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MEETINGS & EVENTS



A Shifting Mindset in a Shifting Environment

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Best practices for meetings and events in high-risk locations

The scale and sophistication of the meetings and events sector continues to grow across corporate China, as business travel increases overall.

According to the China Business Travel Barometer 2019, conducted by the Economist Intelligence Unit, Chinese government policies, such as the Belt and Road Initiative, will lead to increased travel needs, and meetings and events activity will likely grow as a result.¹

Meetings and events activity is increasing dramatically across China, and this area continues to come under scrutiny from regulators. Whereas once it was possible to conduct meetings and events activity in China with less of a compliance lens applied to it, this is now becoming problematic.

This is particularly pronounced in the pharmaceutical sector, given in June 2019, the Chinese government announced it would audit 77 firms. In part, the audit is to ensure the events these pharmaceutical firms hold are legitimate and are not used fraudulently to encourage hospitals and other clients to buy their goods.² Several major multi-national pharmaceutical companies are among the firms being audited under this program.

“The message from central government is that any firm carrying out meetings and events activity in China needs to be audit ready,” says Sasha Kalb, Vice President Compliance & Risk, APAC and Global Alliances at American Express Global Business Travel.

While running compliant meetings and events is a particular focus in China, many governments have implemented transparency regimes to ensure that financial arrangements between firms and their clients are conducted on a commercial basis and are free from corruption. The US Sunshine Act is one example, although similar initiatives have been implemented in Korea, France, Germany, and the UK. The consequences of not complying with these rules are serious. Around the world, firms that have been found to violate anti-corruption laws have been required to pay several millions in fines.

Without the right systems and procedures in place, firms can, wittingly or not, become engaged in bribery and corruption. This is why it has become essential for firms that hold meetings and events in high-risk locations to invest in systems that can verify their arrangements are above board.

To this end, American Express Global Business Travel (GBT) has developed tools that assist firms to demonstrate they are acting within the law. We are in a unique position to assist our clients with compliance activities given our position as one of the world's leading financial services businesses, which brings an obligation to comply with national and global regulations. We have an extensive global compliance team, including a dedicated staff in Asia Pacific. Our solutions allow firms to leverage GBT's expertise, build internal systems and processes and, at the same time, develop internal rigour and resources to be able to demonstrate they are complying with local regulations.



The evolution of the compliance environment

There has never been more emphasis on firms being able to demonstrate the meetings and events they hold comply with local regulations, and are free of any evidence of corruption.

The recent crack-down follows the Chinese government's actions against Kangmei Pharmaceutical Co. after it overstated its 2017 cash position by US\$4.4 billion. The Chinese medicine giant risks being de-listed if the review uncovers ethical violations.³ Prior to this, in 2016, another major global pharmaceutical firm was fined US\$490 million in China after it was caught offering bribes to doctors and hospitals funnelled through falsified meetings.⁴

This latest anti-corruption initiative marks an evolution in China's stance on corruption. In the past, firms had time to respond to government requests for information, to demonstrate they complied with local regulations. Now, as business practices mature, they are expected to be able to demonstrate compliance in a much swifter fashion.

Anti-bribery and anti-corruption have always been a focus in China, and this latest program builds on an ongoing campaign to reduce these behaviours. The nation takes a very public anti-corruption stance, having pursued its "tigers and flies" approach to anti-corruption for more than a decade. This initiative, which has been highly successful, is focused on identifying the tigers, or senior officials, and flies, lower-ranking officers, engaging in corrupt practices to eradicate these activities.

It's worth noting many firms doing business in China and other jurisdictions where there is a high risk of corruption have responded proactively to the increasingly hard-line stance these nations are taking toward illegal activities. For instance, a growing number of firms are appointing senior compliance officers to ensure they stay inside the law and to demonstrate they are taking this issue seriously.

Multi-national and local firms are also taking other steps to show compliance is a priority. Where compliance was once the sole remit of the chief compliance officer, it is now coming within the purview of additional senior executives. For instance, it has become commonplace for chief financial officers to have some level of responsibility for compliance, particularly at the local or regional levels, to ensure the business is meeting its obligations in this regard. They

are also allocating substantial budget and resources to ensure activities meet or exceed compliance standards. Furthermore, more compliance officers are now managing meetings and events activity, whereas two years ago, this would not have been the case, with meetings and events sitting in a marketing function.

Gerardo Tejado, General Manager, American Express Meetings & Events, says compliance should be top of mind when holding meetings and events in high-risk locations.

“Firms need to be able to demonstrate compliance is at the forefront of planning when holding events. We are proud to be able to support clients doing business in nations such as China. They can feel confident that, should regulators contact them about conducting an audit, they will have all the documentation and information at their fingertips to meet their requirements and, at the same time, host a meeting or event that supports their commercial and strategic objectives.”

“There’s now much more awareness of how important it is for local and global firms to comply with regulations in high-risk nations,” says Milton Rivera, Vice President, Asia Pacific, American Express Meetings & Events.



Regulatory crackdown: examples of unacceptable practices

There are many examples of firms that have faced the full force of regulatory wrath after engaging in corrupt practices. Some of the world's largest firms have paid out millions of dollars in fines as a result of engaging in illegal activities, with two examples discussed below.

These firms have had to apply significant internal and financial resources to address regulatory actions around non-compliance. Moreover, the ramifications for firms found to have engaged in unlawful practices extend years into the future as a result of coming to the attention of regulators. The consequences of their actions are also not just commercial – these firms have also faced serious reputational damage.



Case study 1: due diligence on suppliers is essential

In this example, a European pharmaceutical conglomerate paid US\$5.5 million under the US's Foreign Corrupt Practices Act after its sales and marketing staff bribed public hospital employees to persuade them to buy its products and to secure speaking engagements at medical conferences.

It also colluded with a travel vendor that produced falsified invoices to generate cash that was subsequently paid to healthcare professionals as bribes, without providing the services outlined on the invoices. It was unable to provide evidence its staff had actually participated in conferences, including information such as the dates of these events.

While this firm never admitted engaging in corrupt practices, the US Securities and Exchange Commission (SEC) imposed serious sanctions on it after it was unable to prove it had maintained internal accounting controls to administer employee reimbursements, payments to third-party vendors, speaker fees, conferences, gifts, travel, and entertainment.

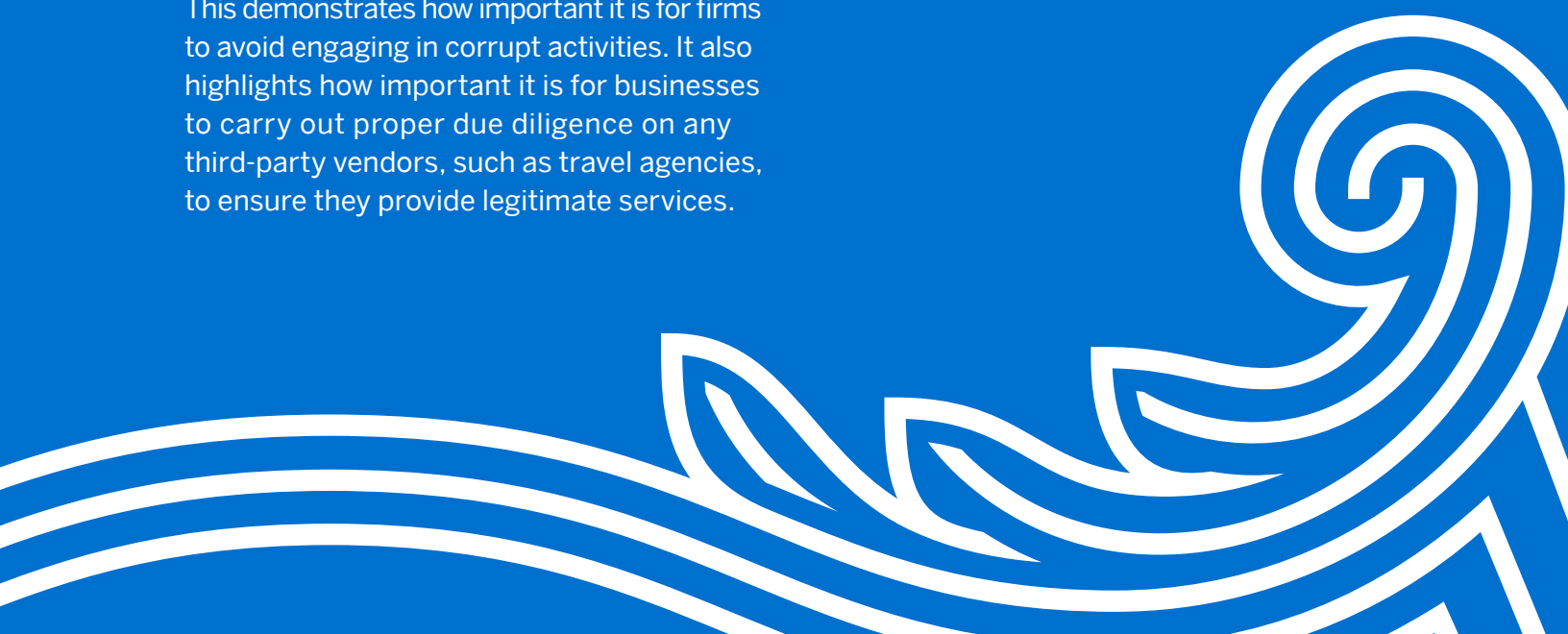
This demonstrates how important it is for firms to avoid engaging in corrupt activities. It also highlights how important it is for businesses to carry out proper due diligence on any third-party vendors, such as travel agencies, to ensure they provide legitimate services.

Case study 2: bribes do not pay off

A US medical device firm in this example admitted paying US\$1.5 million in bribes to doctors in Argentina, Brazil, and China and disguising these payment in its accounts. The bribes included paying for overseas holidays in exchange for the doctors using the firm's products. It subsequently paid US\$22.8 million in fines and penalties.

After the bribes were discovered, this firm was required to engage more closely with regulators and enter into formal agreements to meet certain compliance hurdles.

This demonstrates that once a firm comes under regulator scrutiny for corruption, it will often have to prove heightened levels of compliance for years afterwards. It will usually be required to verify it is complying with any settlement terms, significantly adding to its cost of compliance and reducing its autonomy.



Achieving a balance between in-sourced and external resources

Being able to show a business complies with anti-corruption regulations requires the right combination of internal and external skills and resources.

Appropriate use of internal resources

There are a number of benefits to using internal resources to manage certain processes involved in arranging meetings and events.

For instance, building in-house capabilities allows a business to develop stringent internal governance processes, properly manage relationships with internal customers, and develop the skills of the firms brand and product experts. Developing the team's abilities also ensures meetings and events are aligned to the firms culture and helps to maintain consistent processes and practices. Fundamentally, it is vital that there is a strong internal candidate who is looking to ensure that all meetings and events activities are audit-ready.

Appropriate use of external resources

There are also benefits to combining internal resources with the skills of external experts. On a practical level, for most in-house teams, they do not have the resources and time to carry out major meetings and events activities. This approach not only gives the firm access to a range of highly-skilled professionals, it adds highly important governance controls to the meetings and events programs, such as testing and proper third-party management and due diligence. In addition, it allows the firm to take a flexible approach to resourcing its meetings and events program, control costs, and gain access to specialists who can act as an extension of the internal team. Moreover, external experts can help establish training programs for the business and help develop consistent processes and practices. It also gives the business access to venue and supplier knowledge and relationships, superior meetings and events technology, and supports effective and compliant communication between travel management companies (TMCs) and industry partners. Drawing on the skills of external experts also avoids overloading internal teams during busy periods.

Activities recommended to be conducted by in-house team:

- Agree on contracts and speaking agreements
- Arrange honoraria, grants, and sponsorships
- Prepare budgets and forecasts
- Hold simple internal meetings
- Develop corporate governance standards

Activities recommended to be conducted by external team

- Venue sourcing and negotiation
- Meeting logistics planning
- On-site management
- Consolidated program management
- Consultant services such as meetings insights and benchmarking
- Program governance for service providers



American Express Meetings & Events supports best practice meetings and events

There are benefits to partnering with an organization with deep knowledge of, and experience, in compliance.

Importantly, leadership and risk and compliance teams are notified if concerns or risks arise at any stage of the meetings planning process. All aspects of the events are fully documented, including all negotiations with suppliers, with mandatory itemized invoices and receipts collected and reconciled. The firm also benefits from internal testing, with a three-tier risk notification process to flag any suspect activities.

We work in collaboration with clients to build compliant processes and practices, including a clear statement of work around American Express Meetings & Events. We have a particular focus on mitigating high-risk activities and ensure escalation process for any non-compliant request.

American Express Meetings & Events provides compliance checklists throughout the planning process and during events to ensure any concerns are flagged early in the process. In addition, our team facilitates automated client approvals and documentation, and is onsite during events to validate that activities comply with regulations. Our meetings team also completes mandatory training to deliver meetings and events services in China, and undertake regular refresher courses to ensure they are always up-to-date with current practices and changes to regulations.

How the process works:

- Client appoints American Express Meetings & Events to help facilitate compliant meetings
- We discuss the event and services required with the client
- Event is registered via an online meetings management tool
- Compliance questionnaire completed
- China-specific contracting requirements for suppliers agreed with client
- Meetings controls and support documentation reviewed
- Details of meeting confirmed in an automated client approval form
- Suppliers, including hotels, sourced
- Suppliers screened and due diligence conducted
- Suppliers sign contracts and document scope of work and agree to specific terms and conditions
- Meeting planning and execution, including provision of onsite services
- Compliant payments made to suppliers
- Business self-testing on all documentation to ensure compliance
 - Conducted by dedicated Centre of Excellence teams in Singapore and the US
- Once meeting is reviewed and tested as compliant, documents centrally stored
- Quarterly compliance testing performed by APAC risk and compliance teams

Conclusion

Compliance across meetings and events activity is anticipated to remain a key priority for the Chinese government, so the onus is on businesses operating in China and across high-risk countries to ensure their activities meet the requirements of the jurisdictions in which they operate.

- 1 China Business Travel Forum Barometer, 2019
- 2 <https://www.bloomberg.com/news/articles/2019-06-04/china-to-audit-77-drugmakers-after-4-3-billion-accounts-scandal>
- 3 <https://www.bloomberg.com/news/articles/2019-05-29/china-firm-overstates-cash-by-4-3-billion-using-false-documents>
- 4 <https://www.bbc.com/news/business-29274822>



We know meetings.

Meetings are a part of life, but great meetings can change lives.

We know how to make meetings work for your company, your attendees, and your brand. We design experiences that matter – and we have the team, technology, and supplier network to deliver them. We'll help you make the most of your meetings based on your goals, then help you measure and talk about the value delivered, whether for a single meeting or your full meetings portfolio.

Responsible for more than 97,000 experiential events, meetings, and incentives annually, we can assist you end-to-end, or at any point in the meetings and events process. Our expertise is comprehensive – including in-person, digital, and hybrid solutions.

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