

SEC Charges Mead Johnson Nutrition With FCPA Violations

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Washington D.C., July 28, 2015 — The Securities and Exchange Commission today announced that Mead Johnson Nutrition Company has agreed to settle charges that its Chinese subsidiary made improper payments to health care professionals at government-owned hospitals to recommend the company's infant formula to patients who were new or expectant mothers.

Mead Johnson Nutrition agreed to pay \$12 million to settle the SEC's finding that it violated the Foreign Corrupt Practices Act (FCPA).

An SEC investigation found that employees funded the improper payments through "distributor allowance" funds paid to third-party distributors who market, sell, and distribute the company's products in China. Although the funds contractually belonged to the distributors, employees exercised some control over how the money was spent and provided specific guidance to distributors on how to use the funds. Cash and other incentives were subsequently paid to health care professionals in China hospitals to recommend Mead Johnson Nutrition products and provide the company with contact information for patients who were new or expectant mothers so it could market its infant formula to them directly. The company did not accurately reflect in its books and records the more than \$2 million in improper payments made during a five-year period.

"Mead Johnson Nutrition's lax internal control environment enabled its subsidiary to use off-the-books slush funds to pay doctors and other health care professionals in China to recommend its baby formula and give the company marketing access to mothers," said Kara Brockmeyer, Chief of the SEC Enforcement Division's FCPA Unit.

The SEC's order instituting a settled administrative proceeding finds that Mead Johnson Nutrition violated the books and records and internal control provisions of the Securities Exchange Act of 1934. The company consented to the order without admitting or denying the findings and agreed to pay \$7.77 million in disgorgement, \$1.26 million in prejudgment interest, and a \$3 million penalty.

The SEC's investigation was conducted by William B. McKean of the Salt Lake Regional Office.

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