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## **FCPA NEWS ARTICLE**

### **Avon's Trouble with FCPA Violation Investigation**

Major cosmetics industry company Avon Products Inc. has suspended four executives in relation to an internal investigation of possible violations of the Foreign Corrupt Practices Act. Three of the suspended employees were the president of Avon's China unit, S.K. Kao; the unit's chief financial officer Jimmy Beh; and C.Q. Sun, the head of the corporate affairs and government relations group at the unit. The fourth suspended employee was the head of Avon's internal audit unit based in New York, Ian Rossetter.

The investigation started when an employee wrote a letter to an Avon executive regarding supposed "improper" spending on travel expenses for Chinese officials. These improper expenditures include alleged purchases of trips to France, New York, Canada and Hawaii for these Chinese government officials with ties to Avon's business.

Although Avon's investigation began with the company's China operation, it now involves a dozen or more countries including their substantially profitable South American unit. The investigation is estimated to have already cost the company a total of \$215 Million; attributed to the investigative costs, a drop in first quarter earnings, and revenue losses from their China operation.