinclair@goldblattpartners.com

Jody Brown LSUC#: 58844D
Tel: 416.979.4251
Email: jbrown@goldblattpartners.com

Joshua Mandryk LSUC#: 68823D
Tel: 416.979.6970
Email: jmandryk@goldblattpartners.com

Lawyers for the Plaintiffs

TAB 3

Court File No. CV-19-00632937-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N :

LINDA CRAWLEY AND JUDY BRADACS

Plaintiffs

- and -

AVON CANADA INC. AND NEW AVON LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**AFFIDAVIT OF JUDY BRADACS
(Sworn December 11, 2020)**

I, Judy Bradacs, of the Town of Martintown, in the Township of South Glen Garry,
MAKE OATH AND SAY:

1. I am one of the proposed representative plaintiffs in this action. I have direct knowledge of the matters to which I depose in this affidavit. Where the information in this affidavit is not based on my direct knowledge but is based upon information and belief from other sources, I have stated the source of that information and I believe that information to be true.

EMPLOYMENT HISTORY AND RETIREMENT

2. I worked for Avon Canada Inc. (Avon) from approximately 1980 until my retirement from Avon in 1999. I originally worked for Geni from about 1975 to 1980, I believe Geni was a division of Avon and my time with Geni was bridged to Avon.

- 2 -

3. For much of my career with Avon I worked in Ontario. I worked as an Avon District Manager in Ontario from approximately 1980-1985. From 1985-1990 I worked as a Division Manager in Ontario. In Approximately 1990, I was transferred to Avon's Montreal office to assume the role of Manager of Sales Support Head Office and continued in this role until I retired from Avon in 1999.

4. Similar to Linda Crawley and other retirees I am aware of, I received Post-Retirement Benefits from Avon in my retirement. The Post-Retirement Benefits consisted of a lifetime maximum of \$20,000 in extended medical coverage and a \$5,000 death benefit.

5. From my time working with Avon for over two decades I understood that I would receive the Post-Retirement Benefits when I retired, along with other retirees.

6. I have reviewed the affidavit of Linda Crawley, sworn December 4, 2020 and the documents attached to that affidavit regarding communications sent to retirees and active Avon employees regarding Post-Retirement Benefits. I recall seeing substantially the same communications when working in Ontario.

TERMINATION OF POST-RETIREMENT BENEFITS

7. I was advised by a form letter dated April 17, 2019 that the Post-Retirement Benefits would be cancelled effective January 1, 2020. After January 1, 2020 Avon stopped providing the Post-Retirement Benefits.

MY WILLINGNESS TO BE A REPRESENTATIVE PLAINTIFF

8. I dedicated over two decades to Avon. I still maintain contact with Avon retirees.

9. I am willing to represent the other retirees along with Linda Crawley, as I believe we all worked for and earned the Post-Retirement Benefits. Other retirees and I are aging and we relied on the Post-Retirement Benefits to provide medical coverage and to support our beneficiaries through the death benefit. I do not believe I have a conflict with the other potential members of the lawsuit.

- 3 -

10. I have retained Goldblatt Partners LLP to bring this lawsuit and I am relying on my lawyers to complete this class action. I am aware of the litigation plan in this matter, but I have relied entirely on my lawyers to draft it.

CLASS SIZE

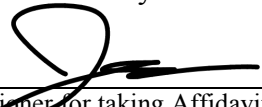
11. I do not have any information as to the likely class size, apart from the information provided by Linda Crawley.

12. I swear this affidavit in support of a motion for certification of this action as a class proceeding and for no other or improper purpose.

SWORN BEFORE ME remotely by Judy Bradacs stated as being located in the Province of Ontario, Town of Martintown, on December 11, 2020 in accordance with O. Reg. 431/20 Administering Oath or Declaration Remotely.



JUDY BRADACS



A Commissioner for taking Affidavits (or as may be)

Jody Brown LSUC#: 58844D

LINDA CRAWLEY, et al
Plaintiffs

and

AVON CANADA INC., et al
Defendants

Court File No.: CV-19-00632937-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at **TORONTO**
Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF JUDY BRADACS
(Sworn December 11, 2020)

GOLDBLATT PARTNERS LLP
20 Dundas Street West, Suite 1039
Toronto, ON M5G 2C2
Fax: 416.591.7333

Charles Sinclair LSUC#: 43178A
Tel: 416.979.4234
Email: csinclair@goldblattpartners.com

Jody Brown LSUC#: 58844D
Tel: 416.979.4251
Email: jbrown@goldblattpartners.com

Joshua Mandryk LSUC#: 68823D
Tel: 416.979.6970
Email: jmandryk@goldblattpartners.com

Lawyers for the Plaintiffs

TAB 4

Court File No. CV-19-00632937-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N :

LINDA CRAWLEY AND JUDY BRADACS

Plaintiffs

- and -

AVON CANADA INC. AND NEW AVON LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF TANYA ATHERFOLD-DESILVA

Sworn December 15, 2020

I, Tanya Atherfold-Desilva of the City of Brampton, in the Province of Ontario, **MAKE OATH AND SAY:**

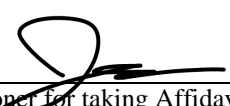
1. I am a law clerk with the law firm Goldblatt Partners LLP (“GP”), counsel for the Plaintiffs, Linda Crawley and Judy Bradacs, and as such have knowledge of the matters to which I hereinafter depose. Where the information in this affidavit is not based on my direct knowledge, but is based upon information and belief from other sources, I have stated the source of that information and I believe that information to be true.

1. Attached as **Exhibit “A”** is a copy of the Statement of Claim.
2. Attached as **Exhibit “B”** is a copy of the Litigation Plan prepared by class counsel.

- 2 -

SWORN BEFORE ME remotely by
Tanya Atherfold-Desilva stated as being
located in the Province of Ontario, City of
Brampton, on December 15 , 2020 in
accordance with O. Reg. 431/20
Administering Oath or Declaration
Remotely.




TANYA ATHERFOLD-DESILVA

A Commissioner for taking Affidavits (*or as may be*)

Jody Brown LSUC: #58844D

This is Exhibit "A" referred to in the Affidavit of Tanya Atherfold-Desilva affirmed before me, this 15th day of December, 2020.



A Commissioner for taking affidavits, etc.



Electronically issued
Délivré par voie électronique : 16-Dec-2019
Toronto

Court File No

**ONTARIO
SUPERIOR COURT OF JUSTICE**

LINDA CRAWLEY AND JUDY BRADACS

Plaintiffs

- and -

AVON CANADA INC. AND NEW AVON LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*, S.O. 1992, C.6

STATEMENT OF CLAIM

TO THE DEFENDANT

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the plaintiff. The claim made against you is set out in the following pages.

IF YOU WISH TO DEFEND THIS PROCEEDING, you or an Ontario lawyer acting for you must prepare a statement of defence in Form 18A prescribed by the *Rules of Civil Procedure*, serve it on the plaintiff's lawyer or, where the plaintiff does not have a lawyer, serve it on the plaintiff, and file it, with proof of service, in this court office, WITHIN TWENTY DAYS after this statement of claim is served on you, if you are served in Ontario.

If you are served in another province or territory of Canada or in the United States of America, the period for serving and filing your statement of defence is forty days. If you are served outside Canada and the United States of America, the period is sixty days.

Instead of serving and filing a statement of defence, you may serve and file a notice of intent to defend in Form 18B prescribed by the *Rules of Civil Procedure*. This will entitle you to ten more days within which to serve and file your statement of defence.

IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

IF YOU PAY THE PLAINTIFF'S CLAIM, and \$15,000.00 for costs, within the time for serving and filing your statement of defence, you may move to have this proceeding dismissed by the court. If you believe the amount claimed for costs is excessive, you may pay the plaintiffs' claim and \$400.00 for costs and have the costs assessed by the court.

TAKE NOTICE: THIS ACTION WILL AUTOMATICALLY BE DISMISSED if it has not been set down for trial or terminated by any means within five years after the action was commenced unless otherwise ordered by the court.

Date: December , 2019

Issued by _____
Local registrar

Address of 393 University Avenue, 10th
court office Floor, Toronto, ON M5G 1E6

TO: New Avon LLC
1 Liberty Plaza, 165 Broadway New York, NY
10006, United States

AND TO: Avon Canada Inc.
5500 Rte Transcanadienne
Pointe Claire, QC
H9R 1B6

CLAIM

1. The plaintiffs claim:

- (a) an order certifying this action as a class proceeding and appointing the plaintiffs as the representatives of the class;
- (b) a declaration that each member of the class is entitled, to receive from the defendants, post-retirement benefits as defined below, without reduction and/or elimination, and a mandatory order directing that the defendants provide the class members with the post-retirement benefits without reduction or elimination;
- (c) damages of \$80,000,000.00 for breach of contract, or in the alternative, for breach of fiduciary duty, negligent misrepresentation, and / or unjust enrichment in an amount to be determined at trial or on a reference or references;
- (d) punitive damages in the amount of \$5,000,000.00
- (e) pre-judgment and post-judgment interest;
- (f) the costs of this action on a substantial indemnity basis;
- (g) the costs of administering the plan of distribution of the recovery in this action;
and
- (h) such further and other relief as may be required and as this honourable court deems to be just.

THE PARTIES

(a) Linda Crawley

2. Linda Crawley (“Crawley”) lives in Quebec and was a loyal employee of Avon Canada Inc. (“Avon Canada”). Crawley retired from Avon Canada in 2015 in her fortieth year of service and dedicated virtually her entire working life to Avon Canada.

3. Crawley started working in Avon Canada’s shipping department as a Typist/clerical worker in 1975, it was her first job out of college and she was 17 years old. In Approximately 1976 or 1977 she worked as a Stenographer/Secretary in the Service Section of the Representative Service Department. In 1977, she left Avon Canada for several months, but was then rehired into the Representative Service Department in the Autumn of 1977. In the mid-1980s She became an Executive Administrative Assistant to the Director in the Branch Operations/Customer Service Division and was also performing investigations for the Legal Department of Avon Canada concurrently since the mid-1990s. Crawley formally became the Executive Administrative Assistant to the Director of the Avon Legal Department in approximately 2011. Crawley worked in the Legal Department until she retired in 2015.

4. Upon retirement, Crawley was provided post-retirement benefits in accordance with the repeated representations made to her and the class throughout their careers. The post-retirement benefits were provided as deferred compensation for loyal employment. As a retiree, the post-retirement benefits are a valuable component of her retirement plan and retirement security.

(b) Judy Bradacs

5. Judy Bradacs (“Bradacs”) retired in 1999, she was a loyal employee for 23 years.
6. Bradacs resides in Ontario and spent the majority of her career working in Ontario for Avon Canada, starting with Geni from 1975-1979, which was eventually bought by Avon. Bradacs worked as an Avon District Manager in Ontario from approximately 1980-1985. From 1985-1990 she worked as a Division Manager in Ontario. In Approximately 1990, she was transferred to Avon Canada’s Montreal office to assume the role of Manager of Sales Support Head Office. Bradacs officially retired in 1999.
7. Bradacs contributed her best years of employment to Avon Canada, on the explicit representation from Avon Canada that it would take care of loyal employees once they retired. Upon retirement, she was provided post-retirement benefits in accordance with the repeated representations made to her and the class throughout their careers. The post-retirement benefits were provided to her as deferred compensation for her loyal employment. As a retiree, the post-retirement benefits are a valuable component of her retirement plan and retirement security.

(c) Avon

8. The Avon brand was founded in 1914, eventually becoming Avon Products Inc., a multinational and multibillion dollar company with subsidiaries across the globe. For decades, the Avon brand, Avon Products Inc. and Avon Canada were a dominant force in cosmetic sales in North America and globally, Avon built itself into a multibillion dollar company due to the loyal and dedicated service of its employees.

9. The Avon brand began to experience a decline in 2012. In 2013, Avon Products Inc. closed its branch in France. In 2018, Avon Products Inc. closed branches in Australia and New Zealand. Despite a decline, Avon remains one of the most well-known beauty products brands in North America.

10. Avon Canada Inc. is a federal corporation with its registered office in Pointe-Claire, Quebec. Avon Canada Inc. was a direct subsidiary of Avon Products Inc.

11. On March 1, 2016, Avon Products Inc. separated its North American business into a privately held company, New Avon LLC (New Avon), which was majority owned and operated by Cerberus Capital Management, L.P. ("Cerberus"). Avon Products Inc. Maintained a 19.9% share in New Avon LLC. In August 2019, LG Household & Health Care, Ltd. purchased the interests which Avon Products Inc. and Cerberus held in respect of New Avon.

12. Pursuant to agreements between Avon Products Inc. and Cerberus, Avon Products Inc. transferred assets and liabilities to New Avon, including (i) assets primarily related to the North American operations (including approximately \$100 million of cash), (ii) assumed pension and post-retirement liabilities of the North American business, (iii) the employees of the North American business. In exchange, Avon Products Inc. received a 19.9% ownership interest of New Avon.

13. Avon Products Inc. transferred approximately \$60.4 million of post-retirement liabilities to New Avon, namely, retiree medical and supplemental pension liabilities in respect of employees and former employees in the North American operations.

14. Avon Canada was, at all material times, the employer of every member of group (a) of the proposed plaintiff class described below. Avon Canada and Avon Products Inc. were independently, or jointly, responsible for the administration of the post-retirement benefits on behalf of all members of the class. Some or all of Avon Canada's and Avon Products Inc. legal obligations in respect of the post-retirement benefits owed to the class were transferred to New Avon. At the time the liabilities were transferred to New Avon, it was represented the liabilities had actual value.

15. Avon Canada Inc. and New Avon (collectively "Avon") are jointly and severally liable to pay the class the post-retirement benefits, or any damages which may arise from cessation of the post-retirement benefits. The defendants have agreements of indemnification and contribution as between them in regards to the cessation of post-retirement benefits. The specific terms of the agreements are only known to the defendants.

POST-RETIREMENT BENEFITS

16. The post-retirement benefits consist of a death benefit payable to the class member's designated beneficiary and extended medical benefits subject only to a \$20,000 lifetime maximum.

THE CLASS

17. The plaintiffs bring this action on their own behalf and on behalf of the following class of persons:

“(a) all retirees of Avon Canada Inc. who were alive as of December 16, 2017;

and

(b) all surviving spouses and dependent children of the persons described in

(a)” (the "class" or "class members").

CONTRACTUAL ENTITLEMENT TO POST-RETIREMENT BENEFITS

18. Avon Canada entered into contracts of employment with each of the class members described in group (a) above.

19. Avon Canada agreed that in exchange for, and as deferred compensation for, the labour and services provided by each of the class members in group (a), it would pay for or otherwise provide all of the class members in group (a) with post-retirement benefits, including coverage for dental, orthodontic, hearing and vision care; comprehensive medical, long-term and chronic care; semi-private hospital accommodation; prescription drugs; out-of-province medical, paramedical and prosthetic expenses; death benefit (collectively, the “post-retirement benefits”).

20. Avon Canada agreed to provide post-retirement benefits to the class members in group (b) as deferred compensation for the labour and services provided by the individuals in group

(a). Furthermore, it was contemplated by the parties to the contract, that the class members in group (b) would be entitled to, and would be the beneficiaries of the post-retirement benefits.

21. The post-retirement benefits, which Avon Canada agreed to pay or otherwise provide to class members, are described in standard format benefits policies, benefits statements, benefits summaries, benefits booklets, letters, notices, and other written documents provided to or made available to class members by Avon Canada or by agents or employees of Avon Canada. Such written documents purported to be, and were in fact, binding on the class members.

22. Further, Avon Canada and its agents made written promises by way of standard-form letters to class members described in group (a), on or after their retirement, with respect to the basic group life insurance benefits, confirming and committing to the continued provision of a certain amount of such benefits to class members for the remainder of their lives.

23. The post-retirement benefits vested irrevocably as work and labour was being performed by class members in group (a), and Avon could not lawfully reduce or eliminate such benefits or such pro-rata portion of benefits after they were earned. In the alternative, the post-retirement benefits vested after 15 years or on the retirement of the class members described in (a), and Avon could not lawfully thereafter reduce or eliminate such benefits thereafter.

24. All improvements to post-retirement benefits made after retirement also vested as they were provided and Avon could not lawfully thereafter reduce or eliminate such benefits.

REDUCTION OR ELIMINATION OF POST-RETIREMENT BENEFITS

25. In April 2019, Avon Canada announced the post-retirement benefits would be eliminated entirely, effective January 1, 2020. Avon Canada advised that the termination was in accordance with the directions of New Avon.

26. Avon gave no prior notice of the intended termination.

BREACH OF CONTRACT

27. Avon is in the process of eliminating the post-retirement benefits and has confirmed it will proceed with its stated intention to cease providing all benefits effective January 1, 2020.

28. In retroactively and unilaterally purporting to modify the consideration previously earned by class members in group (a), and now due and accruing, Avon has breached and is continuing to breach its contracts with the class members.

29. Furthermore, it was a term of the contracts that Avon would act in good faith, which term Avon breached by reducing or eliminating the post-retirement benefits, having regard exclusively to its own interests, and contrary to the interests of class members.

UNJUST ENRICHMENT – *QUANTUM MERIT*

30. In the alternative, if Avon is not contractually obliged to provide the post-retirement benefits as set out above, the class members are entitled to recover the value of such benefits on a *quantum meruit* basis.

31. The defendants received the value of the class members' work and labour on the basis of its written representations described in paragraph 21 and 22 above, that class members would receive the post-retirement benefits.

32. The work performed by the class members in group (a) gave rise to benefits enjoyed by Avon for which the class members suffered corresponding deprivations.

33. Class members are therefore entitled to recover the value of the unreduced post-retirement benefits, by reason of Avon's acquiescence in the receipt of work and labour on the basis that the post-retirement benefits would be paid.

BREACH OF FIDUCIARY DUTY

34. In the further alternative, Avon owed fiduciary duties to the class members by virtue of being the employer, benefits sponsor and/or benefits administrator, or a combination thereof, and thus being in a position of power, trust and confidence in relation to the class members.

35. Avon was in a position to and did exercise its power and discretion unilaterally in a manner that could and did affect the legal and financial interests of the class members, as set out above.

36. As retirees, the class members were not in a position to negotiate with Avon and were in a position of peculiar vulnerability in relation to its control over their post-retirement benefits.

37. Avon breached its fiduciary duty by reducing or eliminating the post-retirement benefits, having regard exclusively to its own interests, and having no regard to the interests of the class members.

NEGLIGENT MISREPRESENTATION

38. In the further alternative, Avon knew, or reasonably ought to have known, that class members would rely on representations made by Avon and others on its behalf concerning post-retirement benefits. Avon owed class members a duty of care based on the special relationship between Avon and the class members, which existed by virtue of Avon's status as the employer, benefits sponsor, and/or benefits administrator.

39. Avon and others acting on its behalf made written promises by way of standard-form letters to class members described in group (a) with respect to the death benefit and medical benefits, confirming such benefits would be provided subject only to a "lifetime maximum".

40. If Avon had the right to modify or terminate the post-retirement benefits, then the written representations to class members in group (a) were untrue, inaccurate and/or misleading, and were made negligently. Class members in group (a) reasonably relied on such representations to their detriment, including by not purchasing or maintaining alternate medical insurance or life insurance.

EFFECT OF THE DEFENDANTS' ACTIONS

41. As a result of Avon's breaches of contract and tortious and unlawful conduct as set out above, the class members have and will continue to sustain damages, including but not limited to losses equal to the value of the lost post-retirement benefits, as measured by the total savings achieved by Avon in effecting the reductions and eliminations to the post-retirement benefits.

42. Avon's actions have had a serious impact on the class members. Many of the class members live on modest fixed incomes, and they are particularly vulnerable as a result of their advanced age, susceptibility to health problems, and limited capacity to assume increased financial burdens or to seek additional employment income.

43. As a result of Avon's unilateral and unlawful conduct, the class members have been and will be compelled to forego the post-retirement benefits to which they are entitled, or to pay increased amounts of their fixed incomes, where possible, to attempt to replace the reduced or eliminated post-retirement benefits.

44. In particular, class members have been and will be compelled to pay additional costs for the post-retirement benefits to which they are entitled, in the form of premiums, fees, co-payments, and increased deductibles, or will be forced to forego the benefits and their attendant value.

45. Class members failed to purchase alternate or additional benefits when such were available, or were available at a lower cost. Class members have suffered damages accordingly.

A CLASS PROCEEDING IS APPROPRIATE

46. The class members, as individuals, cannot match the resources of Avon. The individual claims of each class member would not be economical to pursue individually. The class members would be denied access to justice in the absence of a class proceeding.

47. It is unlikely that an individual could or would seek prospective relief to deter future misconduct by Avon with respect to post-retirement benefits. Moreover, Avon is sufficiently large and well-resourced that an individual lawsuit would be unlikely to have any significant impact on its behaviour. This class proceeding will either produce a voluntary change in the behaviour of Avon or result in a court order which will compel a change in its behaviour. The alternative to this class proceeding is a multiplicity of proceedings where similar factual and legal issues would be raised. This would be inefficient and could result in inconsistent findings and would be a waste of judicial resources.

48. The Plaintiffs propose that this action be tried at Toronto.

Decemeber 16, 2019

GOLDBLATT PARTNERS LLP

Barristers & Solicitors
20 Dundas St. West, Suite 1039
Toronto, ON
M5G 2C2

Charles Sinclair LSUC#: 43178A

Tel: 416-979-4234 / Fax: 416-591-7333
Email: csinclair@goldblattpartners.com

Jody Brown LSUC #: 58844D

Tel: 416-979-4251 / Fax: 416-591-7333
Email: jbrown@goldblattpartners.com

Lawyers for the Plaintiffs

LINDA CRAWLEY, et al.
Plaintiffs

AVON CANADA INC. , et al.
Defendants

-and-

Court File No.: [»](#)

ONTARIO

SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

STATEMENT OF CLAIM

GOLDBLATT PARTNERS LLP
20 Dundas Street W., Suite 1039
Toronto ON M5G 2C2

Charles Sinclair LSUC#: 43178A
Tel: 416-979-4234 / Fax: 416-591-7333
Email: csinclair@goldblattpartners.com

Jody Brown LSUC#: 58844D
Tel: 416-979-4251 / Fax: 416-591-7333
Email: jbrown@goldblattpartners.com

Lawyers for the Plaintiffs

This is Exhibit "B" referred to in the Affidavit of Tanya Atherfold-Desilva affirmed before me, this 15th day of December, 2020.

A handwritten signature in black ink, consisting of a large loop followed by a horizontal stroke and a small flourish.

A Commissioner for taking affidavits, etc.

LITIGATION PLAN

Part 1: Overview

Class Counsel

1. Pursuant to section 5(1)(e)(ii) of the *Class Proceedings Act, 1992*, SO 1992, c 6 (the “CPA”), the purpose of this litigation plan is to set out the Representative Plaintiffs’ proposed methodology for advancing this class proceeding from certification through a determination of any residual individual issues. This plan is subject to revision as required by this action and discovery of the Defendants.
2. The Representative Plaintiffs have retained the law firm Goldblatt Partners LLP (“GP” or “Class Counsel”) to act on their behalf and on behalf of the Class in this action.
3. Class Counsel has the expertise and experience necessary to advance this litigation on behalf of the Class as well as the financial resources necessary to fund the disbursements and other costs that may be incurred in the course of this proceeding.

Class Definition & Class Size

4. As of the date of this litigation plan, the proposed Class Definition is as follows:
 - (a) all retirees of Avon Canada Inc. who were alive as of December 16, 2017; and
 - (b) all surviving spouses and dependent children of the persons described in (a) (the “class” or “class members”)
5. The current best estimate from the Representative Plaintiffs is that there are approximately 600-700 retirees who fit within the proposed Class Definition. It may be necessary to adjust the Class Definition depending on the evidence that emerges through the certification process in the event groups of retirees did not receive the Post-Retirement Benefits as defined in the Statement of Claim.

Communications with Class Members

6. Court ordered notices will be published as set out below.
7. Current information on the status of this action is or will be posted on Class Counsel’s website at <https://goldblattpartners.com/experience/class-action-cases/post/crawley-v-avon-canada-inc/>. The website will be updated regularly and will include copies of court orders, notifications and other information relating to the action.
8. Class Counsel has established a database of all individuals who have contacted GP so that periodic updates can be provided to Class Members via e-mail as to the progress of the

action where appropriate.

9. Class Counsel has prosecuted a number of class proceedings, including for post-retirement benefits and employment law generally, consisting of many thousands of class members. Class Counsel will apply that experience to the within proceeding.

Part 2: Notice of Certification – Section 17 of the CPA & Court Ordered Notices

10. The following proposal (the “Notice Program”) applies to the notice of certification under section 17 of the CPA. Throughout the course of this proceeding, additional notices under sections 19 or 20 of the CPA may be required.
11. The Representative Plaintiffs propose that the Notice of Certification be distributed in accordance with the following Notice Program:
 - a. the Representative Plaintiffs posting the Notice on Class Counsel’s website;
 - b. the Representative Plaintiffs emailing the Notice to all individuals who have registered through Class Counsel’s website;
 - c. the Defendants or a third-party administrator mailing the Notice to all Class Members at their last known addresses using the data available from the historical administration of the Post-Retirement Benefits cross-referenced to current information available for the administration of ongoing pension payments; and
 - d. the Notice at (c) above being distributed through e-mail or cell phone contact information as available.

Opting-Out

12. The Representative Plaintiffs propose that the Class Members be given 90 days from the date of the first distribution of the Notice to opt-out of this proceeding. Class Members can deliver a written notice of an intention to opt-out to Class Counsel by mail or email.

Part 3: Common Issues

13. The Representative Plaintiffs propose common issues as attached to the Notice of Motion.

Part 4: Determination of the Common Issues – Pleadings & Discovery

Pleadings

14. If the certification motion is successful, pleadings should close after the certification motion is finally disposed of.

Discovery

15. Class Counsel will work with counsel for the Defendants to develop a reasonable and proportional Discovery Plan for the determination of the Common Issues. Discovery will

consist of correspondence and communications to Class Members regarding the Post-Retirement Benefits, including categories of documents, such as benefit booklets, benefit pamphlets, benefit letters and similar employee communications.

16. If Counsel are unable to agree on a Discovery Plan, the Representative Plaintiffs will ask that one be imposed by the Class Action Case Management Judge.
17. The determination of the common issues in this action will be dealt with in accordance with the *Rules of Civil Procedure*, RRO 1990, Reg 194 (the “*Rules*”), and will proceed through the close of pleadings, documentary discovery, examinations for discovery and the Representative Plaintiffs intend to move for summary judgment or toward trial as necessary.

Affidavits of Documents

18. If the parties cannot agree between themselves, the Representative Plaintiffs will ask the Court to fix a date for the delivery of affidavits of documents and the production of documents. Production will be in electronic form.

Examinations for Discovery

19. If the parties cannot agree between themselves, the Representative Plaintiffs will ask the court to fix dates for the examinations for discovery. The Representative Plaintiffs may seek an order from the Class Action Management Judge extending the permitted length of examinations under the *Rules*.

Experts

20. The Representative Plaintiffs anticipate calling the following types of experts at the summary judgement motion or common issues trial where necessary:
 - a. Actuarial expert to calculate and provide an opinion on the damages value of the Post-Retirement Benefit in the event the benefits are not reinstated

Part 5: Determination of the Common Issues – Trial & Possible Motion for Summary Judgment

21. The Representative Plaintiffs may consider a motion under Rule 20 for summary judgment on all of the common issues. Class Counsel has experience in bringing motions for summary judgment in employment and post-retirement benefits class actions. Class Counsel would seek an agreement from the Defendants for a joint book of documents consisting of the benefits communications or tender the benefit documents prior to or after discovery.

Part 6: Aggregate Assessment of Damages

22. Pursuant to section 24 of the *CPA*, the Common Issues Trial Judge or Motions Judge may ultimately determine whether any aggregate award of damages may be made. It will be

possible to determine the quantum of liability to the Class based on the evidence available from the Defendants or other records held by the administrator of the Post-Retirement Benefits. The death benefit is a fixed value that will only be dependant on the size of the Class. An actuarial analysis of the extended medical benefits will provide the necessary value for those benefits, in the event those benefits are not reinstated.

23. The Plaintiffs will primarily seek a reinstatement of the Post-Retirement Benefits. In the event the Post-Retirement Benefits are reinstated, an aggregate assessment would only be required for the time period from the date of loss to the date of reinstatement. This would include an aggregate assessment of the death benefit and a potential individual assessment process for expenses incurred by the Class for extended medical benefits which otherwise would have been covered by the Post-Retirement Benefits.
24. Given the nature of this action, it will possible to determine the quantum of damages for some or all of the Class Members on an aggregate basis under section 24 of the *CPA*.
25. If the Common Issues Trial Judge or Motions Judge determines that it is not appropriate to assess an aggregate award of damages, a stream-lined process for the determination of individual damages regarding the extended medical benefits and death benefit will be established.

Distribution of Aggregate Damage Award

26. In the event that the Post-Retirement Benefits are not reinstated and damages are awarded, the distribution will seek to mirror the value of benefits lost. Each Class Member would receive the value of the death benefit plus the actuarial value of the extended medical coverage, less fees and approved expenses.
27. For a class proceeding of this nature, an administrator should be appointed by the Court to oversee any plan of distribution. In the event not all Class Members claimed, a claims administrator could distribute the excess to Class Members on a *pro rata* basis according to each Class Member's entitlement as a percentage of the total of all Class Members' entitlements.
28. The foregoing is only meant to serve as a guide. A distribution mechanism will be informed by the nature of the case on its merits and is a matter for the Common Issues Trial Judge or Motions Judge to consider. The parties may also agree to certain aspects of a plan of distribution.

Part 7: Determination of Non-Common & Residual Individual Issues

29. Following a determination of the common issues at trial (or summary judgment), it may be necessary to establish procedures to resolve any non-common issues (that is, issues applicable to groups of Class Members) and residual individual issues, which may include, but are not limited to, the entitlement of an individual Class Member to a damage award and the quantum of that award or limitations defences.
30. In order to resolve residual individual issues, the Representative Plaintiffs may request that

the Common Issues Trial Judge or Motions Judge appoint, as per section 25(1)(b) of the *CPA*, one or more Referees to conduct a reference under the *Rules* and report back to the Court in order to resolve any individual issues. In the event the procedure at paragraph 31 is required as a result of reinstatement, the Plaintiffs would additionally seek the Defendants consent under 25(1)(c) to appoint an independent assessor(s). The assessor(s) would be appointed to consider medical expense claims, the assessor(s) could include the previous administrator of the Post-Retirement Benefits, as consent permitted.

31. At such a reference, the Representative Plaintiffs propose that the rules of court applicable to small claims or simplified procedure apply, depending on the quantum of damages at issue. In the event that Benefits are reinstated, a process will be established for Class Members to prove their expenses incurred for extended medical coverage payments between the date of loss and date of reinstatement, or for Class Members in (b) of the class definition to establish a loss to a death benefit.
32. In any event, the Common Issues Trial Judge or Motions Judge will be in the best position to determine the most efficient and cost-effective manner to resolve any residual individual issues. The foregoing proposal is meant only to serve as a guide.

Part 8: Funding

33. All legal fees are to be paid on a contingency basis, as provided for by the *CPA*.
34. The Representative Plaintiffs are making an application for funding to the Class Proceedings Fund.

LINDA CRAWLEY, et al
Plaintiffs

and

AVON CANADA INC., et al
Defendants

Court File No.: CV-19-00632937-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at **TORONTO**
Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF TANYA ATHRFOLD-DESILVA
(Sworn , 2020)

GOLDBLATT PARTNERS LLP
20 Dundas Street West, Suite 1039
Toronto, ON M5G 2C2
Fax: 416.591.7333

Charles Sinclair LSUC#: 43178A
Tel: 416.979.4234
Email: csinclair@goldblattpartners.com

Jody Brown LSUC#: 58844D
Tel: 416.979.4251
Email: jbrown@goldblattpartners.com

Joshua Mandryk LSUC#: 68823D
Tel: 416.979.6970
Email: jmandryk@goldblattpartners.com

Lawyers for the Plaintiffs

LINDA CRAWLEY, et al.
Plaintiffs

AVON CANADA INC. at al.
Defendants

Court File No.: CV-19-00632937-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

Proceeding under the *Class Proceeding Act, 1992*

**MOTION RECORD OF THE
PLAINTIFF
(CERTIFICATION)**

Goldblatt Partners LLP

20 Dundas Street West, Suite 1100
Toronto ON M5G 2G8

Charles Sinclair

Tel: 416-979-4234

csinclair@goldblattpartners.com

Jody Brown LS# 58844D

Tel: 416-979-4251

jbrown@goldblattpartners.com

Melanie Anderson LS#79238J

Tel: 416-979-4386

manderson@goldblattpartners.com

Lawyers for the Plaintiffs