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Avon China Pleads Guilty to Violating the FCPA by Concealing More Than \$8 Million in Gifts to Chinese Officials

Avon Products Inc. and Avon Products (China) Co. Ltd. Will Pay More than \$135 Million in Criminal and Regulatory Penalties

Avon Products (China) Co. Ltd. (Avon China), a wholly owned subsidiary of the New York-based cosmetics company, Avon Products Inc. (Avon), pleaded guilty today to conspiring to violate the accounting provisions of the Foreign Corrupt Practices Act (FCPA) to conceal more than \$8 million in gifts, cash and non-business meals, travel and entertainment it gave to Chinese government officials in order to obtain and retain business benefits for Avon China. Avon China and Avon admitted the improper accounting and payments and Avon entered into a deferred prosecution agreement to resolve the investigation. In a proceeding today before United States District Judge George B. Daniels, the criminal Informations were filed against Avon and Avon China, and Avon China entered its guilty plea and was sentenced.

Assistant Attorney General Leslie R. Caldwell of the Justice Department's Criminal Division, U.S. Attorney Preet Bharara of the Southern District of New York and Assistant Director in Charge Andrew G. McCabe of the FBI's Washington Field Office made the announcement.

"Companies that cook their books to hide improper payments will face criminal penalties, as Avon China's guilty plea demonstrates," said Assistant Attorney General Caldwell. "Public companies that discover bribes paid to foreign officials, fail to stop them, and cover them up do so at their own peril."

"For years in China it was 'Avon calling,' as Avon bestowed millions of dollars in gifts and other things on Chinese government officials in return for business benefits," said U.S. Attorney Bharara. "Avon China was in the door-to-door influence-peddling business, and for years its corporate parent, rather than putting an end to the practice, conspired to cover it up. Avon has now agreed to adopt rigorous internal controls and to the appointment of a monitor to ensure that reforms are instituted and maintained."

"When corporations knowingly engage in bribery in order to obtain and retain contracts, it disrupts the level playing field to which all businesses are entitled," said FBI Assistant Director in Charge McCabe. "Companies who attempt to advance their businesses through foreign bribery should be on notice. The FBI, with our law enforcement partners, is continuing to push this unacceptable practice out of the business playbook by investigating companies who ignore the law."

Avon China pleaded guilty to a criminal information filed today in the U.S. District Court for the Southern District of New York charging the company with conspiring to violate the books

and records provisions of the FCPA. Avon, the parent company, entered into a deferred prosecution agreement today and admitted its criminal conduct, including its role in the conspiracy and its failure to implement internal controls. Pursuant to the deferred prosecution agreement, the department filed a criminal information charging Avon with conspiring to violate the books and records provisions of the FCPA and violating the internal controls provisions of the FCPA. In total, the Avon entities will pay \$67,648,000 in criminal penalties. Avon also agreed to implement rigorous internal controls, cooperate fully with the department and retain a compliance monitor for at least 18 months.

Avon settled a related FCPA matter with the U.S. Securities and Exchange Commission (SEC) today, and will pay an additional \$67,365,013 in disgorgement and prejudgment interest, bringing the total amount of U.S. criminal and regulatory penalties paid by Avon and Avon China to \$135,013,013.

According to court documents, from at least 2004 through 2008, Avon and Avon China conspired to falsify Avon's books and records by falsely describing the nature and purpose of certain Avon China transactions. Specifically, the companies sought to disguise over \$8 million in gifts, cash and non-business travel, meals and entertainment that Avon China executives and employees gave to government officials in China in order to obtain and retain business benefits for Avon China. Avon China attempted to disguise the payments and benefits through various means, including falsely describing the nature or purpose of, or participants associated with such expenses, and falsely recording payments to a third party intermediary as payments for legitimate consulting services.

The companies also admitted that in late 2005 Avon learned that Avon China was routinely providing things of value to Chinese government officials and failing to properly document them. Instead of ensuring the practice was halted, fixing the false books and records, disciplining the culpable individuals, and implementing appropriate controls to address this problem, the companies took steps to conceal the conduct, despite knowing that Avon China's books and records, and ultimately Avon's books and records, would continue to be inaccurate.

Court filings acknowledge Avon's cooperation with the department, including conducting an extensive internal investigation, voluntarily making U.S. and foreign employees available for interviews, and collecting, analyzing, translating and organizing voluminous evidence.

The case is being investigated by the FBI's Washington Field Office, and prosecuted by Senior Trial Attorney Laura Perkins of the Criminal Division's Fraud Section and Assistant U.S. Attorney Sarah Paul of the Southern District of New York. The Justice Department expresses its appreciation for the significant assistance provided by the SEC's Division of Enforcement in this investigation.