



By: Tomorrow's Affairs Staff

New allegations of corruption tarnish Leonardo's rebranding effort



The Italians have an expression for it: Vecchi peccati hanno le ombre lunghe – meaning ‘old sins cast long shadows’ – and this saying will have been on the minds of executives at Leonardo as the Italian defence giant is hit by new corruption accusations.

The latest scandal, taken with Leonardo's track record over the past two decades, will renew international concerns about the company's internal compliance regime and raise questions about the company's reliability as a strategic partner.

This time the scandal relates to the proposed sale of M-346 training jets and corvettes to Colombia in a deal reported to be worth €4bn which was under discussion in 2022.

Naples prosecutors have opened investigations into Alessandro Profumo, whose mandate as CEO of Leonardo ended earlier this year, over allegations that an €80m bribe was on offer to help the deal through.

Profumo's lawyers deny any wrongdoing on the part of their client and the investigation is in its early stages.

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None the less, the new allegations are a blow to the company's reputation as it works to put earlier scandals behind it.

Over the past ten years Leonardo has faced a series of accusations of impropriety and illegality: in 2013 it was alleged that Leonardo bribed officials in South Korea to ensure the sale of its AW-135 helicopters, resulting in the 2016 conviction of a government minister and two officials; in 2014 the Indian Ministry of Defence cancelled U.S. \$624 million contract with AgustaWestland International UK, a subsidiary of Leonardo's earlier incarnation, Finmeccanica, for the purchase of 12 AW-101 VVIP helicopters because of accusations of corruption and starting in 2015 Leonardo and

all its business units were suspended for 10 years from defence-related business in India; in 2016 Leonardo's predecessor company was forced to reach a financial settlement with the government of Panama after Panama's Supreme Court ruled that a defence contract there had been tainted by ‘credible indications that [in] the formation of the disputed contract, there was a misuse of power, as it was done to obtain personal gains of an illicit nature and not for public interest’; in October 2022 Indonesia's Corruption Eradication Commission ruled that the regional head of Leonardo's helicopter division had conspired with an Indonesian partner in defrauding the state of almost \$40m.

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The fresh allegations relating to Colombia come at a time when Leonardo appeared to be succeeding in cleaning up its act.

In 2017 Norway's Council of Ethics, which scrutinises business and investment by the country's sovereign wealth fund, placed the company under observation because of concerns over corruption.

In December 2022 the Council lifted the period of observation because ‘the company seems to have put in place an anti-corruption system that, in most areas, aligns with internationally recognised recommendations’.

Transparency International, the anti-corruption organisation, seemed to agree – in 2020 it awarded Leonardo its highest rating for its public statements committing to policies and procedures that will fight corruption.

The investigation by the Naples prosecutors, which remains ongoing and has not yet reached any conclusions about the allegations, inevitably raises questions about whether

Leonardo's public statements have been matched by internal action.

The prosecutors are also investigating former Italian Prime Minister Massimo D'Alema for allegedly acting as an informal intermediary between Leonardo's Profumo and the CEO of Italian shipbuilding firm Fincantieri in arranging the €4bn deal.

If the prosecutors' investigation finds Profumo and the others guilty, this will be a major blow to Leonardo's efforts.

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The scandal comes at a time when Leonardo's sales and profits are both rising. Leonardo has also entered into a partnership with the UK's BAE and Rolls Royce and other defence suppliers to build the Tempest next-generation fighter.

Both the UK and the USA are major markets for Leonardo, but both countries are also leaders in fighting against graft and corruption in the defence sector.

Leonardo's challenge is to reassure its strategic partners and key customers that the current investigation does not signify a return to bad old ways and that the company remains someone you can do business with.