CORRUPTION WATCH

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The Anglo-Italian Job

Leonardo, AgustaWestland and Corruption Around the World

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Introduction

Leonardo SpA, previously called Finmeccanica, one of the top ten largest defence companies on the planet, and partly owned by the Italian state, has over the past decade been embroiled in multiple corruption scandals around the world. This report covers the most egregious of those scandals and recommends action by multiple actors to deal with these issues.

In 2016, Leonardo announced revenues of €12bn, new orders worth approximately €20bn and an order backlog of over €35bn.1 The Stockholm International Peace Research Institute (SIPRI) calculated that the company was the 9th largest defence company by sales in the world in 2015. A good portion of that success is down to the company's helicopter division, comprised, until the 1st of January 2016, of the Italian-English multinational company, AgustaWestland.2 Leonard Helicopters retains substantial production facilities in the UK at its historic Yeovil site.

However, the myriad corruption scandals that have dogged the company have led to criminal and civil cases across multiple jurisdictions including Italy, South Korea, India and Panama, where the company's misconduct has dominated news headlines.

Corruption Watch UK, has, over the last three years, investigated and tracked these corruption scandals engulfing the company across the world. Our research a perplexing lack of any formal investigations by UK authorities into the UK actors involved in the corruption allegations against Leonardo, specifically Leonardo's UK subsidiaries. This lack of formal investigation raises serious questions about the UK's commitment to ensuring that UK actors are held to account for their role in alleged global bribery schemes.

Corruption Watch's research shows that the company's UK subsidiary, or its agents, have been implicated in wrongdoing in a number of cases, with participants drawn from the highest echelons of the company's management. The most notable of these participants is the Right Honourable Geoff Hoon: the former Defence Secretary under Tony Blair and, from 2011 until 2016, AgustaWestland's Manager of International Business based in the UK.

Court documents, accessed by Corruption Watch UK in South Korea, show that Hoon was directing the activities of a lobbyist convicted in South Korea in 2016 for 'illegal intermediation' – paid lobbying. The lobbyist had been used by AgustaWestland to secure the sale of Wildcat helicopters to the South Korean military and was paid directly in pounds.

This report reveals the inner workings of three of these corruption cases including:

1. The sale of Wildcat helicopters to the South Korean military. AgustaWestland made payments to individuals with links to the South Korean military establishment to secure the deal. These included payments to the lobbyist overseen by Geoff Hoon.

2. The highly controversial sale of VVIP helicopters to India. Over €60m was paid to agents and middlemen on the deal, a substantial portion of which was overseen by AgustaWestland's UK headquarters, paid to a UK company and paid from UK bank accounts. AgustaWestland furthermore paid one of these agents in relation to other procurements in India. India's authorities alleged that no legitimate work was performed on those additional contracts, which the agent denies.

3. The sale of surveillance and other equipment to the government of Panama. Allegations of kickbacks to the former Panamanian President, facilitated by an Italian businessman with close links to former Italian Prime Minister Silvio Berlusconi, have marred the deal. Panama cancelled the deal in a negotiated agreement with Leonardo that ended legal proceedings in the country.

The report concludes by asking whether the company is both systemically corrupt and likely to be involved in corruption again. The answer appears to be **yes**, according to new information from a recently published analysis of the company by Norway's Council on Ethics that suggests that Leonardo continues to pose a severe corruption risk.

Corruption Watch UK approached Leonardo for comment on the content and findings of this report in April and May 2018. The company responded by highlighting the strength of its anti-corruption compliance programme, and pointed out that it has not been convicted in any jurisdiction in relation to the cases discussed hereunder. It has also responded on a country-by-country basis. The company's full response is available at www.cw-uk.org/angloitalianjob

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Corruption in Korea

At 9:22 PM on the 26th of March 2010, the Cheonan, a South Korean Navy frigate, sank in the waters of the Yellow Sea. Of the 106 servicemen on board, 46 died. It was speculated that the Cheonan had been targeted by a North Korean submarine.

In South Korea, the sinking of the Cheonan led Korean military planners to conclude that the country had insufficient anti-submarine warfare capabilities. That belief was reinforced when, the following month, two of South Korea's Super Lynx helicopters crashed at sea. They had originally been constructed by Westland, the UK predecessor company to AgustaWestland.

As a result, in late 2010, South Korea put out a new tender to purchase helicopters with anti-submarine capacities. The selection process took place over a number of years, at the end of which AgustaWestland emerged victorious in January 2013. The company was contracted to supply 8 AW-159 Wildcat helicopters. The final cost of the contract was £227 million, then equal to $360 million. Winning the contract also put AgustaWestland in a prime position to win a second round of helicopter procurements, which was expected within a few years.

The Investigation Begins

In late 2014, responding to concerns about widespread state corruption, the South Korean government appointed a joint investigation task force made up of officials and prosecutors from the Ministry of Justice and the military. Its job was to scour major South Korean defence purchases for evidence of corruption, and to bring charges where appropriate. The investigation produced rapid results: in July 2015, the Korean Office of the Supreme Prosecutor announced that 63 defence officials, largely drawn from the navy and army, had been arrested and indicted in relation to a wide-range of defence procurements.[3]

One of the central allegations made by the Task Force was that test and evaluation data used in the selection process had been fabricated by Korean officials. The evaluations had found that the Wildcat was appropriate for Korea's military needs – even though the helicopter was still being designed.[4] As the press statement summary noted:

From Aug 2012 to Jan 2013, the accused forged evaluation documents as if they did actual tests with Wildcat and reported that it has met all required capabilities when in fact it was not yet manufactured and fell short of its required capabilities. This was done so that the Wildcat could be selected as the maritime operation helicopter.[5]

Since the task force's July 2015 announcement, a range of individuals have been indicted and charged. Most of these cases are still winding their way through the Korean court system (both civilian and military), with final verdicts expected in 2018. Two notable cases, however, have reached advanced stages, and both show that AgustaWestland was making use of agents to secure the contract in dubious ways.

Hoon's Handiwork: AW's Relationship with Yang Kim

The first case centred on the role played by a particularly notable individual: Yang Kim. Kim had served as the Minister for Patriots and Veterans Affairs prior to entering into his relationship with AgustaWestland. He is also the grandson of one of Korea's most 'revered patriots.'[6]

Court documents show that AgustaWestland entered into an advisory agreement with Yang Kim in November 2011 – the same month that the Korean agency responsible for the procurement completed the 'purchase plan' setting out the process for buying maritime helicopters.[7] Kim was promised €17,000 per month for two years, as well as a 0.5% success fee on the contract, equal to £1,135,661.[8]

Such agreements are illegal in Korea. Article 3 of the Korean Act on Aggravated Punishment of Specific Crimes criminalises the act of receiving money in return for 'mediating' with public officials on behalf of the payer of money. If a lobbyist is paid money

by a company, and then attempts to actively influence the decisions or opinions of public officials performing a public duty, the lobbyist is guilty of a crime, namely, 'the acceptance of a bribe for mediation.'[9]

According to the judges deciding Kim's case, the Act embraces private as well as public individuals *'because a person who is not a public official can also exert influence on the duty of a public official through school ties, regional ties, or personal influence.'* Moreover, the *'fairness of the implementation of the duty of the public official'* would be cast into doubt should they have made a decision after being subject to paid-for lobbying or mediation.

In Kim's case, the court found that documents seized from him illustrated that he had actively tried to lobby on AgustaWestland's behalf. In the judgment that found Kim guilty of the crime, the court found that Kim's agreement with AgustaWestland envisaged that he would *'make use of his close connections to, human networks with, or influence over high-ranking officials in defence program related institutions such as the Ministry of Defence, the Defence Acquisition Program Administration, and the Korean military, and find out their positions and attitudes on selecting the model and directions of the program, and at the same time exert influence… so that the Wildcat would be selected as the model maritime operational helicopter…'*[10]

The judgment of the Korean court shows that he was doing so on the clear instructions of two key AgustaWestland managers: Geoff Hoon and Giacomo Saponaro.[11] Hoon, was, at the time, AgustaWestland's Managing Director of International Business; Saponaro was the company's Vice-President of International Business.

Prior to his appointment at AgustaWestland in 2011, Hoon had served as Tony Blair's Defence Secretary during the invasion of Iraq, Transport Secretary, as well as Leader of the House of Commons and Government Chief Whip.

Hoon is no stranger to controversy. In 2010, in an undercover sting by the investigative program *Disptaches* Hoon told reports posing as lobbyists that he was *'looking forward to sort of translating my knowledge and contacts about the sort of international scene into something that, bluntly, makes money.'*[12] He was subsequently stripped of his Parliamentary photopass for five years by the Parliamentary Standards and Privileges Committee.[13]

The first instructional email to Kim was sent on the 21st of May 2012 by Saponaro. Saponaro sent Kim a 'white paper' and advised him to use it *'in a way that you think is most appropriate for the decision makers to develop a good understanding of the weaknesses of the competing model.'*[14]

The most direct email, however, was sent by Hoon. On the 14th of September 2012, Hoon emailed Kim suggesting that that Kim was not lobbying actively enough. Hoon argued that:

'The role of a high-ranking figure like you has to be more than providing information in a passive manner. We need you to actively engage in exerting influence over high-ranking decision-makers in Korea. In particular, we hope that you provide us with practical help regarding the difficulties we are now experiencing with the Defence Acquisition Program Administration. Relevant documents are attached… Only a high-ranking official like you can address the difficulties on our behalf. I have always assumed from our first meeting that you will have the will and ability to provide help of this level and quality.'[15]

The attachments to Hoon's email outlined the problems that AgustaWestland was having in sealing the deal. The court found that the problems faced by the company were of the type in which Kim's intervention would only be useful if he was actively lobbying for a change in the way AgustaWestland's bid was assessed.

Kim responded with indignation at the implication that he was not doing the job envisaged by his agency agreement. In a mail sent on the 17th of September 2012, three days after Hoon's missive, Kim complained that *'I can't see why you have an impression that I am only playing a passive role for AgustaWestland. I will not name those who I have met with. But I have been meeting with people in the Agency for Defense Development, Korea Aerospace Industries, and the Defence Acquisition Program Administration, and those relevant on a regular basis since I entered into the advisory agreement.*[16]

In addition to the above, Kim had sent two emails to Hoon that indicated his lobbying efforts for AgustaWestland during the life of his advisory agreement. In the first email, sent on the 23rd of July 2012, Kim promised that he would use a formal lecture to lobby for the Wildcat. Kim speculated that he had been invited because of his involvement in memorialising those killed in the sinking of the *Cheonan* – suggesting that he had intended to parlay a national tragedy into a profitable commercial deal for himself and AgustaWestland. As the email noted:

'The Chief of Naval staff invited me to give a special lecture to naval officers on 9 August (next Thursday) in celebration of the 67th anniversary of Korea's liberation from Japan. I will meet the Chief of Naval Staff before the lecture briefly. It was me who approved offering a place in the Daejon National Cemetery to enshrine the Korean naval soldiers killed by North Korea's attack on Yeonpyeong in March 2010. The Chief of Naval Staff was then the Vice Chief of the Naval Staff. I think he wanted to show, "I didn't forget your efforts for the Navy." I will do what I can when there is an opportunity… If the Wildcat and Seahawk both meet the budget limits, the decision is solely up to the Korean Navy.'[17]

The second email was sent on the 10th of November 2012, roughly two months prior to AgustaWestland signing the contract of sale. Kim informed Hoon that:

'In defense programs, the final decision depends on the voice and wish of the end users, if the prices of competing products are all within budget limits. This is true from my experience. I will meet with a friend of mine on Tuesday next week. I will do my best to emphasize the Wildcat once again.'[18]

In August 2013, a few months prior to the official termination of his existing agreement with the company, Kim suggested to AgustaWestland that he enter into a second agreement to help them win a mooted second round of helicopter procurements. The company, however, was non-responsive to his overtures. It was also tardy in paying Kim the success fee for the first phase of the contract.

Kim persisted, writing numerous times to Hoon. According to the court, Kim emphasised his close connections to the Presidential Office and the military. He also informed Hoon of the times he had met with senior officials, and what he had done to try and argue against support for AgustaWestland's main competitor, the Surion helicopter.

O the 16th of October 2014, AgustaWestland and Kim signed a second advisory contract. Like the first agreement, Kim was to be paid to lobby on AgustaWestland's behalf. If the company was successful in securing the second phase contract, Kim would be paid a success fee of 0.5% of the total contract. In 2016 it was reported that the second phase program, which involved the purchase of a further 12 helicopters, had an estimated budget of $784m.[19] Kim's 0.5% would, if this budget is accurate, be equal to $3.92m.

In the end, this contract was effectively terminated by Kim's arrest, indictment and eventual conviction. However, if Kim's relationship with AgustaWestland hadn't been discovered by law enforcement and thus terminated, it's likely that AgustaWestland would still be employing a paid agent to lobby on its behalf – again in violation of Korean laws on lobbying and mediation.

The timing of this contract, and its structure, are also of importance. As we discuss in more detail in the final section of this report, in 2013 Finmeccanica appointed a committee of experts (known as the Flick Committee) to review its compliance systems. The committee was modelled on the Woolf Committee investigation previously undertaken by BAE Systems after its numerous corruption scandals. The Committee's work was part of the company's publicly stated desire to learn from the corruption scandals that had afflicted it.

The resultant Flick Report made a series of recommendations, which suggested the adoption of a Code of Conduct that integrated best practice in compliance.[20] The Committee provided a detailed outline of that international best practice. This included ensuring that companies draw up detailed 'risk maps' that identified severe corruption risks, and respond accordingly. One of the biggest risks identified was:

*The existence of **intense** and **prolonged** contact between management and other staff members employed in the company, on the one hand, and public officials or employees or agents with direct ties to public officials, on the other hand, should represent a further red flag in the risk map.*[21]

The Flick Committee Report was adopted by the Board of Finmeccanica on the 31st of March 2014.[22] Seven months later, AgustaWestland signed the new consultancy agreement with Kim – even though the relationship between the company and Kim was almost exactly of the type described in the Flick Report as constituting a serious 'red flag.'

Hoon's Response

Corruption Watch UK approached Geoff Hoon for comment in April and May 2018. In his response, Hoon contested the version of events in the court judgment. Hoon's full response is available at www.cw-uk.org/angloitalianjob

Hoon notes that there were 'challenges of doing business in South Korea', and that, given this, 'it was suggested that the company would benefit from having expert South Korean advice… This is not unusual in the Defence industry.' AgustaWestland was thus introduced to Yang Kim, although Hoon does not disclose who made the introduction.

Hoon suggests that he was not involved in identifying or appointing Kim at this stage. Nor was he involved in managing Kim's work initially. Instead, Hoon was only brought into the picture once concerns were raised about the quality of Kim's work. Kim was just recylcling media reports and 'not providing the crucial analysis that he had originally offered' according to Hoon. Hoon claims that he was asked to liaise with Kim 'because of Yang Kim's previous seniority in a very hierarchical society', and that 'he might be offended by an email from a more junior member of the company.'

Hoon also claims that 'at no time did I expect Yang Kim to actually meet with senior decision makers or solicit or lobby on behalf of the company,' and that at no stage did he intend for Kim to actively lobby. However email correspondence from Kim's trial shows that Hoon was being frequently informed of Kim's attempts to lobby on behalf of the company with Korean officials. More notably, the emails show that Hoon was, in fact, demanding that Kim do exactly what he now denies – lobby on behalf of the company. As noted above, on the 14th of September 2012, Hoon wrote an email to Kim in which he explained that *'the role of a high-ranking figure like you has to be more than providing information in a passive manner. We need you to actively engage in exerting influence over high-ranking decision-makers in Korea.'*

There is another concerning feature of Hoon's response. Hoon claims that, because the sale of Wildcat helicopters to South Korea could 'create and protect' British jobs, 'the company was offered significant assistance by British civil servants responsible for promoting experts.' Hoon's reply, appears to suggest that the hiring of an advisor was recommended by the self-same civil servants. If true, this would indicate that British officials were complicit in offering advice that led to the violation of Korean law.

Motivating the Military Men

The second notable case, which is still currently under appeal, involved three accused: Yoon-hee Choi, Hong-yong Jeong and Tai Heon Ham.[23] Ham worked as an arms broker for a number of arms firms in Korea. Yoon-hee Choi was one of the most senior military officials the country. In November 2016, all three were found guilty by the Seoul Central District Court, and sentenced to between two and three years in jail.

It should be noted that this decision was subsequently overturned on appeal – a decision which is, itself, under appeal. It is expected that a final verdict by Korea's final appeals court will be reached in 2018. As it stands, therefore, all of the individuals mentioned below are currently held to be not guilty, although this may change depending on the result of the final appeal. Nevertheless, we believe that the November 2016 court judgment still retains its relevance because while the courts have come to different decisions regarding interpretation, certain underlying facts remain uncontested.

The man at the centre of the case is Tai Heon Ham, an arms broker who is widely active in the Korean defence industry. According to the November 2016 judgment, Ham was the controlling mind behind two companies, Selectron Korea and EO Systems. Through Selectron, Ham had entered into a range of agency agreements with a large number of defence companies. These included an agency agreement between Selectron Korea and AgustaWestland signed on the 1st of September 2010. This agreement was specifically related to the Maritime Helicopter program.[24]

The other key individual in the trial, at least with regards to AgustaWestland[25], was Yoon-hee Choi. Choi was one of the most powerful men in the Korean Navy, reaching positions of considerable influence at almost exactly the same time as Ham entered into his agency agreement with AgustaWestland. Choi served as the Vice Chief of Staff and Chief of Staff for the Navy between 2010 and 2013. He was promoted to Chairman of the Joint Chiefs of Staff in October 2013. He retired in October 2015.[26]

In these positions, Choi was actively involved in overseeing a range of procurement and planning decisions, many of which

would impact on the business of the multiple companies that Ham represented. Indeed, the court indicated that Choi, *'could well exert significant influence on the existing and/or future business of Selectron Korea and EO Systems by exercising direct and/or indirect powers on polices related to defense programes, and acquisition of military supplies.'* This would have included projects directly related to projects in which AgustaWestland: *'in particular, for the 2nd phase of the Maritime Operational Helicopter Program, defendant Yoon-hee Choi's duties on revision of requirements could affect method of acquisition related to the time of operationalization.'* [27]

The prosecution did not present any evidence of a specific act that Choi had made to directly favour AgustaWestland, as this did not form part of their case. Instead, the court came to the conclusion that Choi *could* have influenced the outcome of decisions in favour of AgustaWestland. Under Korean law, this is sufficient to prove the crime of bribery. The test for bribery is *'whether the society would doubt fairness in execution of duties because a public official accepted money…'* [28]

Ham , the court found, made payments that could have benefited Choi via his son Si-myeong Choi when he gave 20 million Korean won worth of cheques to Si-myeong in September 2014, ostensibly as an investment in the younger Choi's business. [29]

The Seoul District Court found that the payment was made *'with the intention of requesting that defendant Yoon-hee Choi, in connection with his duties as JCS Chairman, exercise influence to the advantage of, or at least prevent any disadvantage to Selectron Korea and EO Systems regarding his policy decisions on defense programs, and/or acquisition of military supplies such as weapons systems.'* This, the court bluntly found, meant that *'Defendant Yoon-hee Choi thereby accepted bribe worth KRW 20 million in connection with his duties as a public official.'* [30]

None of the defendants in the case disputed that Ham paid the funds to Choi's son. Instead, they argued that the investment into Si-myeong's company was a supportive 'angel investment', which bore no relation to the official duties of the elder Choi. While the Seoul District Court rejected this reading of the payments, the appeal court was more sympathetic, which led to the quashing of the Seoul District Court's judgment. A final appeal at the highest Korean appeal court is currently being heard, with a verdict expected sometime in 2018.

While acknowledging that that the charges are still under appeal, we believe that the November 2016 judgment raises serious concerns about the conduct of AgustaWestland and its agents. It is worrying that an agent employed by AgustaWestland has such close and abiding connections to senior military officials – and that, while working as an agent for the company, was transferring funds to the family of a senior military official.

Leonardo's Problematic Response

Questioned on the South Korean case, Leonardo responded that 'international commercial advisors' were 'subject to extensive background and reputational due diligence' checks. These included a legal opinion from a law firm in the relevant jurisdictions that 'focused on the lawfulness of a proposed appointment in the relevant jurisdiction.' In relation to Yang Kim in particular, Leonardo noted that, in accordance with this process, Yang Kim was subject to a due diligence process in August 2014 prior to the renewal of his contract. The due diligence process 'did not reveal any relevant risks that would prevent the renewal of that appointment.' However, once Kim was indicted, the firm terminated the appointment. The company's response also notes that 'no Leonardo Group company is or has been charged with any offence or subject to any formal investigation in connection with the above South Korean matters.'

While it is heartening that the company conducts due diligence on advisors, it is concerning that this due diligence 'did not reveal any relevant risks' regarding the appointment of Yang Kim. As was made clear in the judgment that convicted Kim, the very act of undertaking paid lobbying in Korea is illegal. A review of the company's own internal emails would have shown that Kim, who reported his lobbying activities on an ongoing basis, was doing exactly that. In the circumstances, the failure of the company's due diligence to 'reveal any risks' suggests that the companies due diligence procedures were wanting in a context where the risks where clear.

The Indian VVIP Helicopter Contract

On the 8th of February 2010, AgustaWestland signed an enormous deal. At a cost of €556m AgustaWestland was contracted to supply 12 AW101 helicopters (also known as Merlins)[31] to the Indian government. The helicopters were for the Presidential fleet, to ferry India's dignitaries in considerably more style than had been afforded by their creaking and aging squadron.

Breaking the Story – And the Contract

In 2011, Finmeccanica's offices were raided following allegations of corruption in Panama (dealt with in more detail in the next section). The raids uncovered more than expected and in February 2013, as result of the investigation, Italian police arrested Giuseppe Orsi and Bruno Spagnolini. Orsi was the Chairperson of Finmeccanica, while Spagnolini was the former head of AgustaWestland.[32] In the same month, India's Central Bureau of Investigation (CBI) formally launched its own probe into the deal.

In August 2013, the efforts of the Italian and Indian police were complemented by India's Office of the Auditor General, which delivered a damning audit report to Parliament. According to the Auditor General, the *'entire process of acquisition of VVIP helicopters right from the framing of the Service Qualitative Requirements (SQR) to the conclusion of the contract deviated from the laid down procedures.'*[33]

The Auditor General's report detailed a litany of problems, ranging from a failure to use the right estimates to negotiate the price of the contract to the fact that the AgustaWestland helicopter that was tested was only a prototype. But perhaps the most notable problem related to the operational ceiling of the helicopter. The original requirements for the VVIP helicopters was that they should be able to fly at a maximum height of 6000 metres.[34] This was an absolute necessity as the mountainous north of the country would otherwise be inaccessible.

The helicopter offered by AgustaWestland, however, was not certified to fly at this height. In 2006, the tender documents were altered to reduce the mandatory operational ceiling from 6000 to 4500 metres[35], which allowed AgustaWestland to submit its bid. The Auditor General found that this change was made despite the '*inescapable operational requirement of 6000 metre for transportation to many areas in North and North East.*'[36]

At the same time as India's CBI and Auditor General were probing the contract, the government sent a 'show cause' notice to AgustaWestland. This gave AgustaWestland the right to give reasons (i.e. 'show cause') as to why the contract should not be cancelled.[37] The company was unable to do so, and, in January 2014, the Indian government cancelled the contract '*on the grounds of breach of the provisions of the Pre-Contract Integrity Pact and breach of terms of contract*.'[38] This was widely interpreted to refer to AgustaWestland's use of undisclosed agents, which was forbidden under the terms of the contract. Finmeccanica, for its part, has opposed India's decision, meaning that the contract has been under extended suspension pending the outcome of international arbitration.[39]

In August 2014, further salt was rubbed in the wounds when the Indian Department of Defence issued a formal 'Vigilance Notice.' The effect of the notice was that where Finmeccanica or its subsidiaries were involved in an on-going tender, they would be excluded *'provided the tendering can be satisfactorily completed with other competitors.'* The company was also effectively excluded from future tenders, the Vigilance Notice instructing that *'a company under the Finmeccanica Group of companies should not be given the tender papers for the purpose of bidding providing there are parties to whom tender documents are required.'*[40]

Mixed Messages: Legal Proceedings in Italy and India

In the aftermath of the contract cancellation, legal proceedings have played out in Italy and India. The outcome of these proceedings has been mixed.

In Italy, the most high profile enforcement focused on Giuseppe Orsi and Bruno Spagnolini. Following their arrest in 2013, they were charged with both invoicing fraud and corruption. Orsi and Spagnolini were accused of overseeing the hiring of three agents, Guido Haschke, Carlos Gerosa and James Christian Michel, who were paid €51m to win the deal. These agents were suspected of acting to corrupt Indian officials, including Air Chief Marshall SP Tyagi, one of the most senior Indian officials overseeing the procurement process. The false invoicing charge was based on the allegation that the payments made to Haschke and Gerosa had been hidden in bogus engineering contracts with two companies called IDS Infotech and IDS India.

Carlos Gerosa as pictured in the Interpol Red Notice issued for his arrest

Guido Haschke as pictured in the Interpol Red Notice issued for his arrest

Christian Michel as pictured in the Interpol Red Notice issued for his arrest

In October 2014, the Italian courts found Orsi and Spagnolini guilty of invoicing fraud, but cleared them of the corruption charge. They were sentenced to two years in prison.[41] Both the Italian prosecutors and the legal team of Orsi and Spagnolini challenged the decision immediately; the prosecutor seeking to overturn the corruption acquittal, the defendants seeking an acquittal on false invoicing.

In April 2016, Italy's Supreme Court overturned the findings of the lower court, finding the former Finmeccanica executives guilty of both corruption and invoicing fraud. The Supreme Court attacked the approach of the lower court for taking a narrow and *'atomised view of the evidence'*[42] and for failing to consider the import of wire-tapped conversations recorded by the Italian police, and the testimony of Guido Haschke.[43]

This decision was then appealed and referred to Italy's highest court, the Corte di Cassazione. The Corte di Cassozione is only empowered to review procedural issues rather than the substance of the case. The Corte di Cassazione struck down the Supreme Court's decision on procedural grounds. Finally, in January 2018, after nearly four years of trials, the Supreme Court acquitted Orsi and Spagnolini on all charges in a retrial.[44] An appeal is considered highly unlikely.

The reasoning of the Supreme Court in its acquittal judgment is yet to be published, meaning it has not been possible, at the time of writing, to properly analyse the court's reasoning. According to Orsi's lawyer, who was quoted by Reuters, the judges had found that there was zero evidence of corruption, that no money had been paid to officials, or even that Indian officials had interfered with the procurement process. If this is an accurate description of the verdict, it clearly sits uncomfortably with other legal developments, both in Italy and India.

India's CBI continues to pursue charges against a range of accused. In September 2017, the CBI filed a fresh charge sheet.[45] It indicted eleven individuals and entities, including Leonardo, AgustaWestland International (registered in the UK), two Indian officials, the three agents mentioned above – and Orsi and Spagnolini. The CBI has confirmed that it is seeking the extradition of all individuals not resident in India, and has refused to withdraw Orsi and Spagnolini from the indictment. Indeed, following the Italian Supreme Court acquittal, the CBI stated that *'our investigation is independent and we have a strong case against both of them. This acquittal will, however, have no impact on our case.'*[46]

All of those indicted have denied any wrongdoing.

But it is in Italy where prior proceedings most clearly rub up uneasily against the acquittal of Orsi and Spagnolini. In 2014, Italian prosecutors entered into two separate settlements related to the case. The settlements took the form of *pattaggiamento*, a style of plea bargaining unique to Italy.

Understanding the Patteggiamento System

The procedure is formally known as 'applicazione della penna su richiesta delle parti', or 'the application of punishment upon the request of parties.'[47] It is more commonly referred to as *patteggiamento*, the Italian for bargain.

Under the regime, prosecutors and defendants can reach an agreement through which they can jointly ask a judge to approve the imposition of a penalty or fine for wrongdoing. The judge is empowered to review the agreement and either approve or disprove its terms. If the *patteggiamento* is approved, it prevents matters proceeding to criminal trial, substantially reducing the time it takes to conclude the proceedings.

Individuals entering *patteggiamentos* can achieve a one-third reduction of the maximum sentence, a strong motivator. The OECD Working Group on Bribery notes that companies may be additionally amenable to a *patteggiamento* settlement because 'companies are keen (i) to shorten the process and limit its potential impact on the image of the company and (ii) to avoid the sanction of debarment from public contracts.'[48] Companies can avoid debarment because a *patteggiamento* settlement does not constitute a criminal conviction.

However, this relatively clear legal situation sits at odds with a number of other notable considerations. First, companies and entities that enter into *pattegiamentos* have made the calculation that it is better to pay a fine rather than contest a charge at trial. The inference, as the legal scholar Silvia D'Ascolia notes, is that while 'there is in fact no express requirement for an express acceptance of guilt… it seems that the defendant *implicitly* accepts guilt by requesting a negotiated sentence and renouncing the right to defence.'[49]

Second, the *patteggiamentos* have to be reviewed and agreed by judges. A *patteggiamento* cannot be approved by a judge if the defendant is clearly innocent. Judges therefore have to weigh up the evidence before them and establish if that evidence is sufficient to clear the defendant. That, by inference, also means that the judge also has to be comfortable that the evidence is at least credible – this is required as the judge needs to assess whether the agreed punishment fits the alleged wrongdoing.

Italian legal jurisprudence is somewhat mixed on this particular issue. However, in at least one instance, the Italian Constitutional Court has found that, while the threshold of such a decision was different than in adversarial proceedings, 'the judge in the context of the *patteggiamento* still had the obligation to establish guilt, but that this requirement was limited by the nature of this simplified procedure.'[50]

The first *patteggiamento* entered into was with Guido Haschke, and approved by the presiding judge on the 11th of April 2014. Haschke, as noted above, served as one of the key middlemen in the VVIP transaction. By agreeing to the settlement, he received a sentence of 1 year and 10 months, but this was equal to time served. He was also ordered to pay the costs of his custody. [51]

The judgment begins by setting out the allegations levelled by the prosecutor against Haschke, a distillation of the prosecution's case. It also forms the factual matrix that Haschke chose not to contest in return for a reduced sentence. In bald summary, the central allegation was that Haschke had conspired with Orsi, Spagnolini, Carlos Gerosa, Christian Michel and an Indian lawyer called Gautam Khaitan to secure the VVIP contract. Together, the conspirators '*promised and effectively paid… amounts of money, the exact amount not exactly quantified, to Marshal TYAGI Sashi, Chief of Staff of the Indian Air Force from 2004 to 2007.*'[52]

The specifics of the conspiracy were also straightforward. To secure the contract, Orsi, on behalf of AgustaWestland SpA [the Italian branch of AgustaWestland], '*appointed HASCHKE to conduct the negotiation in India, complementing his activity with his trusted collaborator in the Indian market, MICHEL.*' Haschke and his colleague Gerosa were initially paid €400 000 through a

consultancy agreement between AgustaWestland SpA and a company they owned called Gordian Services, *'of which EUR 100,000 was given in cash to the brothers Tyagi.'* This was complemented by further consultancy agreements *'with the companies IDS India and IDS Tunisia,'* which was intended to provide a cover for *'the payment (still ongoing) of amounts of money to remunerate Indian public officers and the intermediaries HASCHKE and GEROSA.'*[53]

The judgment then turned to whether or not to approve the *patteggiamento*. To do so, the judge first had to establish whether there were grounds for acquittal. Here, the judge found that there was no evidence that could clear Haschke: *'the conditions for an acquittal under the aforementioned provisions are not met.'*[54] The judge then assessed whether the evidence presented by the prosecutor was credible. On this score, the judge found it was sufficiently compelling to allow for the approval of the *patteggiamento*. In its reasoning, the judgment placed particular emphasis on the fact the evidence included Haschke's confession, recorded in four separate interrogations, and that Haschke's version of events was supported by corroborating evidence:

'The reconstruction of the complex facts is based on the detailed statements of Guido HASCHKE, with undoubted reliability, both because they are widely substantiated by evidence [including] the summary testimonial information given by third parties, the wiretappings and the several document discoveries (many of which were found in suitcase that HASCHKE sought to hide), and because he does not limit to accuse third parties, but involves himself in the committed crime.'[55]

The second *patteggiamento* was entered into roughly six months after Haschke's by AgustaWestland Ltd (the UK branch) and AgustaWestland SpA (the Italian branch). The settlement was approved by the presiding judge on the 28th of August 2014.[56]

Under the terms of the agreement, AgustaWestland Ltd agreed to pay a fine of €300 000, while AgustaWestland SpA agreed to a fine of €80 000. AgustaWestland Ltd also paid a further €7.5 million, which was referred to as the '*price'* of the bribery. Importantly from a UK perspective, the judgment commented that AgustaWestland Ltd paid the larger fine because of '*the different contribution of the two companies*', in particular *'the major contribution of the English company'* to the conspiracy.[57]

The judgment opened by detailing the allegations upon which the company's settlement was concluded, which were virtually identical to the allegations detailed in Haschke's *patteggiamento*. The major difference was the nature of the offence: the companies were accused of the administrative offence of having failed to put in place '*organisational management models needed to prevent crimes like those that have taken place*.'[58]

The judgment found, that '*on the basis of the facts, an acquittal judgment under article 129 c.p.p. should not be pronounced*.'[59] It was also found that there were sufficient grounds to hold the companies liable for the activities of their directors, and listed the source of the allegations. These included police investigations that encompassed substantive wiretaps, the seizure of documents, and the self-incriminating evidence of third parties, in particular Guido Haschke.[60]

Unlike the Haschke judgment, however, this judgment did not seek to examine the facts of the predicate crime in full. Instead, the majority of the judgment centred on whether the companies had started to implement reforms that could prevent corruption in the future, a requirement of the specific section of the law upon which the *patteggiamento* depended in this instance. The judge found that the companies had introduced the requisite reforms to earn the *patteggiamento*, in particular a new code of ethics and a supervisory body tasked with preventing corruption. This finding, however, is arguably contradicted by the study undertaken by the Norwegian Council on Ethics, which is dealt with in the last section of this report.

The UK Angle: The Role of James Christian Michel

All of the proceedings described above have, to a large degree, tackled whether the middlemen Hashke and Gerosa delivered millions of Euros into the pockets of the Tyagi family. But what has remained frustratingly unclear is what the company was doing paying a huge sum of money – €30m – to the middleman James Christian Michel.

According to India's *Economic Times*, Michel is part of a family with both a long history in the arms industry and with political connections. In 2003 the *Guardian* reported that Michel's father, Wolfgang Max Richard Michel, was actively attempting to act as a mediator between the Libyan dictator, Muammar Gaddafi, and the British Labour Party, then in power. The relationship would be cemented by arranging for the publication of a biography sympathetic to the dictator in Britain, which Gaddafi would reciprocate by overseeing the award of contracts to BAE Systems. The scheme did not materialise[61]. In an interview in April

2016, Michel claimed that his brother in law was 'an equerry to the Queen, and leader of the Labour Party at one point in the House of Lords.'[62]

Michel is alleged to have played a number of roles in the VVIP deal – allegations that he denies, as is discussed in more detail below. His first alleged role was to actively advising AgustaWestland's UK headquarters of the important players in the Indian political scene – advice that appears to have been intended for action by UK government officials. During the trial of Orsi and Spagnolini, the Italian prosecutors presented a letter that Michel had directed to the attention of Peter Hulett in March 2008. Hulett, at the time, was AgustaWestland's UK marketing director. Michel told Hulett that Sonia Gandhi was the *'driving force'* behind the deal, and suggested that '*Mrs Gandhi and her closest advisers are the people the [UK] High Commission should target.'*[63]

Michel's intimate knowledge of the Indian players has led to concerns about his alleged second role: that he was allegedly involved in bribing Indian officials. Testimony in support of this theory was heard during the trials of Orsi and Spagnolini. During cross-examination, Guido Hashke confirmed that he and Michel had a meeting at Michel's office in London in February 2008. One outcome of the meeting was a handwritten 'budget' of expenses that were likely to be incurred in winning the VVIP deal. Haschke testified Michel dictated the budget, but that Haschke had written it down as Michel was dyslexic – a claim Michel denies.

The budget was separated into a number of categories, identified by acronyms, against which large sums were recorded. Some of the acronyms included 'AF' [Air Force], 'POL' [Haschke speculated it meant politics], 'FAM' [Family].[64] One of the acronyms listed was 'AP', which Haschke failed to identify. However, one of the investigating experts called by the prosecution, a certain Di Venere, speculated that AP was short for Ahmed Patel. Patel was one of the advisors to Sonia Gandhi listed by Michel in his letter to Peter Hullett.[65]

The third alleged role played by Michel has been most recently enunciated by India's CBI. In September 2017, as noted above, the CBI filed a fresh charge sheet in the Indian courts, in which Michel was one of 11 indicted individuals and entities. The CBI's charge sheet claims that he has recently been arrested in Abu Dhabi, and that India is actively seeking his extradition. Corruption Watch UK has secured access to this indictment and can reveal its contents for the first time.

According to paragraph 100 of the indictment, Michel also *'procured confidential documents of IAF and confidential/secret information of MoD which he used to send from time to time to Mr. Orsi, Mr. Bruno Spagnolini, Mr. Guido Haschke, Mr. Giacomino Saponaro and others, from Mumbai through one of his associates.'* The indictment identified three confidential reports that he had procured in this way, including the Indian Air Force's *'Evaluation Report'* of Sikorski's S-92 helicopter.[66] This is particularly concerning as the S-92 was AgustaWestland's primary competitor for the VVIP helicopter contract.

Michel: Did AgustaWestland Ignore Major Red Flags?

Sometime between late 2011 and 2012 (the exact date is unknown), AgustaWestland UK's auditors, PWC, raised concerns about the relationship between AgustaWestland and Michel's companies. The concerns were severe enough that PWC recommended that an external party be appointed to investigate and examine the relationships and report back to AgustaWestland's board. On the 20th of March 2012, the company briefed the UK law firm Lawrence Graham to investigate and comment on the report. The investigation was to be performed by Eoin O'Shea, a well-respected lawyer who specialises in corruption and other corporate crime. AgustaWestland's legal counsel received a 'draft preliminary report' on the 27th of March, which was immediately sent to Bruno Spagnolini.

According to both this report and the judgment of the Italian Supreme Court, Michel entered into his first consultancy agreement with AgustaWestland Holdings related to the VVIP contract on the 1st of March 2010, a month after AgustaWestland had signed the VVIP contract with India. This contract, for 'post-contract' services, was concluded between AgustaWestland and Michel's Dubai-registered company Global Service FZE, and was destined to run until the 31st of December 2011. Under the contract terms, Global Service FZE was paid €275 000 a month, running from the 26th of April 2010 until the 31st of December 2011.[67] Indian court records alleged that payments to Global Service FZE were made from AgustaWestland's bank account in the UK. The 'sort code' (200771) shows that AgustaWestland's account was held with Barclays Bank's Birmingham Colmore Row branch.[68]

Global Service FZE had also been contracted by AgustaWestland for work on other matters unrelated to the VVIP contract [we turn to this in more detail below]. This work, and the VVIP contract, ensured that '*in the financial year ended December 2011 GSF was the highest paid of AWL's consultants, receiving a total of approximately £5.576 million that year [of which] approximately £2.75 million is attributable to the VVIP [contract].*'[69] The contract with Global Service FZE was also renewed, briefly, in January 2013, although it has not been reported whether any payments were made under the 2013 contract.[70] The decision to renew this contract appears to have been made despite the findings in O'Shea's report.

In order to establish the corruption risk related to the contracts with GSF, O'Shea requested that the company provide documents that would indicate what work it had done. GSF was supposed to provide regular quarterly reports to AgustaWestland setting out what they had achieved under the terms of the Post Contract Services Agreement. O'Shea found that the reports, *'although initially impressive'*, actually *'amount[ed] to collections of media articles, apparently downloaded from the internet and then collated under various headings, with the original source deleted.'*[71]

O'Shea also talked with David Syms, Michel's business partner and co-director of GSF. Syms indicated that GSF had also supplied 'management reports' to AgustaWestland setting out its work. O'Shea received copies of the 'management reports' shortly thereafter. O'Shea admitted that he did not have the time to review all the documents in detail, but noticed that the only document that could have been relevant actually did *'not focus on GSF's performance of the PCSA in relation to the VVIP contract, although issues related to the VVIP (in particular offset) are sometimes discussed.*[72]'

O'Shea concluded that *'it is surprising how little evidence of its activities under the PCSA [Post-Contract Service Agreement] GSF has been able to reproduce… if GSF had been keeping proper records and producing proper reports, as required by the PCSA, this material would have been immediately at hand.'* This *'lack of evidence'* was striking considering that GSF was paid €6,050,000 over 12 months, and that this *'leads to other and potentially more difficult questions.*'[73]

Other documents in the bundle provided by GSF raised O'Shea's eyebrows. Mixed in the bundle were letters exchanged between the Government of India and other defence contractors. O'Shea commented that '*it is not clear how these documents have come to be in the possession of GSF'*, and that while he was *'not aware of the detailed rules in India'*, he *'believe[d] a UK civil-servant would not be permitted to release this sort of apparently confidential documentation to GSF or AW.'* O'Shea commented that '*this raises the risk of involvement by GSF in some sort of impropriety, for example paying officials for access to confidential material.*'[74] Michel, asked to comment on this matter by Corruption Watch UK, dismissed this concern, noting that *'between contractors at the working level there was always sharing of information… No information presented to Mr O [Shea] had been obtained in a wrongful way.'*

O'Shea concluded his review of the relationship with GSF by raising a series of very potent concerns:

We have no direct evidence of bribery by AW or GSF. However, experienced investigating authorities would pay considerable attention to the (apparent) gap between services and payment in making their enquiries. The relative opacity of the affairs of GSF contributes to the risk that this has occurred. The fact that GSF has been given what appear to be confidential GOI documentation is also relevant.[75]

Considering the above, O'Shea's recommendations regarding GSF were unsurprising. Although O'Shea acknowledged that '*we have not had access to even a fraction of the relevant documentation in relation to this matter'*, he recommended '*that there should be a detailed investigation of what services GSF has actually provided under the PCSA, why AW does not seem to have questioned the nature of the "reports" provided by GSF and whether the genuine purpose of the agreement was what it was purported to be.*'[76]

O'Shea then turned to the second contract, which was entered into between AgustaWestland and Michel's UK-based company, Global Trading and Commerce Ltd on the 26th of May 2010. According to this contract, AgustaWestland's UK headquarters agreed to buy 14 WG30 helicopters from Global Trading and Commerce for €18.2 million.[77] According to one calculation presented during the trial of Orsi and Spagnolini, Michel's company made a profit of at least €11.2m from the transaction.[78] O'Shea reports that Michel's company was supposed to purchase the WG30s from India's state owned Pawan Hans. O'Shea notes that the cost of this deal was accounted for as costs associated with the VVIP deal.

India's fleet of WG30's were originally purchased from Westland in 1985. Following a number of crashes and concerns about safety, the entire fleet of WG30s was ignominiously withdrawn from service, and were left rotting in crates in Mumbai for a number of years before they were sold for scrap to a UK dealer.[79]

The O'Shea report, however, suggests that AgustaWestland believed that the WG30 deal had created so much controversy that it was required to sort out the problem in order to restore their reputation in India. Buying the helicopters back for an amount more than the market price would help achieve this. O'Shea thought that this was '*entirely legitimate'*, even if AgustaWestland paid more than market price, as '*a payment of this nature might be seen as compensatory to Pawan Hans and might also be structured as a settlement of all potential claims against Westland.'*[80]

But, upon reviewing how the transaction was conducted and concluded, O'Shea was concerned about a number of features of the transaction. The most notable concern was that, according to Syms, efforts were made to keep the transaction as secret as possible, and to ensure that AgustaWestland's role in the purchase was hidden. O'Shea, however, commented that *'if it is right that the [Government of India] and/or Pawan Hans is not aware that AW purchased the W30s then AW seems to have spent €18.2 million but gained virtually no value in exchange.'*[81]

Another concern was the large price difference between what AgustaWestland paid Michel's company and what Michel's companies paid to buy the helicopters. '*Profits of this size to intermediaries, especially when connected to government contracts*,' the report noted, '*give rise to significant risk of misuse. They can be indicators of bribery risk.'* [82]

As a result of the above, O'Shea argued that the contract between GTCL be investigated immediately, not least because *'experienced investigative authorities would pay considerable attention to the (apparent gap) between the value of the helicopters and the price, and the fact that GSF seems not to want AW to inform the Indian authorities about the transaction.'*[83]

There is one further startling concern related to the W30 contracts that was not examined by O'Shea: it is not clear whether any helicopters were ever bought. In 2015, Indian authorities sought an international arrest warrant for Michel, which required the approval of the Indian courts.[84] In the judgment that led to the issuing of an arrest warrant against him in March 2015, the judge summarised the allegations of the Indian CBI, noting that '*investigations has* [sic] *revealed that in fact, no such helicopters were purchased from M/s Pawan Hans Ltd.'* Moreover, *'this company has never received any proposal either from Mr. Christian Michel James or M/s Westland Helicopters Ltd, UK…. The said helicopters are still lying with M/s Pawan Hans Ltd in India.'*[85]

As noted above, O'Shea had recommended that the contracts be investigated. Importantly, he recommended that the investigations should be conducted by an *'independent third party.'* Moreover, the *'third party'* would only report to Finmeccanica executives who were 'not involved in the negotiation or approval of the transactions in question – for example a sub-committee of non-executive directors.'[86]

As the 2016 Supreme Court judgment records, Finmeccanica instead undertook an internal audit, which included hearings at which Spagnolini gave evidence that focussed only on O'Shea's finding that he had found no direct evidence of corruption. The was dealt with a May 2012 audit report. According to one investigator involved in the Orsi and Spagnolini case, one Cutolo, the final audit report was *'a document of low cognitive value,'* in which basic checks were done about whether payments were made in accordance with contractual clauses and whether contracts were signed by the right people.[87]

The internal audit concluded by relying on O'Shea's finding, out of context, that he had found no direct evidence of corruption. With regard to the W30 contract, the internal audit amazingly found that it was unable to properly assess whether the price paid to Michel's company was fair, because it was unable to properly establish the value of the W30s on a comparative basis.

Perhaps this is why, even in light of O'Shea's damning recommendations, the company continued to pay Michel on other contracts related to his work in India up until July 2012, when it may arguably have been wiser to, at the very least, subject them to suspension and further review.

A further investigation was, however, conducted by a lawyer (Michael Nathanson) from the UK law firm Thrings, which was concluded in October 2012. This appears to be the basis on which GSF's various contracts were renewed in January 2013, only to be cancelled the following month following the arrest of Orsi and Spagnolini. This report, however, has been somewhat controversial – and certainly elusive – as we discuss in the final section discussing Michel's response below.

Additional Corruption Concerns – Michel's Other Work for AgustaWestland

As referred to above, O'Shea's investigation into Michel's relationship with AgustaWestland briefly noted that Michel's companies had received payments from the company in relation to other Indian contracts. India's CBI, in its 2017 charge sheet, has fleshed out these relationships, which, it alleges, may have also been conduits for corruption.

In total, the CBI identified five separate agreements between Michel, AgustaWestland and its predecessor Westland Helicopters, for which Michel's companies received a total of €42.27 million.[88] The five agreements included the two agreements discussed in O'Shea's report, as described above, and three additional agreements.

The first additional agreement was entered into between Westland Helicopters (WHL) and Global Services FZE on the 23rd of December 2010. Michel's company was contracted to provide services to Hindustan Aeronautics Limited (HAL) on behalf of Westland. Westland paid £1.78m into Global Service FZE's two accounts at Lloyds TSB in Dubai. The CBI alleges that *'Mr Christian Michel James and his companies did not render any services to M/s HAL Ltd directly or indirectly or on behalf of WHL'*. Instead, *'the amount of £1.78 million was bribe/commission/kickbacks received in the guise of consultancy charges.'*[89]

The second agreement was entered into on the 1st of February 2003 between Global Services FZE and Westland Helicopters. It was replaced by a second agreement signed on the 1st of February 2005 and revised on a number of further occasions. In total, Michel was paid £6.16 million by Westland into Global Service's Dubai accounts. The amounts were paid between June 2005 and July 2012.[90] Notably, the July 2012 payment(s) would have been made three months after O'Shea's March 2012 report that raised significant red flags about the two consultancy agreements with Michel related to the VVIP deal.

The final, and perhaps most problematic agreement, was entered into on the 1st of November 2006 between AgustaWestland Holdings Ltd (registered in the UK) and Global Services FZE. Global Services was paid a total of £7.87 million between November 2006 and January 2011 into its Lloyds bank accounts in Dubai. This agreement related to a contract entered into between the Government of India and Westland Helicopters on the 10th of July 2006, in which Westland was to help with the *'recovery of Sea King helicopters at a cost of Rs 351.45 on a Carriage and Insurance Paid basis.'* The CBI alleges that, despite receiving substantial payment, Michel's companies *'did not do any work on behalf of M/s WHL relating to the aforesaid recovery project.'*[91]

The Sea King contract was also concerning because, as with the VVIP helicopter contract, it was governed by a pre-contract Integrity Pact, which forbade the use of undisclosed agents. The CBI alleged that Michel's contract with WHL was not *'brought to the notice of MoD/IAF'* and *'thereby M/s Global Services FZE, Dubai was appointed as consultant by M/s WHL in utter violation of the Integrity Pact.'*[92]

Michel's Response

Corruption Watch UK contacted Mr. Michel for his response to the multiple allegations describe above. He responded in detail to the allegations, denying them in totality and claiming that the allegations against him were part of a political campaign to force him to implicate Indian politicians in wrongdoing – and Sonia Gandhi in particular. Michel's response covered multiple topics. He also supplied supporting documents that he claimed exonerated him and supported his theory of conspiracy. In the interests of fully representing Mr. Michel's claims, we reproduce his answers in full to questions posed by Corruption Watch UK at www.cw-uk.org/angloitalianjob.

As Michel's responses were very detailed, we do not deal with them in their entirety here, but highlight pertinent issues he raised.

One of the biggest concerns related to Michel's conduct involved the purchase of used WG30 helicopters, which, as noted above, formed the largest contract Michel received in relation to the VVIP purchase. Corruption Watch UK asked Michel to respond to the concerns raised by the O'Shea Report and the CBI described above. He responded by claiming that, in fact, it was never intended that his companies would buy WG30s in India, and that the underlying contracts with the company did not stipulate a particular purchase jurisdiction. Instead, Michel claims that AgustaWestland was concerned that '*certain brokers and dealers were threatening to put W30s in the air.'* This was '*problematic'* due to '*the danger of a crash to AW's reputation.'* Michel was thus contracted to purchase W30s in general, not just Indian helicopters. '*It has always been a mystery to me why the Indians think I was only authorised to buy their helicopters*,' Michel commented.

Michel further confirmed the CBI claim that he made no attempt to purchase the WG30s. However, he pointed out, this was to be expected as his contract with AgustaWestland did not specifically require him to purchase the WG30s. Michel claims that he sent his '*own team'* to view the helicopters but they '*soon realised that they were in appalling condition and represented no threat of flying… The Indians are dreaming if they think any one [sic] will be interested in acquiring there [sic] W30.'* Indeed, '*the Indian air frames were complete Recks [sic]'*, according to Michel, who also claimed that his inspector '*reported back that people were using them as toilets and were only the home of snakes and rats.'* Michel claims that he did buy W30s in other markets so as to ensure that no W30s could be flown again, including W30s previously exported from India.

Michel's account is clearly contradicted by the facts as set out in the O'Shea report and discussed in detail in the trial of Orsi and Spagnolini. O'Shea is explicit in linking the buyback contracts to the helicopters in India, and those owned by Pawan Hans in particular. O'Shea, for example, comments that the rationale for the contract was that '*one way for AW to mitigate the reputational damage caused by the Westland 30 affair would have been to repurchase the helicopters from Pawan Hans.'* Moreover, AgustaWestland's books accounted for these costs as explicitly related to the VVIP contract. It is a mystery how buying W30s everywhere but India would achieve the intended outcome of resolving Indian anger about its W30 fleet.

O'Shea also notes that his team was given an '*8-page document'* that '*summarises the position in relation to the W30s'* dated February 2011, a few months after AgustaWestland had contracted Michel's company to effect the W30 buyback. The memo was presumably presented so as to explain the transaction and provide evidence of work done. The document is titled '*briefing on Westland 30 Recovery from Pawan Hans Helicopters Ltd.'*

O'Shea was also given a one-page memo by David Syms, Michel's business partner, titled '*Confidential W30.'* The memo outlined the position of Michel's company '*in relation to the W30 purchase.'* The memo claimed that GSF had made use of a broker in India to purchase the W30s – a strange thing to do if the helicopters were not in India.

This has to be seen in light of further comments that Syms made to O'Shea. Syms, according to O'Shea, was explicit in stating that '*a broker was used… to purchase the helicopters from Pawan Hans.'* Syms further commented that the reason the deal was kept secret was that '*if Pawan Hans was aware that AW was the purchaser then it would have led to a very large increase in price.'*

All of this would seem to clearly indicate that O'Shea was told, and came to the very firm conclusion based on interviews and documents, that the intention of the transaction was to purchase helicopters from Pawan Hans in India.

Michel, in his detailed responses, placed much emphasis on his claim that Indian authorities do not have any evidence against him. This forms one part of a broader general denial of the allegations made against him in the CBI's September 2017 charge sheet. Michel claims that, despite being arrested in the UAE in February 2017 following the publication of an Interpol Red Notice against him, the Indian authorities failed to submit documents to secure his extradition – proof that they did not have any evidence of wrongdoing. Michel claims that at no stage have Indian authorities responded to '*multiple requests for the production of evidence.'*

This version of events appears to be undermined by the findings of the Commission for the control of INTERPOL's Files, an Interpol body, which Michel provided to us. Briefly, the letter, dated the 8th of February 2018, responds to Michel's request (submitted by his barrister Nicholas Fooks of the UK chambers 5 Paper Buildings) to have the Red Notice set aside. According to the letter, Michel made a number of interlocking claims that, if true, would undermine the Red Notice application. In every instance, however, the Commission rejected Michel's version of events or his interpretation thereof.

With regards to Michel's claim that the case was dropped by UAE authorities because of India's failure to submit documentation, the Commission was clear: none of this was true. Indeed, the Commission found that '*the information provided by [National Central Bureau] of India highlights that the request for extradition was delivered with 40 days of the applicants arrest*

and within 30 days after the receipt of a message as required by UEA authorities. It also appears that the extradition of the Applicant to India was not denied by authorities of the UAE, but reserved, which means it could still occur.'

Perhaps the most notable finding, however, was that the Commission rejected Michel's claim that India had no compelling evidence against him. The Commission, instead, found that it *'had already considered the question of the effective participation of your client in this case and found that that NCB of India had put forth a reasonable explanation that national authorities had enough proof of your client's participation to the criminal acts of which he was accused.'* Moreover, any new documentation Michel presented to show otherwise *'does not suffice to demonstrate that the case against him is invalid.'*

More compelling was Michel's reliance on a report by the English lawyer Michael Nathanson. Nathanson is a consultant to the UK law firm Thrings and has close links to the Italian business community. Nathanson's Thrings' biography confirms that he *'is the consigliere of the British-Italian Parliamentary Group and Founder Member and Secretary of the British Chamber of Commerce in Italy.'* According to Michel, following the O'Shea report, AgustaWestland hired Nathanson to review his conduct in relation to the VVIP deal. This report was completed in October 2012. Corruption Watch UK has been unable to secure a copy of the report. We understand, however, that it cleared Michel of any corruption in relation to the VVIP deal after interviews in Dubai and after viewing his company's accounts.

It is clear that investigation into Michel would have to deal with the findings of the Nathanson report, which redound to his credit. However, the treatment of this document to date also raises questions. Simply, if the report can be reliably presented to confirm that there is no evidence of corruption, it is strange that Leonardo has not relied on it in its responses to our inquiries. It is also strange that neither Orsi nor Spagnolini relied upon the document in their own defence.

Italian prosecutors were dismissive of the report. In 2011, Italian authorities submitted a 568 page preliminary report to the Naples court. The report claimed that O'Shea was not asked to conduct further investigations in relation to Michel because 'it is obvious that lawyer O'Shea, in his report, most likely took a stand that differed from the one that the management hoped for, and he was replaced.' In support of this hypothesis, the Italian authorities quoted comments made by Sergio Biganzoli to Giuseppe Orsi in a secretly taped conversation. Biganzoli, then AgustaWestland's chief financial officer, said of Nathanson that 'if this one starts doing what the first [O'Shea] did, we're in trouble.'[93]

Corruption Watch UK wrote to Leonardo requesting a copy of the report or, in the alternative, a comment on it. The company did not respond.

Leonardo's Response

In response to the allegations above, Leonardo has made a detailed response. This can be found in the full response provided by the company which is available at www.cw-uk.org/angloitalianjob

Payback in Panama

In late 2010, Panama signed contracts with three separate Finmeccanica subsidiaries to enhance the country's ability to tackle organised crime and drug trafficking. AgustaWestland SpA (the Italian incarnation of the company) was contracted to supply six patrol helicopters. Selex Sistemi Integrati to supply a radar system to track vessels at sea. And Telespazio Argentina to develop a topographic mapping system. The three contracts were valued, in total, at just over €180m.[94]

The contracts soon attracted controversy. The radar system, the most expensive part of the package at $90m, was reportedly ineffective at its primary function – tracking the speedboats and other small vessels that are used by drug traffickers.[95] The system, instead, was calibrated to only track larger vessels. In June 2014, President Juan Carlos Verele, told the Panamanian press that *'I always said that the problem of the radars was serious. After 30 days in government, the evidence suggests that they are not functional. We have to reassess and redefine the future of the project.'*[96]

But functional problems were not the only concerns related to the contract: it was also tainted by allegations of corruption.

Listening to Lavitola

In January 2011, only a few months after Finmeccanica had made its deals in Panama, Italian police initiated wiretaps on the phones of two Italian businessmen.[97] The first of those tapped was Paolo Pozzesserre, who, at the time, was Finmeccanica's Commercial Director. He had worked at Finmeccanica from 1988 until he resigned from the company in 2011 after news of his alleged involvement in the Panama corruption was revealed in the press.[98]

The second person tapped was Valter Lavitola. Lavitola, who is currently facing a range of criminal charges in Italy, was the one-time owner of the influential Italian newspaper *Avanti*. More notably, Lavitola was widely reported to be extremely close to Silvio Berlusconi. Indeed, one of the many charges Lavitola currently faces relates to his alleged attempt to bribe the businessman Gianpaolo Tarantini. The bribe, reportedly $500 000, was allegedly paid to Tarantini to ensure that he lied to investigators in Bari about Berlusconi's infamous 'bunga bunga' sex parties.[99]

Lavitola was also reportedly close to the Panamanian President at the time of the Finmeccanica deal, Ricardo Martinelli. Lavitola lived in Panama for a year between 2010 and 2011, and was allegedly given access to bodyguards and chauffeured cars by Martinelli's government.[100]

The wiretaps were deeply revealing, according to Giuseppe Schiatterella, one of the Italian policemen in charge of the case. Testifying at one of Lavitola's many trials in Naples in November 2014, Schiatteralla confirmed that there was a *'very strong relationship'* between Lavitola and Pozzessere that appeared to have corrupt intent. *'More than once,'* Schiatterella commented, *'the two spoke about the need to bribe senior officials and presidents of foreign governments, to get work orders.'*[101]

And so it was in Panama. On the 16th of June 2010, as the contracts between Finmeccanica's subsidiaries and the Panamanian government were being finalised, Lavitola incorporated a Panamanian company by the name of Agafia Corp S.A. The company was owned by Karen De Grazia, Lavitola's partner, and two Italian directors, both closely connected to Lavitola. According to the wiretaps, Lavitola was the real controlling mind behind Agafia, raising invoices with Finmeccanica and routing payments.[102]

The company's entire function, according to Schiatterella's testimony, was *'to transmit bribes to the Government of Panama.'*[103] Agafia Corp secured the funds by entering into consultancy agreements with each of the three subsidiaries, for which it was paid a full 10% of the total contract price: just over €18m. Schiatterella testified that during one recorded conversation between Pozzessere and Lavitola, a scheme to reward Martinelli with 33% of Agafia's proceeds was discussed.[104]

Panama Strikes Back

The proceedings in Italy, and especially the discovery of the Agafia consultancy agreements, spurred Panamanian authorities into action. Targeting the largest and most controversial of the three contracts, the Panamanian government, no longer led by Martinelli, approached the country's Supreme Court to have the radar contract (with Selex Sistemi) put on hold.

The government claimed that the Selex contract was '*a clear misuse of power*' designed to further '*private rather than public interests'* through the payment of funds to Agafia.[105] The '*private interests*' furthered was the payment of commissions to Agafia Corp. Agafia '*demonstrably*' had *'no technical or financial qualifications'* that could justify its contract with Finmeccanica.

The government went as far as to claim that the inclusion of Agafia, as well as the fact that the surveillance system was effectively inoperable, meant that the entire contract be considered an elaborate ruse designed solely for private gain: '*the principle aim and objective of the contract was not to arm and supply a coastal security in the State of Panama, but was a private interest duly accredited the appearance of legality, for which reason we have requested this mandate to demand the annulment of this administrative contract.*'

The government had, by this time, already suspended payments to the company as a result of the Agafia revelations – it now sought legal cover to make the *de facto* suspension *de jure*. In total, the government confirmed, it had already paid €51 million to Selex, with a further €38 million outstanding. The government urged the court to *'impede, by means of the suspension of the contract, that the State pay a penny more of a debt that originated for motives very far from the aims of the state, and, by doing so, avoid greater damages to the State.'*[106]

In September 2015, the Supreme Court ruled in favour of the request and placed the contract under provisional suspension. In so doing, the Court had to rule on the credibility of the underlying claim, namely, that commissions were paid to Agafia and that this irredeemably tainted the contract. The Court, upon assessing the evidence, came to the conclusion that '*there are credible indications that the formation of the disputed contract, there was a misuse of power, as it was done to obtain personal gains of an illicit nature and not for public interest.'*[107] Vitally, the Court appeared to suggest that all three of Finmeccanica's contracts with the Panamanian government were tainted in the same way.

The Settlement

The ruling of the Supreme Court put Finmeccanica in a difficult position. The judgment confirmed that the radar contract was tainted by 'misuse of power' motivated by 'personal gains of an illicit nature.' As the other two contracts were also underwritten by consultancy agreements with Agafia, it was entirely conceivable that Panama's courts could, if asked, strike down the remaining two contracts. It was later confirmed that, in July 2015, the Minister for the Presidency had been instructed to seek to annul all the contracts[108]

Soon after the Supreme Court judgment, Finmeccanica entered into a lengthy negotiation process with the Panamanian government to resolve the situation. On the 23rd of February 2016, the government issued a statement confirming that it had reached a settlement with Finmeccanica. The settlement was reached in order to prevent a '*long and costly legal judicial process,'*[109] and was made up of a number of concessions.

First, Finmeccanica and the government of Panama would terminate the radar contract with Selex Sistemi, and Panama would be released from paying any remaining amounts associated with it. Second, Panama would be reimbursed by Finmeccanica for the amount already spent on the radar contract. This would take the form of a 'credit' issued by Finmeccanica to Panama, which the country could use to purchase other equipment from the company. The total credit granted through this system was €29m. Third, the topographic mapping contract, run by Telespazio, would be amended to include new functionalities, paid for out of the 'credit' granted by Finmeccanica to a maximum total of €1m. Fourth, Finmeccanica would provide a free gift of an AW-109 ambulance helicopter to Panama.[110]

For its part, the Panamanian government would terminate all legal proceedings it had initiated in Panama, thus allowing the helicopter contract with AgustaWestland SpA and topographic mapping contracts with Telespazio to run to their conclusion.

While the gazetted motion that gave effect to the settlement was silent on payments to Agafia, the press statement released by the Panamanian government was much more forthcoming. Vitally, it confirmed that the gift of the helicopter ambulance (valued at €8.1m) was made specifically to *'end all controversy and restore trade relations'*[111], which had been damaged by the fact that the consultancy with Agafia was to be financed through overcharging the Panamanian government. And while the statement indicates that Finmeccanica failed to pay Agafia, it also noted that 'Panama sustains that the same represent an overcharge at the agreed price.' 112

At the time of writing, criminal charges against Lavitola relating to the Agafia imbroglio are still wending their way through the Italian courts. Similarly, it is still to be seen whether or not Martinelli, if successfully extradited from the US, will face criminal charges in relation to the Finmeccanica contracts.

However, the legal proceedings in Panama, the negotiated settlement between the government and Finmeccanica, and the supporting press statement announcing the settlement, all provide compelling evidence that, just like in the case of India and South Korea, Finmeccanica and its subsidiaries were profoundly comfortable with making use of questionable agents with political connections to bag lucrative government contracts.

Leonardo's Response

Leonardo responded to inquiries regarding Panama by stating that 'in relation to proceedings conducted against Leonardo Spa on 21st September 2017, the competent Judge declared the decision not to prosecute against the company for violations charged to it. The case is closed.'

'An Unacceptable Risk of Gross Corruption'

The Norwegian sovereign wealth fund – named the Government Pension Fund Global - is one of the largest in the world. The fund is currently valued at over 8 trillion Norwegian Krone (roughly US$1 trillion) and is invested in 8,985 companies in 77 countries. It owns 1.3% of all listed companies in the world. This figure is even more impressive in Europe, where the fund owns 2.3% of all listed companies.[113]

The fund is run by Norges Bank, the central bank of Norway. All of its investments have to meet a strict set of ethical guidelines, which were adopted by the Norwegian Ministry of Finance in 2014.[114] Section 3 of the guidelines precludes investment in companies that are engaged in unacceptable business practices, including 'gross corruption.' To ensure that the fund meets its ethical obligations, an independent body, the Norwegian Council on Ethics, was established to monitor the fund's investments worldwide. The Council is empowered to recommend that the fund place problem companies under observation, or disinvest from them entirely.

In October 2014, the Council on Ethics turned its attention to Leonardo. At that time, the fund held 1.53% of the company's stocks, valued at $124m.[115] The Council on Ethics set out to investigate the scale of the company's corruption, and assess its future corruption risk. This investigation was unique in that the Council was granted unparalleled access to interview company representatives and review the company's compliance systems.

Based on its review, the Council on Ethics came to the conclusion that: *'there is an unacceptable risk that Leonardo may once again become involved in gross corruption.'*[116]

As a result, in late 2016, the Council on Ethics made the recommendation that Leonardo should be excluded from the Fund; one of the only nine companies that the Council has recommended for exclusion for gross corruption since 2007.[117] The Bank, in response, placed the company under further observation.

The Red Flags

In October 2014 the Council on Ethics began its engagement with the company around corruption issues, which ran until September 2016. The engagement took the form of both meetings and written communications. In its study of the company, the Council identified a number of concerning red flags.

The first of these was how Leonardo responded to the multiple corruption scandals involving the company. According to the Council, Leonardo stressed that none of the allegations of corruption had *'been levelled at the company as such, and that all the facts relate to its previous management team.'*[118] As the Council points out, however, the corruption was not limited to lower level employees, but took place at very senior management levels – suggestive of a company that needs to make substantial changes to corporate attitudes at the highest level of management. In the Council's opinion, *'the company's attitude towards the allegations gives the impression of an attempt to side-step its corporate responsibilities.'*[119] It should be noted that the company's response is no longer accurate in light of the September 2017 indictments filed in India, which charges both Leonardo and AgustaWestland International.

The second red flag was evidence that, at the very same time as the company was introducing supposedly comprehensive compliance reforms, it was still engaging in the very activities that the reforms were supposed to prevent. As noted above, in 2013, Leonardo established the Flick Committee to provide recommendations on how to develop a best-practice compliance system. The Flick Committee's recommendations were approved and adopted by the Leonardo Board in 2014. However, only months after this adoption, the company entered into an agency agreement in South Korea, *'in probable violation of internal guidelines.'* This was damning: *'irrespective of the outcome of the ongoing legal proceedings, this demonstrates, in the Council's*

opinion, that key corruption prevention routines were not complied with in the company, even after management had put corruption prevention at the top of the corporate agenda.'[120]

The third red flag was the fact that the company operated, and continues to operate, in both a sector that is prone to corruption and in countries with problematic corruption records. Amongst the countries of concern identified by the Council are Libya and Russia, both of which '*are ranked in the highest category of assumed corruption risk in Transparency International's Corruption Perceptions Index 2015.'* The company's dealings in Saudi Arabia and China, both of which did 'not do well' in TI's *Government Anti-Corruption Index 2013*, were also of concern.[121] The Council was additionally concerned that the defence sector was especially prone to corruption.

The fourth red flag was its most concerning: the company's systemic use of agents to win contracts. During a meeting with the Council in early 2016, the company outlined the extent of its reliance on agents. In total, the company maintained 470 third party relationships, of which 200 were agents.[122] Moreover, the majority of the contracts won by the company were on a tender basis, in which the company relied extensively on the use of agents. It is *'not unusual'*, according to the company, for the agents to receive success fees of between 5 and 12 per cent of contract price – a major, and well-recognised, corruption risk.

In response to queries about the company's use of agents, Leonardo's representatives indicated to the Council that it recognised the risk of using agents to win contracts. As a result, the company was looking to reduce the number of agents it used, bringing the expertise in-house. The Council, however, noted that the plan, while clearly well-intentioned, was vague and unconvincing. The Council commented that it is *'difficult to attach importance to the announced scaling back in the use of agents so long as no specific plans exist for when and how this reduction will be effected, nor what the ultimate target number should be.*[123]*,*

The Council was also unimpressed that the company had failed to address the issue at an earlier stage, especially as the corruption allegations involving the company's use of agents extended back a number of years. By comparison, *'other companies which also sell defence equipment in the same countries as Leonardo have acted much faster with respect to this issue, in that practically all use of agents was eliminated as an immediate response when corruption allegations became known.'*[124]

The fifth red flag was that there was insufficient evidence that the company was properly mapping its corruption risks. The Council noted that the company had, in the past, conducted a major review of risks, which concluded in 2015. However, despite requests from the Council, the company was unable to document that it undertakes regular and systematic risk mapping exercises. As a result, the company would struggle to *'adapt the anti-corruption programme to changes in the company's risk profile.*[125]*,*

The sixth red flag related to the company's anti-corruption training. Leonardo provided documentation that showed that anti-corruption training had been given by internal and external lecturers to both Leonardo's management and staff. However, the company failed to give the Council any information that showed that there existed a *'comprehensive plan for who would be trained in what, by whom and how often.'*[126] The training programs were also concerning, as they do not give employees the chance to evaluate the effectiveness of the training or give feedback as to how the training could be improved – the company, therefore, has no means of telling whether the employees who had received the training had found the training useful or enlightening. The Council was concerned, too, that the company's vast roster of agents received zero anti-corruption training; the company, instead, relied on the fact that *'agents sign a form confirming that they have read all relevant governing documents and that they are aware of their obligations to the company.'*[127]

The final red flag related to the company's whistleblower systems. In 2015, the company introduced channels through which employees could report wrongdoing, including corruption. However, the company had not received a single report of any corruption since the establishment of the reporting mechanisms. The Council found this *'remarkable'*, especially considering the size of the company and its risk profile. The inference the Council drew was unequivocal: *'when no one reports any incidents of attempted corruption, it seems reasonable to assume that the company's anti-corruption efforts are not well enough communicated down through the organisation, that employees are not sufficiently encouraged to report their concerns, and that the systems do not work as well as they should.'*[128]

Taken together, the Council's review indicated three things. First, the company was particularly exposed to corruption risks. This was due to the company's prior history of corruption and the corruption-prone nature of its operational sector and

markets. Second, as a result of this, it was absolutely imperative that the company have rigorous and robust compliance systems to mitigate these risks. Finally, despite this pressing need, the company *'had failed to substantiate that it has organised the implementation of its anticorruption programme effectively and in line with international standards and best practice.'*

In light of the above, it is unsurprising that the Council came to the conclusion that there exists *'an unacceptable risk that Leonardo may once again be involved in gross corruption.'*[129]

Leonardo's Response and the Decision of the Board

Corruption Watch UK, in its questions to Leonardo, asked the company to address the concerns raised in the Council's report. In addition to emphasising their stated commitment to anti-corruption, they pointed out that, despite the Council's decision, the Board of the Norwegian Council decided not to disinvest from the company. Referring to the company's compliance program, the Board justified this decision stating that it 'believes that these measures provide sufficient grounds to observe the development in the future.'

Since this decision, the company has been placed under observation by the Council for a year. As a result, it is anticipated that the Council will make an additional recommendation to the Board in late 2018. It will be interesting to see, then, whether the Council comes to the same conclusion.

Conclusion and Recommendations

Leonardo, and its UK subsidiary AgustaWestland, has been linked to major corruption scandals in at least three countries. The scandals have revolved around contracts worth hundreds of millions of pounds, and have involved questionable payments in the tens of millions to agents and middlemen connected to military and political figures. Of particular concern is that the corrupt activities have implicated the most senior management in the company.

In light of the above, the lack of a formal investigation in the UK, despite the clear evidence implicating AgustaWestland in the scandals, appears to be a deeply concerning abrogation of the UK's responsibility to hold those implicated in corruption in the UK to account.

Recommendations

Corruption Watch UK calls on:

The UK's Serious Fraud Office to:

1. Initiate a formal investigation into the historical sales of AgustaWestland and Leonardo abroad that includes, but is not limited to:
    a. the conduct of the company in relation to its activities in South Korea
    b. AgustaWestland's many agency agreements with companies controlled by Christian Michel in relation to procurements in India;
2. Instigate civil proceedings to recover any illicit assets held by Christian Michel in the UK.

The UK's Ministry of Defence

1. Conduct an urgent review as to whether AgustaWestland has engaged in acts of grave professional misconduct in relation to its activities in South Korea and India;
2. Review the suitability of AgustaWestland as a government contractor given the finding by the Norwegian Council on Ethics that there is an unacceptable risk that the company may continue to engage in acts of corruption.

The UK's Export Finance (UKEF)

1. conduct a thorough investigation of the company's conduct and relationship with third-party agents, establishing, amongst other things, whether the company has fully and accurately disclosed its use of agents and intermediaries in transactions previously supported by UKEF;

In light of the above, we further call on:

The Italian government, as the largest shareholder in Leonardo, to:

1. Undertake an urgent review of Leonardo's business practices, both past and present, and to ensure that the company institutes immediate and meaningful reforms to limit its exposure to corruption risk;

Leonardo, to:

1. Commit to reviewing and reforming its compliance mechanisms, taking such action as necessary to limit its corruption risk, including developing a concrete plan to reduce the number of agents the company uses around the world;
2. In the name of full transparency and accountability, to publish a full list of agents and middlemen currently and previously utilized by the company in securing defence sales abroad.

Endnotes

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[108] Agreement between the Government of Panama (as represented by Ambassador Fernando Berguido), Finmeccanica S.p.A, AgustaWestland S.p.A, Telespazio Argentina S.A and Selex S.p.A attached as Annex to [108] Cabinet Council Resolution N.10 of 23rd February 2016 in Official Digital Gazette (Panama), Tuesday 1st March 2016
[109] *Ibid*
[110] *Ibid*
[111] Press Release: Government of the Republic of Panama and Finmeccanica S.p.A, 23 February 2016,
[112] *Ibid*
[113] https://www.nbim.no/en/the-fund/
[114] The guidelines can be viewed here: http://etikkradet.no/files/2017/04/Etikkraadet_Guidelines-_eng_2017_web.pdf
[115] https://www.nbim.no/en/the-fund/holdings/?fullsize=true
[116] 'Recommendation to Exclude Leonardo SpA from the GPFG', Council on Ethics, 8 December 2016, p. I, https://nettsteder.regjeringen.no/etikkradet-2017/files/2017/05/Leonardo-Tilr%C3%A5dning-ENG-2016.pdf
[117] http://etikkradet.no/en/gross-corruption-2/
[118] 'Recommendation to Exclude Leonardo SpA from the GPFG', Council on Ethics, 8 December 2016, p. i https://nettsteder.regjeringen.no/etikkradet-2017/files/2017/05/Leonardo-Tilr%C3%A5dning-ENG-2016.pdf
[119] *Ibid*
[120] *Ibid*, p. 20
[121] *Ibid*, p. 19
[122] *Ibid*, p. 14
[123] *Ibid*, p. 21
[124] *Ibid*
[125] *Ibid*, p. 20
[126] *Ibid*, p16
[127] *Ibid*, p. 17
[128] *Ibid*, p. 20
[129] *Ibid*, p. 21