

PURCHASING CHARTER

PIERRE FABRE GROUP

*For a profitable and responsible
customer-supplier relationship*



Pierre Fabre

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THE PIERRE FABRE GROUP

IN BRIEF

Since its creation, the Pierre Fabre Group has taken action, conducted research, completed studies, and innovated to improve people's well-being and health. Initiatives have been developed in the areas of medicinal products, family health and dermo-cosmetics.

The Pierre Fabre Group's turnover amounted to €2.1 billion in 2014.

Said turnover is divided between two branches:

- The pharmaceutical branch: €915 million
- The dermo-cosmetics branch: €1.148 million

France accounts for 45% of the turnover, and the international market for 55%.

The Pierre Fabre Group employs 10,000 people worldwide.

1. OBJECTIVES AND CONTEXT OF THE PURCHASING CHARTER

The purchasing function is intended to make a comprehensive contribution to the ambition, strategy and performance of the Pierre Fabre Group.

The Group's Ethical Charter represents an important framework for the Purchasing Charter. The latter is fully integrated into the Group's Corporate Social Responsibility (CSR) Policy, combining social and environmental responsibility with a constant concern for operational performance. This prompts the Group – together with its suppliers – to strive for optimal economic performance, quality of service, safety of supplies and international exposure.

The Pierre Fabre Group designs, develops and markets health products. Throughout its activities, it follows high standards in terms of ethics, quality and regulatory compliance. In addition, the Group is proud of its regional roots and maintains lasting business relationships with a network of companies of all sizes, while simultaneously developing its collaboration with companies providing international exposure.

As such, in January 2011, the Group subscribed to the **Charter for Supplier Relations from La Médiation du Crédit (French Credit Mediation Office) and the Compagnie des Dirigeants et Acheteurs de France (CDAF – French Managers' and Purchasers' Association)** in order to commit to a progressive approach with respect to its suppliers.

In June 2011, the Group also adopted an **Internal Purchasing Function Code**, describing which describes the general objectives and the organisation of the Group's purchasing function, the purchasing processes and the fundamental basic values of Pierre Fabre purchasers.

Thereby, the Pierre Fabre Group has defined the principles governing its purchasing policy, with a view to the implementation of said policy by its purchasing function, suppliers and subcontractors. This would result in a customer-supplier relationship that is both profitable and responsible.

2. GENERAL OBJECTIVES OF THE PURCHASING FUNCTION

The purchasing function must make an active contribution to the Group's profitability by considering and improving overall and cross-functional costs, ensuring the continuity of supplies and operation, and complying with regulatory standards. It aims to guarantee the complete satisfaction of both internal and end customers.

To this end, the purchasing function:

- Monitors the market,
- Streamlines and optimises the number of suppliers,
- Ensures the safety of supplies,
- Develops strategies to reduce fixed capital assets and cycle times,
- Incorporates the Group's commitments into a sustainable development approach,
- Selects suppliers likely to support the Company in its development, particularly internationally,
- Establishes trusting relationships with suppliers to promote the emergence of balanced and beneficial agreements for all concerned,
- Negotiates the best economic conditions for purchasing activities within this framework,
- Organises and coordinates quality control, and takes into account the concept of quality in its assessments and purchasing decisions,
- Ensures compliance with contractual commitments,
- Performs regular assessments of major suppliers,
- Participates in the development of activities and products with selected suppliers,
- Defines strategies for cost reduction, including by optimising processes and controlling expenses.

3. ORGANISATION OF THE PURCHASING FUNCTION

The Pierre Fabre Group comprises two branches of activities (pharmaceutical and dermo-cosmetic), coordinated by senior management and central services within the PFSA holding company, which includes the Group Purchasing Department.

3.1 - GROUP PURCHASING DEPARTMENT

The mission of the Group Purchasing Department is to strengthen the Group's competitiveness within its various branches of activities by organising and optimising the purchasing function. To this end, it acts as a Group representative.

This Department manages the community of professional purchasers, defines major objectives in line with the Group strategy (and that of its branches), ensures the distribution of information and best practices using suitable tools and approaches, and facilitates personal development within the function. It also ensures compliance with the Purchasing Charter and checks that the purchasing function contributes to achieving the objectives (whether in terms of economic performance, continuity of service and supply) and implementation of the Group's CSR policy.

Accordingly, the Group Purchasing Department is required to develop and implement:

- Methodological convergence programmes,
- IT tools to consolidate the Group's information and working methods,
- Training courses for purchasers to improve their daily practices and incorporate the Group's strategy as effectively as possible, in particular with respect to international development, economic optimisation, risk management, product development and the integration of CSR commitments.

Furthermore, the Group Purchasing Department is responsible for tendering, negotiating and monitoring central purchasing and major contracts, in coordination with business experts and the Group central management.



3.2 - DECENTRALISED PURCHASING DEPARTMENTS AND SERVICES

Purchasers are decentralised by activity and by branch. The Group expects them to be highly competent, and provides them with tools and dedicated training courses. Internationally, purchasers or purchasing contacts are present in each of the Group's significant subsidiaries.

The decentralisation of the purchasing function means that different purchasing services are distributed across the various activity branches, and led by purchasing managers. These managers are Company representatives with respect to their purchasing families, for both internal customers and suppliers. Accordingly, the pharmaceutical and dermo-cosmetic branches each have their own Industrial Purchasing Departments, which report to their respective industrial directors.

The subsidiaries' purchasers and purchasing contacts ensure that global contracts are complied with and implemented, and see to it that the Group's decisions are respected at the local level. Where necessary, they deal with invitations to tender in coordination with the central functions located in France and the business experts working in the subsidiary (IT, communication, marketing, etc.).

Should a service not include a full-time business purchaser, the company relies on business experts with purchasing expertise. Depending on the importance of the specific issues and the autonomy attributed to certain purchasing families, these business experts either process the invitations to tender jointly with the Group Purchasing Department, or manage and conduct the purchasing process within their sector according to the same principles as a business purchaser.

3.3 - ANALYSIS OF THE PURCHASING TURNOVER

The purchasing structure allows for a fine analysis of expenditure by family and by supplier.

Management control regularly reconciles expenses from different periods based on the purchasing family in order to identify any abnormal changes which may require specific measures.

Thanks to the querying tools at their disposal, purchasers are able to reconstruct the turnover achieved by a supplier with the Pierre Fabre Group.



4. REFERENCE PURCHASING PROCESS

In the absence of any regulatory or strategic obstacles, contracts with suppliers are subject to a tendering obligation at least every five years.

The Group follows a traditional purchasing process, which includes the following main stages:



- **Identifying suppliers** (commercial and technological monitoring),
 - Benchmark: approving suppliers from a business perspective (efficiency) and financial perspective (health),
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- **Defining needs** in terms of functionality, quantity, quality and price,
 - Clarifying the choices to be made upstream by the company before consultation,
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- Organising the conditions for a fair competition with **at least 3 suppliers**
 - based on precise specifications,
 - with objective selection criteria,
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- **Drafting a contrat** incorporating the terms of the negotiation and specifying the objectives and results (services) expected, contract termination terms, tariff revaluation, CSR commitment, etc.
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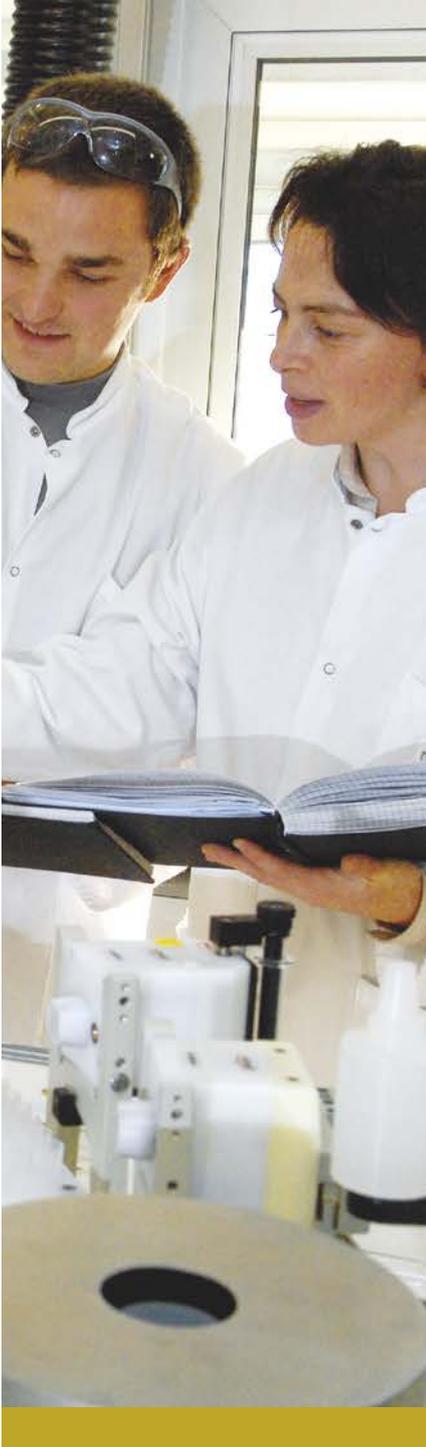
- Assessing suppliers according to the Group's rating system,
- Engaging in a Quality approach whenever this is required by applicable regulation or as necessary,
- Ensuring the satisfaction of internal customers.

Conditions for conducting invitations to tender:

- The supplier selection process must be formal, professional, transparent and independent of any influence,
- Suppliers must be treated equally (same information supplied, same deadlines requested, assessment of tenders according to the same criteria, etc.)
- The information received from suppliers is confidential, and as such must not be disclosed to other competitors,
- The winning supplier must be selected according to objective criteria and transparently.

In coordination with legal departments, the invitation to tender process is legally secure, notably with regard to confidentiality and non-disclosure agreements, specifications and contractual projects.





5. RELATIONSHIP WITH SUPPLIERS

5.1 - GENERAL FRAMEWORK

The Group strives for sustainable performance, in particular through extensive relations with selected suppliers which adhere to the Group's policy and are likely to guarantee safe supplies. Despite the development of its international presence and its reliance on suppliers able to support this movement, the Group intends to maintain significant ties to its regional and national roots.

In this context, purchasers will take the following approach regarding their relationships with suppliers:

- Work with clear selection criteria,
- Treat suppliers fairly,
- Never involve their personal interests,
- Give priority to suppliers that best reconcile price, quality of service and products, innovation, safety, international exposure and compliance with the Group's CSR commitments,
- Maintain a climate of mutual respect with the supplier,
- Guarantee the confidentiality of data relating to the suppliers, in particular with respect to third party companies using the same suppliers as the Pierre Fabre Group,
- Systematically inform suppliers who are not selected,
- Pay special attention to suppliers committed to sustainable development and social and environmental responsibility.

5.2 - ETHICAL RULES CONCERNING NON-CONTRACTUAL RELATIONS WITH SUPPLIERS

In accordance with the provisions of the Group's Ethical Charter, Pierre Fabre employees (whether or not they are purchasers) must adopt a strictly professional attitude of respect and independence towards the Group's partners under all circumstances, thereby avoiding any risks of conflict of interest or corruption, among other things.

Business meals may help to strengthen the relationship of trust which the Group wishes to establish with its suppliers. These meals must, however, be limited to the strict minimum. They should not be extravagant, especially when the supplier is the host.

It is customary to accept so-called courtesy gifts out of politeness, i.e. when they are of limited value and not characterised by single personal use. Gifts of excessive value or an extravagant nature should be refused. Should Group employees find themselves in this situation, they must return the gift with a courteous letter, expressing gratitude for the good intentions and emphasising their adherence to the Group's policy on this matter, which prohibits the acceptance of such gifts. As a general rule, they must not accept gifts valued at more than €30 euros or the equivalent in local currency.

It is forbidden to visit suppliers for a factory tour or technical audit unless absolutely necessary, and for a period consistent with the professional nature of this type of visit. Such visits may not be preceded or followed by a leisure trip in combination with the professional visit.

It is forbidden to participate in any promotional activity organised by suppliers which might provide any personal or individual benefits.

Lastly, purchasers or business experts must inform their superiors of any connection (family ties, other personal connection, direct or indirect financial interests, etc.) which they might have with a supplier, in order to prevent any risk of conflict of interest.



5.3 - COMPLIANCE WITH ETHICAL RULES RELATING TO LABOUR LAWS

The Pierre Fabre Group is keen to ensure that suppliers comply with the ethical rules regarding labour laws, in particular those of the conventions of the International Labour Organisation in terms of forced labour, illegal labour, child labour, equal opportunities and freedom of association. Where necessary, the Pierre Fabre Group ensures that suppliers meet the commitments they make in this regard. If required, a provision may be included in the contract between them and the Pierre Fabre Group by way of formalising these commitments.



5.4 - ENVIRONMENTAL ISSUES

Environmental issues are taken into consideration throughout the purchasing process, in compliance with the Group's CSR policy. Accordingly, the purchasing function is able to systematically assess the environmental impact of its activities and decisions, and shall endeavour to:

- Anticipate sustainable development issues by measuring the environmental impact of the purchasing policy,
- Actively contribute to the implementation of initiatives undertaken by the Group as a socially responsible company, as part of its CSR policy,
- Assess the adherence of its suppliers and purchasers to this CSR policy.

5.5 - CONDITIONS OF PAYMENT

The Pierre Fabre Group undertakes to comply with the conditions of payment as defined contractually, or alternatively as indicated in its General Purchasing Conditions, which must strictly comply with the applicable laws and regulations.

5.6 - EXPECTATIONS OF THE PIERRE FABRE GROUP WITH RESPECT TO ITS SUPPLIERS

The Pierre Fabre Group expects its suppliers to commit to:

- Delivering products and/or services in accordance with the price, deadlines and quality levels defined in the contractual commitments,
- Engaging in a policy of innovation and continuous improvement likely to maximise the competitive advantages of the Pierre Fabre Group,
- Adhering to the Pierre Fabre Group's responsible purchasing policy, responding to CSR assessment requests from the Group, and promoting this CSR policy to their own suppliers and subcontractors,
- Not implementing any measures likely to contravene the rules and values set by the Pierre Fabre Group and its purchasers,
- Adopting the most transparent approach possible with the Pierre Fabre Group in terms of their prices and costs, and their performance assessment,
- Ensuring the fair treatment of the Pierre Fabre Group in relation to its competitors.