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Investigation of Rheinmetall subsidiary ends with imposition of fine

Rheinmetall AG has accepted a fine imposed Monday on its subsidiary Rheinmetall Defence Electronics GmbH (RDE) by the senior prosecutor in Bremen. It has asked RDE management to take no further legal action to contest the decision. For the Rheinmetall Group, this brings to an end criminal proceedings relating to the allegation that unauthorized payments were made during arms deals in Greece by a consultant of the company in that country. As a result of the investigation, which began in mid 2013, a number of individuals were accused of establishing, aiding and/or abetting a system of corruption. During the legal proceedings, RDE was accused of failing to detect and prevent suspicious payments to sales partners due to inadequate internal controls. The senior prosecutor's decision relates to two offences, bribery of a foreign official and tax evasion, resulting in high confiscation of profits amounting to €36.77 million and fines of €300,000.

RDE thus assumes responsibility on behalf of itself and its predecessor, STN Atlas GmbH, for having failed to adopt organizational measures necessary for preventing unauthorized payments to Greek officials during the sale of the ASRAD air defence system to Greece. Simultaneously, the conclusion of criminal proceedings was accompanied by a settlement with the tax authorities concerning the question of non-deductible amounts in the relevant years.

The settlement and conclusion of investigations into all RDE projects in Greece was possible due to a swift and thorough internal Rheinmetall review conducted in close cooperation with the Bremen authorities.

The final report containing the results of the internal audit is nearing completion and will be submitted to the company before Christmas.

In the meantime, Rheinmetall has dismissed three previously active employees and will examine the need to take further action once the final report is available.

“We have investigated this matter from top to bottom”, declares Armin Papperger, Chairman of the Executive Board of Rheinmetall AG, stressing that “Rheinmetall must stand for clean business practices – and nothing else. This is why we’ve carefully reviewed the allegations in Bremen with outside assistance, and are prepared to bear the consequences of past misconduct. Our goal now is to put structures in place that make sure that cases like this can never happen again.” In this context, Rheinmetall AG has reorganized the Group’s compliance organization, substantially boosting its staff and introducing various new instruments.