

L'Oréal UK Tax Strategy

Company Scope

L'Oréal is the world's largest cosmetics company, headquartered in France. L'Oréal UK Group is defined as including L'Oréal UK Ltd, IT Cosmetics UK Limited and Two Five Five Limited.

L'Oréal UK Group has published its tax strategy in accordance with paragraphs 16(4) and 19 of Schedule 19 of the Finance Act 2016.

References to "UK Taxation" are to the taxes and duties set out in paragraph 15(1) of the Schedule which include Income Tax, Corporation Tax, PAYE, NIC, VAT, Insurance Premium Tax, and Stamp Duty Land Tax. References to 'tax', 'taxes' or 'taxation' are to UK taxation and similar duties in respect of which the L'Oréal UK Group has legal responsibilities.

Aim:

The aim of the UK Tax Strategy is to support the development of business considering efficiently and lawfully the tax costs. Compliance, Transparency and Legitimacy are the 3 pillars to the way we manage our tax affairs and we are committed to pay our fair share of taxes.

L'Oréal UK Group is committed to fully comply with all statutory obligations and engages in transparent communications to tax authorities. If required, in case of tax enquiries or audits, L'Oréal UK Group will explain and defend its interpretation of law in good faith and provide relevant documentation.

The L'Oréal UK group's tax affairs are managed in a way which takes into account the group's wider corporate reputation.

Governance in Relation to UK Taxation:

The tax governance, starting at Board level allows efficient and lawful tax management.

The starting point for L'Oréal UK Group's tax strategy and compliance rests with the Board of L'Oréal UK Limited. The Board validate the tax strategy and are informed about evolution of tax weight, tax projects and tax risks. In this respect, the Board of Directors ensure that delegates consider the tax strategy as one of the factors considered in relevant investments and business decisions taken.

Executive management of tax is delegated by the Managing Director to the Chief Financial Officer and to the Human Resources Director for taxes related to employees.

Day-to-day tax management for taxes related to employees is delegated by the Human Resources Director to the HR team. Management of all other taxes is delegated to the Tax Director, who reports directly to the Chief Financial Officer and manages the tax function.

The Management Committee receives a report from the CFO and the Tax Director for all UK taxes except for people taxes. People taxes are reported to the Management Committee by the HR Director.

L'Oréal UK Group's responsibility in relation to tax is managed by appropriately qualified individuals.

Risk Management:

It is Group Tax policy to protect L'Oréal from tax risks. Tax risks should be anticipated, identified and managed. We operate with a minimum level of risk

L'Oréal UK Group seeks to manage and to reduce the level of tax risks arising from both external and internal events. Examples of events include promulgation of regulations entailing the implementation of plans for compliance or complexity or uncertainty for new business orientation or operation. To ensure that tax risks is maintained as low as possible, L'Oréal UK Group seeks to reduce it by ensuring that reasonable care is applied in relation to all processes which could materially affect its compliance with its tax obligations.

- L'Oréal UK Group operates a system of tax risk reviews, assessment and controls as a component of the overall internal control framework applicable to the group's financial reporting system;
- Tax legislative changes are closely monitored to ensure that their impact is considered when reviewing business risks and changes to processes or controls are made where required;
- Training is carried out for staff outside the tax function who manage or process matters which have tax implications;
- Advice and reviews are sought from external advisers where appropriate.

Attitude towards Tax Planning and Level of Risk:

L'Oréal UK group engage sustainable and business oriented tax planning when available. We seek to comply fully with regulatory and other obligations and act in a way which upholds our reputation as a responsible corporate citizen. We manage risks to ensure compliance with legal requirements in a manner which ensures payment of the right amount of tax at all times

When entering into commercial transactions, L'Oréal UK Group seeks to employ available tax incentives, reliefs and exemptions in line with, and in the spirit of tax legislation. L'Oréal UK Group does not undertake tax planning unrelated to such commercial transactions.

In relation to any specific issue or transaction, the Board is ultimately responsible for identifying the risks, including tax risks, which need to be addressed and for determining what actions should be taken to manage and to eliminate those risks, having regard to the materiality of the amounts and obligations in question.

Relationship with HMRC

We seek to have a transparent and constructive relationship with HMRC through regular meetings and communication in respect of developments in L'Oréal UK Group's business, current, future and retrospective tax risks, and interpretation of the law in relation to all relevant taxes.

HMRC have awarded L'Oreal UK with low risk status.

We support a relationship with tax authorities, based upon mutual trust and respect which will enable constructive dialogue and responsiveness by all parties in order to fulfil our responsibilities in relation to tax.

L'Oréal UK Group ensures that HMRC is kept aware of significant transactions and changes in the business and seeks to discuss any tax issues arising at an early stage. When submitting tax computations and returns to HMRC, L'Oréal UK Group discloses all relevant facts and identifies any transactions or issues where it considers that there is potential for the tax treatment to be uncertain.

Any inadvertent errors in submissions made to HMRC are fully disclosed as soon as reasonably practicable after they are identified.

If needed, in case of tax enquiries or audits, L'Oréal UK Group, will provide all the requested documentation and will explain and defend its interpretation of the law in good faith.