

ESTEE LAUDER COMPANIES INC
Form DEF 14A
September 28, 2017

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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

Check the appropriate box:

- Preliminary Proxy Statement
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- Definitive Proxy Statement
- Definitive Additional Materials
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THE ESTÉE LAUDER COMPANIES INC.

(Name of Registrant as Specified in Its Charter)

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

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

William P. Lauder
Executive Chairman

September 28, 2017

Dear Fellow Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders. It will be held in New York City on Tuesday, November 14, 2017, 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 receive in response to your request. Instructions on each of these voting methods are outlined in this Proxy Statement. Please vote as soon as possible.

Thank you for your continued support.

**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:

Tuesday, November 14, 2017 at 10:00 a.m., local time

Place:

JW Marriott Essex House New York
Grand Salon
160 Central Park South
New York, New York 10019

Items of Business:

1. To elect the five Class III director nominees as directors to serve until the 2020 Annual Meeting of Stockholders;
2. To ratify the Audit Committee's appointment of KPMG LLP as independent auditors for the 2018 fiscal year;
3. To provide an advisory vote to approve executive compensation; and
4. To provide an advisory vote on the frequency of the advisory vote on executive compensation.

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 28, 2017

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 RECEIVE IN RESPONSE TO YOUR REQUEST.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2017 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON NOVEMBER 14, 2017: The Company's Proxy Statement for the 2017 Annual Meeting of Stockholders and the Annual Report to Stockholders for the fiscal year ended June 30, 2017 are available at www.envisionreports.com/EL.

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PROXY STATEMENT SUMMARY

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

2017 Annual Meeting of Stockholders

Date and Time: Tuesday, November 14, 2017 at 10:00 a.m.

Place: JW Marriott Essex House New York
Grand Salon
160 Central Park South
New York, New York 10019

Record Date: September 15, 2017

Voting Matters

Items of Business	Board Recommendation	Proxy Statement Disclosure
1. Election of Class III Directors	FOR each director nominee	Page 8
2. Ratification of Appointment of KPMG LLP as Independent Auditors	FOR	Page 82
3. Advisory Vote to Approve Executive Compensation	FOR	Page 84
4. Advisory Vote on the Frequency of the Advisory Vote on Executive Compensation	ONE YEAR	Page 85

Director Nominees

The following table provides information about the Class III Director Nominees standing for election to serve until the 2020 Annual Meeting of Stockholders. Information about all the Directors can be found in this Proxy Statement beginning on page 8.

Nominee	Current Position	Committee Membership
Charlene Barshefsky	Senior International Partner, WilmerHale	Nominating and Board Affairs Committee
Wei Sun Christianson	Managing Director and Co-Chief Executive Officer of Asia Pacific and Chief Executive Officer of China, Morgan Stanley	Nominating and Board Affairs Committee
Fabrizio Freda	President and Chief Executive Officer, The Estée Lauder Companies Inc.	None
Jane Lauder	Global Brand President, Clinique	None
Leonard A. Lauder	Chairman Emeritus, The Estée Lauder Companies Inc.	None

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As explained in the "Compensation Discussion and Analysis," we drive our annual and long-term performance through our executive compensation programs. Annual incentive pay is tied to business objectives that are specific to each individual's responsibilities and encourage collaboration across the organization. Long-term equity incentives are tied to both the Company's share price and financial goals over a period of three or more years. This combination of compensation elements is intended to support and promote strong, balanced, and sustainable corporate performance.

Our fiscal 2017 results reflect our success in pivoting our business to the fastest-growing areas of prestige beauty to align with consumers' changing shopping preferences. With our leading brands, quality innovations, and the acquisitions of Too Faced and BECCA, we attracted new consumers globally. Our business accelerated in our online direct-to-consumer and retailer e-commerce sites, as well as in the travel retail and specialty-multi channels. In addition, we built momentum in key geographies, like China and Italy, aided by enhanced digital and social media communications, and we began to further improve our organizational efficiency and effectiveness through our Leading Beauty Forward initiative. Importantly, we delivered this performance in the face of external global volatility.

Financial Measure	Fiscal 2017	Change over Prior Year	3-Year Compound Annual Growth Rate (or Basis Point Improvement)	5-Year Compound Annual Growth Rate (or Basis Point Improvement)
Net Sales	\$11.8 billion	5%	2.5%	4.0%
<i>Net Sales as adjusted⁽¹⁾</i>	<i>\$11.8 billion</i>	5%	3.1%	4.0%
<i>Net Sales as adjusted in constant currency⁽¹⁾</i>	<i>\$12.0 billion</i>	7%	N/A	N/A
Operating Margin	14.3%		240bp	+80bp
<i>Operating Margin as adjusted⁽¹⁾</i>	<i>15.9%</i>	<i>+30bp</i>	<i>20bp</i>	<i>+170bp</i>
Diluted EPS	\$3.35	13%	3.1%	9.2%
<i>Diluted EPS as adjusted⁽¹⁾</i>	<i>\$3.47</i>	8%	5.6%	8.9%
<i>Diluted EPS as adjusted in constant currency⁽¹⁾</i>	<i>\$3.59</i>	<i>11%</i>	<i>N/A</i>	<i>N/A</i>
<i>Return on Invested Capital⁽²⁾</i>	<i>18.9%</i>	<i>350bp</i>	<i>590bp</i>	<i>510bp</i>
Cash Flow from Operations	\$1.8 billion	1%	5.5%	9.8%
Total Stockholder Return ("TSR")	7.1%		10.4%	13.7%
<i>TSR S&P 500 Composite</i>	<i>17.9%</i>		<i>9.6%</i>	<i>14.6%</i>

(1)

All periods have been adjusted to exclude returns and charges associated with restructuring and other activities. Fiscal 2017 has also been adjusted to exclude goodwill and other intangible asset impairments and, for Diluted EPS as adjusted, to exclude the China deferred tax asset valuation allowance reversal. Fiscal 2017 and fiscal 2016 have also been adjusted to exclude the impact of changes in the fair value of contingent consideration. Fiscal 2014 has also been adjusted for a charge to remeasure net monetary assets in Venezuela and for the impact of the accelerated orders associated with the Company's July 2014 implementation of its Strategic Modernization Initiative. Fiscal 2017 Net Sales as adjusted in constant currency excludes the \$187 million negative impact of foreign currency translation. Fiscal 2017 Diluted EPS as adjusted in constant currency excludes the \$0.12 impact of foreign currency translation. See Appendix A for reconciliation and other information about these non-GAAP financial measures.

(2)

Excludes returns and charges associated with restructuring and other activities and the impact of changes in the fair value of contingent consideration in each period, where applicable. Fiscal 2017 also excludes goodwill and other intangible asset impairments. The lower ROIC in fiscal 2017 as compared with prior periods was primarily attributable to the impact of our fiscal 2017

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acquisitions, higher levels of reported cash and short- and long-term investments from earnings generated by our international operations, and the unfavorable impact of foreign currencies. See Appendix A for information about this non-GAAP financial measure.

In fiscal 2017, we increased the common stock dividend 13%, repurchased 4.7 million shares for \$413 million, and used \$504 million of cash flow from operations for capital expenditures. Over the five-year period ended June 30, 2017, the total market value of the Company increased by 68% or approximately \$14.3 billion.

Executive Compensation Highlights

The following summarizes key executive compensation decisions that affected compensation in, or relating to, fiscal 2017:

The Compensation Committee authorized increases in annual compensation for fiscal 2017 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 2017 annual target compensation for the NEOs increased less than 5%.

The annual stock-based compensation awarded to our NEOs in fiscal 2017 was based on target grant levels and an assessment of each officer's performance and expected future contributions. The current equity mix is weighted equally among performance share units ("PSUs"), stock options, and restricted stock units ("RSUs").

The base salary for Fabrizio Freda, our President and Chief Executive Officer, remained at \$1.9 million, his bonus opportunity remained at \$4.7 million, and his equity target was increased to \$8.5 million, resulting in target total annual compensation of \$15.1 million for fiscal 2017, an increase of 4% from fiscal 2016. No additional equity grants were made to Mr. Freda in fiscal 2017, which accounts for the significant year-over-year declines shown for "Stock Awards" and "Total" in the "Summary Compensation Table."

In August 2017, the Stock Plan Subcommittee approved the payout for the third (final) tranche of the PSU granted to Mr. Freda in September 2012 that was based on Total Stockholder Return ("TSR"). Target payout was set at the 60th percentile, a rigorous objective. The Company's TSR during the performance period relative to that of the S&P 500 Companies was at the 46th percentile. Accordingly, Mr. Freda received 30,267 shares under this incentive award.

Based on the Company's performance over the three-year period ended June 30, 2017, the PSUs granted to our executive officers in September 2014 resulted in an aggregate payout of 81.3% of target.

Our NEOs achieved fiscal 2017 payout percentages under the Executive Annual Incentive Plan ranging from 110% to 131% out of a possible maximum of 150% of target bonus opportunities.

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 14, 2017**

September 28, 2017

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, 10019 on Tuesday, November 14, 2017, 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 provided to stockholders, or being made available through the Internet for those stockholders receiving their proxy materials electronically, is September 28, 2017.

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, as well as your admission ticket, 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 15, 2017 (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. As of August 31, 2017, there were 225,115,277 shares of Class A Common Stock and 143,419,528 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 of the Securities and Exchange Commission (the "SEC"), we have elected to furnish to our stockholders this Proxy Statement and our Fiscal 2017 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 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 14, 2017. 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 or otherwise 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 shares.

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), and the advisory vote on the frequency of the advisory vote on executive compensation (Item 4). 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 Annual Meeting. Abstentions, broker non-votes, and votes withheld are included in the count to determine a quorum.

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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 whether or not a quorum is present. 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.

Proposal	Vote required	Do abstentions count as votes cast?	Is broker discretionary voting allowed?
Item 1: Election of Class III 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: Advisory vote on the frequency of the advisory vote on Executive Compensation	Majority of Votes Cast***	No	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."

The advisory vote on the frequency of the advisory vote on executive compensation (Item 4) is not binding on the Company. If none of the choices on the frequency vote receives a majority of the votes cast, the choice that receives the most number of votes will be considered to be the result of this advisory vote.

Abstentions and broker non-votes do not count as votes cast, and therefore have no effect on vote outcomes.

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

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the appointment of KPMG LLP (Item 2) and the advisory vote to approve executive compensation (Item 3), stockholders may vote in favor of the proposal, may vote against the proposal, or may abstain from voting. For the advisory vote on the frequency of the advisory vote on executive compensation (Item 4), stockholders may vote for one year, two years, three years, or may abstain from voting. Stockholders should specify their choices on the proxy card or pursuant to the instructions thereon for telephone or Internet voting. If no specific choices are indicated, the shares represented by a properly submitted proxy will be voted:

1. FOR the election of each nominee as director;
2. FOR the ratification of the appointment of KPMG LLP as independent auditors;
3. FOR the advisory resolution to approve executive compensation; and
4. FOR ONE YEAR on the frequency of the advisory vote on executive compensation.

If you have returned your signed and completed proxy card, and other matters are properly presented at the Annual Meeting for consideration, the proxy holders appointed by the Board of Directors (the persons named in your proxy card if you are a stockholder of record) will have the discretion to vote on those matters for you.

Who will count the vote?

Representatives of Computershare, Inc. will tabulate the votes and act as inspectors of election.

May I see a list of stockholders entitled to vote as of the Record Date?

A list of registered stockholders as of the close of business on the Record Date will be available for examination by any stockholder for any purpose germane to the Annual Meeting. This list will be available during such meeting and during normal business hours from October 31, 2017 through November 13, 2017, at the office of Spencer G. Smul, Senior Vice President, Deputy General Counsel and Secretary of the Company, at 767 Fifth Avenue, New York, New York 10153.

Can I access the Notice of Annual Meeting, Proxy Statement, Annual Report, and Form 10-K on the Internet?

Our Proxy Statement (including Notice of Annual Meeting) and Fiscal 2017 Annual Report to Stockholders are available at www.envisionreports.com/EL.

These proxy materials are also available, along with the Annual Report on Form 10-K for the fiscal year ended June 30, 2017, in the "Investors" section of our website at www.elcompanies.com. Instead of receiving future copies of our Proxy Statement (including Notice of Annual Meeting) and Annual Report by mail, stockholders can access these materials online. Opting to receive your proxy materials online will save us the cost of producing and mailing documents to you; you will be provided with an electronic link to the proxy voting site. Stockholders of record can enroll at www.computershare.com/investor for online access to future proxy materials.

If you hold your shares in a bank or brokerage account, you also may have the opportunity to receive copies of these documents electronically. Please check the information provided in the proxy materials mailed to you by your bank or broker regarding the availability of this service.

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ELECTION OF DIRECTORS
(Item 1)

Board of Directors

Currently, the Board of Directors is comprised of fifteen directors. The directors are divided into three classes, each serving for a period of three years.

The stockholders elect one class of the members of the Board of Directors annually. The directors whose terms will expire at the 2017 Annual Meeting of Stockholders are Charlene Barshefsky, Wei Sun Christianson, Fabrizio Freda, Jane Lauder, and Leonard A. Lauder, each of whom has been nominated to stand for re-election as a director at the 2017 Annual Meeting, to hold office until the 2020 Annual Meeting and until his or her successor is elected and qualified. In the unanticipated event that one or more of these nominees is unable or declines to serve for any reason, the Board may reduce the number of directors or take action to fill any vacancy.

Director Qualifications. Our Board is comprised of individuals with diverse and complementary business experience, leadership experience, and financial expertise. Many of our directors have leadership experience at major domestic and multinational companies, as well as experience on the boards of other companies and organizations, which provide an understanding of different business processes, challenges, and strategies. Other directors have government, legal, public policy, or media experience that provides insight into issues faced by public companies. The members of the Board are inquisitive and collaborative, challenging yet supportive, and demonstrate maturity and sound judgment in performing their duties.

In addition to their own attributes, skills, and experience, and their significant personal investments in the Company, Lauder Family Members (including related entities) who control the Company have agreed to vote their shares in favor of four individuals as directors – Jane Lauder, Leonard A. Lauder, Ronald S. Lauder and William P. Lauder. The term "Lauder Family Members" is defined below (see "Certain Relationships and Related Transactions – Lauder Family Relationships and Compensation").

The Board believes that the above-mentioned attributes, along with the leadership skills and other experience of its Board members, some of which are described in the biographies below, provide the appropriate perspectives and judgment to guide the Company's long-term strategy, monitor progress, and oversee management.

The Company does not have a specific policy on diversity of the Board. Instead, the Board evaluates nominees in the context of the Board as a whole, with the objective of recommending a group that can best support the success of the business and, based on the group's diversity of experience, represent stockholder interests through the exercise of sound judgment. Such diversity of experience may be enhanced by a mix of different professional and personal backgrounds and experiences. The Company is proud to have a board that is highly diverse, including with respect to gender and race.

The Board recommends a vote FOR each nominee as a director to hold office until the 2020 Annual Meeting. Proxies received by the Board will be so voted unless a contrary choice is specified in the proxy.

NOMINEES FOR ELECTION TO TERM EXPIRING 2020 (CLASS III)

CHARLENE BARSHEFSKY

Director since 2001

Age 67

Committee: Nominating and Board Affairs Committee

Ambassador Barshefsky is Senior International Partner at the law firm of WilmerHale in Washington, D.C. Prior to joining the law firm in 2001, she was the United States Trade Representative from 1997 to 2001, and Deputy United States Trade Representative and Acting United States Trade Representative from 1993 to 1996. Ambassador Barshefsky is a member of the boards of directors of American Express Company and Intel Corporation. Additionally, within the past five years, she served as a director of Starwood Hotels & Resorts Worldwide, Inc. Ambassador Barshefsky is a member of the Council on Foreign Relations and a trustee of the Howard Hughes Medical Institute.

Qualifications:

International, government, and public policy experience as United States Trade Representative

Legal experience, including current role as Senior International Partner at WilmerHale

Board experience at American Express Company, Intel Corporation, and Starwood Hotels & Resorts Worldwide, Inc.

Trustee of the Howard Hughes Medical Institute

WEI SUN CHRISTIANSON

Director since 2011

Age 61

Committee: Nominating and Board Affairs Committee

Ms. Christianson is a Managing Director and Co-Chief Executive Officer of Asia Pacific and Chief Executive Officer of China at Morgan Stanley based in Beijing. In addition to her regional role, Ms. Christianson is responsible for all aspects of Morgan Stanley's operations in China and is a member of Morgan Stanley's Management Committee. Prior to rejoining Morgan Stanley in 2006, she was the Chairman of China for Citigroup Global Markets (Asia Ltd.) and previously served as Chairman of China and Country Manager for Credit Suisse First Boston. Ms. Christianson held an earlier position at Morgan Stanley beginning in 1998 as Executive Director and Beijing Representative. She is a member of the Advisory Committee of the Securities and Futures Commission of Hong Kong, the Financial Services Development Council of Hong Kong, and the Strategic Planning Committee of the Shenzhen Stock Exchange.

Qualifications:

Global management and investment banking experience as Managing Director and Co-Chief Executive Officer of Asia Pacific and Chief Executive Officer of China at Morgan Stanley based in Beijing

Experience working abroad, particularly in China

Financial expertise

Government experience (in Hong Kong)

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FABRIZIO FREDA

Director since 2009

Age 60

Mr. Freda has served as President and Chief Executive Officer of the Company since July 2009. From March 2008 through June 2009, he was President and Chief Operating Officer where he oversaw the Clinique, Bobbi Brown, La Mer, Jo Malone London, Aveda, and Bumble and bumble brands, and the Aramis and Designer Fragrances division. He also was responsible for the Company's International Division, as well as Global Operations, Research and Development, Packaging, Quality Assurance, Merchandise Design, Corporate Store Design, and Retail Store Operations. Prior to joining the Company, Mr. Freda served in a number of positions of increasing responsibility at The Procter & Gamble Company ("P&G"), where he was responsible for various operating, marketing, and key strategic efforts for over 20 years. From 2001 through 2007, Mr. Freda was President, Global Snacks, at P&G. He also spent more than a decade in the Health and Beauty Care division at P&G. From 1986 to 1988, Mr. Freda directed marketing and strategic planning for Gucci SpA. He is currently a member of the Board of Directors of BlackRock, Inc., a global asset management company.

Qualifications:

Global management, marketing, and other business, consumer and luxury brand industry experience as President and Chief Executive Officer of The Estée Lauder Companies Inc.

Similar experience, including developing and leading global organizations, in leadership positions at P&G and Gucci SpA

Experience leading successful, creative organizations with innovation programs based on research and development

Board experience at BlackRock, Inc.

Experience living and working in several countries

Financial expertise

JANE LAUDER

Director since 2009

Age 44

Ms. Lauder has served as Global Brand President, Clinique, since April 2014. Immediately prior to that, she was Global President, General Manager of the Origins, Ojon, and Darphin brands. From July 2008 until July 2010, she was Senior Vice President/General Manager of the Origins brand. Ms. Lauder began her career with the Company in 1996 at Clinique and served in various positions throughout the Company until July 2006, when she became Senior Vice President, Global Marketing for Clinique.

Qualifications:

Management, marketing and other industry experience through leadership roles at The Estée Lauder Companies Inc. since joining in 1996

Significant stockholder and party to Stockholders' Agreement (solely as trustee of one or more trusts)

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LEONARD A. LAUDER

Director since 1958

Age 84

Mr. Lauder is Chairman Emeritus of the Company. He was Chairman of the Board of Directors from 1995 through June 2009 and served as the Company's Chief Executive Officer from 1982 through 1999 and President from 1972 until 1995. Mr. Lauder has held various positions since formally joining the Company in 1958 after serving as an officer in the United States Navy. He is Chairman Emeritus of the Board of Trustees of the Whitney Museum of American Art, a Charter Trustee of The University of Pennsylvania, a Trustee of The Aspen Institute, and the co-founder and Co-Chairman of the Alzheimer's Drug Discovery Foundation. Mr. Lauder is Honorary Chairman of the Breast Cancer Research Foundation. He served as a member of the White House Advisory Committee on Trade Policy and Negotiations under President Reagan.

Qualifications:

Global business, marketing, and consumer and luxury brand industry experience through leadership roles at The Estée Lauder Companies Inc. since joining in 1958

Experience leading successful creative organizations with innovation programs based on research and development

Affiliation with leading business, civic, and public policy associations

Charter Trustee of The University of Pennsylvania

Significant stockholder and party to Stockholders' Agreement

INCUMBENT DIRECTORS TERM EXPIRING 2018 (CLASS I)

ROSE MARIE BRAVO, CBE

Director since 2003

Age 66

Committees: Compensation Committee and Stock Plan Subcommittee

Ms. Bravo is a retail and marketing consultant. She was Vice Chairman of Burberry Group Plc from July 2006 to July 2007. Prior to that, she was Burberry's Chief Executive Officer from 1997 to July 2006. Prior to her appointment at Burberry, Ms. Bravo was President of Saks Fifth Avenue since 1992, with responsibility for merchandising, marketing, and product development. From 1974 to 1992, Ms. Bravo held a number of positions at R.H. Macy & Co., culminating as Chairman and Chief Executive Officer of the U.S. retailer I. Magnin from 1987 to 1992. Ms. Bravo is a member of the boards of directors of Tiffany & Co. and

Williams-Sonoma, Inc.

Qualifications:

Global management, marketing, retail, and consumer and luxury brand industry experience as former Chief Executive Officer of Burberry, various leadership positions at Saks Fifth Avenue and Macy's, and in senior roles related to merchandising in the beauty category

Board experience at Tiffany & Co. and Williams-Sonoma, Inc.

Experience working abroad

Merchandise and product development expertise

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PAUL J. FRIBOURG

Director since 2006

Age 63

Committees: Audit Committee, Compensation Committee, and Stock Plan Subcommittee

Mr. Fribourg has been the Chairman and Chief Executive Officer of Continental Grain Company, an international agribusiness and investment company, since July 1997. He joined Continental Grain Company in 1976 and worked in various positions there with increasing responsibility in both the United States and Europe.

Mr. Fribourg is on the boards of directors of Apollo Global Management, LLC, Loews Corporation, and Restaurant Brands International Inc. He also serves as a member of Rabobank's International North American Agribusiness Advisory Board, and as a board member and Executive Committee member of Castleton Commodities International LLC. He has been a member of the Council on Foreign Relations since 1985.

Qualifications:

Global management, marketing, and other business experience as Chairman and Chief Executive Officer of Continental Grain Company

Board experience at Apollo Global Management, LLC, Loews Corporation, and Restaurant Brands International Inc.

Affiliation with leading business and public policy associations (Council on Foreign Relations)

Financial expertise

MELLODY HOBSON

Director since 2005

Age 48

Committee: Audit Committee

Ms. Hobson has been the President of Ariel Investments, LLC, a Chicago-based investment management firm and adviser to the mutual funds offered by the Ariel Investment Trust, since 2000, and she is also President and Director of its governing member, Ariel Capital Management Holdings, Inc. In addition, she serves as President and Chairman of the Board of Trustees of the Ariel Investment Trust, a registered investment company.

Ms. Hobson is a member of the Board of Directors of Starbucks Corporation. Additionally, within the past five years, she served as a director of DreamWorks Animation SKG, Inc. and Groupon, Inc. Ms. Hobson works with a variety of civic and professional institutions, including serving as Chairman of After School Matters, as a board member of the Chicago Public Education Fund, and as Emeritus Trustee of the Sundance Institute.

Qualifications:

Management and investment experience as President of Ariel Investments, LLC

Board experience at DreamWorks Animation SKG, Inc., Groupon, Inc., and Starbucks Corporation

Media experience as on-air regular contributor and analyst on finance, the markets, and economic trends for CBS News

Financial expertise

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IRVINE O. HOCKADAY, JR.

Director since 2001
Age 81
Presiding Director
Committee: Audit Committee (Chair)

Mr. Hockaday is the former President and Chief Executive Officer of Hallmark Cards, Inc. He retired in December 2001. Prior to joining Hallmark in 1983, he was President and Chief Executive Officer of Kansas City Southern Industries, Inc. Mr. Hockaday was a member of the Hallmark Board of Directors from 1978 until January 2002. He is currently a member of the Board of Directors of Aratana Therapeutics, Inc. Additionally, within the past five years, Mr. Hockaday served as a director of Crown Media Holdings, Inc. and Ford Motor Company.

Qualifications:

Global business experience and consumer brand industry experience as former CEO of Hallmark Cards, Inc.

Board experience at numerous public companies, including Aratana Therapeutics, Inc., Crown Media Holdings, Inc., Ford Motor Company, and Sprint Nextel

Financial expertise

Legal experience

BARRY S. STERNLICHT

Director since 2004
Age 56
Committee: Nominating and Board Affairs Committee

Mr. Sternlicht is Chairman and Chief Executive Officer of Starwood Capital Group, the private investment firm he formed in 1991 that is focused on global real estate, hotel management, oil and gas, energy infrastructure, and securities trading. He also serves as Chairman and CEO of Starwood Property Trust, Inc., a commercial mortgage REIT. Mr. Sternlicht is a member of the Board of Directors of A.S. Roma, Chairman of the Board of Baccarat S.A. and Co-Chairman of the Board of Colony Starwood Homes. Additionally, within the past five years, Mr. Sternlicht served as a director of Restoration Hardware Holdings, Inc., Riviera Holdings Corporation, and TRI Pointe Group, Inc. (formerly TRI Pointe Homes, Inc.). From 1995 through early 2005, Mr. Sternlicht was Chairman and CEO of Starwood Hotels & Resorts Worldwide, Inc., a company he founded in 1995. He currently serves as a member of the board of The Robin Hood Foundation, and he is on the board of the Dreamland Film & Performing Arts Center and the Executive Advisory Board of Americans for the Arts. Mr. Sternlicht is a trustee of Brown University and serves on the boards of numerous other civic organizations and charities.

Qualifications:

Global business, investment, real estate, financial, private equity, entrepreneurial, and consumer brand and luxury industry expertise at Starwood Capital Group, as Chairman of Starwood Property Trust, Inc., and as founder and former Chief Executive of Starwood Hotels & Resorts Worldwide, Inc.

Board experience at A.S. Roma, Baccarat S.A., Colony Starwood Homes, Restoration Hardware Holdings, Inc., Starwood Property Trust, Inc., and TRI Pointe Group, Inc.

Trustee of Brown University

Financial expertise

INCUMBENT DIRECTORS TERM EXPIRING 2019 (CLASS II)

RONALD S. LAUDER

Director since 2016

Age 73

Mr. Lauder has served as Chairman of Clinique Laboratories, LLC since returning from government service in 1987 and was Chairman of Estee Lauder International, Inc. from 1987 through 2002. Mr. Lauder joined the Company in 1964 and has served in various capacities. Mr. Lauder was elected as a member of the Board of Directors of the Company in 2016; previously, he was a member of the Board of Directors of the Company from 1968 to 1986 and again from 1988 to July 2009. From 1983 to 1986, he served as Deputy Assistant Secretary of Defense for European and NATO Affairs. From 1986 to 1987, he was U.S. Ambassador to Austria. Mr. Lauder is an Honorary Chairman of the Board of Trustees of the Museum of Modern Art and President of the Neue Galerie. Within the past five years, Mr. Lauder served as a director of Central European Media Enterprises Ltd. He is also Chairman of the Board of Governors of the Joseph H. Lauder Institute of Management and International Studies at the Wharton School at the University of Pennsylvania and the co-founder and Co-Chairman of the Alzheimer's Drug Discovery Foundation.

Qualifications:

Global business, marketing, and consumer and luxury brand industry experience through leadership roles at The Estée Lauder Companies Inc. since joining in 1964

Affiliation with leading business, civic, and government associations

Board experience at Central European Media Enterprises Ltd.

Significant stockholder and party to Stockholders' Agreement

WILLIAM P. LAUDER

Director since 1996

Age 57

Committee: Nominating and Board Affairs Committee

Mr. Lauder is Executive Chairman of the Company and, in such role, he is Chairman of the Board of Directors. He was Chief Executive Officer of the Company from March 2008 through June 2009 and President and Chief Executive Officer from July 2004 through February 2008. From January 2003 through June 2004, he was Chief Operating Officer. From July 2001 through 2002, Mr. Lauder was Group President, responsible for the worldwide business of the Clinique and Origins brands and the Company's retail store and online operations. From 1998 to 2001, he was President of Clinique Laboratories, LLC. Prior to 1998, he was President of Origins Natural Resources Inc., and he had been the senior officer of that division since its inception in 1990. Prior thereto, he

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served in various positions since joining the Company in 1986. Within the past five years, Mr. Lauder served as a director of Jarden Corporation and GLG Partners, Inc. He currently serves as Chairman of the Board of the Fresh Air Fund and as a member of the boards of trustees of The University of Pennsylvania and The Trinity School in New York City, a member of the boards of directors of the 92nd Street Y and the Partnership for New York City, and is on the Advisory Board of Zelnick Media. Mr. Lauder is also Co-Chairman of the Breast Cancer Research Foundation.

Qualifications:

Global business, marketing, Internet, retail, and consumer and luxury brand industry experience through leadership roles at The Estée Lauder Companies Inc. since joining in 1986

Experience leading successful creative organizations with innovation programs based on research and development

Board experience at GLG Partners, Inc., Jarden Corporation, and True Temper Sports, Inc.

Trustee of University of Pennsylvania and lecturer at The Wharton School

Financial expertise

Significant stockholder and party to Stockholders' Agreement

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RICHARD D. PARSONS

Director since 1999

Age 69

Committees: Compensation Committee (Chair) and Nominating and Board Affairs Committee

Mr. Parsons has been a senior advisor to Providence Equity Partners LLC, a global private equity and investment firm, since 2009. From 1996 until 2012, he was a director of Citigroup Inc. and served as its Chairman from February 2009 to April 2012. From May 2003 until his retirement in December 2008, Mr. Parsons served as Chairman of the Board of Time Warner Inc. From May 2002 until December 2007, he served as Chief Executive Officer of Time Warner Inc. From January 2001 until May 2002, Mr. Parsons was Co-Chief Operating Officer of AOL Time Warner. From 1995 until the merger with America On-Line Inc., he was President of Time Warner Inc. From 1990 through 1994, he was Chairman and Chief Executive Officer of Dime Bancorp, Inc. Mr. Parsons is currently a member of the boards of directors of Lazard Ltd. and The Madison Square Garden Company. Among his numerous community activities, he is Chairman of the Apollo Theatre Foundation and the Jazz Foundation of America.

Qualifications:

Global business, marketing, media, Internet, banking, and other business and consumer brand experience through leadership roles at Time Warner Inc. and Dime Bancorp, Inc.

Board experience at Citigroup Inc., Lazard Ltd., The Madison Square Garden Company, and Time Warner Inc.

Private equity experience at Providence Equity Partners LLC

Legal and government experience

Financial expertise

LYNN FORESTER DE ROTHSCHILD

Director since 2000

Age 63

Committee: Nominating and Board Affairs Committee (Chair)

Lady de Rothschild is the Chair of E.L. Rothschild LLC, a private investment company with investments in media, information technology, agriculture, financial services, and real estate worldwide, and she was the Chief Executive of E.L. Rothschild LLC from 2002 to 2016. Holdings of E.L. Rothschild LLC include The Economist Group (UK). Lady de Rothschild has been a director of The Economist Newspaper Limited since October 2002. From 2004 to 2007, she was also Co-Chair of FieldFresh Pvt. Ltd., a 50-50 joint venture with Bharti Enterprises,

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established to develop the agricultural sector in India. From 1989 to 2002, she was President and Chief Executive Officer of FirstMark Holdings, Inc., which owned various telecommunications companies worldwide. She serves on the Board and Executive Committee of The Peterson Institute for International Economics. Lady de Rothschild is a trustee of the Eranda Foundation, a board member of the International Advisory Board of Columbia University School of Law and the Alzheimer Drug Discovery Foundation. She is a member of the Council on Foreign Relations (USA), Chatham House (UK), the International Advisory Council of Asia House (UK), the International Institute of Strategic Studies (UK), and the Foreign Policy Association (USA).

Qualifications:

Global business and investment experience as former Chief Executive of E.L. Rothschild LLC and CEO of FirstMark Holdings, Inc.

Board and media experience as director of The Economist Newspaper Limited

Affiliation with leading business and public policy associations (Council on Foreign Relations)

Experience working abroad

Legal and government expertise

Financial expertise

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RICHARD F. ZANNINO

Director since 2010

Age 58

Committees: Audit Committee, Compensation Committee, and Stock Plan Subcommittee

Mr. Zannino is a Managing Director at the private equity firm CCMP Capital Advisors, LLC, a position he has held since July 2009. He is a partner on the firm's Investment Committee and co-heads the consumer retail practice. Prior to joining CCMP Capital, Mr. Zannino was an independent retail and media advisor from February 2008 to June 2009. He was Chief Executive Officer and a member of the Board of Directors of Dow Jones & Company, Inc. from February 2006 until his resignation in January 2008, shortly after its acquisition by News Corp. Mr. Zannino joined Dow Jones as Executive Vice President and Chief Financial Officer in February 2001 and was promoted to Chief Operating Officer in July 2002. From 1998 to 2001, he was Executive Vice President of Liz Claiborne, Inc., where he oversaw the finance, administration, retail, fragrance, and licensing divisions. From 1993 to 1998, Mr. Zannino was with Saks Fifth Avenue, serving as Vice President and Treasurer, Senior Vice President, Finance and Merchandise Planning, and then Executive Vice President and Chief Financial Officer. He is a director of IAC/InterActiveCorp and Ollie's Bargain Outlet Holdings, Inc. Additionally, within the past five years, Mr. Zannino served as a director of Francesca's Holdings Corporation. He currently serves as Vice Chairman of the Board of Trustees of Pace University.

Qualifications:

Management, media, finance, retail, and consumer brand industry experience in various positions at Dow Jones & Company, Inc., Liz Claiborne, Inc., and Saks Fifth Avenue

Consumer, retail, media, and private equity experience at CCMP Capital Advisors, LLC

Board experience at Dow Jones & Company, Inc., Francesca's Holdings Corporation, IAC/InterActiveCorp, and Ollie's Bargain Outlet Holdings, Inc.

Trustee of Pace University

Financial expertise

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Additional Information Regarding the Board of Directors

Stockholders' Agreement and Lauder Family Control. All Lauder Family Members who are party to a stockholders' agreement with the Company (the "Stockholders' Agreement") have agreed to vote shares beneficially owned by them for Leonard A. Lauder (or for one of his sons), Ronald S. Lauder (or for one of his daughters), and one person, if any, designated by each as a director of the Company. Aerin Lauder and Jane Lauder are parties to the Stockholders' Agreement solely as trustees of certain trusts. The term "Lauder Family Members" is defined below (see "Certain Relationships and Related Transactions – Lauder Family Relationships and Compensation"). Shares subject to the Stockholders' Agreement represent approximately 84% of the voting power of the Company as of the Record Date. The right of each of Leonard A. Lauder (or his sons) and Ronald S. Lauder (or his daughters) to designate a nominee exists only when he (including his descendants) beneficially owns (other than by reason of the Stockholders' Agreement) shares of Common Stock with at least 10% of the total voting power of the Company. Currently, William P. Lauder is the nominee of Leonard A. Lauder, and Jane Lauder is the nominee of Ronald S. Lauder. The right of each of Leonard A. Lauder (or one of his sons) and Ronald S. Lauder (or one of his daughters) to be nominated will exist so long as he (including his descendants) beneficially owns shares of Common Stock with at least 5% of the total voting power of the Company. In the event that Leonard A. Lauder ceases to be a member of the Board of Directors by reason of his death or disability, then his sons, William P. Lauder and Gary M. Lauder, will succeed to his rights to be nominated as a director and to designate one nominee. If either son is unable to serve by reason of his death or disability, the other son will have the right to designate a nominee. Similarly, Aerin Lauder and Jane Lauder, Ronald S. Lauder's daughters, will succeed to their father's rights upon his death or disability. If either daughter is unable to serve by reason of her death or disability, the other daughter will have the right to designate a nominee. In the event none of Leonard A. Lauder and his sons and Ronald S. Lauder and his daughters are able to serve as directors by reason of death or disability, then the rights under the Stockholders' Agreement to be a nominee and to designate a nominee will cease. The Stockholders' Agreement will terminate upon the occurrence of certain specified events, including the transfer of shares of Common Stock by a party to the Stockholders' Agreement that causes all parties thereto immediately after such transaction to own beneficially in the aggregate shares having less than 10% of the total voting power of the Company.

The Lauder family has direct and indirect holdings of approximately 87% of the voting power of the Company as of the Record Date. The Company is a "controlled company" under the rules of the New York Stock Exchange (the "NYSE") because the Lauder family and their related entities hold more than 50% of the voting power of the outstanding voting stock. As such, the Company may avail itself of exemptions relating to the independence of the Board and certain Board committees. Despite the availability of such exemptions, the Board of Directors has determined that it will have a majority of independent directors and that both the Nominating and Board Affairs Committee and the Compensation Committee will have otherwise required provisions in their charters. As permitted by the NYSE rules for "controlled companies," our Board does not require that the Nominating and Board Affairs Committee and the Compensation Committee be comprised solely of independent directors.

Board Committees. The Board of Directors has established the following standing committees – the Audit Committee, the Compensation Committee (which includes the Stock Plan Subcommittee), and the Nominating and Board Affairs Committee. Each director on these committees is an independent director except for William P. Lauder and Richard D. Parsons. Each committee reports regularly to the Board and has the authority to engage its own advisors.

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The members of the committees are set forth in the following table:

Director	Audit Committee	Compensation Committee	Nominating and Board Affairs Committee
Charlene Barshefsky			
Rose Marie Bravo			
Wei Sun Christianson			
Paul J. Fribourg			
Mellody Hobson			
Irvine O. Hockaday, Jr.*			
William P. Lauder			
Richard D. Parsons			
Lynn Forester de Rothschild			
Barry S. Sternlicht			
Richard F. Zannino			

Also member of Stock Plan Subcommittee	= Chair
* Presiding Director	= Member

Copies of the charters adopted by the Board of Directors for each committee may be found in the "Investors" section of the Company's website, www.elcompanies.com, under "Corporate Governance." Stockholders may also contact Investor Relations at 767 Fifth Avenue, New York, New York 10153 or call 800-308-2334 to obtain a hard copy of these documents without charge.

The Audit Committee, among other things, appoints the independent auditors; reviews the independence of such auditors; approves the scope of the annual audit activities of the independent auditors and the Company's Internal Control Department; reviews audit results; reviews and discusses the Company's financial statements with management and the independent auditors; reviews and discusses with the Board the Company's risk assessment and management processes; and is responsible for our related person transactions policy. The committee also meets separately, at least quarterly, with the Chief Financial Officer, the Chief Internal Control Officer, and representatives of the independent auditors. The Board of Directors has determined that each of the committee members Mr. Hockaday, Mr. Fribourg, Ms. Hobson, and Mr. Zannino qualifies as an "Audit Committee Financial Expert" in accordance with SEC rules.

The Compensation Committee establishes and approves compensation plans and arrangements with respect to the Company's executive officers and administers the Company's Executive Annual Incentive Plan. The Stock Plan Subcommittee has authority over all decisions regarding awards to executive officers under the Company's share incentive plans and authority to administer the Company's share incentive plans under which executive officers and other employees may receive equity grants. The Company also has an Employee Equity Award Committee, the sole member of which is Mr. Freda. The purpose of this committee is to make limited grants of equity awards under the share incentive plan to employees who are not executive officers. During fiscal 2017, this committee did not make any grants.

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The Nominating and Board Affairs Committee, among other things, recommends nominees for election as members of the Board; considers and makes recommendations regarding Board practices and procedures; considers corporate governance issues that arise from time to time and develops appropriate recommendations for the Board regarding such matters; and reviews the compensation for service as a Board member.

Compensation Committee Interlocks and Insider Participation. In fiscal 2017, Ms. Bravo, Mr. Fribourg, Mr. Parsons, and Mr. Zannino served on the Compensation Committee. None of these directors is a former or current officer or employee of the Company or any of its subsidiaries. During fiscal 2017, none of our executive officers served as a member of the compensation committee (or other committee performing similar functions) or as a director of any other entity of which an executive officer served on our Board or Compensation Committee. None of the directors who served on our Compensation Committee during fiscal 2017 has any relationship requiring disclosure under this caption under SEC rules.

Board and Board Committee Meetings; Annual Meeting Attendance; and Executive Sessions. Directors are expected to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the Board for an extended period of time. In furtherance of the Board's role, directors are expected to attend all scheduled Board and Board committee meetings and all meetings of stockholders. In fiscal 2017, the Board of Directors met six times, the Compensation Committee and the Stock Plan Subcommittee each met five times, the Audit Committee met eight times, and the Nominating and Board Affairs Committee met three times. The total combined attendance for all Board and committee meetings was over 90%. No director attended less than 75% of Board and committee meetings, except for Mr. Parsons who attended approximately 65% of such meetings. The non-employee directors met six times in executive session in fiscal 2017, including at least one meeting at which only independent directors were present. All of the directors who were on the Board attended the Annual Meeting of Stockholders in November 2016, except one director who was unable to attend.

Board Leadership Structure. Our Board is currently led by our Executive Chairman, who is a member of the Lauder family. Our President and Chief Executive Officer is also a member of our Board of Directors. We also have an independent director who serves as our Presiding Director. A majority of our directors are independent. At present, there are 15 directors on our Board; 10 directors are non-employee directors, 9 directors are independent, and 4 directors are members of the Lauder family. Mr. Hockaday, the current Presiding Director, presides at all meetings or executive sessions of non-employee or independent directors. The Board of Directors considers this structure appropriate in view of the Lauder family's significant investment in the Company. The structure also comports with the Stockholders' Agreement among various members of the Lauder family and the Company. See "Additional Information Regarding the Board of Directors Stockholders' Agreement and Lauder Family Control."

In addition to his responsibilities as Chairman of the Board, Mr. W. Lauder, as Executive Chairman, works with the President and Chief Executive Officer to set overall vision, strategy, financial objectives, and investment priorities for the business. Mr. W. Lauder also continues to provide high-level leadership in areas that are important to the Company, including marketing, trade relations, global communications, and regulatory affairs.

As provided in our Corporate Governance Guidelines, we have an independent director who serves as our Presiding Director. The Presiding Director serves a one-year term beginning with the meeting of the Board immediately following the Annual Meeting of Stockholders and is selected from among the independent members of the Board. Mr. Hockaday served as the Presiding Director for all

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executive sessions of the Board of Directors in fiscal 2017, and he has been appointed by the Board to serve for an additional one-year term beginning after the 2017 Annual Meeting.

Board Role in Risk Oversight. Our Board of Directors regularly receives reports from our President and Chief Executive Officer and other members of senior management regarding areas of significant risk to us, including strategic, operational, financial, legal and regulatory, and reputational risks. However, senior management is responsible for assessing and managing the Company's various risk exposures on a day-to-day basis. In this regard, various management functions within the Company, such as Legal, Finance, Treasury, Internal Control, Global Information Systems, Global Supply Chain, Research & Development, and Environmental Affairs and Safety, focus on particular risks. Management has a systemic and integrated approach to overall risk management that includes the identification of risks and mitigation plans in the strategic planning process. The Board's role is one of oversight, assessing major risks facing the Company and reviewing options for their mitigation with management. In addition, the Audit Committee reviews and discusses with management our enterprise risk management processes.

Risk in Compensation Programs. The Company has a framework for evaluating incentive plan design features that may encourage or help mitigate risk, such as a mix of compensation elements, metrics, leverage, caps, and time horizons, in order to determine whether the risks arising from our compensation programs (in addition to those applicable only to executive officers) are reasonably likely to have a material adverse effect on the Company. Using this framework in fiscal 2017, we concluded that our compensation programs are not reasonably likely to have a material adverse effect on the Company. The results were reviewed with senior management and the Compensation Committee.

Board Membership Criteria. The Nominating and Board Affairs Committee works with the Board on an annual basis to determine the appropriate characteristics, skills, and experience for the Board as a whole and its individual members. All directors should possess the highest personal and professional ethics as well as an inquisitive and objective perspective, practical wisdom, and mature judgment. In evaluating the suitability of individual Board members, the Board takes into account many factors, including general understanding of marketing, finance, and other disciplines relevant to the success of a large publicly traded company in today's business environment; understanding of the Company's business on a technical level; and educational and professional background. The Board evaluates each individual in the context of the Board as a whole, with the objective of recommending a group that can best support the success of the business and, based on its diversity of experience, represent stockholder interests through the exercise of sound judgment. In determining whether to recommend a director for re-election, the Nominating and Board Affairs Committee also considers the director's past attendance at meetings and participation in and contributions to the activities of the Board.

Upon determining the need for additional or replacement Board members, the Nominating and Board Affairs Committee will identify one or more director candidates and evaluate each candidate under the criteria described above based on the information it receives with a recommendation or that it otherwise possesses, which information may be supplemented by additional inquiries. Application of these criteria involves the exercise of judgment and cannot be measured in any mathematical or routine way. Based on its assessment of each candidate's independence, skills, and qualifications and the criteria described above, the Committee will make recommendations regarding potential director candidates to the Board. The Committee may engage third parties to assist in the search for director candidates or to assist in gathering information regarding a candidate's background and experience. The Committee will evaluate stockholder-recommended candidates in the same manner as other candidates. Candidates may also be designated pursuant to the Stockholders' Agreement. See "Additional Information Regarding the Board of Directors - Stockholders' Agreement and Lauder Family Control."

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Board Independence Standards for Directors. To be considered "independent" for purposes of membership on the Company's Board of Directors, the Board must determine that a director has no material relationship with the Company, including any of its subsidiaries, other than as a director. For each director, the Board broadly considers all relevant facts and circumstances. In making its determination, the Board considers the following categories of relationships to be material, thus precluding a determination that a director is "independent:"

- (i) the director is an employee of the Company, or an immediate family member of the director is an executive officer of the Company, or was so employed during the last three years.
- (ii) the director receives, or an immediate family member of the director receives, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).
- (iii) (A) the director is a current partner or employee of a firm that is the Company's internal or external auditor, (B) the director has an immediate family member who is a current employee of such a firm, (C) the director has an immediate family member who is a current employee of such a firm and personally works on the Company's audit, or (D) the director or an immediate family member of the director was within the last three years a partner or employee of such a firm and personally worked on the Company's audit within that time.
- (iv) the director or an immediate family member of the director is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee.
- (v) the director is a current employee, or an immediate family member of the director is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.

Additionally, the following relationships will not be considered to be "material" relationships that would impair a director's independence:

- (i) any of the relationships described in (i)-(v) above, if such relationships occurred more than three years ago, or
- (ii) if a director is a current employee, or an immediate family member of a director is a current executive officer of another company that does business with the Company and such other company, during the current or last fiscal year, made payments to or received payments from, the Company of less than \$1 million or 2% of such other company's consolidated gross revenues, whichever is greater.

Contributions to tax exempt organizations shall not be considered payments for purposes of these independence standards. An "immediate family member" includes a director's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home.

The Board reviews at least annually whether directors meet these Director Independence Standards. The following directors, including two of the five nominated for election, have been determined by the Board to be "independent" pursuant to NYSE rules and the Company's Independent Director Standards described above: Charlene Barshefsky, Rose Marie Bravo, Wei Sun Christianson, Paul J. Fribourg, Melody Hobson, Irvine O. Hockaday, Jr., Lynn Forester de Rothschild, Barry S. Sternlicht, and Richard F. Zannino.

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In addition to the foregoing, in order to be considered "independent" under NYSE rules for purposes of serving on the Company's Audit Committee or Compensation Committee, a director also may not accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the Company, other than as a director, and may not be an "affiliated person" of the Company. Audit Committee members may receive directors' fees and fixed payments for prior service with the Company. The Board has determined that each member of the Audit Committee and each independent member of the Compensation Committee meets these additional independence requirements.

Communications with the Board. A stockholder or any other interested party who wishes to communicate with the Board, any Committee thereof, the non-management directors as a group, or any individual director, including the Presiding Director for the executive sessions of the Board, may do so by addressing the correspondence to that in