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HD **Alcoa bears $430m brunt of regulators' bribery crackdown**

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The hefty legal settlement aluminium producer Alcoa has been forced to dish out over a long-running bribery case have raised alarm bells for other companies facing potential corruption charges in offshore jurisdictions.

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Alcoa, and its joint venture with Australia's **Alumina**, this week agreed to pay $US384 **million** ($432 **million**) to settle charges of bribing officials in the Gulf state of Bahrain. The case is one of the biggest US anti-corruption settlements ever made.

Executives at Alcoa, which posted a large quarterly loss this week, are relieved it's over, despite paying a heavy price for a settlement that has taken the last two years to resolve.

The Alcoa World **Alumina** and Chemicals joint venture will pay $US223 **million** in five instalments in the US Department of Justice resolution after admitting bribery.

It will also pay a $US161 **million** settlement to the Securities and Exchange Commission (SEC) in a separate civil action.

The case, which reportedly went as high as senior members of Bahrain's royal family, has been one of the most high-profile examples of a worldwide trend by global regulators to play hard ball on corporate corruption.

Growing pressure to take stronger action against companies found guilty of bribing officials overseas, something authorities turned a blind eye to just decades ago, is reflected in the size of the settlement deal.Watched closely

Bruce Hall, an Australian citizen who was the chief executive of Aluminium Bahrain from September 2001 to June 2005, was extradited from Sydney to London in 2012 to face corruption charges. The Financial Times reported this week that Hall is due to be sentenced later this year.

The case has been watched closely by a number of high-profile Australian companies, including BHP Billiton, Leighton Holdings and Oz Minerals, which have also been in the uncomfortable position of falling under the gaze of global regulators.

BHP said in August last year it had given to the US Department of Justice evidence that it uncovered regarding possible violations of anti-corruption laws with foreign government officials. This related to work and hospitality provided as part of its sponsorship of the 2008 Beijing Olympics. It has also faced allegations that staff bribed officials in Cambodia.

Mongolian authorities are investigating corruption allegations against South Gobi, which is 58 per cent owned by Rio Tinto-controlled Turquoise Hill. Other Australian companies have also been the target of investigations, although in many cases the investigations are dropped as was the case with an Australian Federal Police probe into Cochlear's Portuguese operations last year.

Australian authorities are also under pressure to step up prosecutions, although an under-resourced Australian Federal Police makes this difficult.

The practice of kickbacks is rife in Asia, the Middle East, east Africa and other parts of the world where Australian companies do business. It is something most companies know goes on but will never admit publicly. Until recently, it has also been a grey area. In many cases, executives at the parent company are not aware it is going on.Doesn't cut it This no longer cuts it in the eyes of regulators.

"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, says.

Reuters says Wal-Mart is under investigation in the US about whether it paid bribes to obtain permits to open new stores. It also faces investigations into possible misconduct in Brazil, China and India.

Australian companies with exposure to offshore jurisdictions have been tightening internal procedures and conducting internal reviews to try to head-off any potential corruption cases. Companies like BHP have a code of business conduct that tries to ensure staff in foreign countries are aware of local laws that prohibit making payments or gifts to government officials.

Alumina's share of the payments is relatively modest after securing a deal with the parent in 2012 that allowed it to ring-fence to Alcoa the majority of the settlement. Alumina expects to record a pre-tax credit in the second half of 2013 of $US13 million and a full-year pre-tax charge of $17 million.

Fortunately for Alumina it avoided a capital raising in 2012 to fund the charges by negotiating a deal that meant it was only responsible for 15 per cent of the charges. Alumina owns 40 per cent of the AWAC joint venture. The settlement with Alcoa may have been larger if the company was not in such dismal financial shape. Alcoa this week reported a $US1.7 billion impairment charge on past smelter acquisitions and recorded big second quarter loss. A question mark also hangs over the future of Alcoa's Port Henry smelter in Geelong, which received a $40 million government rescue package in 2012 to keep it open for two more years. Alcoa will not be seeking further government assistance, something that probably would not have happened anyway given the Coalition's stance against corporate handouts. This leaves a question mark over the smelter's future.

The Twitterverse was abuzz this week with news that Norway's sovereign wealth fund, the world's largest, is now so big that every Norwegian is now a millionaire. In theory at least.

Soaring oil and gas prices mean the value of the fund, set up in 1990, hit 5.1 trillion krones ($US829 billion) this week. That is just over a million times the country's official population estimate. While everyone becomes a millionaire in the local currency, this is only worth $182,000 in Australian dollars. Still, the message is clear. As most of its European neighbours flounder under mountains of debt, Norway has squirrelled away the proceeds of its natural resources boom, which has left the country in great shape. The obvious question is what does Australia have to show from its mining boom? Certainly not a sovereign wealth fund that is worth $1 million per citizen.

Shareholders in Forge Group were rolling their eyes again on Friday after the engineering contractor went into a trading halt as it prepares to update the market on its financial situation.

The latest development follows another roller coaster for the company's share price since Christmas. Forge shares jumped almost 50 per cent in one session after Christmas after confirming it had secured a key contract at Gina Rinehart's Roy Hill mine. There was more excitement around the stock after it emerged BlackRock had increased its stake in Forge to 5.3 per cent. But Forge shares dropped 12 per cent after BlackRock backed out, selling a 3.8 per cent stake.

Forge received two share price queries from the Australian Securities Exchange within two days late last month but both times had nothing much to say. The company's haphazard approach to disclosure and transparency will not give shareholders much comfort now it is in a trading halt, although jitters it could go into receivership were put to bed last year thanks to a debt rescue package from ANZ.

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CO almam : ALCOA Inc | aufpol : Australian Federal Police | bkhlp : BHP Billiton Ltd | bltplc : BHP Billiton PLC

IN i211 : Metal Ore Mining | i22 : Primary Metals | i224 : Non-ferrous Metals | i2245 : Aluminum | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying

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