August 2, 2012

Mrs. Sherilyn McCoy
Chief Executive Officer, Avon Products, Inc.
1345 Avenue of the Americas
New York, NY 10105-0196

To The Board of Avon Products:

I am writing as a principal of Cove Street Capital, a Los Angeles-based investment firm. Cove Street is a new holder of Avon shares despite our concerns about the company's recent history of questionable corporate governance.

I was holding out sending this letter until the company reported its second quarter results and we would have the opportunity to hear Mrs. McCoy's assessment of the state of the company during her first real chance to address shareholders. Frankly speaking, I was dismayed by the lack of detail and direction, and my gut sense is that this is simply the latest failure of Avon's corporate governance. Within that context, I would like to make the following points:

1. I do not understand how the Board can consider it proper or practical corporate governance to continue to keep Andrea Jung as Chairperson of the company. It is difficult to understand how the Board is not holding her directly responsible for the state of the company's current affairs given her long tenure—there is no other direction in which to point the finger. In my 28 years in the investment business and as a student of corporate governance and leadership, I find it hard to come up with a single successful example of a large company bringing in a new CEO and at the same time retaining the prior CEO as Chairperson. In fact, in the majority of successful management transition cases the outgoing CEO has the proper sense to get out of the way. Even under the best case scenario, the current state of affairs is a terrible disservice to Mrs. McCoy and sets a terrible precedent when developing the proper cadence of necessary change at Avon. It also seems intuitive that a settlement in regard to FCPA would be more likely and/or more favorable to Avon with Mrs. Jung out of the picture.

2. We are quite disappointed that Mrs. McCoy, after one hundred days as CEO, does not yet have enough of a grasp of Avon's business to specifically articulate at least a specific date when she will lay out specific operating goals for Avon. One hundred days is a perfectly decent grace period given that I have seen any number of new CEOs articulate these goals or at least define a time period when they would be announced. It is incumbent upon Mrs. McCoy to publically state what the long-term margin and return goals are for Avon and to tie her management team to these stated goals by creating a proper incentive compensation structure. It is also incumbent upon the Board to set public goals for Mrs. McCoy and hold her to these goals. It cannot possibly be the

case that the Avon board and management team are running blind and thus these goals should be in the public domain in order for the owners of Avon shares to evaluate progress.

3. Accordingly, it is entirely unacceptable for Ms. McCoy to present absolutely nothing in this regard during her first real appearance before shareholders and in our opinion the Board of Directors is equally complicit. At minimum, the correct posture should have been to announce a Fall 2012 date for full investor meeting, leaving plenty of time for the Board and Mrs. McCoy to craft the right message and strategy. Instead, today's conference call defined banality and was a textbook example of articulating "goals" without any definition or offering an implementable strategy to get there. This entire Board should buy and read Richard Rumelt's new book, *Good Strategy Bad Strategy: The Difference and Why It Matters*, and consider itself lucky it was published before he had a chance to analyze Avon.

4. I am fully aware of the yawning differential between those who sit at desks and demand "action" based upon seemingly obvious paper goals and the reality of moving people and large organizations in a new direction. That said, I do not understand what appears to be the slow cadence of change at Avon. There are things that can be done right now such as making the obvious dividend cut—without tiptoeing around the issue—and announcing a strategic review of the US business and other potentially non-core assets. It is almost unimaginable that Avon's management and Board can virtually ignore the importance of pace and change in a turnaround, especially considering how people-focused and complex Avon is. This is both a practical and a "tone" issue, and it pertains to both the implementation of internal strategies as well as external communication.

5. Given that this Board turned down the proverbial "bird in the hand" of the Coty bid, it has an additional responsibility to articulate a long-term strategy with specific targets to demonstrate to its owners that the present value of their operating plan is greater than what Coty offered. This is what makes what was said—and not said—on today's call even more frustrating and unacceptable to its shareholders.

Avon has an old and venerable brand in an old and venerable business; this new management team does not have to turn around a technology business with an uncertain business model. There are a number of successful direct selling and cosmetic companies for Avon to compare itself to. As such, if this Board cannot articulate long-term goals and specific strategies to get there, it has a fiduciary and a practical responsibility to let someone else try.

Sincerely,

Jeffrey Bronchick, CFA
Chief Investment Officer