

## Alcoa Pays \$384m To Settle Alba Bribery Charges

**Criminal and civil allegations claimed officials were bribed for years to accept the supply of raw materials from Alcoa.**

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Alcoa Inc and a joint venture it controls have agreed to pay \$384 million to resolve charges of bribing officials of a Bahraini state-controlled aluminium smelter, marking one of the largest U.S. anti-corruption settlements of its kind.

Two deals, announced on Thursday, settle criminal and civil allegations that two of the joint venture's subsidiaries bribed officials for years so they could supply raw materials to Aluminium Bahrain, or Alba. The Bahraini metal producer has links to the tiny Gulf kingdom's royal family.

Alcoa Inc failed to maintain adequate internal controls to prevent or detect more than \$110 million in improper payments funnelled to Alba through a consultant between 1989 and 2009, according to the U.S. Securities and Exchange Commission, which brought civil charges under the Foreign Corrupt Practices Act. The Department of Justice brought criminal charges under the same law.

“As the beneficiary of a long-running bribery scheme perpetrated by a closely controlled subsidiary, Alcoa is liable and must be held responsible,” George Canellos, co-director of the SEC's enforcement division, said in a prepared statement.

The Alcoa settlement is part of a broad crackdown by U.S. authorities on improper payments made by companies to win business in foreign jurisdictions.

Some of the largest U.S. companies, including Wal-Mart Stores Inc and Avon Products Inc, have spent hundreds of millions on internal investigations into possible misconduct in foreign markets.

The Justice Department is investigating whether Wal-Mart paid bribes in Mexico to obtain permits to open new stores, and whether executives covered up an internal inquiry into the payments. It is also looking into possible misconduct by the world's largest retailer in Brazil, China and India.

To date, the largest combined Justice Department-SEC settlement was \$800 million, paid by Germany's Siemens AG to resolve allegations of widespread bribery in 2008.

Alcoa's \$384 million settlement ranks as the fourth largest, the SEC said in a release.

Shares of top U.S. aluminum producer Alcoa, which previously said it was in settlement talks, fell 1.3 per cent to end regular trading at \$10.69 on the New York Stock Exchange.

In a statement, New York-based Alcoa took pains to distinguish the parent company from its joint venture.

"There is no allegation in the filings by the DOJ and there is no finding by the SEC that anyone at Alcoa Inc knowingly engaged in the conduct at issue," it said in a release.

"I don't think there is too much relevance to the current personnel or the future. It is water under the bridge," said John Tumazos, analyst at Very Independent Research.

Bribery allegations involving Alba – now under new management – have played out in several countries for more than five years.

In one of Britain's biggest corruption prosecutions in years, a British-Canadian businessman was charged with paying former Alba managers bribes linked to the supply agreements between 1998 and 2006.

The businessman, Victor Dahdaleh, was accused of acting as a middleman between a member of Bahrain's royal family and suppliers, including Alcoa. But his trial fell apart in December after two lawyers who played a crucial role in the case refused to testify, and another witness changed his testimony.

Alcoa was not accused of wrongdoing in the Dahdaleh case, and it was not a party to those proceedings.

Dahdaleh's lawyer argued that the payments were a Bahraini "custom and practice" and were approved by Sheikh Khalifa bin Salman al-Khalifa, the prime minister and a member of the Bahraini royal family. Reuters could not reach him for comment during the trial.

In the SEC's release on Thursday, the U.S. regulator said Alcoa's subsidiaries used a London-based consultant to funnel the payments to officials, but it did not name the consultant. The subsidiaries cited by the SEC are Alcoa World Alumina and Alcoa of Australia, both of which are parts of the joint venture.

A manager at one of the subsidiaries said the consultant would “keep the various stakeholders in the Alba smelter happy,” according to the SEC. The regulator said Alcoa did not try to determine whether there was a legitimate reason to use a go-between “despite the red flags inherent in this arrangement.”

As part of Thursday’s deals, Alcoa settled the charges brought by the SEC, agreeing to pay \$161 million in five installments over four years. The company settled a civil lawsuit with Alba in 2012.

The Justice Department’s deal was with Alcoa World Alumina LLC, a joint venture with Australia’s Alumina Ltd. The venture, 60 per cent-owned by Alcoa, agreed to plead guilty to a single count of violating the Foreign Corrupt Practices Act and pay \$223 million in five installments over four years

Under a previous agreement with Alumina Ltd, the Australian company will contribute 15 per cent of the cost of the settlements, including legal fees.

Alcoa will take a \$288 million charge in the fourth quarter of 2013 related to the settlements.

The company is scheduled to report fourth quarter-results after North American equity markets close on Thursday