

L'ORÉAL

THE WAY WE PREVENT CORRUPTION

A PRACTICAL GUIDE

2013

No changes can be made to the present document. In case of translation of the present document, it must be true to the original version in English. In case of differences in interpretation, the English version will apply.

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FOREWORD



As an international company and a major player in the cosmetics industry, L'ORÉAL fights against corruption: our policy is “zero tolerance”, even if it means we lose business opportunities. This commitment is clearly expressed in our reference document, our Code of Business Ethics. L'ORÉAL requires compliance with the highest ethical standards and with all the anti-corruption laws that apply to it in conducting its business.

Corruption takes various forms that are not necessarily easy for our employees to discern. L'ORÉAL operates in many countries where the risks of corruption may be important: we need to take the necessary steps to ensure that we do not become involved in such practices directly or indirectly, intentionally or unintentionally. This commitment concerns acts that might be committed not only by L'ORÉAL employees but also by third parties acting for and in the name of L'ORÉAL.

Corruption exists but it is not inevitable.

This document uses examples to address a certain number of situations that you might encounter in performing your duties. It provides answers to the most frequently asked questions. It is mandatory to respect these rules and principles because the Group's interests are never served by unlawful or unethical business practices.

When in doubt, the golden rule is to disclose and discuss it openly, namely with your management, your Legal Director (at Headquarters and locally), your Administrative and Financial Director or your Ethics Correspondent. Your Country Manager, or for Corporate or Zone staff, the members of the Group Executive Committee to whom you report, is responsible for the proper deployment of the corruption prevention programme and the respect of the corruption prevention policy. If you have any questions concerning our corruption prevention policy, it is essential that you speak up.

We wish to thank the L'ORÉAL employees throughout the world who contributed to drafting this document.

Keep in mind that:

- Integrity, Respect, Courage and Transparency are at the heart of our daily actions;
- respecting “THE WAY WE PREVENT CORRUPTION” will allow us to better defend L'ORÉAL's interests ;
- when in doubt, discuss the matter openly. You will be supported in your disclosure. We guarantee that any employee who raises a concern in good faith will be protected against retaliation.

Emmanuel LULIN

Senior Vice-President
Chief Ethics Officer

A handwritten signature in blue ink that reads "E. Lulin".

Christian MULLIEZ

Executive Vice-President
Administration & Finances

A handwritten signature in blue ink that reads "C. Mulliez".

L'ORÉAL'S CORRUPTION PREVENTION POLICY

The commitment to doing business with integrity is one of the pillars of our Code of Business Ethics.

L'ORÉAL has decided to communicate the way it prevents corruption.

This policy has been approved by the Chairman of the Board and Chief Executive Officer and by the Executive Committee, and has been presented to L'ORÉAL's Board of Directors. It may be regularly updated as a continuous progress is implemented.

SCOPE

As a Signatory of the United Nations Global Compact since 2003, we are committed to acting against corruption in all its forms and to abide in particular with the United Nations Convention Against Corruption of 31st October 2003.

As a global corporate citizen, we take full responsibility for our actions within our sphere of influence.

However, we cannot be a substitute for the responsibility that lies with governments and with international organisations in this area. The fight against corruption is a vast and complex subject that no company can take up on its own.

We are not in favour of boycotting countries on the grounds that their reputation as regards preventing corruption might be in dispute. We think we can make a positive contribution by being present in such countries, in particular by applying our standards even when the local legislation provides for lower standards.

We will express our convictions on preventing corruption whenever our activities, our employees or our business partners are concerned.

PRINCIPLES FOR ACTION

- We apply a zero tolerance policy on corruption;
- L'ORÉAL's corruption prevention policy applies to all employees, officers and directors, members of the Group's Executive and Management Committees and subsidiaries worldwide;
- Notwithstanding the existence of more restrictive anti-corruption laws, we consider that constitutes an act of corruption the offering, promising or giving, whether directly or indirectly, of an undue advantage in order that a person act or refrain from acting in the exercise of his or her duties or in breach of his or her duties as well as accepting or soliciting an undue advantage in order to act or refrain from acting in the exercise of his or her duties or in breach of his or her duties; in particular, we prohibit "facilitation payments";

L'ORÉAL'S CORRUPTION PREVENTION POLICY

- We do not allow any contributions to be made to political parties or politicians with a view to obtaining commercial advantage;
- We ensure that charity contributions and other philanthropic actions are not acts of corruption “in disguise”;
- We forbid giving or accepting gifts and/or entertainment that might influence or be perceived as influencing a business relationship;
- We carry out detailed corruption risks due diligence before any acquisition or joint venture;
- We take measures to ensure that the joint ventures in which we participate respect our corruption prevention standards;
- We communicate our commitment to preventing corruption to our business partners and favour those who share them;
- We require the intermediaries or agents who represent us, namely in Countries where the risk of corruption is high, to comply with our commitments on preventing corruption.

IMPLEMENTATION

The corruption prevention programme is revised periodically by the Executive Committee and is presented to the Board of Directors.

The Director of Risk Management and Compliance is in charge of developing the corruption prevention programme.

The Country Managers, or for Corporate or Zone staff, the members of the Group Executive Committee to whom they report, are responsible for the proper deployment of the corruption prevention programme, and the respect of the corruption prevention policy.

Employees may, in particular, go to their management, their Legal Director, their Administrative & Financial Director, or their Ethics Correspondent if they have questions about the respect of our commitment in this area.

To ensure that no concern regarding corruption prevention remains unanswered, our Employees and our other stakeholders may contact the Chief Ethics Officer.

All concerns raised are thoroughly examined, and, where applicable, appropriate measures are taken.

In a spirit of transparency and exchange, we regularly communicate, internally and externally, on the implementation of our anti-corruption policy and programme.

OUR RELATIONSHIPS
WITH PUBLIC AUTHORITIES
AND WITH THEIR
REPRESENTATIVES



1

OUR RELATIONSHIPS WITH PUBLIC AUTHORITIES AND WITH THEIR REPRESENTATIVES

In all the countries in which we operate, we are frequently in contact with public authorities and their representatives, either directly or via intermediaries or trade associations.

This may be to obtain the authorisations we require to develop our business properly. Public authorities oversee our activities to ensure we are complying with the local law. We might also need to meet with public authorities so that they can become better acquainted with our industry. We might also, in particular in the context of our philanthropic activities, be in contact with persons who have links with local public authorities. Finally, in a few countries, some public authorities are our customers (the armed forces, public hospitals, etc.).

All countries in which we operate prohibit the corruption of public authority representatives. We must support them in their fight against corruption.

DO

- comply with the Group's policy on preventing corruption, even when local practice is more lenient;
- comply with your internal local policy on gifts and entertainment which include more precise rules on disclosure and authorisation (maximum amounts, register,...);
- as soon as the opportunity arises, inform the public authorities of our commitment to preventing corruption;
- anticipate the time that administrative formalities can take in your project management;

DO NOT

- offer, promise, or give money (facilitation payments,...) or anything of value (gifts, entertainment,...) to a representative of a public authority. Exceptionally, for gifts and entertainment of a symbolic value, and subject to local law and L'ORÉAL's ethical principles, the Country Manager can request a written waiver from their management who may request the opinion of the Risk Management and Compliance Director ;
- accept or solicit money or anything of value (gifts, entertainment) from a representative of a public authority that might lead us to breach our duty of loyalty to L'ORÉAL;

1 OUR RELATIONSHIPS WITH PUBLIC AUTHORITIES AND WITH THEIR REPRESENTATIVES

DO

- support corruption prevention by ensuring that information contained in financial and business records is always accurate and complete;
- ensure that funds/benefits given to charitable organisations are used only for the causes that they support;
- ensure, as far as you can, that the trade associations in which you take part comply with our corruption prevention standards;
- immediately inform your management and Country Manager or for Corporate or Zone staff, the member of the Group Executive Committee to whom you report, if you become aware of actions that might be contrary to our corruption prevention policy;
- immediately inform the Country Manager or for Corporate or Zone staff, the member of the Group Executive Committee to whom you report if facing extortion i.e. the payment of cash or of anything of value in order to avoid the immediate harm to a L'ORÉAL employee or representative.

DO NOT

- offer, promise, or give money or anything of value (gifts, entertainment,...) to a political party or politician with a view to obtaining a commercial advantage;
- offer, promise, or give cash or anything of value (gifts, entertainment,...) to charitable organisations with the aim of obtaining any advantage for L'ORÉAL from a representative of the public authorities or political parties ;
- use intermediaries to do things that we are not allowed or have not allowed ourselves to do directly (see "Use of Intermediaries").

1 OUR RELATIONSHIPS WITH PUBLIC AUTHORITIES AND WITH THEIR REPRESENTATIVES

Q What is the definition of a “representative of the public authorities”?

1.1

A representative of the public authorities is a person who:

- holds a legislative, administrative, or judiciary position of any kind, regardless of whether they are appointed or elected; or
- holds a public service position or office on behalf of a country, a territory, a public body, or is a director or employee of a government-owned or controlled entity; or
- is a civil servant or an officer of a public international organisation (i.e. the World Bank, the United Nations, etc.); or
- is a consultant or agent of a governmental entity, even when acting on a time limited basis and/or without pay; or
- holds a position or office in a political party.

The rules of caution provided for in this document also apply to people who are applying for this type of position.

Q I’m HR Manager and, together with my Country Manager, I have just validated the recruitment of a new foreign manager to work on a major project, and his work permit application is being processed. A representative of the authorities has suggested that I pay an unofficial supplement in order to obtain the work permit faster.

1.2

Firstly check whether it is a legal “queue-jumping”/“fast-pass” type payment, for which the authorities can give you an official receipt. If it is not, you should explain to the representative of the authorities that L’ORÉAL refuses this type of arrangement and that you are going to inform your management of the risk of there being a delay. Ask to speak to a superior. If the application remains blocked, you can contact the Embassy which can help sort out the process with the authorities. Finally, for your future recruitments of expatriates, incorporate sufficient lead times for obtaining a work permit into your schedule.

Q I travel often for L’ORÉAL. During one of my trips, my passport is checked by a police officer at the airport. He informs me he is going to have to keep my passport because a “special” stamp is missing. He offers to settle the problem in exchange for payment of small sum in cash.

1.3

If you are sure that your documents are in order, explain that to the officer. If he insists, tell him you need a signed official receipt in order to record it in your company’s accounts. If he insists, tell him your company forbids this type of payment and ask to speak to a superior. If you think that the payment cannot be avoided without endangering your safety, pay it and gather as much information as possible on the incident (if possible, the name of the officer), and inform your Country Manager, or for Corporate or Zone staff, the member of the Group Executive Committee to whom you report.

1

OUR RELATIONSHIPS WITH PUBLIC AUTHORITIES AND WITH THEIR REPRESENTATIVES

Q 1.4 I need to launch a new range of products and I find out that the products are blocked in customs. The customs officer informs me that a cash payment would accelerate the procedure.

Firstly check whether it is a legal “queue-jumping”/ “fast-pass” type payment, for which the customs officer can give you an official receipt. If it is not, try and ask to speak to his superior. You should explain to the customs officer that L'ORÉAL refuses this type of arrangement (even indirectly via your transport provider) and that you are going to inform your management of the risk of there being a delay. Finally, if this type of incident is common, incorporate sufficient lead times into your launch schedules. If these problems arise with a particular customs post, use alternative points of entry for the goods.

Q 1.5 I am Administrative & Financial Manager for a country, and, following a tax inspection, I received a demand for back payment of tax that is not justified. I have been unsuccessfully disputing the back payment for several months when the tax inspector offers to abandon the tax dispute in exchange for a payment in his favour.

Refuse to pay, remind the tax inspector of the grounds enabling you to dispute the back payment of tax and inform the Group's Tax Department. No payment of tax is possible without an official request and without obtaining a receipt for payment from the tax authorities. When an offer to settle a dispute is made, insist on obtaining this offer in writing and get the help of a local tax advisor under the supervision of the Group Tax Department.

Q 1.6 A representative of the government to whom we have just presented our future development projects in his country asks us for free products to distribute at his daughter's birthday party, and also for an internship for his son. It's only a few products and it's only an internship, not a recruitment. I would therefore like to accept in the context of our continued good relations with this public authority.

Offering products or showing favouritism to a candidate might be considered as bribery. As regards the products, explain that our company policy prevents us from satisfying such requests. As regards the internship, the best thing to do is tell him you don't handle applications and to give the representative the information enabling his son to apply through the normal HR channel. Your Legal Department can help you to word the answer properly.

1 OUR RELATIONSHIPS WITH PUBLIC AUTHORITIES AND WITH THEIR REPRESENTATIVES

Q
1.7 We wish to export our products to a foreign country whose authorities require we allow them to visit our plant to check our production standards before approving registration of our products. In preparing for the visit, the authorities ask us a few questions on the local tourist attractions. It's a major new market and we wish to give the representatives of the authorities the best possible "welcome." Can we bear the cost of their accommodation?

Bearing travel and accommodation expenses for representatives of public authorities is prohibited except with a written waiver. Only your Country Manager can apply to their management for a written waiver. You must prepare the waiver request which must demonstrate that these amounts are for a legitimate business purpose and are not excessive. For example, it would be unjustified to pay the hotel accommodation for the week-end following the inspection visit of your plant or to invite them to the best restaurants in town. You should also be able to pay directly the expenses you have agreed to bear, and refuse any system based on the reimbursement of receipts, daily allowances, or having to go through a travel agent they recommend. Your Country Manager will submit this waiver request to his/her management who may seek the opinion of the Risk Management and Compliance Director.

Q
1.8 We wish to start new activities in a country and we meet senior representatives of the authorities in order to present our project. At the end of the meeting, they recommend we sponsor a charitable institution that is dear to them. We learn that it is actually a cause defended by their political party and we think that our answer will have an impact on our business activities.

Philanthropy and donations must not be disguised means for paying bribes or for funding political parties. Donations by L'Oréal should be made to official bodies and used entirely for the benefit of the cause supported and may not be made in exchange for a favourable decision from the soliciting party. Furthermore, such donations must support the causes and projects in line with the Group's Philanthropy Department guidelines. If this is the case, ask the charitable institution to annually justify the use of the funds (e.g. ask for a copy of their accounts, an annual activity report, etc..). If this is not the case, you may not respond favourably to the request.

Q
1.9 I represent L'Oréal in a trade association. The trade association is lobbying the government to amend a new law on the distribution of cosmetics. I have heard that the heads of this association had invited several members of the government to a grand hotel for the weekend.

Our reputation also depends on the reputation of those with whom we work or of those who represent our interests. We must make sure the trade associations in which we take part comply with our corruption prevention standards. In practice, you can send them a copy of L'ORÉAL's Corruption Prevention Policy (see pages 4 and 5 of this guide). If they do not share these principles, we should leave this association. You need to check this point before joining a new trade association.

OUR RELATIONSHIPS
WITH OUR CUSTOMERS
AND SUPPLIERS



2 OUR RELATIONSHIPS WITH OUR CUSTOMERS AND SUPPLIERS

Exchanging gifts or entertainment can help build mutual understanding and improve business relationships but if done to excess, it can be considered as corruption.

As a major player in our industry, we need to be exemplary. Our relationships with our customers and suppliers are based on integrity and loyalty. Any breach of our principles on corruption prevention may be harmful not only to us but also to our customers and suppliers.

Similarly, any breach in the same way by one of our business partners may be harmful to us. We should therefore also never, directly or indirectly, encourage our business partners to commit acts of corruption.

DO

- comply with your internal local policy on gifts and entertainment which includes more precise rules on disclosure and authorisation (maximum amounts, register, ...);
- comply with the principles provided in "The Way We Buy" as regards gifts and entertainment with suppliers (see "Useful Links" page);
- ensure that your customer gift policy has been reviewed by your local Legal Department when we are in a dominant position;
- as soon as the opportunity arises, inform your customers or suppliers of our commitment as regards preventing corruption;
- when you give a customer or supplier a gift, prefer giving L'ORÉAL branded products;

DO NOT

- offer, promise or give money or anything of value (gifts, entertainment, ...) to an employee or representative of another company that might lead them to breach their duty of loyalty to their company;
- offer gifts and/or entertainment to our customers or suppliers or receive gifts and/or entertainment from them if it could tarnish L'OREAL's reputation;
- offer gifts and/or entertainment to our customers or suppliers in breach of their gifts & entertainment policy;
- use customer gifts and/or entertainment as a substitute for commercial benefits;
- offer gifts and/or entertainment to a customer or supplier who is a close friend or relation, or receive gifts or entertainment from them without previously informing your management;

2 OUR RELATIONSHIPS WITH OUR CUSTOMERS AND SUPPLIERS

DO

- support corruption prevention by ensuring that information contained in financial and business records is always accurate and complete;
- immediately inform your management if you become aware of actions that might be contrary to our corruption prevention policy.

DO NOT

- invite customers or suppliers to events without a representative of L'ORÉAL being in attendance;
- offer or receive cash gifts or equivalent gifts (vouchers..., etc);
- accept or solicit money or anything of value (gift, entertainment...) that might lead us to breach our duty of loyalty to L'OREAL;
- accept any gift or entertainment from a prospective or current supplier during a bidding process;
- accept any personal discount or advantage from a supplier or client except if such discount or advantage is offered to all L'OREAL employees in your Country/ Entity ;
- accept invitations to events without a representative of the customer or of the supplier being in attendance;
- accept that a client or supplier bears your travel costs to their premises ;
- solicit gifts, entertainment, or other advantages for your own personal use and/or for use by your close relations or friends, and/or for another employee;
- encourage or allow a business partner to commit an act of corruption.

2 OUR RELATIONSHIPS WITH OUR CUSTOMERS AND SUPPLIERS

Q 2.1 We often offer gifts (travel, hi-fi, etc.) to customers who have reached a certain amount of turnover with us. We call this “incentivising” or “showcasing.” Is this forbidden now?

This type of “gift” is not prohibited because it is directly related to an objective criterion (attainment of a certain amount of turnover), it is transparent both internally and with regards the customer’s company, and it is offered to all the customers in this category. However, you must nevertheless find out from your Administrative & Financial Manager about the procedure for declaring this type of “incentive” in the accounts and about any tax rules applicable to this type of advantage. This type of operation should be reviewed regularly in order to avoid any abuse. Finally, these “incentives” should be given to the customer’s company and never given directly to its employees or management.

Q 2.2 Why do we need to have our customer gift policy reviewed by the Legal Department when we are in a dominant position?

When L’ORÉAL holds a dominant position, we need to be cautious about discounts or loyalty-winning commercial practices that might be deemed to exclude competitors (see “The Way We Compete”).

Q 2.3 I am negotiating an increase in our shelf space with a customer. My contact is refusing to examine our proposal, arguing that our competitors are “nicer” to him. I have the impression he wants me to give him a gift but he has not asked me for anything specific.

Let your management know about your doubts. It might be necessary to talk with your customer’s management because it is unlikely that they encourage this type of behaviour from their employees. In any event, do not give way to temptation. Healthy negotiation with our customers is based on the quality of our products and on our price policy, and not on our capacity to give gifts to their employees.

Q 2.4 I am negotiating the entry of our products with a new customer. A consultant who works for the customer has contacted me, saying that he can help me by giving me confidential information about the customer.

You must refuse the offer and report it to your management. It will probably be necessary to warn your customer that a third party is attempting to sell their confidential information.

2 OUR RELATIONSHIPS WITH OUR CUSTOMERS AND SUPPLIERS

Q
2.5 We are organising a training session for representatives of a customer located abroad. The head of the delegation is asking us to take the necessary steps for him to be given a health check in a hospital while he is visiting.

You should explain to your customer's representative that our internal policy does not allow us to bear expenses on behalf of an employee of a customer. However, if you so wish, you may help him with the logistics, e.g. by making an appointment for him if he does not speak the language of your Country.

Q
2.6 I have a friend who works for one of our customers and I sometimes have the opportunity of working with him in the course of carrying out my duties at L'ORÉAL. I am surely still allowed to give him presents so long as I pay for them.

Of course, but you should inform your management of your ties with that employee. Your friend should do the same with his employer so as to avoid any misunderstanding. People shouldn't be able to go thinking that L'ORÉAL includes a "customer gift" allowance in your salary.

Q
2.7 I have many hair salons amongst my customers and they regularly offer me a free haircut. Can I accept?

This is a personal advantage and even if the value is symbolic, it is better to refuse. It could be perceived as a way to influence you to obtain a commercial advantage.

Q
2.8 I work in Marketing but I don't decide directly on media buying. Nevertheless, certain newspapers regularly send me gifts. I've even been offered an all-expenses paid seminar abroad to exchange with other companies on media strategy. Can I accept these gifts and invitation?

You should first check your gift/entertainment policy namely on the value of gift and entertainment you are allowed to accept. Concerning the seminar abroad, if this is really important for your work, L'OREAL will bear the cost. For more information on gifts and invitations from suppliers, read "The Way We Buy".

2 OUR RELATIONSHIPS WITH OUR CUSTOMERS AND SUPPLIERS

Q 2.9 A supplier explains that, to enable me to receive my order on time, he needs to make a cash payment to the local authorities. What should I do?

Firstly, you should check the nature of the payment. Is it a legal “queue-jumping”/“fast-pass” type payment, for which the supplier can obtain an official receipt from the authorities? If it is a “facilitation payment”, you need to explain to your supplier that L’ORÉAL refuses this type of arrangement. You should reassure the supplier that you agree to the order being delivered late, and that the supplier will not be penalised for having complied with our standards. Naturally, you rapidly need to see what measures can be taken to avoid this type of incident happening again.

OUR RELATIONSHIPS
WITH DOCTORS, JOURNALISTS,
OPINION LEADERS AND THIRD
PARTIES WHO GIVE THEIR OPINION
ON THE COMPANY



3

OUR RELATIONSHIPS WITH DOCTORS, JOURNALISTS, OPINION LEADERS AND THIRD PARTIES WHO GIVE THEIR OPINION ON THE COMPANY

In addition to our customers and suppliers, we also have relationships with people to whom we present our products so that they can recommend them to others, e.g. journalists and doctors (hereafter “third parties”). Here too, we need to avoid any action that might be construed as aiming to bring the people in question to breach their duty of loyalty. Our relationship with the medical profession require special attention especially with the public health system as many doctors may be considered representatives of the public authorities (see Chapter 1).

We are also in contact with third parties who, beyond our products, give their opinion on the company (statutory auditors, financial analysts, journalists, rating agencies, arbitration commissions, etc..). The same principles apply to them.

DO

- comply with the legal or professional-conduct rules that might apply to the third parties in question;
- comply with your internal local policy on gifts and entertainment which include more precise rules, on disclosure and authorisation (maximum amounts, register....);
- as soon as the opportunity arises, let the third parties know our commitment as regards preventing corruption;
- when we give a third party a gift, prefer giving L'ORÉAL branded products;
- get information about third party policy before giving any gifts or entertainment to avoid any misunderstanding;
- check the reality of the consideration stipulated in the contract with a third party (freelance articles, taking part in questionnaires, etc.);
- contribute to the prevention of corruption by ensuring that information contained in financial and business records is always accurate and complete;
- immediately inform your management if you become aware of actions that might be contrary to our corruption prevention policy.

DO NOT

- offer gifts or entertainment to a third parties or receive gifts or entertainment from them if it could tarnish L'OREAL's reputation;
- offer gifts or entertainment to third parties or receive gifts or entertainment from them in breach of their gifts and entertainment policy;
- offer gifts or entertainment to or receive gifts and/or entertainment from a third party who is a close friend or relation, without previously informing your management;
- invite a third party to events without a representative of L'ORÉAL being in attendance;
- offer or receive cash gifts or equivalent gifts (vouchers);
- accept or solicit money or anything of value (gift, entertainment...) that might lead you to breach your duty of loyalty to L'ORÉAL;
- accept invitations to events from a third party without a representative of the third party being in attendance;
- solicit gifts, entertainment, or other advantages for your own personal use and/or for use by your close relations or friends, and/or for another employee.

3 OUR RELATIONSHIPS WITH DOCTORS, JOURNALISTS, OPINION LEADERS AND THIRD PARTIES WHO GIVE THEIR OPINION ON THE COMPANY

Q 3.1 I would like to present a product of one of our American brands to some journalists. L'OREAL USA is organising a grand launch. Can I invite the journalists to New York all expenses paid?

Consumers judge journalists' opinions on our products based on their objectivity. It is in our interest and in the interest of the journalist profession to avoid any action that might call into question this objectivity. Firstly you need to find out what is the newspapers' official policy. Often, newspapers will want to at least pay the accommodation. In practice, you need to inform the journalist's management and confirm in writing to them that we understand that the trip does not guarantee an article in exchange. Only the journalist in question must decide whether to write an article or whether to keep the information for some subsequent use. Furthermore, the travel conditions for any journalists paid by L'ORÉAL should be in line with L'ORÉAL's travel policy.

Q 3.2 I invited some journalists to a presentation on one of our recent philanthropy actions. At the end of the presentation, I gave them all a press kit. One of the journalists pointed out to me that one of our competitors had recently organised a similar presentation but had given out the press kit on an IPAD that they could keep. I had the impression that the journalist was trying to tell me that without a gift of the same value, it was unlikely that he would write an article about our action.

Let your management know about your doubts. It might be necessary to discuss this with the newspaper's management because it is unlikely that they give their backing to this type of behaviour from their employees. Do not give way to temptation. Our relationships with journalists are based on our integrity, our respect for their profession, and the quality of our products and of our actions as a corporate citizen, and not on our capacity to give gifts.

Q 3.3 I am looking for someone to help us write some press kits. I know a journalist who has already written numerous articles about our products, who therefore knows us very well. Can I entrust this job to him as a service provider?

Most journalists refuse any paid work for companies about whom they might have to write because that would put them in a situation of conflict of interests. If you really want to give a job to a journalist, it is preferable to have the contract stipulate that he may not write articles about our products for a certain length of time, to be defined together and with their editor.

Q 3.4 Through our medical reps, we recently asked doctors to take part in a satisfaction survey on our products. To thank them, we would like to offer them an MP3 player. Would that be possible?

As a general rule, we should not undermine in any way whatsoever the integrity and objectivity of doctors in making their prescription choices. In certain countries, laws exist that limit or prevent the possibility for companies to give gifts to doctors. Firstly, you should check what you are lawfully allowed to do as well as the Group norms which can be stricter namely when the doctors could be considered representatives of a public authority (see Chapter 1). If your local law permits it, you must check your local gift and entertainment policy namely with regards the value of the gift which must be symbolic. Prefer L'OREAL branded products as gifts. Finally, you need to check that the gift is rewarding a genuine service rendered by the doctor.

3

OUR RELATIONSHIPS WITH DOCTORS, JOURNALISTS, OPINION LEADERS AND THIRD PARTIES WHO GIVE THEIR OPINION ON THE COMPANY

Q To what extent are medical reps allowed to hand out L'ORÉAL products when visiting the doctors?
3.5

L'ORÉAL product samples can be given in limited proportions and solely for the purpose of enabling doctors to test the products prior to prescribing them. In this case, the samples are not gifts and can be given to doctors even if they are considered to be representatives of a public authority.

Q We want to invite a doctor to be part of a panel that we are organising at a dermatological conference abroad. He knows our products well and will be able to talk about them. We are going to pay for his transport and accommodation expenses, and we would also like to pay him a fee. He has told us that he would be ready to forego the fee if we pay for one of his colleagues or his spouse to come with him.
3.6

Firstly, you should check what the local law and professional conduct rules allow you to do. Doctors are often limited in what they are allowed to accept namely when they are considered representatives of public authorities (see Chapter 1). Since it is a service provided by the doctor, it would be preferable to sign a contract, validated by your Legal Department, so that there is no misunderstanding about what you expect of him and what his code of professional conduct allows him to do. For the sake of transparency, it is important to indicate to the organisers of the conference that the doctor will be speaking as part of a paid service. However, it is impossible to bear the costs of his colleague or his spouse because that would represent an excessive gift.

Q During a dermatological conference, may I offer gifts to dermatologists as some of my competitors do?
3.7

You need to check what the local law and professional conduct rules allow you to do. You must also check your local gift and entertainment policy with regards the value of the gift. Prefer L'ORÉAL branded products. Never offer cash gifts or equivalent (vouchers...) and always ask yourself what impact this could have on L'OREAL's reputation.

Q A doctor with whom we often work has just been nominated to sit on the Committee in charge of examining product authorizations including cosmetics. Can we continue to work with him ?
3.8

You need to check if the doctor has informed the Committee of his relationship with L'ORÉAL. If he had done so, we can continue to work with him.

USE OF INTERMEDIARIES



4 USE OF INTERMEDIARIES

The use of intermediaries is sometimes necessary to help us in our relations and administrative formalities with the public authorities (lawyers, accountants, customs clearing agents, agents, representatives, consultants, lobbyists, etc.).

DO

- ensure your intermediaries are informed of our corruption prevention policy;
- accept the time which needs to be spent on selecting intermediaries in Countries with a below 50 rating according to the Transparency International Index even if this impacts the business;
- ensure intermediaries in Countries with a below 50 rating according to the Transparency International Index have signed the standard “anti-corruption” clause;
- ensure intermediaries have sufficient information and lead times for performing their assignments;
- Check regularly that the services stipulated in the contract with the intermediary actually exists;
- contribute to the prevention of corruption by ensuring that information contained in financial and business records is always accurate and complete;
- immediately inform your management if you become aware of actions that might be contrary to our corruption prevention policy.

DO NOT

- use intermediaries to do things we are not allowed or have not allowed ourselves to do directly;
- use a new intermediary in Countries with a below 50 rating according to the Transparency International Index without the prior written approval from the Zone who may request the opinion of the Risk Management and Compliance Director;
- agree to make cash payments or “off-shore” payments;
- put inconsiderate amounts of pressure on our intermediaries that might encourage them to commit acts of corruption to meet our expectations.

4 USE OF INTERMEDIARIES

Q I need to select a company to assist us with the paperwork required to put our products on the market.
4.1 What checks do I need to make before asking for approval from the Zone?

If you are in a Country with a rating of under 50 according to the Transparency International Index (See "USEFUL LINKS"), you need to offer the Zone the choice between at least two intermediaries. In addition to the normal checks set out in "The Group Norm on Suppliers" (status and names of the owners, partners, main managers, and shareholders, financial situation and data, skills and experience justifying the added value of using the intermediary compared to acting directly, mode of remuneration and the amount of the fees compared with the market), you need to collect information on the reputation of the company:

- any relationships between the owner or employees of the intermediary and public authority representatives or political parties;
- a reputation check conducted on the basis of references, the press, and any convictions;
- the intermediary's anti-corruption policy, if any, and implementation of such policy;
- the agreement in principle to sign the standard anti-corruption clause.

These checks will also be useful to ensure that your intermediary is not participating in money-laundering or the financing of terrorism. There are companies specialised in this type of service and who can help you.

Q We are considering entering a new Country and we are looking for someone who can help us set up
4.2 a representative office. I've found an intermediary who could help us but he doesn't want to sign our standard anti-corruption clause. He says it is too long, that it is not common practice in his country, and that he is governed by his own code of professional conduct. He says he can "guarantee" that we will not be disappointed if we go through him because he knows the right people.

This intermediary should have no difficulty signing our contract whose purpose is to guarantee the transparency and the reliability of the relationship. In particular, you need a detailed description of the services, and a clear commitment to comply with L'ORÉAL's ethical standards and to co-operate with any investigation in the event of corruption allegations. The best thing to do is hand over the matter to the Legal Department, and, if the intermediary still refuses to sign the clause, seek another intermediary because his behaviour corresponds to the various "red flags" (see "REMINDER OF RED FLAGS").

Q I would like to subcontract to a customs clearing agent to reduce the time it takes to clear our products
4.3 through customs. I would like the remuneration of the agent to reflect this objective, but the Legal Department is objecting.

If you are in a Country in which the risk of corruption is high, providing remuneration on this basis might encourage the clearing agent to pay bribes in order to accelerate clearance of our products through customs. Before using this type of remuneration, you need to check how the clearing agent could achieve this objective legitimately.

4 USE OF INTERMEDIARIES

Q
4.4 I have just taken up my position as Administrative & Financial Manager, and I have found that the fees invoiced by the company that has, for many years, handled the tax returns of the subsidiary are very high, and the invoices are rather difficult to understand, with expenses invoiced for “express mail services”, “interventions” and “collections”. On the other hand, they are very efficient and we have never had to undergo a tax inspection.

It is important to check the activities of an intermediary, in particular by requiring very clear information on invoices so as to ensure that a real legitimate service is being provided. The standard anti-corruption clause gives L'ORÉAL the right to audit the accounts of the intermediary so as to make sure that the amounts paid by L'ORÉAL are used legitimately. Discuss it with your Legal Department. If the company refuses to co-operate, you need to inform your management and will probably need to seek another service provider.

Q
4.5 I need to renew a permit with the authorities and they are asking me to go through a local company. That is going to generate additional expenses and it seems to me that the company does not have the necessary qualifications.

Ask the Embassy whether this type of requirement is usual, and about the reputation of the local company in question. If the requirement is unusual and/or if the reputation of the local company is in doubt, try and ask the public authority to have the requirement confirmed in writing by a superior of the person with whom you are in contact, on the grounds that you need to justify going over budget in order to satisfy the requirement. That might encourage the public authority to change its mind about the requirement. Failing that, inform your Legal Department and your management so that they can see whether it is possible to intervene at a higher government level. If you find yourself obliged to use the local company, make sure that the contract with the company contains the standard anti-corruption clause.

HOW TO USE THIS DOCUMENT?

To facilitate the use of this document, we have structured it in chapters by type of business partner (public authorities, clients/suppliers, etc...)

Q Does "THE WAY WE PREVENT CORRUPTION" apply to me?
5.1

This document applies to all employees, officers and directors, and members of the Executive and Management Committees and subsidiaries worldwide. For memory, your personal liability and that of the L'ORÉAL may be engaged. This document can be communicated to all our business partners in order to make known our corruption prevention commitment.

Q How does "THE WAY WE PREVENT CORRUPTION" tie in with local laws?
5.2

Where local laws require a higher standard than those that set by "THE WAY WE PREVENT CORRUPTION", local law will apply. If by contrast "THE WAY WE PREVENT CORRUPTION" provides for a higher standard, then it should supersede local law, unless this results in illegal activity. If you identify a situation where "THE WAY WE PREVENT CORRUPTION" can be considered to be in contradiction with local law, please inform your management.

Q I have a question. Who do I turn to?
5.3

When in doubt, the golden rule is to discuss it openly. The normal route for raising such issues is with your management. There are also many other resources available to help you, such as your Legal Director or your Administrative & Financial Director. In some Countries, additional resources may also be available to you, such as, for example, an Ethics Correspondent. The Group General Counsel is also able to help you.

Your Country Manager, or for Corporate or Zone staff, the members of the Group Executive Committee to whom you report, is responsible for the proper deployment of the corruption prevention programme and the respect of the corruption prevention programme.

If you have raised your concern locally and you are not satisfied with the answer given to you or in the exceptional case that it is inappropriate to raise the issue locally, you may contact the Chief Ethics Officer.

We guarantee that any employee who raises a concern in good faith will be protected against retaliation.

HOW TO USE THIS DOCUMENT?

Q Can I meet my objectives and respect the principles of “THE WAY WE PREVENT CORRUPTION”?
5.4

These two objectives are compatible and are directly connected. It is mandatory to respect “THE WAY WE PREVENT CORRUPTION” and the Group’s interests are never served by unlawful or unethical business practices. Moreover, you will be appraised not only on your results, but also on the way you achieve them. Remember that one of the L’ORÉAL competencies is “Achieves Results with Integrity”.

Q Does this guide exist in other languages?
5.5

Local translations of this document may be available. The French version of “THE WAY WE PREVENT CORRUPTION” is the reference document in the French-speaking countries”. No changes can be made to the present document which is true to the original English version. In case of differences in interpretation, the English version will apply.

REMINDER OF “RED FLAGS”

THE PUBLIC AUTHORITIES AND THEIR REPRESENTATIVES

- They recommend L'ORÉAL make donations to certain charitable organisations
- They seek to impose a particular intermediary
- They tell you they are underpaid considering the services that they render
- They impose complex and lengthy administrative formalities without any apparent justification
- They suggest “fast” ways of settling certain administrative formalities
- They use their authority beyond what is provided for by law

OUR SUPPLIERS

- They continue to offer gifts or entertainment in contradiction with L'OREAL policy after we have informed them of it
- They ask for your private address
- They offer to settle your travel or meeting expenses
- They argue that they are competitive in particular because they have found a way of avoiding slow and cumbersome administrative procedures

OUR CUSTOMERS

- They emphasise the fact that other suppliers are “nicer”
- They ask for unusual payment terms and procedures
- They give bank account details that are in “tax havens”

JOURNALISTS, DOCTORS, OPINION LEADERS AND OTHER THIRD PARTIES

- They emphasise the fact that other companies are “nicer”
- They are insistent in wanting to become service providers

INTERMEDIARIES

- They refuse to sign the standard anti-corruption clause
- They give information that is insufficient or fragmentary
- They are related to or have commercial ties with political leaders or public authority representatives
- They make large donations to political parties
- They recommend L'ORÉAL make donations to certain charitable organisations
- They are recommended by a public authority representative
- They inform you of their special or preferential relationships with the public authorities or their representatives, or with politicians.
- They ask for additional fees/commissions for “obtaining the market” or for “settling administrative details”
- They demand commissions or fees that are abnormally high
- They demand payment of a large proportion of their commissions/fees as soon as the contract is signed
- They ask for unusual payment terms and procedures (cash, accounts outside the country, accounts that are not in their names)
- Their expenditures and records are opaque
- They do not have sufficient knowledge of the sector of activity, or they do not have the human resources or the equipment and facilities necessary for providing the services provided
- They have already been convicted in criminal or civil proceedings for bankruptcy, breach of contract, or fraud

WHO TO CONTACT?

If you are faced with a concern relating to corruption, do not keep it for yourself.

The golden rule is to report the matter and to discuss it openly.

The normal channel for reporting such concerns is to inform:

- your management
- your Legal Manager
- your Administrative & Financial Manager
- your Ethics Correspondent

Your Country Manager, or for Corporate or Zone staff, the members of the Group Executive Committee to whom you report, is responsible for the proper deployment of the corruption prevention programme and respect of the corruption prevention programme.

You may also contact:

- the Director of Risk Management and Compliance
- the Group Legal Director

So that no concern regarding corruption prevention remains unanswered, you may contact the Chief Ethics Officer on the L'ORÉAL OpenTalk website.

We guarantee that any employee who raises a concern in good faith will be protected against retaliation.

USEFUL LINKS

Code of Business Ethics:	http://ethics.loreal.wans/loreal/eth/fr/rubrique-download-the-code.html
L'ORÉAL Ethics OpenTalk website:	http://www.lorealetics.com
The Way We Buy :	http://purchasing-dgo.loreal.wans/layouts/dga/common/portal.aspx?setlang=EN
The Way We Compete :	http://legal-dgaf.loreal.wans/vdoc/resource/filecenter/document/02m-000001-07e
Fundamentals of Internal Control:	http://dgaf.loreal.wans/fr/accueil/Fhome.htm
L'ORÉAL Administration & Finance Division (DGAF) website:	http://192.6.20.20/fr/accueil/Fhome.htm
Transparency International website :	http://www.transparency.org/

NOTES

L'Oréal is offsetting all carbon emissions resulting from the creation, production and distribution of this guide via Climate Care.

Published by :

Risk Management & Compliance Director
SVP & Chief Ethics Officer

Photographs :

Nathalie Oundjian, [iStockphoto.com/mattjeacock](https://www.iStockphoto.com/mattjeacock),
[iStockphoto.com/webphotographeer](https://www.iStockphoto.com/webphotographeer), [iStockphoto.com/Timotale](https://www.iStockphoto.com/Timotale)

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