

ESTEE LAUDER COMPANIES INC  
Form DEF 14A  
September 24, 2015

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

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

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- Definitive Proxy Statement
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**THE ESTÉE LAUDER COMPANIES INC.**

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(Name of Registrant as Specified In Its Charter)

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The Estée Lauder Companies Inc.  
767 Fifth Avenue  
New York, New York 10153

William P. Lauder  
Executive Chairman

September 24, 2015

Dear Fellow Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders. It will be held in New York City on Thursday, November 12, 2015, at 10:00 a.m., local time, at the JW Marriott Essex House New York, where we will ask you to vote on the items set forth in the Notice of Annual Meeting of Stockholders below.

Please vote your shares using the Internet or telephone, or by requesting a printed copy of the proxy materials and completing and returning by mail the proxy card you will receive in response to your request. Instructions on each of these voting methods are outlined in the enclosed Proxy Statement. Please vote as soon as possible.

I look forward to seeing you at the Annual Meeting.

**YOUR VOTE IS IMPORTANT. PLEASE PROMPTLY SUBMIT YOUR PROXY  
BY INTERNET, TELEPHONE, OR MAIL.**

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**THE ESTÉE LAUDER COMPANIES INC.**  
**767 Fifth Avenue**  
**New York, New York 10153**  
**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**Date and Time:**

Thursday, November 12, 2015, at 10:00 a.m., local time

**Place:**

JW Marriott Essex House New York  
Grand Salon  
160 Central Park South  
New York, New York

**Items of Business:**

1. To elect the five Class I director nominees as directors to serve until the 2018 Annual Meeting of Stockholders;
2. To ratify the Audit Committee's appointment of KPMG LLP as independent auditors for the 2016 fiscal year;
3. To provide an advisory vote to approve executive compensation;
4. To approve the Company's Amended and Restated Fiscal 2002 Share Incentive Plan; and
5. To approve the Company's Amended and Restated Non-Employee Director Share Incentive Plan.

We also will transact such other business as may properly come before the meeting and any adjournments or postponements of the meeting.

By Order of the Board of Directors

SPENCER G. SMUL  
*Senior Vice President,  
Deputy General Counsel  
and Secretary*

New York, New York  
September 24, 2015

**THE BOARD OF DIRECTORS URGES YOU TO VOTE BY INTERNET OR BY TELEPHONE OR BY REQUESTING A PRINTED COPY OF THE PROXY MATERIALS AND COMPLETING AND RETURNING BY MAIL THE PROXY CARD YOU WILL RECEIVE IN RESPONSE TO YOUR REQUEST.**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2015 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON NOVEMBER 12, 2015: The Company's Proxy Statement for the 2015 Annual Meeting of Stockholders and the Annual Report to Stockholders for the fiscal year ended June 30, 2015, are available at [www.envisionreports.com/EL](http://www.envisionreports.com/EL).**

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This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement before voting.

***2015 Annual Meeting of Stockholders***

Date and Time: November 12, 2015 at 10:00 a.m.

Place: JW Marriott Essex House New York  
Grand Salon  
160 Central Park South  
New York, New York

Record Date: September 14, 2015

***Voting Matters***

<b>Items of Business</b>	<b>Board Recommendation</b>	<b>Proxy Statement Disclosure</b>
1. Election of Class I Directors	<b>FOR</b> each director nominee	Page 9
2. Ratification of Appointment of KPMG LLP as Independent Auditors	<b>FOR</b>	Page 84
3. Advisory Vote to Approve Executive Compensation	<b>FOR</b>	Page 86
4. Approval of the Company's Amended and Restated Fiscal 2002 Share Incentive Plan	<b>FOR</b>	Page 88
5. Approval of the Company's Amended and Restated Non-Employee Director Share Incentive Plan	<b>FOR</b>	Page 101

***Director Nominees***

The following table provides information about the Class I Director Nominees standing for election to serve until the 2018 Annual Meeting of Stockholders. Information about all the Directors can be found in this Proxy Statement beginning on page 9.

<b>Nominee</b>	<b>Current Position</b>	<b>Committee Membership</b>
Rose Marie Bravo	Retail and Marketing Consultant	Compensation Committee Stock Plan Subcommittee
Paul J. Fribourg	Chairman and Chief Executive Officer of Continental Grain Company	Audit Committee Compensation Committee Stock Plan Subcommittee
Melody Hobson	President of Ariel Investments, LLC	Audit Committee
Irvine O. Hockaday, Jr.	Former President and Chief Executive Officer of Hallmark Cards, Inc.	Audit Committee
Barry S. Sternlicht	Chairman and Chief Executive Officer of Starwood Capital Group	Nominating and Board Affairs Committee

Table of Contents*Executive Compensation Highlights*

As noted in the "Compensation Discussion and Analysis" below, during fiscal 2015, we continued to successfully execute our long-term strategy. We achieved approximately \$11 billion in net sales, 14.9% in operating margin (15.9% as adjusted), and over \$1.9 billion in cash flow from operations. Our performance, as highlighted in the table below, was fueled by multiple engines of growth in all regions. We delivered these results despite considerable macroeconomic headwinds and challenges, thanks to the ongoing determination and collective talents and efforts of our executive officers, other members of management, and all of our employees.

<b>Financial Metric</b>	<b>Fiscal 2015</b>	<b>Change over Prior Year</b>	<b>3-Year Compound Annual Growth Rate (or Basis Point Improvement)</b>	<b>5-Year Compound Annual Growth Rate (or Basis Point Improvement)</b>
Net Sales	\$10.8 billion	1.7%	3.5%	6.7%
<i>Net Sales as adjusted<sup>(1)</sup></i>	<i>\$11.0 billion</i>	<i>1.6%</i>	<i>4.1%</i>	<i>7.0%</i>
<i>Net Sales as adjusted at constant currency<sup>(1)</sup></i>	<i>\$11.5 billion</i>	<i>6.4%</i>	<i>N/A</i>	<i>N/A</i>
Operating Margin	14.9%	180bp	+140bp	+480bp
<i>Operating Margin as adjusted<sup>(1)</sup></i>	<i>15.9%</i>	<i>20bp</i>	<i>+170bp</i>	<i>+470bp</i>
Diluted EPS	\$2.82	7.8%	9.4%	18.8%
<i>Diluted EPS as adjusted<sup>(1)</sup></i>	<i>\$3.05</i>	<i>3.4%</i>	<i>10.3%</i>	<i>17.3%</i>
Return on Invested Capital <sup>(2)</sup>	21.5%	330bp	250bp	+300bp
Cash Flow from Operations	\$1.9 billion	26.6%	19.9%	15.2%
Total Stockholder Return ("TSR")	18.1%		18.6%	27.1%
<i>TSR S&amp;P 500 Composite</i>	<i>7.4%</i>		<i>17.3%</i>	<i>17.1%</i>

(1) Periods other than fiscal 2015 have been adjusted to exclude returns and charges (adjustments) associated with restructuring activities. Each of fiscal 2015 and 2014 has been adjusted for charges to remeasure net monetary assets in Venezuela and for the accelerated sales orders in fiscal 2014 in connection with the Company's July 2014 implementation of its Strategic Modernization Initiative ("SMI"). Fiscal 2010 has been adjusted to exclude debt extinguishment charges. Net Sales as adjusted in constant currency excludes the negative impact (\$0.5 billion) of foreign currency translation. See Appendix A for reconciliation and other information about these non-GAAP financial measures.

(2) Excludes returns and charges (adjustments) associated with restructuring activities in each period, where applicable.

In fiscal 2015, we also raised the common stock dividend 20%, repurchased 12.4 million shares for \$983 million, and used \$473 million of cash flow from operations for capital expenditures. In addition, we strengthened and diversified our portfolio with the acquisition of four uniquely positioned brands. Over the five-year period ended June 30, 2015, the total market value of the Company increased by 195% or approximately \$21.5 billion.

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The following summarizes certain executive compensation decisions that affected compensation in, or relating to, fiscal 2015:

The Compensation Committee authorized increases in compensation for fiscal 2015 for the President and Chief Executive Officer and certain other Named Executive Officers ("NEOs"), in recognition of strong and sustained individual and Company performance. On average, fiscal 2015 target compensation for the NEOs increased approximately 5%.

Mr. Freda's base salary was increased to \$1.8 million, his bonus opportunity was increased to \$4.5 million, and his equity target was increased to \$7.5 million, resulting in target direct annual compensation of \$13.8 million for fiscal 2015, an increase of 10.4% from fiscal 2014.

Our NEOs achieved fiscal 2015 payout percentages under the Executive Annual Incentive Plan ranging from 107.3% to 119% out of a possible maximum of 150% of target bonus opportunities.

The stock-based compensation awarded to our NEOs in fiscal 2015 was based on target grant levels and an assessment of each officer's performance and his or her expected future contributions.

As a result of the strong performance over the three-year period ended June 30, 2015, the PSUs granted to our executive officers resulted in an aggregate payout of 110.5% of target.

In August 2015, the Stock Plan Subcommittee approved the payout for the first tranche of the PSU granted to Mr. Freda in September 2012. The Company's total stockholder return during the performance period relative to that of the S&P 500 Companies was at the 52.8<sup>th</sup> percentile. Accordingly, Mr. Freda received 42,549 shares under this incentive award. Target payout was set at the 60<sup>th</sup> percentile, a rigorous objective.

For more complete information about our executive compensation philosophy and approach, please see additional information below in "Executive Compensation" including "Compensation Discussion and Analysis."

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**THE ESTÉE LAUDER COMPANIES INC.**  
**767 Fifth Avenue**  
**New York, New York 10153**

**PROXY STATEMENT**  
**FOR ANNUAL MEETING OF STOCKHOLDERS**  
**TO BE HELD NOVEMBER 12, 2015**

September 24, 2015

**Annual Meeting and Voting**

This Proxy Statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of The Estée Lauder Companies Inc. (the "Company," "we," or "us"), a Delaware corporation, to be voted at the Annual Meeting of Stockholders to be held in the Grand Salon at the JW Marriott Essex House New York, 160 Central Park South, New York, New York, on Thursday, November 12, 2015, at 10:00 a.m., local time, and at any adjournment or postponement of the meeting. The approximate date on which this Proxy Statement and form of proxy are first being sent or given to stockholders, or being made available through the Internet for those stockholders receiving their proxy materials electronically, is September 30, 2015.

**Admission to the Meeting will require a ticket.**

If you are a stockholder of record and plan to attend, please check the appropriate box on the proxy card, or so indicate when you vote by telephone or Internet, and an admission ticket will be mailed to you. Please bring photo identification if you attend the meeting. If you are a stockholder whose shares are held through an intermediary, such as a bank or broker, and you plan to attend, please request an admission ticket by writing to the Investor Relations Department at The Estée Lauder Companies Inc., 767 Fifth Avenue, New York, New York 10153. Evidence of your ownership of shares of our Common Stock on September 14, 2015 (the "Record Date"), which you can obtain from your bank, broker, or other intermediary, must accompany your letter.

**Who May Vote?**

Only stockholders of record of shares of Class A Common Stock or Class B Common Stock at the close of business on the Record Date are entitled to vote at the Annual Meeting and at any adjournment or postponement of the meeting. Each owner of record of Class A Common Stock on the Record Date is entitled to one vote for each share of Class A Common Stock. Each owner of record of Class B Common Stock on the Record Date is entitled to ten votes for each share of Class B Common Stock. On the Record Date, there were 224,014,142 shares of Class A Common Stock and 146,658,737 shares of Class B Common Stock issued and outstanding.

**Why did I receive a notice in the mail regarding the Internet availability of the proxy materials instead of a paper copy of the proxy materials?**

In accordance with rules adopted by the Securities and Exchange Commission (the "SEC"), we have elected to furnish to our stockholders this Proxy Statement and our Fiscal 2015 Annual Report by providing access to these documents on the Internet rather than mailing printed copies. Accordingly, a Notice of Internet Availability of Proxy Materials (the "Notice") is being mailed to our stockholders of record and beneficial owners (other than those who previously requested printed copies or electronic delivery of our proxy materials), which will direct stockholders to a website where they can access our proxy materials and view instructions on how to vote online or by telephone. If you would prefer to receive a paper copy of our proxy materials, please follow the instructions included in the Notice.

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**How do I cast my vote if I am a stockholder of record?**

If you are a stockholder of record (which means your shares are registered directly in your name with the Company's transfer agent, Computershare, Inc., or you have a physical stock certificate), you can vote your shares in one of two ways: either by proxy or in person at the Annual Meeting. If you choose to vote by proxy, you may do so by using the Internet or the telephone, or by requesting a printed copy of our proxy materials and completing and returning by mail the proxy card you will receive in response to your request.

Whichever method you use, each valid proxy received in time will be voted at the Annual Meeting in accordance with your instructions. To ensure that your proxy is voted, it should be received before November 12, 2015. If you submit a proxy without giving instructions, your shares will be voted as recommended by the Board of Directors.

**How do I cast my vote if my shares are held in "street name"?**

If you are a beneficial owner of shares held in a stock brokerage account or by a bank or other nominee (i.e. in "street name"), you are invited to attend the Annual Meeting. However, since you are not a stockholder of record, you may not vote these shares in person at the Annual Meeting unless you bring with you a legal proxy from the stockholder of record. A legal proxy may be obtained from your broker, bank, or nominee.

If you do not wish to vote in person or you will not be attending the Annual Meeting, you may vote over the Internet by following the instructions provided in the Notice, or, if you requested to receive printed proxy materials, you will receive voting instructions from your broker, bank, or nominee describing the available processes for voting your stock.

If your shares are held for you by a broker, your broker must vote those shares in accordance with your instructions. If you do not give voting instructions to your broker, your broker may vote your shares for you on any discretionary items of business to be voted upon at the Annual Meeting, i.e. the ratification of the appointment of KPMG LLP (Item 2).

**Important Consideration for "street name" holders:** You must instruct your broker if you want your shares to be counted in the election of directors at the Annual Meeting (Item 1), the advisory vote to approve executive compensation (Item 3), the approval of the Company's Amended and Restated Fiscal 2002 Share Incentive Plan (Item 4), and the approval of the Company's Amended and Restated Non-Employee Director Share Incentive Plan (Item 5). New York Stock Exchange ("NYSE") rules prevent your broker from voting your shares on these matters without your instructions. Please follow the instructions provided by your broker so that your vote can be counted.

**May I change my vote?**

All proxies delivered pursuant to this solicitation are revocable at any time before they are exercised at the option of the persons submitting them by giving written notice to the Secretary of the Company at the mailing address set forth below, by submitting a later-dated proxy (either by mail, telephone, or Internet), or by voting in person at the Annual Meeting. The mailing address of our principal executive offices is 767 Fifth Avenue, New York, New York 10153.

**What constitutes a quorum?**

The holders of a majority of the votes entitled to be cast by the stockholders entitled to vote generally, present in person or by proxy, shall constitute a quorum for the transaction of business at the

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Annual Meeting. Abstentions, broker non-votes, and votes withheld are included in the count to determine a quorum.

**What if a quorum is not represented at the Annual Meeting?**

In the event that a quorum does not exist, the Executive Chairman or the holders of a majority of the votes entitled to be cast by the stockholders who are present in person or by proxy may adjourn the meeting. At a subsequent meeting at which a quorum is present, any business may be transacted that might have been transacted at the meeting as originally called.

**How many votes are required to approve a proposal?**

The following table notes for each proposal: (i) the vote required of Class A Common Stock and Class B Common Stock (voting together) for approval; (ii) whether abstentions count as votes cast; and (iii) whether broker discretionary voting is allowed.

<b>Proposal</b>	<b>Vote required</b>	<b>Do abstentions count as votes cast?</b>	<b>Is broker discretionary voting allowed?</b>
Item 1: Election of Class I Directors	Plurality of Votes Cast*	Not Applicable	No
Item 2: Ratify approval of KPMG LLP's appointment	Majority of Votes Cast	No	Yes
Item 3: Advisory vote to approve Executive Compensation	Majority of Votes Cast**	No	No
Item 4: Approval of the Company's Amended and Restated Fiscal 2002 Share Incentive Plan	Majority of Votes Cast	Yes	No
Item 5: Approval of the Company's Amended and Restated Non-Employee Director Share Incentive Plan	Majority of Votes Cast	Yes	No

\*  
In the election of directors (Item 1), shares present at the Annual Meeting that are not voted for a particular nominee, broker non-votes, and shares present by proxy where the stockholder withholds authority to vote for the nominee will not be counted toward the nominee's achievement of a plurality.

\*\*  
The advisory vote to approve executive compensation (Item 3) is not binding on the Company. However, the Compensation Committee and the Stock Plan Subcommittee, which are responsible for designing and administering the Company's executive compensation program, value the opinions expressed by stockholders. See "Compensation Discussion and Analysis Advisory Vote on Executive Compensation" below.

When a matter requires stockholder approval under NYSE rules (Items 4 and 5), it must be approved by a majority of votes cast, with abstentions treated as votes cast.

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Broker non-votes do not count as votes cast, and therefore have no effect on vote outcomes. Abstentions count as votes cast only in matters that require stockholder approval under NYSE rules; for these items, an abstention has the practical effect of a vote against a proposal. For all other matters, abstentions do not count as votes cast, and therefore do not affect the vote outcome.

**How will my shares be voted?**

All proxies properly submitted pursuant to this solicitation and not revoked will be voted at the Annual Meeting in accordance with the directions given. In the election of directors (Item 1), stockholders may vote in favor of, or withhold their votes from, each nominee. For the ratification of the appointment of KPMG LLP (Item 2); the advisory vote to approve executive compensation (Item 3); the approval of the Company's Amended and Restated Fiscal 2002 Share Incentive Plan (Item 4); and the approval of the Company's Amended and Restated Non-Employee Director Share Incentive Plan (Item 5), stockholders may vote in favor of the proposal, may vote against th