

SEC Charges 3M with Foreign Corrupt Practices Act Violations Relating to China Subsidiary

FOR IMMEDIATE RELEASE

2023-160

Washington D.C., Aug. 25, 2023 — The Securities and Exchange Commission today announced that 3M Company agreed to pay more than \$6.5 million to resolve charges that it violated the books and records and internal controls provisions of the Foreign Corrupt Practices Act (FCPA).

The SEC's order finds that employees of a 3M wholly owned subsidiary based in China arranged for Chinese government officials employed by state-owned health care facilities to attend overseas conferences, educational events, and health care facility visits, ostensibly as part of the Chinese subsidiary's marketing and outreach efforts. However, the arrangements to attend the events were often a pretext to provide the Chinese government officials with overseas travel, including tourism activities, to induce them to purchase 3M products.

Specifically, the order finds that, from at least 2014 to 2017, 3M's Chinese subsidiary provided Chinese government officials overseas travel that included guided tours, shopping visits, day trips to nearby sights, and other leisure activities. According to the order, in a number of instances, the tourism activities were scheduled at the same time as the events the officials were supposedly attending, and at times the Chinese officials missed whole days of the events or simply never attended at all. Also, the events were in English and certain trips included Chinese government officials who neither understood English nor had adequate translation services. The order finds that 3M's Chinese subsidiary paid nearly \$1 million to fund at least 24 trips for Chinese government officials that included tourism activities.

According to the order, to obtain approval for the trips, the employees of 3M's China-based subsidiary created a travel itinerary for the Chinese government officials to attend legitimate events, and the employees provided the itineraries to compliance personnel at the subsidiary for approval. However, the employees, in collusion with Chinese travel agencies, also created alternate itineraries consisting of tourism activities at or near the location of the overseas educational events, which the employees provided to the Chinese officials who went on the trips. The employees asked the trip participants to keep the alternate agenda hidden and falsified internal compliance documents that affirmatively denied or omitted mention of the tourism activities that they had planned as part of the overseas trip.

In addition, the order finds that, between February 2016 and September 2018, employees of 3M's China-based subsidiary arranged for 3M to transfer \$254,000 directly to a Chinese travel agency to help pay for some of the improper tourism activities.

"This matter highlights the dangers to companies with global operations posed by inadequate internal accounting controls," said Charles Cain, Chief of the SEC's FCPA Unit. "Those dangers were exacerbated here by complicit third-party vendors."

The SEC's order finds that 3M violated the books and records and internal accounting controls provisions of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934. Without admitting or denying the findings, 3M has agreed to cease and desist from committing or causing any future violations of these provisions. The company has also agreed to pay disgorgement plus prejudgment interest totaling \$4,581,618 and a \$2 million civil penalty.

The SEC's investigation was conducted by Asita Obeyesekere and Paul G. Block of the FCPA Unit and John McCann of the Boston Regional Office.

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Related Materials

- [SEC Order](#)