



VOLUME

10

CORPORATE GOVERNANCE

CASE STUDIES

Edited by Prof Mak Yuen Teen

AIRBUS: FLYING ON THE WINGS OF BRIBERY

Case overview

Airbus Group (Airbus), one of the world's leading players in the aircraft supply industry, was embroiled in a major bribery and corruption scandal that triggered probes from prosecutors worldwide. On 31 January 2020, it agreed to pay a record US\$4 billion in settlement after reaching a plea bargain with prosecutors in Britain, France and the U.S. over rampant corruption and misconduct in the last 15 years. This massive bribery scheme involved many countries including Taiwan, Indonesia, Malaysia, China, Nepal, Russia, and Colombia. Huge amounts of cash incentives and luxurious gifts were transferred to the pockets of airline directors and government officials to secure deals. This was largely done under the supervision of the Strategy and Marketing Organisation, a division dedicated to securing sales in emerging markets.

The objective of this case study is to facilitate a discussion of issues such as organisational fraud and bribery; corporate culture; failure of internal controls and compliance functions; the four lines of defence; cross border challenges of doing business; and severance packages.

Welcome on board

Headquartered in the Netherlands,² Airbus' journey began in 1965, when the French and German governments initiated plans to develop a high-capacity, short haul jet transport company in Europe.³ Subsequently, the European Aeronautic Defence and Space Company (EADS) was formed following the combination of three European companies: Aerospatiale-Matra, Deutsche Aerospace AG, and Construcciones Aeronáuticas SA in 2000.⁴ It was then listed on the Paris Stock Exchange, Frankfurt Stock Exchange and Spanish stock exchanges in Madrid, Bilbao, Barcelona and Valencia.⁵ In January 2014, EADS was renamed as Airbus Group.⁶ The parent company of the Group is Airbus SE, which controls all activities within the Group.⁷

From 2004 to 2016, Airbus Group witnessed several restructurings.⁸ Currently, the activities of Airbus are organised into three divisions. The bulk of its revenue comes from the commercial aircraft division, which manufactures and sells civilian aircraft to airlines. The other two divisions are the defence and space division, which manages military aircraft, satellites, intelligence and security systems used by governmental agencies; and the helicopters division, which distributes civil and military helicopters.⁹

This case was prepared by Ding Zherning, Kong Zhen Hao, Stanford, Lim Zheng Xiang, Necia Rica Coleen Ng Jia Min, Nicole See Wan Yi, and Ong Jia Hui, and edited by Sheethal Shanbhogue under the supervision of Professor Mak Yuen Teen. The case was developed from published sources solely for class discussion and is not intended to serve as illustrations of effective or ineffective management or governance. The interpretations and perspectives in this case are not necessarily those of the organizations named in the case, or any of their directors or employees.

Financial performance

Airbus has generally achieved strong financial performance over the past two decades. Apart from fluctuations between 2004 and 2009, sales and profits had been increasing steadily before it suffered a net loss in 2019.¹⁰

Similar trends can be observed in its share price. Before the announcement of the settlement and the onset of the COVID-19 pandemic, Airbus' share price has generally seen tremendous gains in the past two decades, hitting an all-time high of €139.00 on 24 January 2020. In the following three months, its share price suddenly fell to a record low.¹¹ However, since mid-2020, when the COVID-19 situation started to stabilise and with governments taking actions to fight the pandemic, the company's share price has been steadily recovering, as seen in Figure 1.



Figure 1: Share price movement of Airbus SE¹²

Intense competition

Since its establishment, Airbus has developed an intense rivalry with its biggest competitor, The Boeing Company (Boeing), with the two effectively becoming a duopoly in the industry.¹³ In the first two decades following Airbus' establishment, it progressively increased its market share to 30% of new orders in the early 1990s, while Boeing maintained its market share of over 60%.¹⁴ Airbus continued acquiring market share, causing Boeing's share of new orders in 1998 to slip to 54%. This created fierce competition between both companies as they tussled for market share in the sale of commercial aircraft.¹⁵

Adding to the intensity of competition is the complex and time-consuming process of striking a plane deal. Former Airbus Chief Executive Officer (CEO) Jean Pierson called the courtship of clients and customers the “Dance of the Seven Veils”,¹⁶ where aircraft suppliers took turns to make their sales pitches to airlines, with each supplier attempting to sweeten the deal in its own way to stand out from others. Very often, the negotiation outcome would be unpredictable since competing suppliers have no information about their competitors’ offers. There would only be one ultimate winner clinching the coveted deal, while the other suppliers leave negotiations empty-handed.¹⁷

Flight to the top – the shaping of Airbus’ corporate culture

“He really moves the metal. He is indefatigable. When he smells a deal he will dig in until he has done it, but he is also good – he takes the trouble to understand our business.”

– Cathay Pacific CEO Tony Tyler, on John Leahy¹⁸

John Leahy, the former Chief Commercial Officer of Airbus, was known as Airbus’ “top salesman”. He drove over 90% of Airbus’ deliveries and played a huge role in helping Airbus close the gap on Boeing.¹⁹ Things were, however, very different before his arrival.

When the American Chief Commercial Officer first arrived in Toulouse, France – home to Airbus’ head operating office²⁰ – it created an extreme culture shock for the French who were very comfortable and familiar with a traditional and cordial approach of doing business. He demanded many of the office’s walls be taken down to fulfil his vision of creating an open-plan office, a move that was akin to “shaking the cobwebs off” in what was described as a “gentlemen’s club”.²¹ An extremely demanding and driven leader, Leahy set high expectations for those working under him, and was known by his French colleagues as “the hyperactive American”,²² due to the various ways in which he went about to reinvigorate the otherwise dreary and monotonous culture at the office. This included convening sales meetings over the weekend, a practice which was previously unheard of in the Group.²³

Leahy was confident about his ability to bring Airbus to greater heights. During a board meeting in 1995, Leahy famously told the board he aimed to win 50% of the aircraft market, causing great shock and incredulity to the board, which felt that Leahy needed to “stop dreaming”.²⁴ Nevertheless, Leahy’s boss, then-CEO Pierson, also echoed Leahy’s sentiment about pushing Airbus to greater heights and going head-to-head with Boeing. Pierson once remarked, “In a world market, with up to 20% you are nothing. At 20 to 40 you start to be a danger and can go to 50. We needed to get out of the 20 – 40 cave.”²⁵

Leahy gained a reputation for sealing many major deals through unconventional sales tactics that were previously unheard of in the industry, such as “walkaway clauses” or “buy small, think big” deals.²⁶ A walkaway clause was once offered to American Airlines in a deal for 25 A300 airplanes in 1987. Leahy remarked: “We knew we were as good as we were claiming, so it wasn’t an enormous risk”.²⁷

Earlier in 1986, Leahy had also extended a deal to Northwest Airlines under which the airline could place a firm order for 10 A320 jets, but Airbus would provide them with the pricing and delivery dates for 100 jets. In Leahy's words, it was a risk that Airbus was taking, as "if [Northwest Airlines] didn't like the Airbus planes, that's it. [It's] stuck with 10. We'll take the risk on the rest of them".²⁸ Nevertheless, Leahy's gamble paid off as Northwest Airlines eventually bought 145 planes.²⁹ Such sales tactics by Leahy allowed Airbus to seal major deals that were based on much smaller initial commitments.

As such, many considered Leahy to be the most prolific salesman in the industry, and he was pivotal in lifting Airbus to the top in global sales as early as 1999.³⁰

A tainted industry

In the past decade, there have been many notable cases of corruption within the aerospace industry, such as those involving BizJet International Sales and Support, Inc. (BizJet) and The Nordam Group Inc. (NORDAM). BizJet, which provides aircraft maintenance, repair, and overhaul (MRO) services, paid US\$11.8 million for breaching the Foreign Corrupt Practices Act (FCPA) over alleged payments through shell companies to Latin American companies in the hope of securing lucrative contracts.³¹ NORDAM, another MRO provider, agreed to pay a US\$2 million criminal penalty for breaching the FCPA over alleged payments to officials of Chinese airline companies to secure MRO contracts.³²

Companies conducting business on an international scale have to maintain greater oversight of their operations to ensure that they comply with anti-corruption and anti-bribery laws in various regions.³³ Companies in the aerospace industry face an elevated risk of prosecution and regulatory enforcement. According to global law firm Ropes & Gray LLP, the industry is the third-most investigated, prosecuted, and fined industry in the world, and is subject to enhanced regulatory scrutiny.³⁴

The heightened risk of corruption in the aerospace industry is a result of various factors inherent in the industry.³⁵ Firstly, a high proportion of customers in the industry are government or state-owned entities.³⁶ Secondly, contracts for services and products generally involve huge sums of money and are extremely lucrative.³⁷ Thirdly, companies in the aerospace industry operate in an environment that is highly regulated, therefore subjecting them to higher scrutiny. This can motivate companies to come up with more creative ways to cover up corrupt payments.³⁸ Lastly, in a number of countries with high corruption risk, it is a requirement for third-party agents to play a role in the procurement process.³⁹ These factors increase the risk of bribes or corrupt payments paid to foreign officials or employees of state-owned enterprises during the course of conducting business, and consequently expose companies to greater risk of facing regulatory action.

In 1988, Airbus secured a deal with Air Canada for the sale of A320 aircraft. However, it was later discovered in 1995 that it paid CA\$20 million in bribes to International Aircraft Leasing to secure this deal.⁴⁰ Between 1996 and 2000, Airbus was found to have offered €15 million to a former top Korean Air executive in exchange for a deal involving the purchase of 10 A330 jets. The amount was transferred through a fictitious consulting contract via a middleman.⁴¹

Hitting turbulence

Airbus was flying high in 2004 as commercial aircraft orders peaked and the A380 super-jumbo jet was set for its debut.⁴² However, its fortunes began going downhill from mid-2005. Despite making its maiden test flight on 27 April 2005, it reported in June that year that the A380 super-jumbo jet was behind its delivery schedule due to production problems, with orders from major airlines such as Qantas, Emirates and Lufthansa delayed by up to six months.⁴³ In June and October 2006, Airbus announced further delays of up to a year, sending its shares tumbling in 2006.⁴⁴ These delays led to significant financial penalties and losses as the consolidated net income plunged from €1,030 million in 2004⁴⁵ to a net loss of €437 million in 2007.⁴⁶

The series of delays also led to further controversy. Former co-CEO Noël Forgeard resigned after he was found to have sold his shares three months before the delay of the A380 super-jumbo jet was announced. Investigations by the *Autorité des marchés financiers*, the French stock market regulator, also revealed that 1,200 insiders had sold 10 million shares between May 2005 and June 2006,⁴⁷ which included 21 top executives of the aerospace firm.⁴⁸ Forgeard was later replaced by Louis Gallois in July 2006,⁴⁹ who was subsequently succeeded by Thomas Enders.⁵⁰

Shortly after his resignation, Forgeard came under fire as the authorities investigated his severance package of €8.5 million as a possible misuse of company funds. This controversy was further exacerbated by how the generous severance package came during a period when the company was laying off thousands of workers.⁵¹ Similar controversies later re-surfaced for severance packages paid to Jean-Paul Gut – the former head of strategy and marketing – and Enders, who subsequently shut down the Strategy and Marketing Organisation (SMO) which he termed “Bullshit Castle”.⁵²

Bribery engine

In 2008, the SMO was created to support sales across all divisions of Airbus. SMO comprised a few divisions, including SMO International (SMOI). The main role of SMOI was to supervise the Group’s business development activities by ensuring that commercial intermediaries, also referred to as business partners (BPs), selected by the sales team were independent of Airbus’ customers. This was done by conducting compliance risk assessments on all third-party relationships.⁵³

During its existence, SMOI carried out development activities relating to the Airbus commercial division, such as the management of BPs and International Market Development (IMD) projects.⁵⁴ From 2008, an annual budget of US\$300 million⁵⁵ was set aside for SMO, which ultimately facilitated the massive bribery scheme. This was done with the objective of attracting business⁵⁶ and gaining undue advantages in the industry. In addition, the defence and space, and helicopter divisions also had relationships with some of the same BPs.⁵⁷ Hence, SMOI was essentially involved in managing BPs across the entire Group.

While SMO was responsible for agreements and payments of BPs, approval to enter into formal agent relationships with BPs and IMD projects was the responsibility of the Company Development and Selection Committee (CDSC)⁵⁸ The CDSC comprised primarily the Group's Chief Compliance Officer, and SMO's head of international compliance, head of international relations, and general counsel. The composition of the rest of the committee varied between the Chief Financial Officer (CFO), Chief Strategy and Marketing Officer and SMO's head of administration and controlling at different points of time.⁵⁹ Even though they were not CDSC members, division representatives were also entitled to attend CDSC meetings.⁶⁰

The CDSC established two subcommittees, the sub-CDSC and the pre-CDSC. The former was responsible for proposing the engagement of BPs while the latter was responsible for proposing IMD projects, both of which were validated by the CDSC. These proposals were then subsequently subjected to due diligence by the SMO before recruiting any BPs or investing in IMD projects. However, both subcommittees were helmed by the head of SMOI operations, which allowed SMO to review the work submitted by themselves.⁶¹ It later emerged from investigations that information presented to the committees were either misleading, inaccurate, or incomplete. It was also found that SMO conducted due diligence hastily, and sometimes even ex post facto, after the subcommittees had already given their approval.⁶²

In addition, the CDSC approved proposals submitted by the subcommittees without carrying out its own detailed examination of the proposed investment or terms. In several cases, proposals requiring remuneration in excess of US\$15 million, which was the cap set by Airbus' internal guidelines for payments to intermediaries, were approved.⁶³

Adding a coat of paint

"Compliance is buying the story, we now only need to 'justify' your past experience."

– SMOI manager (name unknown)⁶⁴

Subsequent investigations by French Parquet National Financier (PNF), the French National Financial Prosecutor, also revealed deliberate attempts to conceal bribes paid via indirect means such as fictitious loans, which made it almost impossible to identify the nature and content of the services the intermediaries had provided to Airbus. This was done by either avoiding the preparation of detailed reports of the activities conducted, or by providing fake reports written by Airbus employees whom SMOI had specifically hired for this purpose.⁶⁵

Additionally, some BPs were stated to be involved in sales campaigns on paper, when in reality they were not. Alternatively, they were engaged via shell companies to conceal their involvement. This was done to bypass the maximum compensation amounts of US\$15 million, and to transmit funds to third parties in complete secrecy.⁶⁶

In 2007, Airbus entered into an agreement to sell Air Arabia 34 A320 aircraft, and options for an additional 15 A320 aircraft. To fulfil the US\$10 million “concealed compensation” an Airbus Middle East executive promised to pay, the pre-CDSC recommended using a financial structure like a “vehicle without capital links” to Airbus.⁶⁷ In its ruling, PNF noted that instead of questioning the principle of the transaction, the committee had sought a more discreet way to perform the transaction.⁶⁸

In another scheme involving the Russian Satellite Communications Company, Airbus’ defence and space division engaged a BP via a retroactively signed contract. A SMOI executive later admitted the intermediary’s involvement was fictitious and explained the objective was “to transfer funds to ultimate beneficiaries by removing any trace of Airbus as the originator of the payments”.⁶⁹ Frequent discussions also transpired between the executive and BP on how he should circumvent requests made by Airbus’ compliance department on the “commercial intermediary” engagement process.⁷⁰

Where’s the money?

“I have made a commitment: all payments will be made in a manner acceptable to both parties. Our intention is also the same as yours: “do not create discomfort”.”

– Chinese BP (name unknown)⁷¹

Over the course of the bribery schemes, Airbus also found itself repeatedly under pressure to pay its BPs.

In yet another bribery scheme, Airbus executives repeatedly delayed payments demanded by a BP which was engaged to facilitate payments to officials who approved the general term agreements relating to the sale of aircraft to the Chinese government and airlines. This led to repeated warnings that the lack of a “monetary commitment” was putting the BP “in a difficult position”.⁷² To resolve this impasse, another BP was brought in to wire the payments of €10.3 million to the main BP. The money was first transferred to a Lebanese bank account under the latter BP and then subsequently transferred to the original BP under the cover of a fictitious loan agreement signed retroactively. An internal SMO spreadsheet later revealed a further €13 million was due to be paid in 2015.⁷³

Similarly, following the signing of a memorandum of understanding in relation to a sale of one A330 and one A320 aircraft to the Nepal Airlines Corporation in November 2009, the Nepalese administration opened an inquiry into the procurement process. In response, a BP emailed a SMOI manager, stating “the lack of effective convincing from top to bottom and left to right of the Nepalese authorities needed to be addressed”. Specifically, the BP asked Airbus to “support the project” and “to urgently take the necessary steps in order to make this small project succeed”.⁷⁴

Would you like to have some fun(d) in Hawaii?

Airbus also resorted to gifts and sponsorships. In 2011, Airbus China established the China Aviation Cooperation Fund (the Fund) and made US\$24.2 million worth of monetary contributions to the fund.⁷⁵ On paper, the Fund was used to support projects such as “aviation related management education, seminars and pilot educational facilities.”⁷⁶ In reality, it was used to make payments to event agencies for hosting social events catering to Chinese government officials, Chinese airlines executives, and their families.⁷⁷

According to the U.S. District of Columbia Court, Chinese officials and executives were frequently invited to travel to the U.S. to participate in all expenses-paid events in Park City, Utah, and Maui, Hawaii.⁷⁸ For instance, from 28 July 2013 to 2 August 2013, Airbus hosted an event at a luxury resort in Maui that included golf, scuba diving, snorkelling cruises amongst others, and invited Chinese officials and executives to participate in it. Aside from a daily early morning half-hour business-related presentation and side meetings with airlines, the rest of the event was dedicated to leisure and entertainment activities.⁷⁹

Political contributions

Airbus was also found to have wilfully opted against disclosing its monetary political contributions for the sale of military aircraft to the governments of Ghana, Indonesia, and Vietnam. It therefore violated disclosure requirements under Part 130 of the International Transfer of Arms Regulations (ITAR) and the Arms Export Control Act.⁸⁰ Such failures were found to have occurred regardless of whether the BP involved in the dealings was associated with SMO.⁸¹

As early as September 2009, a senior compliance employee at Airbus’ defence and space division circulated a memorandum entitled “Part 130 ITAR-U.S. Requirements Under the International Traffic in Arms Regulations for Providing Information on Fees, Commissions and Contributions.”⁸² In April 2010, the division’s senior export compliance staff, which included the aforementioned employee, discussed the need to establish processes to report political contributions, fees or commissions to the Directorate of Defence Trade Controls.⁸³ However, these discussions did not lead to any action until 30 December 2016.⁸⁴

Before Airbus instituted an ITAR 130 compliance policy, ITAR license applications were often signed by export compliance personnel in each Airbus business unit. Despite knowing how BPs were used, they did not personally verify the payments for political contributions and failed to inquire with sales personnel before attesting that no political contributions were paid in the sale of military aircraft. It was also found that the ITAR license applications used by Airbus had a “standard language” that no political contributions, fees, and commissions had been paid.⁸⁵

Whistles are blown

In 2012, former military officer Ian Foxley blew the whistle on bribes amounting to millions of pounds paid by GPT Special Project Management Ltd (GPT) – a subsidiary of Airbus – to officials from Saudi Arabia. After coming across a payment for “bought in and outsourced services” which cost more than the fees GPT was paying its prime contractor, and which were provided without any service in return, Foxley obtained and submitted documents that proved “a history of bribes” dating back to 1978, to a brigadier from the U.K. Ministry of Defence (MoD).⁸⁶

In the process, he conversed with the GPT’s former financial controller, Michael Paterson, who had previously tried to blow the whistle.⁸⁷ Paterson was previously told to sign off “luxury cars and jewellery” intended to bribe government officials.⁸⁸ He raised concerns regarding these payments to his superiors and compliance officers. However, all of his concerns were dismissed and he was eventually demoted for trying to blow the whistle.⁸⁹ Subsequent discussions with his managing director, which included the director for human resources and the Saudi Princess, grew “heated” as the managing director “threatened to have him arrested for theft of confidential information”.⁹⁰ Foxley quickly sensed that if the “Saudi Princess rings the police...and accuse[d] [him] of theft”, he would be “dead in the water”.⁹¹ Fortunately, Foxley survived the incident.⁹²

Following his return to the U.K., Foxley sent a report to the U.K. Serious Fraud Office (SFO), which opened an investigation that lasted seven years and led to charges pressed against GPT, former GPT managing director Jeffrey Cook, and the partial owner of two subcontractors, John Mason.⁹³ The lengthy investigation came to an end on 28 April 2021, when GPT was ordered to pay a fine of £7.5 million and hand over £20.6 million under a confiscation order. Proceedings against Cook and Mason are still ongoing as of 31 May 2021.⁹⁴

The Guardian gets into the act

In another separate incident in 2017, The Guardian uncovered a series of suspicious transactions that occurred between two companies controlled by Airbus – Eolia, a Maltese company, and Avinco Holdings, a Dutch retailer. Leaked bank records, internal memos and financial statements showed how, in 2007, Eolia bought 26% of shares in Avinco in a transaction worth €19 million, of which a large part was then routed to a “mysterious company via a tax haven”.⁹⁵

It was further revealed that both companies presented themselves as independent entities and did not reveal any external support or backing received, despite being under Airbus’ effective control. Queries from The Guardian on whether such payments could constitute money laundering led Airbus to launch an internal investigation into the possible case of corruption.⁹⁶ However, there has been no further follow-up on this incident.

More turbulence ahead

Following his appointment in 2012, Enders became aware of cases of bribery involving the SMO and pushed for the dissolution of the “Bullshit Castle”. Despite his efforts, an auditor memorandum circulated to him in 2014 raised the alarm on ongoing problems, with ‘investments’ continually made in initiatives that were “without clear or consistent justification”. It was believed these ‘investments’ were in effect bribes paid to owners of entities including German “wind farms” and Lebanese “office buildings” as inducements to purchase airplanes from Airbus.⁹⁷

In September 2014, Airbus took action to review all third-party relationships and found significant breaches in compliance policies. The resulting internal corporate audit and forensic report revealed that most IMD projects did not add value to the business. In October 2014, there was a freeze on all payment arrangements to BPs and IMD projects by the commercial aircraft division. In April 2015, Airbus introduced new rules on future engagements with BPs and business development plans. The freeze was extended to the defence and space division and helicopter division in May 2015.⁹⁸

Subsequently, a Liquidation Committee which included former CDSC members involved in or aware of the wrongdoings; as well as individuals from the commercial aircraft division, contracts and treasury department; and Group general counsel, was set up.⁹⁹ The committee was eventually replaced by the Supplemental Due Diligence Committee.¹⁰⁰ Further, restructuring of the legal and compliance functions was made under the leadership of a newly appointed general counsel from 1 June 2015.¹⁰¹

In April 2015, U.K. Export Finance (UKEF) identified that disclosures made to obtain export credit financing with regard to the use of intermediaries within Airbus were incomplete.¹⁰² Later that same year, following further investigation, a more comprehensive report was made to the UKEF, in which Airbus sought to correct the information previously provided and included red flags for corruption. During this period, Airbus was informed by the UKEF that it was obliged to report any suspicion of corruption.¹⁰³

On 1 March 2016, the SMO was closed. More irregularities surfaced when Enders initiated an internal investigation into alleged wrongdoing. Airbus and UKEF subsequently reported the issues to the SFO on 1 April 2016.¹⁰⁴ On 7 August 2016, SFO opened a criminal investigation against Airbus.¹⁰⁵

The following year, on 31 January 2017, both SFO and PNF signed a joint investigation team agreement to conduct an investigation on the bribery and corruption conspiracy relating to Airbus, its employees, and all other third parties.¹⁰⁶

On 20 December 2018, reports surfaced that the U.S. Department of Justice (DoJ) opened its investigations into Airbus in parallel with the probes by the SFO and PNF.¹⁰⁷ This caused Airbus shares to fall by nine percent on the same day.¹⁰⁸

Cast in the spotlight

The case came to the public's attention when the PNF, SFO, and DoJ issued their decisions over allegations of bribery and corruption on 31 January 2020. After years of negotiation, Airbus reached a deferred prosecution agreement (DPA) with the three authorities for a total settlement of US\$4 billion over the worldwide bribery and corruption case.¹⁰⁹ This was the largest-ever foreign bribery settlement for the U.S.¹¹⁰ and a record-breaking settlement for the U.K. and France.¹¹¹ It is believed that “entering into a DPA is likely to be and is, in the interests of justice and that the proposed and actual terms are fair, reasonable and proportionate”.¹¹²

Are you being charged?

Under a DPA, an organisation like Airbus may be charged with a criminal offence and prosecuted. Nonetheless, the prosecution may be suspended provided the company meets certain conditions.¹¹³ In this case, Airbus agreed to fully cooperate with any future investigations and prosecutions, and disclose any subsequent transgressions committed by itself or its employees.¹¹⁴ Therefore, Airbus has not been convicted of any crime. However, the government will go ahead with the prosecution or public trial should a violation occur again.¹¹⁵ Moreover, the agreement only applies to corporations. Individuals involved in the misconduct, such as Airbus executives, may still face prosecution.¹¹⁶

Critics have expressed concerns about the difficulty and feasibility of going after individuals. As of May 2021, the SFO has chosen to discontinue criminal investigation of individuals involved in the corruption and bribery scandal. However, non-U.K. prosecutors may be able to initiate their own proceedings against them.¹¹⁷ Hence, it remains to be seen whether any current or former employees of Airbus will face charges arising from the offences.¹¹⁸ Critics also speculated that the DPA was used to enable Airbus to avoid prosecution for its economic offences, rather than to address a complex issue that would otherwise be difficult to work on. However, in actuality, the prosecuting authorities would have taken into account various factors such as the extent of self-reporting, cooperation with the investigation, as well as the engagement of a comprehensive remediation programme, in considering whether a DPA should be offered to Airbus.¹¹⁹

An effective tool or cop-out?

Introduced in 2010, the U.K. strengthened its anti-bribery legislation with the U.K. Bribery Act (UKBA). Pursuant to Section 7 of the UKBA,¹²⁰ any “failure to prevent bribery” provision applies to all companies conducting business in the U.K.. To date, the settlement for the Airbus case is the largest financial penalty the SFO has ever meted out. Under the DPA terms, Airbus was required to settle the financial sanction of €983,974,311 within 30 days of the issued approved judgement. The costs related to ongoing cooperation and investigations were to be borne by Airbus, which amounted to €6,989,401. In exchange, Airbus was given a suspended prosecution of three years.¹²¹

Under the agreement reached with the PNF, known as a Convention Judiciaire d'Intérêt Public or Judicial Public Interest Agreement, Airbus was required to pay €2,083,137,455.¹²² This included a 50% discount for the additional penalty in view of Airbus' high level of cooperation and implementation of corrective compliance measures.¹²³ Airbus will also be subject to annual checks on the deployment of a refurbished compliance programme for a period of three years by the French Anti-Corruption Agency.¹²⁴

Furthermore, Airbus' violation of the ITAR also resulted in the breach of anti-bribery provisions of the FCPA. Under the DPA reached with the U.S. authorities, a total fine of US\$2,329,715,271 was initially imposed. However, up to US\$1,797,490,796 to be paid to French authorities could be credited.¹²⁵ As a result, a total sum of US\$527,224,475 was needed for settlement of which, US\$294,488,085 and US\$232,736,390 are attributable to breaches of FCPA and ITAR respectively.¹²⁶ In addition, Airbus was required to transfer its ownership interest of an identified bond worth €50,000,000, which is traceable to ITAR violations, to the U.S. within 10 business days following the execution of the agreement.¹²⁷

Ripple effects

Reaching a settlement with the authorities, however, did not prove to be the last act of this scandal. As news of the settlement went public, Airbus' relationship with airlines and governments turned sour as some complained that they were not forewarned about the charges and claimed little knowledge regarding the fraudulent fleet purchases. A series of internal probes were also triggered worldwide.¹²⁸

On 1 February 2020, Malaysia's Anti-Corruption Commission reportedly launched an investigation into the Malaysian airline group, AirAsia Berhad (AirAsia), and its unit, AirAsia X, over alleged bribery payments from Airbus. It was alleged that Airbus had paid approximately US\$50 million to sponsor Catherham, a former Formula 1 racing team founded by AirAsia CEO Tony Fernandes in exchange for an "improper favour" relating to the order of 180 aircraft.¹²⁹ This caused AirAsia and AirAsia X's share price to fall by 11% and 12% respectively,¹³⁰ and forced CEO Fernandes and Chairman Kamarudin Meranun to temporarily relinquish their roles.¹³¹ Former Malaysian Prime Minister Mahathir Mohamad also weighed in on the issue by alluding that the payments made to AirAsia were "offsets" that were commonly asked by the Malaysian government when specific equipment are bought at high prices, rather than bribes.¹³²

Nonetheless, a few weeks later, on 20 March 2020, AirAsia made a filing to the Malaysian stock exchange asserting that its procurement process was "robust and justifiable" and the alleged sponsorship was "disclosed to and supported by the board of directors" of AirAsia, following an internal probe.¹³³ BDO Governance Advisory, the independent expert appointed to perform the review, also recommended reinstating Fernandes and Meranun, who were said to have abstained from discussions and investigations relating to the sponsorships.¹³⁴

On 3 February 2020, Ghana reportedly launched an internal probe regarding allegations that Airbus disguised around €5 million worth of bribes to a close relative of a government official without aerospace experience,¹³⁵ as part of the sale of military equipment from Airbus to the Ghanaian government from 2009 to 2015. The probe also threw a spanner in the works for former President John Mahama of the National Democratic Congress, who oversaw the alleged fraudulent transactions, and was attempting to make a political comeback after losing to the incumbent Nana Akufo Addo of the New Patriotic Party in a 2016 election.¹³⁶ As part of the probe, English actor Philip Middlemiss, his girlfriend Leanne Davis, and Mahama's brother, Samuel Mahama, were suspected to have acted as intermediaries for the then President.¹³⁷

Similar investigations were also triggered in Sri Lanka as President Gotabaya Rajapaksa ordered a full investigation into bribery allegations that Priyanka Niyomali Wijenayaka, the wife of the former CEO of Sri Lankan Airlines, acted as an intermediary in aircraft deals between Airbus and the airline.¹³⁸ Eventually, Wijenayaka and her husband, Kapila Chandrasena, were arrested over similar bribery allegations.¹³⁹ The scandal spurred the Sri Lankan government to look into ways to claim compensation from Airbus.¹⁴⁰ The UKEF also came under fire after it was revealed that the government agency took more than a year to pass on the evidence it received in relation to the bribery allegations involving Sri Lankan Airlines to the SFO.¹⁴¹

On 7 February 2020, Indonesia's Corruption Eradication Commission also announced plans to use information released in the DPA to support the prosecution of Garuda International's former CEO, Emirsyah Satar.¹⁴²

In August 2020, Thailand's Ministry of Transport initiated a probe into Thai Airways over suspicions of corruption over a deal relating to the procurement of 10 Airbus A340 aircraft between 2003 and 2004. Subsequent investigations into the deal claimed to have unravelled "a larger scheme" involving 20 employees who were involved in alleged mismanagement of the Thai airline.¹⁴³

The scandal also incurred the wrath of Airbus' U.S. shareholders. In August 2020, shareholder Andrew Kornecki filed a proposed class action against Airbus. The complaint sought damages for Airbus' violation of U.S. securities laws, and accused Airbus of "concealing shortfalls in its compliance controls", both of which contributed to a drop in share price. It also alleged that Airbus had misled shareholders on its "ability to avoid and manage corruption accusations" over four-and-a-half years.¹⁴⁴

Paying for misconduct?

Amidst investigations carried out by the French authorities, questions were also raised about the severance package of Gut, the former head of strategy and marketing. Prior to his departure, Gut had played a major role in facilitating billion-dollar deals between Airbus and its clients. He was also known for the "connections he had built up in Gulf States" and in striking deals with corrupt countries.¹⁴⁵

During Gut's departure in 2007, the company announced he had received a severance pay of €2.8 million and was also entitled to an unspecified amount of pension. However, there was controversy surrounding another point in the company's announcement, which stated that it had signed a "long-term service agreement" with Gut in order to retain his "outstanding market expertise". This implied that Gut could continue to pursue aircraft sales on a "freelance" basis.¹⁴⁶

The exact amount of Gut's severance pay was also contentious. While Gut denied rumours that his severance pay was €12 million instead of the announced €2.8 million, some clues indicated that the actual figure could have eclipsed both figures. A former supervisory board member mentioned that Gut had signed a consultancy contract prior to resigning, thereby allowing him to obtain around €80 million after his departure from Airbus.¹⁴⁷ This was not explicitly disclosed in the company's financial statements. The 2007 annual report mentioned a consultancy contract with Gut that did not disclose any dollar amount.¹⁴⁸

However, the following year, the 2008 annual report stated that the company paid €86 million to acquire rights "previously embodied under a Service Provider Agreement",¹⁴⁹ with no mention of Gut's name. It was, however, alleged that this statement was made with reference to the aforementioned 'long-term service agreement' Gut signed in 2007, which meant Gut was paid a sum of €86 million as part of his severance package.¹⁵⁰

Shake ups

Despite the backlash from the massive fraud, Airbus was nonetheless commended for the active steps it took to implement remedial measures as it sought to improve its chances of obtaining a favourable settlement and strengthen internal compliance systems to prevent the occurrence of similar fraud in the future.

Cracking the whip

Airbus conducted an extensive internal probe that saw a crackdown on employees in the Group. Since 2015, Airbus has parted ways with 63 top and senior management employees directly or indirectly involved in the scandal – with half of them getting dismissed, and the other half retiring or voluntarily leaving Airbus.¹⁵¹

In 2018, Airbus also reportedly dismissed over 100 employees and issued more than 300 internal warnings for ethics or compliance breaches. These dismissals and warnings coincided with a sharp increase in the use of internal whistleblowing systems. However, the internal probe also led to growing complaints of a 'witch hunt' among staff, with company helplines recording around 80 cases of alleged moral harassment. The probe also triggered a wave of departures from senior executives who left despite not facing any accusations, and dampened sales as employee morale was negatively affected.¹⁵² In 2017, the Financial Times also reported that the Group was facing lawsuits from consultants and middlemen who were dismissed as part of the Group's internal compliance review, which could lead to "material impact" on profits.¹⁵³

The probe also saw a big shakeup in top management, as it sought to further demonstrate its commitment to change to the authorities. On 18 February 2017, Airbus announced the surprise departure of Marwan Lahoud, its former head of international, strategy and public affairs, who was also the head of SMO¹⁵⁴ and had earlier replaced Gut following the latter's departure. Airbus stressed that his departure was unrelated to probes relating to the scandal, but was instead a result of the successful integration of Airbus and its main commercial aircraft subsidiary that left Lahoud with a more limited role to play in Airbus.¹⁵⁵

Following Lahoud's departure, the Chief Technology Officer Paul Eremenko also left the Group in November 2017 just two years following his appointment.¹⁵⁶ That same month, Airbus announced that Eric Schulz would take on the role of Chief of Sales, Marketing & Contracts, replacing Leahy.¹⁵⁷ Less than a year later, however, Schulz was replaced by Christian Scherer, an Airbus veteran.¹⁵⁸

The probe also amplified an ongoing power struggle between then CEO Enders and Chief Operating Officer Fabrice Bregier, who was also the President of Airbus Commercial. Bregier sought to oust Enders by alleging that he was partly responsible for the scandal as he countersigned Lahoud's decisions, in the hope that he could take over as CEO. At the same time, questions also surfaced on Bregier's possible involvement in the scandal.¹⁵⁹ However, it was eventually announced on 15 December 2017 that Bregier would be stepping down the following year. That same day, Enders also announced his retirement when his term expired in 2019.¹⁶⁰ On 14 May 2018, it was announced that then CFO Harald Wilhelm would follow Enders out of the door.¹⁶¹

According to company filings and corporate governance firm Proxinvest, Enders' future potential share earnings and overall retirement package is worth €36.8 million.¹⁶² This figure attracted the attention of the French government, with French Finance Minister Bruno le Maire remarking that "The figure announced regarding Tom Enders is obviously excessive and could harm the reputation of Airbus".¹⁶³

Following the departure of Enders and Bregier, it was announced in April 2019 that Guillaume Faury was appointed CEO of the Group and Chairman of its Executive Committee.¹⁶⁴ Faury's previous roles in Airbus included the President of the Airbus' commercial aircraft division and the CEO of Airbus Helicopters. During the worst downturn in decades for the helicopter industry, the company managed to secure landmark deals in both the civil and defence markets under Faury's leadership.¹⁶⁵

Board reshuffle

There was also a shakeup of the board of directors, with seven new directors being appointed since the launch of the probe. Lord Paul Drayson, an independent director, was elected in 2017. He has an entrepreneurial background having founded multiple companies such as PowderJect Pharmaceuticals Plc, and Sensyne Health Plc.¹⁶⁶

Three independent directors were elected in 2018 – René Obermann, Victor Chu, and Jean-Pierre Clamadieu. Obermann took on the role of Chairman of the board of directors. He has an entrepreneurial background and past executive experience having founded his own business and previously holding directorships in companies like Spotify and Telenor. Chu is said to be an “extremely respected” business figure in Asia. He holds directorships in multiple companies and is a senior partner at Victor Chu & Co, a law firm. Clamadieu was the CEO of Rhodia S.A. (Rhodia) and led the successful integration of a new group following the merger between Rhodia and Belgian chemical group Solvay in 2011.¹⁶⁷

After his appointment as Airbus CEO, Faury became an executive director on the board.¹⁶⁸ In 2020, two more independent directors were elected, namely Mark Dunkerley and Stephen Gemkow. Dunkerley has extensive experience in the aerospace industry, having previously held senior positions at British Airways and Hawaiian Airlines. Gemkow has significant management experience, and previously served on the board of Deutsche Lufthansa AG and Franz Haniel & Cie GmbH.¹⁶⁹

Of the original board, only independent directors Ralph D. Crosby, Catherine Guillouard, Amparo Moraleda, Claudia Nemat, and Carlos Tavares, remained at the end of 2020. All five directors have significant management and leadership experience – Crosby was formerly the Chairman and CEO of EADs North America from 2004 to 2009, Guillouard previously served as the CFO and Group Senior Vice-President at Rexel, Moraleda was previously the Chief Operating Officer at Iberdrola SA’s international division, Nemat was a senior partner at McKinsey & Company, and Tavares was President of Nissan North America.¹⁷⁰

Changes to internal processes

As part of the reforms undertaken, Airbus also established a new Independent Compliance Review Panel, which comprises external independent consultants who are well-versed in compliance monitoring of large corporations, in November 2017.¹⁷¹ The panel comprises:

- Lord Gold – previously known for reviewing Rolls-Royce’s global anti-corruption compliance policies after it was also subjected to bribery allegations.
- Noelle Lenoir – part of the Conseil d’Etat (France’s highest court in administrative and tax matters) since 1984.
- Theo Waigel – advisor to corporations and governments on compensation, governance and compliance matters since 1999.

The panel is said to be given access to all levels of the company and reports directly to the CEO on compliance processes and policies.¹⁷²

As of 31 January 2020, the panel has issued two reports. The first report, released in 2018, noted the significant progress made by Airbus and provided 55 recommendations. The second report, released in 2019, further reiterated Airbus’ commitment to stronger compliance procedures by noting that “the company is now in a very different place than it was two years ago”.¹⁷³

A rough landing

As Airbus attempts to rebuild its tarnished reputation from the bribery scandals, it was faced with the onslaught of the COVID-19 pandemic that has ravaged the aerospace industry. Despite Airbus' deliveries rising 50% in June 2020 compared to the month prior, it was reported that deliveries for the first half of 2020 still slid to a 16-year low.¹⁷⁴ On 29 June 2020, Faury remarked that production and deliveries would be 40% lower than originally planned for the next two years.¹⁷⁵ A few days later, Airbus unveiled its plans to cut up to 15,000 jobs in response to the falling demand for jets from airlines.¹⁷⁶ The very next day, Airbus employees in France went on a brief strike, walking out of the company's factories in Toulouse, and marching alongside an airport runway with picnic bags and banners. Over in Germany, Airbus workers staged an "empty chair" protest, taping personal photos to two thousand empty chairs to symbolise the jobs that could potentially be lost as a result of the cuts.¹⁷⁷

When would the next flight be?

As the COVID-19 outbreak continues into 2021, the outlook for the aerospace industry appears bleak. Despite several countries in Asia exploring the concept of 'travel bubbles', there is still great uncertainty as to when air travel will pick up and return to pre-COVID-19 levels. Carriers in countries which have little support from governments are not expected to make it through the pandemic, according to analysis by Bloomberg.¹⁷⁸ Predictions by Bloomberg also indicated that there was a 12.6% chance of airlines cancelling or deferring planned deliveries from Airbus, with airlines currently undergoing restructuring posing the largest cancellation risk.¹⁷⁹ Amid the ongoing developments, it remains to be seen how Airbus will weather the storm and navigate out of what Faury described as the "gravest crisis the aerospace industry has ever known".¹⁸⁰

Discussion questions

1. Evaluate the extent to which Airbus' corporate culture contributed to the scandal. What are other major contributory factors?
2. Examine the responsibilities of the committees, and business and support functions, involved in this case. Comment on their effectiveness and how they contributed to the bribery scandal.
3. Identify the four lines of defence in the context of this case and evaluate the roles each line of defence played in the scandal.
4. Evaluate why the bribery prevention policies in place during the scandal were insufficient to prevent the employees from committing fraud.
5. Comment on the role the business partners played in the scandal. What are some of the difficulties large multinational corporations like Airbus face in the governance of their operations?
6. What is the role of the board of directors in preventing bribery? What steps should a board of directors take to minimise the risk of bribery?

7. What actions did Airbus take to remedy the internal operational issues which facilitated the incidents of fraud? Were Airbus' remediation efforts sufficient? What further steps could Airbus take to improve its corporate governance and internal controls?
8. It has been said that in certain industries, bribery is inevitable and a cost of doing business. Do you agree? How should companies address such risks?
9. Comment on the transparency of disclosures on Jean-Paul Gut's severance pay. What inferences can you make about Airbus, based on the amount of severance payments made to Gut and other past executives? Are there any issues with such "golden handshakes"? Explain.

Endnotes

- 1 Hefher, T., & Frost, L. (2020, February 03). Airbus bribery scandal triggers new probes worldwide. *Reuters*. Retrieved from <https://www.reuters.com/article/us-airbus-probe-idUSKBN1ZX2MW>
- 2 Airbus (n.d.). Contact us. Retrieved from <https://www.airbus.com/contact-us.html>
- 3 Britannica (n.d.). Airbus Industrie. Retrieved from <https://www.britannica.com/topic/Airbus-Industrie>
- 4 Airbus (n.d.). Share Price & Information. Retrieved from <https://www.airbus.com/investors/share-price-and-information.html>
- 5 *Ibid.*
- 6 Michaels, D. (2014, January 05). How EADS Became Airbus. *The Wall Street Journal*. Retrieved from <https://www.wsj.com/articles/how-eads-became-airbus-1388953976>
- 7 *Ibid.*
- 8 Paris District Court. (2020, January 29). Judicial Public Interest Agreement between The French National Prosecutor's Office At the Paris District Court and AIRBUS SE [PDF File]. Retrieved from https://www.agence-francaise-anticorruption.gouv.fr/files/files/CJIP%20AIRBUS_English%20version.pdf
- 9 Manufacturing Group. (2013, August 1). EADS to Rename Itself Airbus. Aerospace Manufacturing and Design. Retrieved from <https://www.aerospacemanufacturinganddesign.com/article/eads-to-rename-itself-airbus-080113/>
- 10 Guru Focus. (n.d.). AIR.PA Interactive 30-Year Financial Chart. Retrieved from <https://www.gurufocus.com/financials/EADSY>
- 11 Yahoo! Finance. (n.d.). AIR.PA Interactive Stock Chart. Retrieved from <https://finance.yahoo.com/chart/AIR.PA>
- 12 *Ibid.*
- 13 Slotnick, D. (2019, September 21). How Airbus became Boeing's greatest rival. *Business Insider*. Retrieved from <https://www.businessinsider.nl/airbus-history-boeing-rivalry-2018-4?international=true&r=US#and-to-finish-its-nma-or-new-midsize-airplane-the-a321xlr-fills-the-niche-in-the-market-that-boeing-is-known-to-be-targeting-a-replacement-for-the-757-and-767-with-its-yet-to-be-announced-nma-meaning-the-plane-maker-will-need-to-finish-its-plans-and-get-building-43>
- 14 Burns, W. A. (2007, May). How Airbus Surpassed Boeing: A Tale of Two Competitors. Master's Thesis, University of Tennessee, 2007 [PDF File]. *The University of Tennessee Knoxville*. Retrieved from https://trace.tennessee.edu/utk_gradthes/252
- 15 *Ibid.*
- 16 Hefher, T. (2011, February 8). Special Report: The man who sold the sky. *Reuters*. Retrieved from <https://cn.reuters.com/article/instant-article/idUSTRE7171ME20110208>
- 17 *Ibid.*

- 18 Capon, N., & Go, F. (2017). Implementing the Market Strategy. In *Frameworks for Market Strategy: European Edition* (p. 360). Routledge.
- 19 Derhally, M.A. (2017, November 28). Airbus appoints successor to top salesman who sold \$1.7 trillion worth of aircraft. *The National News*. Retrieved from <https://www.thenationalnews.com/business/aviation/airbus-appoints-successor-to-top-salesman-who-sold-1-7-trillion-worth-of-aircraft-1.679506>
- 20 *Ibid.*
- 21 Hephher, T. (2011, February 8). Special Report: The man who sold the sky. *Reuters*. Retrieved from <https://cn.reuters.com/article/instant-article/idUSTRE7171ME20110208>
- 22 *Ibid.*
- 23 *Ibid.*
- 24 *Ibid.*
- 25 *Ibid.*
- 26 Gates, D. (2018, February 12). Brash Airbus sales chief Leahy bows out after reshaping the industry. *The Seattle Times*. Retrieved from <https://www.seattletimes.com/business/boeing-aerospace/brash-airbus-sales-chief-leahy-bows-out-after-reshaping-the-industry/>
- 27 *Ibid.*
- 28 *Ibid.*
- 29 *Ibid.*
- 30 Hephher, T. (2011, February 8). Special Report: The man who sold the sky. *Reuters*. Retrieved from <https://cn.reuters.com/article/instant-article/idUSTRE7171ME20110208>
- 31 The United States Department of Justice. (2014, September 16). Bizjet International Sales and Support Inc., Resolves Foreign Corrupt Practices Act Investigation and Agrees to Pay \$11.8 Million Criminal Penalty. Retrieved from <https://www.justice.gov/opa/pr/bizjet-international-sales-and-support-inc-resolves-foreign-corrupt-practices-act>
- 32 The United States Department of Justice. (2014, September 16). The Nordam Group Inc. Resolves Foreign Corrupt Practices Act. Retrieved from <https://www.justice.gov/opa/pr/nordam-group-inc-resolves-foreign-corrupt-practices-act-violations-and-agrees-pay-2-million>
- 33 BakerHostetler & PriceWaterhouseCoopers. (2015). Managing Anti-Corruption and Export Control Risk in the Aerospace Industry [PDF File]. Retrieved from https://www.bakerlaw.com/webfiles/Understanding%20Anticorruption%20Laws%20in%20the%20Aviation%20Industry_p13.pdf
- 34 Ropes & Gray LLP. (2020, January 31). Four Years and Almost \$4 Billion: Airbus Corruption Investigations End with Sky-High Fine. Retrieved from <https://www.ropesgray.com/en/newsroom/alerts/2020/01/Four-Years-and-Almost-4-Billion-Airbus-Corruption-Investigations-End-with-Sky-High-Fine>
- 35 Law360. (2015, June 2). Aerospace Cos. Face More Corruption Risk Than Ever Before. Retrieved from <https://www.law360.com/articles/662123/aerospace-cos-face-more-corruption-risk-than-ever-before>
- 36 *Ibid.*
- 37 *Ibid.*
- 38 *Ibid.*
- 39 *Ibid.*
- 40 Reuters. (2020, March 20). South Korea prosecutors launch probe into allegations that Korean Air executive took payment from Airbus. Retrieved from <https://in.reuters.com/article/us-korean-air-investigation-airbus/south-korea-prosecutors-launch-probe-into-allegations-that-korean-air-executive-took-payment-from-airbus-idINKBN2170QS>
- 41 Loh, C. (2020, August 29). A Look At The 1980s Air Canada Airbus Bribery Scandal. *Simple Flying*. Retrieved from <https://simpleflying.com/1980s-air-canada-airbus-bribery-scandal/>

- 42 Forbes. (2013, June 19). Ex-Airbus Boss's Rough Landing. Retrieved from https://www.forbes.com/2007/05/23/noel-forgeard-airbus-face-markets-cx_ll_0523autofacescan04.html?sh=3127c9a32ba3
- 43 Deutsche Welle. (2005, June 1). Airbus A380 Six Months Behind Schedule. Retrieved from <https://www.dw.com/en/airbus-a380-six-months-behind-schedule/a-1603060>
- 44 Clark, N. (2006, October 4). Airbus Delays New Jumbo Jet a Second Time. *The New York Times*. Retrieved from <https://www.nytimes.com/2006/10/03/business/03cnd-airbus.html>
- 45 EADS. (2005, April 19). Financial Statements and Corporate Governance 2004 [PDF File]. Retrieved from https://www.airbus.com/content/dam/corporate-topics/financial-and-company-information/Full_year_earnings_2004_en.pdf
- 46 EADS. (2008, March 10). Unaudited Condensed Consolidated Financial Information of EADS N.V. for the year 2007 [PDF File]. Retrieved from https://www.airbus.com/content/dam/corporate-topics/financial-and-company-information/Full_year_earnings_2007_en.pdf
- 46 Gow, D. (2007, October 4). Airbus firm rocked by investigation into alleged insider dealing by top executives. *The Guardian*. Retrieved from <https://www.theguardian.com/business/2007/oct/04/theairlineindustry>
- 48 Chorafas, D. N. (2010). The European Aeronautics Defence and Space Industrial Giant. In *The Business of Europe is Politics: Business Opportunity, Economic Nationalism and the Decaying Atlantic Alliance* (Gower Applied Business Research) (1st ed., p. 309). Routledge.
- 49 Dougherty, C. (2006, July 2). Top Officials of Airbus and EADS Step Down. *The New York Times*. Retrieved from <https://www.nytimes.com/2006/07/03/business/worldbusiness/03airbus.html>
- 50 Hephher, T. (2012, January 10). Europe's EADS to resume management reshuffle talks. *Reuters*. Retrieved from <https://www.reuters.com/article/eads-idUSL6E8CA00620120110>
- 51 Schestowitz, R. (2019, November 19). Understanding Thierry Breton: Noël Forgeard and His "Golden Parachute". *Techrights*. Retrieved from <http://techrights.org/2019/11/19/forgeard-golden-parachute/>
- 52 Shubber, K. (2020, January 31). Airbus ran 'massive' bribery scheme to win orders. *Financial Times*. Retrieved from <https://www.ft.com/content/f7a01a60-442b-11ea-abea-0c7a29cd66fe>
- 53 Venard, B. (2020, June 17). Airbus: flying high on the wings of corruption. *The Conversation*. Retrieved from <https://theconversation.com/airbus-flying-high-on-the-wings-of-corruption-131711>
- 54 Royal Courts of Justice. (2020, January 31). Between: Director of the Serious Fraud Office and Airbus SE. Retrieved from <https://www.judiciary.uk/wp-content/uploads/2020/01/Director-of-the-Serious-Fraud-Office-v-Airbus-SE-1.pdf>
- 55 *Ibid.*
- 56 The United States Department of Justice. (2020, January 31). Airbus Agrees to Pay over \$3.9 Billion in Global Penalties to Resolve. Retrieved from <https://www.justice.gov/opa/pr/airbus-agrees-pay-over-39-billion-global-penalties-resolve-foreign-bribery-and-itar-case>
- 57 *Ibid.*
- 58 Compliance Week. (2013). Statement Of Facts Prepared Pursuant To Paragraph 5(1) Of Schedule 17 To The Crime And Courts Act 2013. Retrieved from <https://www.complianceweek.com/download?ac=10687>
- 59 *Ibid.*
- 60 *Ibid.*
- 61 Paris Court of Appeal, Paris District Court. (2020, January 29). Judicial Public Interest Agreement between The French National Prosecutor's Office and Airbus SE [PDF File]. Retrieved from https://www.agence-francaise-anticorruption.gouv.fr/files/files/CJIP%20AIRBUS_English%20version.pdf
- 62 *Ibid.*
- 63 *Ibid.*
- 64 *Ibid.*
- 65 *Ibid.*

66 *Ibid.*

67 *Ibid.*

68 *Ibid.*

69 *Ibid.*

70 *Ibid.*

71 *Ibid.*

72 *Ibid.*

73 *Ibid.*

74 ch-aviation GmbH. (2020, February 13). Anti-corruption body resists Nepal Airlines A320 probe. Retrieved from <https://www.ch-aviation.com/portal/news/86219-anti-corruption-body-resists-nepal-airlines-a320-probe>

75 Katz, B., & Dalton, M. (2020, February 01). Airbus Agrees to Monitoring in \$4 Billion Settlement of Bribery Charges. *The Wall Street Journal*. Retrieved from <https://www.wsj.com/articles/airbus-bribery-charges-unveiled-after-4-billion-settlement-11580480153>

76 *Ibid.*

77 *Ibid.*

78 Machen, R. (2020, February 10). Airbus To Pay Record \$4 Billion To Settle Global Bribery Scheme - Criminal Law - United States. *Mondaq*. Retrieved from <https://www.mondaq.com/unitedstates/white-collar-crime-anti-corruption-fraud/892116/airbus-to-pay-record-4-billion-to-settle-global-bribery-scheme>

79 *Ibid.*

80 United States District Court for the District of Columbia. (2020, January 28). United States of America vs. Airbus SE [PDF File]. Retrieved from <https://www.justice.gov/opa/press-release/file/1241491/download>

81 *Ibid.*

82 *Ibid.*

83 *Ibid.*

84 *Ibid.*

85 *Ibid.*

86 Hodgson, C. (2017, October 31). 'Give me 10 minutes': How a whistleblower escaped Saudi Arabia after uncovering an alleged bribery scheme at Airbus. *Business Insider*. Retrieved from <https://www.businessinsider.com.au/whistleblower-ian-foxley-alleged-airbus-corruption-2017-10>

87 Liang, X. (2020, October 20). GPT and the Saudi National Guard. *World Peace Foundation*. Retrieved from <https://sites.tufts.edu/corruptarmsdeals/gpt-and-the-saudi-national-guard/>

88 Smith, N. (2014, December 17). Whistleblower Ian Foxley takes beating, still looks himself in the eye. *The FCPA Blog*. Retrieved from <https://fcpublog.com/2014/12/17/whistleblower-ian-foxley-takes-beating-still-looks-himself-i/>

89 Liang, X. (2020, October 20). GPT and the Saudi National Guard. *World Peace Foundation*. Retrieved from <https://sites.tufts.edu/corruptarmsdeals/gpt-and-the-saudi-national-guard/>

90 Hodgson, C. (2017, October 31). 'Give me 10 minutes': How a whistleblower escaped Saudi Arabia after uncovering an alleged bribery scheme at Airbus. *Business Insider*. Retrieved from <https://www.businessinsider.com.au/whistleblower-ian-foxley-alleged-airbus-corruption-2017-10>

91 *Ibid.*

92 *Ibid.*

93 Tokar, D. (2020, July 30). U.K. Charges Airbus Subsidiary Over Saudi Deal. *The Wall Street Journal*. Retrieved from <https://www.wsj.com/articles/u-k-charges-airbus-subsidiary-over-saudi-deal-11596139415>

- 95 Pfeifer, S. (2021, April 28). Former Airbus unit fined £28.1M after pleading guilty to corruption. *Financial Times*. Retrieved from <https://www.ft.com/content/694d26a2-7144-4bfa-b01a-d1371ebb33d3>
- 95 Pegg, D., & Evans, R. (2017, September 18). Airbus launches internal corruption investigation after Guardian exposé. *The Guardian*. Retrieved from <https://www.theguardian.com/business/2017/sep/18/airbus-launches-internal-corruption-investigation-after-guardian-expose>
- 96 *Ibid.*
- 97 Wallace, C., & Hanke, T. (2018, March 20). Legitimate or Bribes? Airbus corruption investigation focusing on suspect investments. *Handelsblatt*. Retrieved from <https://www.handelsblatt.com/english/companies/legitimate-or-bribes-airbus-corruption-investigation-focusing-on-suspect-investments/23581558.html>
- 98 Koehler, M. (2020, February 8). An In-Depth Look At The U.K. Prosecution Of Airbus. *FCPA Professor*. Retrieved from <https://fcpaprofessor.com/depth-look-u-k-prosecution-airbus/>
- 99 *Ibid.*
- 100 *Ibid.*
- 101 *Ibid.*
- 102 *Ibid.*
- 103 *Ibid.*
- 104 *Ibid.*
- 105 Topham, G. (2016, August 07). Serious Fraud Office starts Airbus inquiry. *The Guardian*. Retrieved from <https://www.theguardian.com/business/2016/aug/07/uk-office-launches-inquiry-into-airbus-deals>
- 106 Koehler, M. (2020, February 8). An In-Depth Look At The U.K. Prosecution Of Airbus. *FCPA Professor*. Retrieved from <https://fcpaprofessor.com/depth-look-u-k-prosecution-airbus/>
- 107 Jasper, C., & Nussbaum, A. (2018, December 20). Airbus Tumbles on Report U.S. Has Started Bribery Probe. *Bloomberg*. Retrieved from <https://www.bloomberg.com/news/articles/2018-12-20/airbus-shares-tumble-on-report-that-u-s-has-begun-bribery-probe>
- 108 Srivastava, S., & Reid, D. (2018, December 20). Airbus shares sink on reports of DOJ probe. *CNBC*. Retrieved from <https://www.cnbc.com/2018/12/20/airbus-shares-sink-on-reports-of-doj-probe.html>
- 109 Hephher, T., & Frost, L. (2020, February 3). Airbus bribery scandal triggers new probes worldwide. *Reuters*. Retrieved from <https://www.reuters.com/article/us-airbus-probe-idUSKBN1ZX2MW>
- 110 The Straits Times. (2020, February 1). Airbus to pay \$5.5b in worldwide bribery settlement cases. Retrieved from <https://www.straitstimes.com/business/companies-markets/airbus-to-pay-55b-in-worldwide-bribery-settlement-cases>
- 111 Urofsky, P., & Orr, M. (2020, February 11). Airbus Agrees Record-Breaking €3.6 Billion Settlement to Avoid Prosecution. *Shearman & Sterling*. Retrieved from <https://www.shearman.com/perspectives/2020/02/airbus-agrees-record-breaking-settlement-to-avoid-prosecution>
- 112 Serious Fraud Office. (n.d.). Deferred Prosecution Agreements. Retrieved from <https://www.sfo.gov.uk/publications/guidance-policy-and-protocols/deferred-prosecution-agreements/>
- 113 *Ibid.*
- 114 Serious Fraud Office. (2020, January 31). SFO enters into €991m Deferred Prosecution Agreement with Airbus as part of a €3.6bn global resolution. Retrieved from <https://www.sfo.gov.uk/2020/01/31/sfo-enters-into-e991m-deferred-prosecution-agreement-with-airbus-as-part-of-a-e3-6bn-global-resolution/>
- 115 *Ibid.*
- 116 Norton Rose Fulbright. (2018). Deferred Prosecution Agreements – Justice delayed or Justice denied? Retrieved from <https://www.nortonrosefulbright.com/en/knowledge/publications/48cf9cbe/deferred-prosecution-agreements--justice-delayed-or-justice-denied>
- 117 Klišauskaitė, V. (2021, May 05). UK drops investigation of individuals in AIRBUS bribery case. *Aerotime Hub*. Retrieved from <https://www.aerotime.aero/27856-UK-drops-investigation-in-airbus-corruption-case>

- 118 Kaminski-Morrow, D. (2020, February 01). Airbus fraud investigation 'remains active' as penalty details emerge. *Flight Global*. Retrieved from <https://www.flightglobal.com/airframers/airbus-fraud-investigation-remains-active-as-penalty-details-emerge/136480.article>
- 119 Laming, H., & Wallis, A. (2020, February 18). The Airbus DPA has set another precedent for global corruption cases and settlements. *Euronews*. Retrieved from <https://www.euronews.com/2020/02/17/the-airbus-dpa-has-set-another-precedent-for-global-corruption-cases-and-settlements-view>
- 120 UK Legislation. (2010). Bribery Act 2010. Retrieved from <https://www.legislation.gov.uk/ukpga/2010/23/section/7>
- 121 Urofsky, P., & Orr, M. (2020, February 11). Airbus Agrees Record-Breaking €3.6 Billion Settlement to Avoid Prosecution. *Shearman & Sterling*. Retrieved from <https://www.shearman.com/perspectives/2020/02/airbus-agrees-record-breaking-settlement-to-avoid-prosecution>
- 122 *Ibid.*
- 123 *Ibid.*
- 124 Dagar, S. (2020, February 12). Why the Airbus anti-bribery probe is unprecedented. *Money Control*. Retrieved from <https://www.moneycontrol.com/news/business/companies/why-the-airbus-anti-bribery-probe-is-unprecedented-4936191.html>
- 125 The United States Department of Justice. (2020, February 3). United States v. Airbus SE: Docket No. 20-CR-00021. Retrieved from <https://www.justice.gov/criminal-fraud/file/1242051/download>
- 126 *Ibid.*
- 127 *Ibid.*
- 128 Hefher, T., & Frost, L. (2020, February 03). Airbus bribery scandal triggers new probes worldwide. *Reuters*. Retrieved from <https://www.reuters.com/article/us-airbus-probe-idUSKBN1ZX2MW>
- 129 The Straits Times. (2020, February 04). Malaysia probes allegations that Airbus bribed AirAsia bosses. Retrieved from <https://www.straitstimes.com/asia/se-asia/malaysia-probes-allegations-that-airbus-bribed-airasia-bosses>
- 130 CNBC. (2020, February 03). AirAsia shares plunge after Airbus bribery allegations. Retrieved from <https://www.cnbc.com/2020/02/03/airasia-shares-plunge-after-airbus-bribery-allegations.html>
- 131 Driskill, M. (2020, February 10). AirAsia's Fernandes caught up in Airbus corruption investigation. *Asian Aviation*. Retrieved from <https://asianaviation.com/airasias-fernandes-airlines-chairman-caught-up-in-airbus-corruption-investigation>
- 132 Aziz, A. (2020, February 06). Dr Mahathir on AirAsia-Airbus deal: Offset not a bribe if it is for specific purpose. *The Edge Markets*. Retrieved from <https://www.theedgemarkets.com/article/dr-m-airasiaairbus-deal-offset-not-bribery-if-it-specific-purpose>
- 133 The Straits Times. (2020, March 20). Malaysia's AirAsia says review cleared Airbus sponsorships. Retrieved from <https://www.straitstimes.com/asia/se-asia/malaysias-airasia-says-review-cleared-airbus-sponsorships>
- 134 Wan, C. (2020, March 24). AirAsia bosses cleared from allegations of Airbus bribery, reinstated. *Web in Travel*. Retrieved from <https://www.webintravel.com/airasia-bosses-clear-from-allegations-of-airbus-bribery-reinstated/>
- 135 Reuters. (2020, February 03). Ghana to probe bribery accusations in Airbus deal. Retrieved from <https://www.reuters.com/article/airbus-probe-ghana-idUSL8N2A32H3>
- 136 Holmey, O. (2020, May 11). Ghana: John Mahama splashed by Airbus corruption affair. *The Africa Report*. Retrieved from <https://www.theafricareport.com/27714/ghana-john-mahama-splashed-by-airbus-corruption-affair/>
- 137 *Ibid.*
- 138 Hefher, T., & Frost, L. (2020, February 03). Airbus bribery scandal triggers new probes worldwide. *Firstpost*. Retrieved from <https://www.firstpost.com/business/airbus-bribery-scandal-triggers-new-probes-worldwide-7998231.html>

- 139 The Economic Times. (2020, February 06). Sri Lanka arrests airline chief over Airbus kickback claims. Retrieved from <https://economictimes.indiatimes.com/news/international/business/sri-lanka-arrests-airline-chief-over-airbus-kickback-claims/articleshow/73988362.cms?from=mdr>
- 140 Kotoky, A. (2020, February 12). 'Shocking' Airbus Scandal Spurs SriLankan to Pursue Compensation. *Bloomberg*. Retrieved from <https://www.bloomberg.com/news/articles/2020-02-12/-shocking-airbus-scandal-spurs-srilankan-to-pursue-compensation>
- 141 Jones, C., Baldwin, L., & Leroux, M. (2020, July 06). UK Export Finance 'took year to flag corruption' at Airbus. *The Times*. Retrieved from <https://www.thetimes.co.uk/article/uk-export-finance-took-year-to-flag-corruption-at-airbus-3pk79mjbl>
- 142 Hodge, N. (2020, February 12). Airbus contractors feeling ripple effect from record fine. *Compliance Week*. Retrieved from <https://www.complianceweek.com/anti-corruption/airbus-contractors-feeling-ripple-effect-from-record-fine/28446.article>
- 143 Klisaukaite, V. (2020, December 03). Ongoing corruption case at Thai Airways targets 20 suspects. *Aerotime*. Retrieved from <https://www.aerotime.aero/26605-ongoing-corruption-case-at-thai-airways-targets-20-suspects>
- 144 FCCED. (2020, August 10). Investors sue Airbus over corruption scandal, securities fraud. Retrieved from <https://fcced.com/investors-sue-airbus-corruption-scandal-108202229/>
- 145 Buschmann, R., Dahlkamp, J., Deckstein, D., Latsch, G., Schmitt, J., & Traufetter, G. (2017, October 19). Airbus Corruption Scandal: A Golden Handshake Worth 80 Million Euros. *Spiegel International*. Retrieved from <https://www.spiegel.de/international/business/airbus-corruption-scandal-80-million-euro-severance-package-a-1173736.html>
- 146 *Ibid.*
- 147 *Ibid.*
- 148 *Ibid.*
- 149 EADS. (2009). Financial Statements 2008 [PDF File]. Retrieved from <https://www.airbus.com/content/dam/corporate-topics/financial-and-company-information/annual-report08-financial-statements-2008-en.pdf>
- 150 *Ibid.*
- 151 Collingridge, J. (2020, February 2). Airbus: Bribes, fines but no names. *The Times*. Retrieved from <https://www.thetimes.co.uk/article/airbus-bribes-fines-but-no-names-tl7lpb235>
- 152 Hefner, T. (2019, April 10). More than 100 dismissed in Airbus compliance crackdown: sources. *Reuters*. Retrieved from <https://www.reuters.com/article/us-airbus-compliance-idUSKCN1RL2DK>
- 153 Hollinger, P. (2017, April 16). Airbus sued by dismissed middlemen following fraud inquiry. *Financial Times*. Retrieved from <https://www.ft.com/content/8c58db36-205f-11e7-b7d3-163f5a7f229c>
- 154 Airbus. (2017, February 16). Marwan Lahoud to leave Airbus. Retrieved from <https://www.airbus.com/newsroom/press-releases/en/2017/02/Marwan-Lahoud-departure.html>
- 155 Hollinger, P. (2017, February 08). Airbus integration sparks resignation of strategy director. *Financial Times*. Retrieved from <https://www.ft.com/content/a089e15c-ed94-11e6-930f-061b01e23655>
- 156 Hollinger, P. (2017, November 30). Airbus technology chief quits after two years. *Financial Times*. Retrieved from <https://www.ft.com/content/1d6b3c50-d5bd-11e7-a303-9060cb1e5f44>
- 157 Airbus. (2020, July 29). Airbus Appoints Eric Schulz Successor to John Leahy. Retrieved from <https://www.airbus.com/newsroom/press-releases/en/2017/11/eric-schulz-successor-to-john-leahy.html>
- 158 Katz, B. (2018, September 13). Airbus Replace Sales Head After Less Than a Year on Job. *Bloomberg*. Retrieved from <https://www.bloomberg.com/news/articles/2018-09-13/airbus-said-to-replace-sales-head-after-less-than-a-year-on-job>
- 159 Hanke, T. (2018, November 29). Power struggle? Knives out at Airbus. *Handelsblatt*. Retrieved from <https://www.handelsblatt.com/english/companies/power-struggle-knives-out-at-airbus/23572816.html>
- 160 BBC News. (2017, December 15). Airbus chief Tom Enders to leave after power struggle. Retrieved from <https://www.bbc.com/news/business-42364510>

- 161 Serafino, P. & Jasper, C. (2018 May 14). Airbus CFO Wilhelm to Leave in 2019 Along With CEO Enders. *Bloomberg*. Retrieved from <https://www.bloomberg.com/news/articles/2018-05-14/airbus-cfo-wilhelm-to-step-down-in-2019-along-with-ceo-enders>
- 162 Reuters. (2019, April 02). Airbus CEO's exit package excessive: French minister. Retrieved from <https://www.reuters.com/article/us-airbus-chief-payoff-idUSKCN1RE27Q>
- 163 *Ibid.*
- 164 Airbus. (2019, April 11). Airbus appoints new Executive Committee led by CEO Guillaume Faury. Retrieved from <https://www.airbus.com/newsroom/press-releases/en/2019/04/airbus-appoints-new-executive-committee-led-by-ceo-guillaume-faury.html>
- 165 Airbus. (n.d.). Guillaume Faury. Retrieved from <https://www.airbus.com/content/dam/people/portrait/executives/Guillaume-FAURY-biography.pdf>
- 166 Airbus. (n.d.). Annual Report [PDF File]. Retrieved from <https://www.airbus.com/investors/financial-results-and-annual-reports.html#annualreports>
- 167 *Ibid.*
- 168 *Ibid.*
- 169 *Ibid.*
- 170 *Ibid.*
- 171 Reuters. (2019, April 02). Airbus CEO's exit package excessive: French minister. Retrieved from <https://www.reuters.com/article/us-airbus-chief-payoff-idUSKCN1RE27Q>
- 172 Airbus. (2017, May 02). Airbus establishes new Independent Compliance Review Panel. Retrieved from <https://www.airbus.com/newsroom/press-releases/en/2017/05/Airbus-establishes-new-Independent-Compliance-Review-Panel.html>
- 173 *Ibid.*
- 174 Hephher, T., & Overstraeten, B. (2020, July 08). Airbus first-half deliveries hit 16-year low despite June bounce. *Reuters*. Retrieved from <https://www.reuters.com/article/us-airbus-deliveries-idUSKBN2492WS>
- 175 CNBC. (2020, June 29). Airbus CEO sees production down 40% over the next two years. Retrieved from <https://www.cnbc.com/2020/06/29/airbus-ceo-sees-production-down-40percent-over-the-next-two-years.html>
- 176 The Straits Times. (2020, July 01). Airbus to cut 15,000 jobs to survive Covid-19 crisis. Retrieved from <https://www.straitstimes.com/business/companies-markets/airbus-to-cut-15000-jobs-to-survive-covid-19-crisis>
- 177 Ahlgren, L. (2020, July 08). Airbus Employees Protest Against Potential Job Cuts. *Simple Flying*. Retrieved from <https://simpleflying.com/airbus-employee-job-cut-protest>
- 178 Kotoky, A. & Whitley, A. (2020 November 2). These Are the Airlines Teetering on the Brink of Covid Ruin. *Bloomberg*. Retrieved from <https://www.bloomberg.com/news/articles/2020-11-01/these-are-the-airlines-teetering-on-the-brink-as-covid-drag-on>
- 179 *Ibid.*
- 180 Carroll, S. (2020, April 29). Business daily - Covid-19: Airbus CEO warns of "gravest crisis" for aerospace industry. *France 24*. Retrieved from <https://www.france24.com/en/business/20200429-covid-19-airbus-ceo-warns-of-gravest-crisis-for-aerospace-industry>