

ROLLS-ROYCE ENTERS INTO £497 MILLION DPA WITH SFO

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Government Enforcement Alert

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INTRODUCTION

On January 17, 2017, Rolls-Royce entered into a deferred prosecution agreement ("**DPA**") with the UK's Serious Fraud Office (the "**SFO**"), under which the company will pay £497 million plus interest to the SFO in relation to alleged bribery by intermediaries in a number of overseas markets. The amount includes both fines and disgorgement of profits.

Under the terms of the DPA, Rolls-Royce admits to the alleged bribery, but prosecution is suspended as long as it fulfils certain requirements, including paying the financial penalty. The DPA will result in the SFO concluding its longstanding investigation into Rolls-Royce. The SFO is still, however, investigating individuals involved in the alleged bribery and corruption.

In addition to the agreement with the SFO, Rolls-Royce reached a DPA with the US Department of Justice (the "**DoJ**") and a Leniency Agreement with Brazil's Ministério Público Federal (the "**MPF**"), agreeing to pay \$170 million to the DoJ and \$26 million to the MPF.

THE FACTS

Following the online publication of bribery allegations against Rolls-Royce, the SFO began investigating alleged bribery and corruption at the company in 2012. Rolls-Royce cooperated fully with the SFO's investigation, carrying out an internal investigation and disclosing details of further bribery and corruption of which the SFO was not then aware.

The subsequent investigation was the largest the SFO has conducted, and ultimately resulted in 11 allegations of bribery and corruption against Rolls-Royce relating to the use of intermediaries to help secure high value contracts in China, Russia, Indonesia, Nigeria and Thailand. Some of those allegations dated back more than 20 years. It also led to one allegation of false accounting as Rolls-Royce tried to disguise bribes as legitimate consultancy fees.

A SIGN OF THINGS TO COME?

This is only the third DPA secured by the SFO, but represents the most significant one yet. Not only does it

involve one of the most well-known British brands, but the bribery and corruption allegations have been extremely well-documented in the media, not least by the BBC's Panorama documentary in November 2016.

It is by far the largest penalty that has ever been levied by the SFO in a bribery matter and is notably higher than that of the US authorities in the case, which are traditionally seen as more heavy-handed.

The DPA comes shortly after the Director of the SFO, David Green, pledged, at the end of last year, that more DPAs were on the way. If that pledge and the Rolls-Royce DPA are to be taken as a sign of things to come, further DPAs and heavy fines for bribery offences appear likely.

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