



# Department of Justice

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## **AB Volvo to Pay \$7 Million Penalty for Kickback Payments to the Iraqi Government under the U.N. Oil for Food Program**

WASHINGTON – AB Volvo has agreed to pay a \$7 million penalty as part of an agreement with the U.S. Department of Justice regarding charges brought in connection with an ongoing investigation related to the U.N. Oil for Food program, Assistant Attorney General Alice S. Fisher of the Criminal Division announced today.

The Department of Justice today filed an agreement with AB Volvo, as well as criminal informations against AB Volvo subsidiaries, Renault Trucks SAS (Renault Trucks) and Volvo Construction Equipment AB (VCE), in the U.S. District Court for the District of Columbia. The informations charge that Renault Trucks and VCE engaged in separate conspiracies to commit wire fraud and to violate the books and records provisions of the Foreign Corrupt Practices Act.

According to the agreement, AB Volvo has acknowledged responsibility for the actions of its subsidiaries, whose employees, agents and distributors paid kickbacks to the Iraqi government in order to obtain contracts for the sale of trucks and heavy commercial construction equipment. The agreement requires the company to cooperate fully with the Department's ongoing Oil for Food investigations.

"Today's acknowledgement by AB Volvo of its subsidiaries' wrongdoing in making illegal payments to the former Iraqi government in exchange for contracts is one more step in holding accountable those companies who conspired to deceive the United Nations," said Assistant Attorney General Alice S. Fisher of the Criminal Division. "The Department of Justice will continue its pursuit of companies that abused the U.N. Oil for Food program."

According to the criminal informations and the agreement filed today, between November 2000 and April 2003, employees and agents of Renault Trucks paid a total of approximately \$5 million in kickbacks to the Iraqi government for a total of approximately 61 million euros worth of contracts with various Iraqi ministries. To pay the kickbacks, Renault Trucks inflated the price of contracts by approximately 10 percent before submitting them to the United Nations for approval and concealed from the United Nations the fact that the contract prices contained a kickback to the Iraqi government. In some cases, Renault Trucks paid inflated prices to companies that outfitted the chassis and cabs produced by Renault Trucks. Those companies then used the excess funds to pay the kickbacks to the Iraqi government on behalf of Renault Trucks.

Between December 2000 and January 2003, Volvo Construction Equipment International AB (VCEI), the predecessor to VCE, and its distributors were awarded a total of approximately \$13.8 million worth of contracts. During the same time period, employees, agents and distributors of VCEI paid a total of approximately \$1.3 million in kickbacks to the Iraqi government by inflating the price of contracts by approximately 10 percent before submitting them to the United Nations for approval and concealed from the United Nations the fact that the contract prices contained a kickback to the Iraqi government.

In a related matter, AB Volvo reached a settlement today with the Securities and Exchange Commission (SEC) under which it agreed to pay a \$4 million civil penalty and approximately \$8.6 million in disgorgement of all profits, including pre-judgment interest, in connection with contracts for which its subsidiaries paid kickbacks to the Iraqi government.

In recognition of AB Volvo's thorough review of the improper payments and the company's implementation of enhanced compliance policies and procedures, the Department has agreed to defer prosecution of Renault Trucks and VCE for three years. If AB Volvo, Renault Trucks and VCE abide by the terms of the agreement, the Department will dismiss the criminal informations.

The Oil for Food Program was established by the United Nations to enable Iraq to sell its oil for humanitarian purposes

in the context of an extensive international sanctions regime. The program mandated that the proceeds of oil sales be deposited in a U.N. bank account and that those proceeds be used by the Iraqi government only to purchase humanitarian goods and services approved by the United Nations, such as food and medicine. Beginning in 2000, the Iraqi government began requiring companies wishing to sell humanitarian goods to government ministries to pay a kickback, often mischaracterized as an "after sales services fee," to the government in order to be granted a contract. The amount of that fee was usually 10 percent of the contract price. Such payments were not permitted under the Oil for Food Program or other sanction regimes then in place.

To date, more than \$24 million in penalties have been levied by the Department of Justice in cases involving the suppliers of humanitarian goods under the U.N. Oil for Food program.

The Department's investigation of AB Volvo is being conducted by the Fraud Section of the Criminal Division along with the FBI's Washington Field Office. This case is being prosecuted by Assistant Chief William B. Jacobson of the Fraud Section.

The Department acknowledges and expresses its appreciation of the significant, ongoing assistance provided by the Enforcement Division of the SEC in the Department's Oil for Food investigations.

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