

CORRUPTION WATCH

June 2018

The Anglo-Italian Job

Responses from Geoff Hoon, Leonardo and Christian Michel



Annexure A: Response from Geoff Hoon

I was appointed as Managing Director of AgustaWestland's international business in April 2011. In that position I was ultimately responsible for all of the company's global business activities; both civil and military – with company representatives spread around the world numbering in the hundreds - as well as a series of live campaigns.

I was made aware that the company had a live campaign to sell its AW159 helicopter in South Korea. This was an important opportunity for the UK side of the business as it would create and protect jobs at the company facility at Yeovil in Somerset, where the helicopter is manufactured.

As a result the company was offered significant assistance by British civil servants responsible for promoting exports. Given the challenges of doing business in South Korea, it was suggested that the company would benefit from having expert South Korean advice. This is not unusual in the Defence industry and AgustaWestland was introduced to Yang Kim, a former South Korean Defence Minister.

I was not involved at that stage but I did travel to South Korea in August 2011 to meet Yang Kim and determine his suitability for the position. I made clear to him that I was looking for advice about how the South Korean system worked, and in particular given our common backgrounds, how a Defence Minister might respond to the company's offer of helicopters. A consultancy contract was agreed between the company and Yang Kim in November 2011. My recollection is that this was only following completion of the company's internal procedures and processes. He was to be managed by and report to AgustaWestland's Head of Government Business.

The company received regular updates from Yang Kim, setting the scene in South Korea and advising on general political and military developments. This is what I would have expected of an advisor. There was in time however some concern, in one area, that Yang Kim was simply recycling South Korean newspaper and media reports and not providing the critical analysis that he had originally offered.

As a result I was asked to write to raise these concerns with Yang Kim. I was asked to write because of Yang Kim's previous seniority in a very hierarchical society. I was told that that he might be offended by an email from a more junior member of the company. He was being asked to go beyond the passive provision of information and instead to interpret relevant information as if he were still a Minister, in order to see what it might mean for the company. At no time did I expect Yang Kim to actually meet with senior decision makers or solicit or lobby on behalf of the company. Indeed my recollection of his consultancy contract required him to comply with all applicable laws.

Yang Kim replied to explain that there were limits as to what he could properly do. One of my emails has therefore been quoted out of context in a series of emails relating to Yang Kim's activities. A reading of those emails in full will demonstrate that the exchanges showed that neither I, nor the company, ever intended that Yang Kim should breach South Korean law. As far as I know, there has never been any suggestion of this, nor has there been any such investigation of myself or the company of which I am aware.

I last actually worked for AgustaWestland in July 2016 and have heard nothing further regarding this matter until I was contacted by your organisation.

Annexure B: Leonardo's Response

ETHICAL COMPLIANCE AND RESPONSIBLE BUSINESS CONDUCT AT LEONARDO

Leonardo is committed to conducting all aspects of its business ethically and recognises that this is a prerequisite to fair competition in the markets in which it operates. Through active monitoring of and engagement with industry best practice, Leonardo strives to continuously strengthen its risk management and internal control systems in order to prevent, detect and respond to corruption, applying a zero-tolerance approach.

In a recent initiative in 2014, Leonardo undertook a wide-ranging review of its organisation and corporate governance practices with the objectives of enhancing its ethical business culture and promoting a culture of integrity throughout the Leonardo workforce and its supply chain. This was followed and complemented by a wholesale reorganisation of the Leonardo Group that was initiated on 1 January 2016, in which a "One Company" model has been adopted, enabling the business to further consolidate its approach to corporate governance, ethics and integrity across the Group's business divisions. Since 2017, the Chairman of the Board has responsibility for oversight of integrity in Leonardo's corporate behaviours and for the enforcement of its anti-corruption policies and procedures.

Beyond its corporate boundaries, Leonardo actively participates in sectorial industry associations such as the AeroSpace and Defence Industries Association of Europe (ASD) and the International Forum for Business Ethical Conduct (IFBEC), as well as working with organisations such as TRACE International and the Institute of Business Ethics, in order to constantly improve its business conduct practices.

Recognising Leonardo's efforts, the Norwegian Council on Ethics highlighted the recent measures that Leonardo has taken against corruption and the Executive Board of Norges Bank Investment Management "*believes that these measures provide sufficient grounds to observe the development in the future*" (<https://www.nbim.no/en/transparency/news-list/2017/decisions-about-ownership-observation-and-exclusion-from-the-government-pension-fund-global/>).

In 2015, the independent NGO Transparency International raised Leonardo's status to band B in the Defence companies' anti-corruption index, recognising important improvements achieved.

Trusting the path undertaken, we set ambitious commitments for the future by:

- obtaining the certification of our anti-corruption system according to ISO37001 standard (in progress);
- strengthening the training for commercial advisors and sales promoters;
- reviewing some policies (Commercial Advisors and Sales Promoters, Conflict of interest, Third parties, Offset Agreements, etc.) to better fit the new organization;
- spreading awareness via follow up campaign on whistleblowing.

For further information on Leonardo's business conduct model please review 2017 Sustainability and Innovation Report (<http://www.leonardocompany.com/sostenibilita-sustainability-1/rendicontazione-reporting>) which is also available on the Leonardo website (<http://www.leonardocompany.com/chi-siamo-about-us/etica-compliance>)

APPOINTMENT OF COMMERCIAL ADVISERS

Leonardo's process for the appointment of international commercial advisers provides that each is subject to an extensive background and reputational due diligence exercise, a legal opinion from a law firm in the relevant jurisdiction and that they are contracted on Leonardo's terms and conditions (that include an obligation to comply with all applicable anti-bribery and corruption laws and a general prohibition on an adviser acting as an agent of Leonardo). The scope of the services that a commercial adviser is required to provide is comprehensively stated in each agreement.

Legal opinions are focused on the lawfulness of a proposed appointment in the relevant jurisdiction and conduct of the services, particularly in the context of public procurement rules and regulations. Public servant “revolving door” rules are included in those opinions and each prospective adviser would be assessed for compliance prior to appointment. It would be usual for a commercial adviser to employ personnel that have had previous defence procurement experience as it is this prior experience and know how that would benefit the business most in an unfamiliar territory.

All commercial and legal risks identified during due diligence are assessed prior to proceeding with any engagement.

COMMENTS ON THE CASES REGARDING PANAMA, INDIA AND SOUTH KOREA

Panama

In relation to the 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.

India

With reference to the Indian CBI charges against Leonardo group companies, it is a matter of Leonardo policy not to comment on any matters that are presently the subject of ongoing investigations or proceedings.

To note that proceedings relating to the same subject matter in Italy have not resulted in any convictions on grounds of corruption against any member of the Leonardo group, nor any of its officers or employees (past or present). In one, the Italian public prosecutor acknowledged the adequacy of Leonardo’s Organisational, Management and Control Model (in place since 2003 and subject to regular currency reviews) not only in the prevention of corruption offences but also in respect of the compliance processes adopted to guarantee adequate standards of fairness and ethical conduct.

Those proceedings are a matter of public record, but in summary:

- On 25 July 2014, following the conclusion of its investigations, the public prosecutor in Italy dismissed all proceedings against Finmeccanica SpA (now Leonardo Spa);
- On 28 August 2014 AgustaWestland SpA and AgustaWestland Limited took the commercial decision to request from the Italian Court of Busto Arsizio a “patteggiamento”, thereby accepting, without admission or finding of any wrongdoing, administrative penalties in order to bring a swift conclusion to proceedings;
- On 8 January 2018, two former CEOs of AgustaWestland (in Italy) were found not guilty of charges of international bribery by the appellate criminal court in Milan.

South Korea

In accordance with Leonardo’s adviser appointment procedures (see above), due diligence was most recently undertaken on Mr Yang Kim and his company in August 2014 which did not reveal any relevant risks that would prevent the renewal of that appointment. Leonardo took appropriate action to suspend the appointment that it had with Mr Kim and his company shortly after learning of Mr Kim’s indictment. Following a further review that appointment was terminated, notwithstanding that Mr Kim had yet to make a final appeal to the Korean Supreme Court. Leonardo is satisfied that it acted promptly and decisively in relation to this matter.

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.

Annexure C: Response from Christian Michel

Question: It has been alleged that two companies controlled by you, Global Service FZE and Global Trading and Commerce Ltd, entered into contracts with AgustaWestland's UK branch in relation to the VVIP transaction. Under these contracts, Global Service FZE was paid €275 000 per month between 26 April 2010 and 31 December 2011, while Global Trading was paid €18.2 million. It has been alleged by, amongst others, India's CBI, that these contracts were corruptly conceived, and that the payments were made to you so that you would corrupt Indian officials or other persons of influence to the benefit of AgustaWestland and/or Leonardo. How do you respond to this allegation?

Answer 1

The statement that my contracts were corruptly conceived and for the purpose of bribing Indian officials is demonstrably incorrect.

A) On the 9th of October 2014 the Milan court judged that Mr Orsi and Spanioliny [sic] were not guilty of international corruption the court went on to say concerning myself that I was only involved in the VVIP activity towards the end of 2006 as many witnesses have confirmed by which time all the alleged crimes were supposed to have been committed. Therefore "no role can be ascribed nor was ascribed to Michel regarding this phase of the job" as stated on page 79 and 80 of the Milan court findings enclosed

B) Then in 2016 the appeal court overturned the first ruling and found Mr Orsi and spanioliny [sic] guilty of international corruption but found no evidence against me. This ruling was then sent to the Supreme Court of Rome where it was thrown out.

As inconsistent and not in accordance with Italian law. The Italian newspapers stated that the appeal judge has been handed a donkey's hat by the Supreme Court.

C) The final appeal court handed its judgement on 8 January. Stating there is no evidence of international corruption. Closing the case

D) After a brief audit in the UK by Lorence [sic] Graham a full forensics audit of my companies was conducted by outside auditors and lawyers headed up by Michael Nathanson. The forensics audit was conducted in the UK and more importantly over a number of days in Dubai where all my documentation were examined the audit report ran into many thousands of pages but concluded after having access to all my documentation bank statements private and business that there was no evidence of corruption. This audit was further confirmed by PwC and KPMG.

E) The Italian authorities have removed my arrest weren't due to lack of evidence document enclosed the Swiss authorities have dropped the case against me and are offering compensation document enclosed.

F) I was arrested in Dubai in Fairbury 2017 for the purpose of extradition after a personal request was made by the Indian Prime Minister to the rulers of the UAE who were attending the National Day parade in Delhi in January.

Under UAE law for extradition evidence of a crime must be presented the Indian authorities were given 30 days to present their evidence. No evidence was forthcoming.

The Indian authorities were given a further 30 days no evidence was forthcoming. The Indian authorities were given a further 30 days no evidence came.

Therefore the UAE dropped the case against me. All documentation enclosed.

Conclusion .

Statements made in question one is not correct proven by multiple court hearings multiple arrests and releases and multiple requests for the production of evidence which has never been presented.

Question: During the trials of Giuseppe Orsi and Bruno Spagnolini, a 'budget sheet' was presented that appeared to list categories of individuals who would receive money as part of a corrupt conspiracy to favour AgustaWestland. Guido Haschke, an agent in the transaction, claims that this 'budget sheet' was drafted by you, and provided proof that you had both agreed to corrupt a wide range of individuals in relation to the VVIP contract. How do you respond to this allegation?

2) Hashky [sic] claimed in court that the budget sheet was dictated by me and he wrote it. The reason he said he wrote it is that I am unable to write. Hashki [sic] also claimed in court that at this meeting my London partner was also present. Mr Syms, A) The Milan court calligrapher has confirmed I'm perfectly capable of writing numbers and letters only that I have a problem with joined up handwriting, and in such a note was to be made I certainly could have written it myself.

B) of the three people present at the meeting when the budget sheet was created according to Mr H. Two those present have no recollection of any such budget sheet. Furthermore Mr Sims has given a legal affidavit to the effect that he has never seen the budget sheet before. Furthermore I have never seen it before but fully understand that Hashley wrote it for the express purpose of making a deal with the prosecutor (his notorious plea-bargain is well documented.)

What you have to know at this point is that Mr H ask me for money in 2008 to pay Finmeccanica executives I refused and I later realised from that day onwards he intended to remove me from Italy. Mr H admitted in court to paying many Finmeccanica executives as part of his plea-bargain.¹

Mr Syms affidavit can be found in the section letter to the Indian Prime Minister

Question: In March 2012, AgustaWestland contracted the services of Lawrence Graham LLP to investigate the contracts between AgustaWestland and your two companies as described above. The report, authored by Eoin O'Shea (and hereafter referred to as the 'O'Shea Report', raised a number of concerns with these contracts. In relation to Global Service FZE, the O'Shea Report noted that your company was unable to provide any detailed evidence of work completed for AgustaWestland. The O'Shea report commented that 'it is surprising how little evidence of its activities under the Post-Contract Services Agreement GSF has been able to reproduce.' How do you respond to this comment?

3) O'Shea

Mr Os Report was done on the basis of the available information in the UK. I explained to AW that all the documentation relating to my business are in Dubai where we conduct our activities and all we would be able to give Mr O was a brief overview. AW were in a hurry and therefore we went ahead with what was little more and five hours of talking over coffee however in my defence I do wish to point out that in Mr O in his executive summary he states "we have found no direct evidence of bribery or corruption of government officials by AW GSF

Or connected parties "he then goes on to say although there is no such direct evidence known to us we advise that AW conduct a more detailed investigation. This was fine with us and perfectly reasonable as only a huge forensics audit could satisfactorily clear this issue.

4. The O'Shea Report notes that a bundle of documents was provided by GSF to Lawrence Graham to illustrate work conducted by GSF under the terms of the underlying contract. The O'Shea Report alleges that the bundle included letters exchanged between the Government of India and other defence contractors. The O'Shea Report noted that it was concerning that you appeared to be in possession of confidential documents. How do you respond to this allegation?

4) between defence contractors at the working level there was always sharing of information. The Indian press is also extremely aggressive and were always obtaining documents which were often being put in the media. Agusta Westland itself had some 647 pages of its confidential court documents leaked into the Indian press.

As further proof of this Mr Raymond Edwards MD" AW. letter to the Indian government 11th of March 2013 states " Finally we note with considerable concern that in the past the information provided by us have found their way into the public domain."

No information presented to Mr O had been obtained in a wrongful way.

5. The O'Shea report concluded its review of GSF's relationship by commenting that '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.' As a result, O'Shea recommended an 'independent investigation' into the GSF contracts. How do you respond to this comment?

5) I agree with your question . such an audit could not be conducted in the UK .To do a proper evaluation you have to meet my auditors see my books my bank accounts interview my people .Many days weeks and months were spent doing this audit .This just could not have been done sitting in the lawyers office in London and both Mr O Shea and I understood that a full audit would be required to close such an important matter.

That is why a huge forensics audit was carried out .

6. The O'Shea Report also raised concerns with regards to the Global Trade and Commerce contract. He Report noted that your business partner, David Syms, had claimed that every effort was made to hide the fact that AgustaWestland was funding the buyback of WG30s from the Government of India. The O'Shea Report commented, as the intended aim of the buyback was to resolve any ill-feeling deriving from the historical WG30 transactions, '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 granted virtually no value in exchange.' How do you respond to this finding?

6) The question six confuses a number of issues.AW were very concerned that certain brokers and dealers were threatening to put W 30s back in the air. This was much reported in the aviation web at the time . AW considered this very dangerous as the aircraft had a number of engineering floors which had not been corrected .The danger of a crash to AWs reputation and all the airworthy / certificating issues were all problematic. Non of this would've been good forAW . There were brokers trying to buy the spares package sitting in India .The status of the Air frames sitting in India was unknown but also there are many aircraft sitting in the UK America and elsewhere. I recommended to Mr Orsi that these aircraft should be taken out of the market and all spares obtained to see to it that these aircraft could never be flown again. My agreement with AW specifically did not mention any country of origin for the helicopters simply W 30 as India was only one of my focuses and as it turned out the Indian frames were complete Recks and of no threat to be put back in the air . It has always been a mystery to me why the Indians think I was only authorised to buy their helicopters. The Indian authorities have told me to my face , that they have a copy of my contract where it states I have to buy from India Pwan Hans but could not produce it for me because it does not exist if you require a copy of my contract We can discuss.

It was agreed at the time that when I go out into the market to buy W 30s AW would not be mentioned as if they were thought to be the buyer the price with double or quadruple .No company wonts to admit that it is withdrawing a product from the market and if it can be done quietly so much the better. Think of the damage VW has suffered from all of its product with draws.

Question: In September 2017, India's CBI filed fresh charge sheets in the New Delhi High Court. Amongst other things, the CBI alleges that, in fact, no attempt was made by you or companies controlled by you to purchase the WG30 helicopters, and that the helicopters remained in the possession of the Indian government, notwithstanding the fact that your company was paid €18.2m to effect this purchase. How do you respond to this comment, and, in particular, how do you explain the fact that no record of any purchase attempt has been found at Pawan Hans?

7) yes this is very funny someone has told the Indian authorities that I was contracted by AW to buy Indian W 30s. We certainly had discussions about the Indian W 30s and the damage they were causing but I sent my own team to look at those aircraft and soon realised they were in appalling condition and represented no threat of flying. The Indian W 30 that had been exported many years earlier however were in flying condition and as part of my work I obtained all of them and all of the spares along with the aircraft . Along with aircraft from other countries which put an end to any possibility of W 30 flying again. I enclose a photograph of the condition of the Indian W 30s from which you will understand The Indians are dreaming if they think anyone will be interested in acquiring there W 30 As a footnote Finmeccanica were threatening to sue me for not acquiring aircraft like the ones in India and send a team to look at the ones in India The inspector reported back that people were using them as toilets and were only the home of snakes and rats.

Question: India's CBI further alleges that you entered into three additional contracts with AgustaWestland. The first contract identified by the CBI was a contract between GSF and Westland Helicopters entered into on the 23rd of December 2010, under which GSF was paid £1.78m to provide services to Hindustan Aeronautics on behalf of Westland Helicopters. The CBI alleges that this contract was fraudulently conceived with corrupt intent in that 'Mr. Christian Michel James and his companies did not render any services to M/s HAL directly or indirectly or on behalf of WHL... the amount of £1.78 million was bribe/commission/kickbacks received in the guise of consultancy charges.' How do you respond to this allegation?

8) The CBI have been making these claims for sometime but have produced no evidence to substantiate their claims. When in fact the audit took place it was confirmed that I had engaged many experts to assist in the management and development of AWs Business, I have had contracts with Westland and then Agusta for nearly 30 years and was running a considerable organisation. My office took on the burden of running on behalf of AW A business of several hundred million pounds a year keeping AWs in country costs to a negligible amount. If The CBI was so sure of the facts why then when asked they never present any evidence. Why in June 22, 2015 were the CBI announcing they were going to close the probe. Why in February 19, 2015 did India send instruction to its Embassy in Rome not to file an appeal against the court ruling that Mr Orsi and Mr Spanualiny [sic] were not guilty - if they had the evidence they claim they would not have done these things. Please see documents in closed. Also if you're wondering how I have a copy of the Indian instruction to its Embassy in Rome the answer is it was sent to us by mistake in a bundle of other documents. AW often received letters and documents meant for other manufacturers sent by India by mistake.

Question: The second contract identified was entered into between Global Services FZE and Westland Helicopters on the 1st of February 2003. This was replaced by a contract dated the 1st of February 2005 and renewed on multiple occasions thereafter. In total, Global Services FZE was paid £6.16m via these contracts between 2003 and July 2012. The CBI alleges that this contract, too, was entered into as part of a conspiracy to pay bribes and kickbacks to yourself or companies controlled by you. How do you respond to this allegation?

9) There is a simple response to this accusation. Mr H alleges that in the handwritten note which he claims I wrote having one day before claimed I can't write talked about 30 million so now the Indian authorities are fixated on the figure of 30 million so they have to find 30 million in my accounts to do this they have to go back to 2003 if Mr H had said 40 million they would go back to 1995 they simply are trying to make my accounts fit Mr H statement, as he is a man who will say anything to anyone if it will help him at that moment. If the Indian authorities are claiming that in 2003 or 2005 when the court and a number of witnesses have confirmed I did not come on the scene until end of 2006 and these claims are proven to be false. The CBI are clearly trying to make a false statement fit a set of accounts that don't match.

Question: The final contract identified was entered on the 1st of November 2006 between AgustaWestland Holdings Ltd and Global Services FZE, for which Global Services was paid a total of £7.87 million between November 2006 and January 2011. The contract related to a contract between Westland and the Government of India for the recovery of Sea King Helicopters. India's CBI alleges that this contract was also designed to hide commissions and kickbacks. It also alleges that your contract with AgustaWestland violated the terms of Westland's Pre-Contract Integrity Pact with the Government of India. How do you respond to these allegations?

10) This is an incorrect statement by the CBI I have been working on the Sea King for some 30 years my contacts go back that far. Once the Indian government put together new rules about how to manage business in India by creating a new clause the integrity packed any agreement I had that would have violated this new rule were returned and replaced with service contracts whereby the work and measurement of work and policing of work were all laid out in the contract. None of my contracts violated Indian law in anyway.

¹ Corruption Watch UK notes that it has been presented with no evidence to prove this assertion. WE have reviewed Haschke's *patteggiamento*, which makes no mention at all of any payments to Finmeccanica executives by Haschke.