

Keppel O&M to pay US\$422m in fines to settle bribery probe

Resolution ends US, Brazil and S'pore investigation into firm over bribes for contracts in Brazil

Jacqueline Woo

Keppel Corporation's offshore and marine unit is set to pay fines amounting to US\$422.2 million (\$567 million) as part of a global resolution with the authorities in the United States, Brazil and Singapore.

The resolution, unprecedented for a Singapore firm, relates to US\$55 million in corrupt payments made by a former Keppel agent in Brazil.

Mr Zwi Skornicki made "improper payments" to Brazilian government officials between 2001 and 2014 with regard to Keppel Offshore & Marine's (Keppel O&M) projects with Brazilian oil giant, Petrobras, and Sete Brasil. These were carried out with the knowledge or approval of former Keppel O&M executives, the Singapore-listed conglomerate said early yesterday.

Keppel, one of Singapore's largest multinational groups with businesses in offshore and marine, infrastructure and property, said

the US\$422.2 million in fines will be allocated between the US, Brazil, and Singapore.

In Singapore, as part of the resolution, Keppel O&M has accepted a conditional warning in lieu of prosecution for corruption offences punishable under the Prevention of Corruption Act.

"Investigations in respect of the individuals involved are ongoing," the Attorney-General's Chambers and Corrupt Practices Investigation Bureau said in a joint statement.

Elsewhere, Keppel O&M's wholly owned unit, Keppel Fels Brasil, has reached a leniency agreement with the Public Prosecutor's Office in Brazil, which would become effective following the relevant approval.

Keppel Offshore and Marine USA (Keppel O&M USA), also a wholly owned unit of Keppel O&M, has agreed to plead guilty in accordance with a plea agreement with the US Department of Justice (DOJ).

The DOJ was able to claim jurisdiction on various grounds, including the fact that Keppel O&M USA is based in the US and was involved in Keppel O&M's business in Brazil.

In the Keppel statement, group chairman Lee Boon Yang said integrity is one of its core values.

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ILLEGAL ACTIVITIES NOT TOLERATED

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GROUP CHAIRMAN LEE BOON YANG

any illegal activity in the conduct of our business," he said. "We regret and are deeply disappointed by the actions that we now know to have taken place at the group's offshore and marine business in Brazil from around 2001 to 2014."

Dr Lee noted that global companies such as Keppel have both a

legal and moral duty to operate fully within international laws and regulations.

"Any perception that illegal payments can be condoned, if they are made by agents, is wrong and will not be tolerated," he said. "Since the allegations emerged, we have moved quickly and decisively to put in place stricter controls and embedded best practices across the group to ensure that such unacceptable behaviour will not be repeated."

Keppel chief executive Loh Chin Hua said Keppel has "zero tolerance" for corruption.

Keppel said it has the financial resources to pay the penalty and make a one-off provision in the current financial year.

It will also ring-fence the penalty when considering the final dividend to propose for the current year.

"There will be an impact on our balance sheet, but it will not prevent us from pursuing our growth plans," said Keppel, adding that it expects to continue its operations in the US and Brazil. It also does not expect any negative impact on its ability to bid for contracts in any country.

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FINES KEPPEL O&M WILL PAY

To Brazil

US\$211.1m

To the US

US\$105.6m

To Singapore

US\$105.6m

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