

PETROLEO BRASILEIRO SA (PETROBRAS)

INDUSTRY

Energy / Utilities

CORPORATE HEADQUARTERS

Rio de Janeiro, Brazil

SUMMARY OF ALLEGATIONS

Nationality of Foreign Officials: Brazil

Summary of Allegations:

From at least 2003 - 2012, Petrobras officials engaged in a massive bribery and corruption scheme in which they facilitated the payment of hundreds of millions in bribes to Brazilian politicians through various bribery and kickback schemes with its contractors and suppliers, and then falsified Petrobras' books, records, and filings to defraud investors and regulatory bodies.

On 16 February 2014, the CEO of Petrobras, Maria das Gracas Foster, announced that the company had begun an internal investigation. In March of 2014, the Brazilian Federal Police and public prosecutors announced a formal investigation of the company.

Since 1997, approximately USD 2.1 billion in bribes allegedly were paid in a complex scheme. Petrobras executives allegedly approved contracts with companies and inflated the contracts by approximately 3%. The companies were aware that the contracts were overvalued. The 3% overage allegedly was split between the Petrobras executives and a slush fund allegedly used to bribe politicians and political parties. According to Alberto Youssef, Brazilian President Dilma Rousseff and former President Luiz Inacio Lula da Silva, along with other high-level government officials, were aware about the Petrobras bribery scheme. The owner of UTC Engenharia has alleged that funds raised from overvalued contracts were donated to political campaigns for Brazilian President Dilma Rousseff (USD 2.4 million or BRL 7.5 million) and former President Luiz Inacio Lula da Silva (USD 804,000 or BRL 2.5 million). Other politicians implicated by Mr. Pessoa include Sen. Fernando Collor de Melo; Sao Paulo Mayor Fernando Haddad; Aloysio Nunes (chairman of the Senate Foreign Relations Committee); Julio Delgado and nine other legislators.

Petrobras delayed the release of its third-quarter earnings earlier in November following accusations that the company systematically overpaid for assets and work by contractors. On 22 April 2015, Petrobras released audited financial results that included a write off of 2.1 billion for losses from corruption and another almost 15 billion in losses for overvalued assets.

Aldemir Bendine, who was at the helm of Petrobras between 2015 and 2016, is alleged to have received bribes from construction giant Odebrecht SA.

According to Brazil prosecutors, Vitol, Trafigura, and Glencore orchestrated a USD 30-million bribe to Petrobras between 2011 and 2014 to secure more contracts and lower prices for oil, derivatives, and storage tanks. The prices were allegedly lower than market rate and disguised by inflated invoices at or above the market rate, with a difference up to one dollar per barrel. The scheme was operated with full knowledge by the firms' top executives and could be ongoing.

Rodrigo Garcia Berkowitz, an employee for Petrobras in Houston, was accused of involving in the scheme, fired by Petrobras, and wanted by the prosecutors.

Approximate Alleged Payments to Foreign Officials: Approximately \$3 billion in bribes were paid as part of the scheme, which allegedly included gifts of Rolex watches, \$3,000 bottles of wine, yachts, helicopters and prostitutes.

Business Advantage Allegedly Obtained: increased revenue from contracts; political favor; increased investments

ENFORCEMENT RESULTS

Agencies: Brazil: Civil Lawsuit

Results:

Year Resolved:

Compliance Monitor:

Ongoing: Yes

Details:

Petrobras announced on 10 May 2015 that it planned to sue five companies and their senior executives to recover approximately USD 440 million the company lost in the bribery scheme. Two lawsuits were already filed against Engevix Engenharia and Mendes Junior Engenharia, seeking USD 150.13 million in damages. Petrobras stated that it planned to file three more lawsuits against Camargo Correa, OAS and Galvao Engenharia for USD 274.35 million in total. The lawsuits are part of Petrobras's plan to recover approximately USD 2 billion that Petrobras wrote off against its 2014 earnings. Petrobras expects to institute more lawsuits against other companies, as well.

Agencies: Brazil: Comptroller General (CGU)

Results: Civil Penalty

Year Resolved: 2017

Compliance Monitor:

Ongoing: No

Details:

UTC Engenharia S.A. will pay BRL 574 million (USD 175 million) as a fine for its role in the Petrobras corruption ring. On July 10, 2017, UTC signed a leniency agreement in which it admitted the damages caused through its corrupt acts. In exchange, UTC will be allowed to compete in Brazil's public tenders again.

Agencies: Brazil: Public Prosecutor's Office / Ministerio Publico Federal (MPF)

Results: Conviction, Criminal Fine, Plea Agreement

Year Resolved: 2018

Compliance Monitor:

Ongoing: No

Details:

On 27 August 2014, Brazilian prosecutors announced that Petrobras' former refining and fuel chief, Paulo Roberto Costa, who was arrested in April 2014, was being investigated for bribery. Prosecutors allege that Mr. Costa received bribes from construction companies. Mr. Costa agreed to a plea bargain with prosecutors on 27 August 2014 that included naming more than 30 government officials, contractors and Petrobras executives. On

22 April 2015, Mr. Costa was convicted of belonging to a criminal organization and sentenced to time served and 18 months of house arrest. The sentence had been reduced based on his cooperation with Brazilian authorities. Other charges against Mr. Costa still remain.

Alberto Youssef, a convicted black market money dealer, entered into plea agreements with Brazilian authorities in exchange for information on the scandal. Mr. Youssef was convicted of money laundering on 22 April 2015 and sentenced to nine years in prison. The sentence was reduced to three years based on his cooperation with Brazilian authorities.

On 14 November 2014, Brazilian Police arrested 23 people, including 19 presidents and executives of some of the country's largest construction and engineering firms. On 12 December 2014, prosecutors in Brazil charged 36 suspects with corruption on charges of corruption, money laundering, and organized crime. Convictions could lead to prison sentences of up to 50 years. On 16 March 2015, former services director Renato Duque was arrested by Brazilian police as part of a round of search and arrest warrants related to kickbacks and money laundering at Petrobras. On 21 September 2015, Mr. Duque was sentenced to 20 years and eight months in jail for inflating contracts at Petrobras and paying part of the money to the PT in the form of donation.

On 10 April 2015, Brazilian police arrested three former congressmen, André Vargas, Luiz Argolo, and Pedro Corrêa. Prosecutors and police agents announced that Vargas and his brother had taken bribes in exchange for helping a public relations firm and a biotech lab secure contracts with the state lender Caixa Econômica Federal and the health ministry. On 16 November 2015, Deputy Congressman Luiz Argolo was convicted of accepting some USD 400,000 in bribes. Argolo has been sentenced to nearly 12 years in prison with fine of USD 120,000 and order to seize his helicopter.

On 15 April 2015, Joao Vaccari Neto, former treasurer of the PT political party, was arrested on charges of money laundering related to kickbacks paid by Petrobras to a printer linked to the PT party. On 21 September 2015, Mr. Vaccari was sentenced to 15 years and four months in jail for corruption and money laundering.

On 22 April 2015, six people were convicted of money laundering and/or belonging to a criminal organization.

On 14 May 2015, prosecutors presented criminal charges against four former members of Congress, as well as nine others. On 15 September 2015, the former chief of staff for President Luiz Inacio Lula da Silva, Jose Dirceu, was charged with corruption, racketeering and money laundering.

Nestor Cerveró, a former Petrobras executive, was convicted of money laundering on 26 May 2015 and sentenced to five years in prison and ordered to pay a fine of BRL 543,000 (USD 173,482). Prosecutors charged Mr. Cerveró of taking USD 40 million in bribes for contracts valued at USD 1.2 billion. Mr. Cerveró is cooperating with prosecutors in an attempt to shorten his prison sentence. As of June 2015, 18 plea agreements had been arranged in the Petrobras matter. Jorge Zelada, former director of Petrobras' international division, was arrested by federal police on 2 July 2015. Mr. Zelada is charged with accepting bribes from contractors including Vantage Drilling Co and Pride International (which was acquired by Ensco Pnc in 2011) to restrict competition and inflate contracts.

As of 14 May 2015, 97 people had been indicted for allegedly accepting or paying bribes through Petrobras. At least four former Petrobras executives and 23 other construction executives have been charged with crimes related to the alleged corruption at Petrobras. Ricardo Pessoa, owner of UTC Engenharia, is currently under house arrest. He has entered into a plea agreement with prosecutors, and as part of the plea agreement testified that the funds raised from overvalued contracts allegedly were donated to political campaigns for Brazilian President Dilma Rousseff (USD 2.4 million or BRL 7.5 million) and former President Luiz Inacio Lula da Silva (USD 804,000 or BRL 2.5 million). Other politicians implicated by Mr. Pessoa include Sen. Fernando Collor de Melo; Sao Paulo Mayor Fernando Haddad; Aloysio Nunes (chairman of the Senate Foreign Relations Committee); Julio Delgado and nine other legislators.

On 19 June 2015, the chief executive officers of Odebrecht SA and Andrade Gutierrez, as well as nine other employees, were arrested on charges related to corruption and money laundering. Those arrested are alleged to have created a cartel to obtain contracts at inflated prices and bribe officials. On 24 July 2015, 22 people were formally accused of and charged with corruption, money laundering and organized crime, including the CEO of Odebrecht and president of Andrade Gutierrez. In total, seven Andrade Gutierrez executives and five Odebrecht executives were formally accused of corruption. Odebrecht was accused of engaging in 115 transactions of money laundering valued at BRL 1.038 billion (USD 310 million). Odebrecht's offices in Sao Paulo and Rio de Janeiro were searched by police; the company is cooperating with the investigation. Andrade Gutierrez is cooperating with the investigation as well; it has denied any involvement in the corruption at Petrobras. The chief executive officer, chairman and another senior executive of Camargo Correa were convicted on 20 July 2015 of corruption and membership in a criminal organization. Two of the executives were also convicted of 38 counts of money laundering and sentenced to four months time served and one year of house arrest followed by two to six years of modified house arrest, while the third executive was sentenced to nine years and six months

in prison. On 5 August 2015, Jos? Aldemario Pinheiro Filho, the former president of OAS, was sentenced to 16 years and four months in prison. Four other executives of the company were sentenced to equal or shorter sentences at that time.

On 18 November 2014, as part of a deal to avoid detention, one Petrobras manager, Pedro Barusco, agreed to return USD 100 million to the company. Brazilian Courts blocked around USD 270 million in assets belonging to various suspects, and federal agents are investigating contracts worth USD 22 billion.

34 people currently serving as politicians are being investigated by the Brazilian Supreme Court. The corporate and residential properties of former President (and current Senator) Fernando Collor de Mello were searched on 14 July 2015 as part of the investigation. Sen. Collor de Mello was named as an operator of the bribery scandal by Mr. Youssef. Properties owned by Sen. Ciro Nogueira were also searched on 15 July 2015. Only the Supreme Court can decide to press charges against elected officials.

The Brazilian government said in 2015 it repatriated USD 125 million (GBP 86 million) of money siphoned off to foreign bank accounts by corrupt officials, politicians and businessmen. Much of the money had been reportedly diverted from Petrobras.

In April 2015, nine executives were released and placed on house arrest. The release from jail came after Brazil's Supreme Court determined that there was a reduced risk facing the investigation into Petrobras. On 6 May 2015, Brazil's Supreme Court ordered the release of Dario de Queiroz Galvao, Grupo Galvao's chief executive. Mr. Galvao will remain on house arrest.

Chief executive officer Maria das Gracas Foster resigned on 4 February 2015, as did five other Petrobras executives. The executives resigned in light of the corruption scandal enveloping the company.

According to media reports, on 20 February 2015, Brazilian prosecutors filed lawsuits against six construction companies seeking USD 1.55 billion in damages related to alleged corruption at Petrobras, including Camargo Correa, Sanko, Mendes Junior Engenharia, OAS, Galvao Engenharia and Engevix Engenharia. The lawsuits also sought to debar the named companies from government business, financing from state-owned banks or tax benefits. On 12 May 2015, Petrobras announced that Brazilian authorities had returned BRL 157 million to the company.

On 20 August 2015, Eduardo Cunha, speaker of the lower house of Brazilian Congress, was charged with corruption and money laundering. Cunha is accused of taking a USD 5 million bribe on Petrobras contracts for two drillships. On 30 September 2015, Brazilian Public Prosecutor's Office announced that the Swiss prosecutors had turned over evidence gathered in Switzerland against Cunha revealing bank accounts in Cunha and his relatives' names. Documents submitted by the Swiss prosecutors suggested that bribes paid in relation to a contract of USD 34.5 million signed by Petrobras for the purchase of exploration rights to an oil field in Benin ended up in secret Swiss bank accounts belonging to Cunha and his wife, Claudia Cruz. Based on the evidence provided by Switzerland, on 16 November 2015, Brazilian congressional ethics committee decided to investigate whether Cunha lied in a corruption hearing about Swiss bank accounts that prosecutors claim he controls. On 15 December 2015, police, with authorization from Brazil's supreme court, raided homes and offices of Cunha. On 2 March 2016, majority of Brazil's Supreme Court judges voted to accept corruption and money laundering charges against Cunha. Brazil is the only court in Brazil that can try elected officials. Cunha continues to deny the charges.

On 20 August 2015, Sen. Collor de Mello was charged but his charges were not made public.

On 2 October 2015, Brazil's Supreme Court authorized the federal police to question former President Luiz Inacio Lula da Silva as a witness in their investigation of the scheme. The original motion was filed by the investigators on 11 September 2015.

On 29 October 2015, Pedro Correa, former legislator who rose to become one of the top leaders of the Progressive Party, was sentenced to 20 years and seven months in prison for his role in the diversion of funds at Petrobras. Correa was also ordered to return kickback he received to Petrobras.

On 25 November 2015, Brazilian police arrested Senator Delcidio Amaral, a senior ruling-party (President Dilma Rousseff's Workers' Party in the upper house) senator for suspicion of obstructing investigations into Petrobras scheme according to the complaint filed by the prosecutor with the Supreme Court. According to the prosecutors, Amaral was recorded discouraging the son of Nestor Cervero from cooperating with the authorities by offering to help Cervero flee to Spain with payments of about USD 13,500 a month for his family. Cervero had agreed to cooperate with the prosecutors in hopes of being given a lighter sentence.

The Comptroller General is in discussions with five companies (SBM Offshore NV, OAS SA, Galvao Engenharia SA, SOG Oleo e Gas and Engevix) about possible leniency agreements concerning bribery and bid-

rigging charges. In exchange for cooperating with authorities, paying fines, adopting a compliance policy and admitting wrongdoing, the companies would not be ineligible from participating public contracts. Following over eight-months of investigation into the Petrobras allegations, the Brazilian Congressional panel submitted and approved the final report by a vote of 17 to 9 with one abstention in October 2015. The report denied the existence of institutional corruption at Petrobras and blamed suppliers and rogue employees rather than any politicians or the company itself for the graft. In addition, the panel recommended investigation into 10 companies for possibly paying bribes, including 3 foreign companies (Japan's Kawasaki Heavy Industries, the Brazilian unit of Singaporean oil rig builder Keppel Corporation Ltd, and its Singapore-based rival Sembcorp Marine Ltd.)

On 24 February 2016, Brazil's Supreme Court authorized formal investigations into potential corruption involving President Rousseff's former chief of staff, Aloizio Mercadante, who now serves as education minister, Sao Paulo Mayor Fernando Haddad and Senator Aloysio Nunes of the opposition PSDB party. Prosecutors said all three were named in plea bargain deals with states' witnesses in the investigation but possible crimes raised by the witnesses were not necessarily related to the Petrobras investigation.

On 4 March 2016, former President Luiz Inacio Lula da Silva was picked up at his home on the outskirts of Sao Paulo by the police as part of the federal investigation. Lula was released after three hours of questioning. The police stated that evidence suggested that Lula had received illicit benefits from kickbacks at Petrobras, in form of payments and luxury real estate.

On 14 September 2016, Brazilian prosecutors denounced former President Luiz Inacio Lula da Silva as the commander of the Petrobras scheme as part of his plan to keep his political party in power.

On July 12, 2017, Lula was found guilty of corruption and money laundering, for receiving bribes of USD 1.1 million in exchange for helping construction company OAS secure contracts with Petrobras. He was sentenced to 12 years in jail, though remains free during his appeal.

On 27 July 2017, former Petrobras CEO Aldemir Bendine was taken into custody for allegedly requesting bribes from construction giant Odebrecht SA, prosecutors said. He was charged on August 22 2017 with corruption, money laundering and obstruction of justice.

On August 18, 2017, former lawmaker Candido Vaccarezza was arrested over allegations he received bribes of nearly USD 500,000 from Sargeant Marine, a U.S. company, in exchange for helping it win asphalt supply contracts from Petrobras, Brazilian prosecutors said. Prosecutors allege that from 2010 to 2013, Sargeant Marine signed 12 contracts worth about USD 180 million with Petrobras because of Vaccarezza's influence. Separately, Brazilian authorities said they were investigating allegations that Greek shipping companies paid bribes to obtain contracts from Petrobras. According to prosecutors, Konstantinos Kotronakis, Greece's honorary consul in Rio de Janeiro, paid bribes and provided insider information to help the Greek shipping companies win more than USD 500 million worth of contracts from Petrobras from 2009 to 2013. The bribes, worth 2 percent of the contracts, were paid to civil servants, financial operators and politicians, investigators said. The companies include Olympic Agencies, Perosea Shipping, Tsakos Aegean Dynacom Tankers Management, Galbraiths and Dorian Hellas.

On August 22, 2017, Brazilian ex-president and current senator Fernando Collor was formally charged with "passive corruption", money laundering and racketeering, allegedly taking some nine million dollars between 2010 and 2014 in connection with a number of transactions at BR Distribuidora, a Petrobras subsidiary.

On November 1, 2017, press accounts reported that Rolls-Royce has repaid approximately USD 25 million to Petrobras as part of a leniency agreement with Brazil's Federal Public Prosecutor's Office. Rolls-Royce allegedly participated in Operation Car Wash by giving large bribes to Petrobras officials in exchange for overpriced contracts. The amount repaid represents the return of Rolls-Royce's net profits over six contracts for goods and services to Petrobras, plus commissions to intermediaries, and a fine.

The federal prosecutors' office for the state of Parana announced on 5 December that on 7 December Petrobras will receive about BRL 650 million (USD 201 million) in funds recovered from the Car Wash investigation. The press reported that since 2015, Petrobras, has received a total of BRL 1.45 billion in recovered funds.

24 Jan 2018 - former President Luiz Inacio Lula da Silva lost his appeal to overturn his criminal conviction. He plans to appeal again.

05 April 2018 - Brazil's Supreme Court denied Luiz Inacio Lula da Silva's request to stay out of jail during his appeal of his corruption conviction. He surrendered to police to begin serving his 12-year jail sentence.

20 June 2018 – Brazil's prosecutors accused Gleisi Hoffmann, the Workers' Party president, of accepting illegal campaign finance from contracts of Petrobras, totaling more than \$260,000. The highest court acquitted Hoffmann due to lack of evidence.

9 July 2018 – a judge in Brazil overruled the previous decision to release Luiz Inacio Lula da Silva.

27 September 2018 - In a coordinated resolution with the DOJ and SEC, Petrobras will be paying 80% (US\$ 682.6 million) of the total DOJ criminal penalty of US\$ 933.5 million to Brazil's Ministerio Publico Federal.

On 22 October 2018, SBM Offshore has paid Petrobras \$148.92 million as an initial payment of the leniency agreement.

Agencies: Switzerland: Office of the Attorney General

Results:

Year Resolved:

Compliance Monitor:

Ongoing: Yes

Details:

On 18 March 2015, the Office of the Attorney General ("OAG") of Switzerland announced that it had frozen USD 400 million of assets that were allegedly connected to corruption at Petrobras. According to the OAG, USD 120 million of the USD 400 million was returned to Brazil after the OAG reached an agreement with the account holders. More than 300 accounts at over 30 Swiss banks, accounts owned by Petrobras executives, suppliers, intermediaries and foreign companies, allegedly were used to process bribes.

As of 18 March 2015, the OAG is conducting investigations into eight Brazilian citizens and one other person related to the corruption at Petrobras. The OAG's investigation is ongoing. On 22 July 2015, Swiss authorities disclosed that they were investigating Odebrecht SA, a Brazilian construction and engineering company. Odebrecht allegedly paid bribes from Swiss accounts to other Swiss accounts held by former directors of Petrobras. The Swiss authorities have requested assistance from Brazilian authorities.

On 1 October 2015, the OAG announced that criminal proceedings against Eduardo Cunha has been open on the grounds of suspected money laundering and passive corruption, and Cunha's assets were seized. As part of the investigation, the OAG turned over their evidence gathered in Switzerland against Cunha to the Brazilian prosecutors with the aim that it would be further investigated and judged by the Brazilian judicial authorities.

Agencies: United States: Civil Lawsuit

Results: Civil Penalty

Year Resolved: 2018

Compliance Monitor:

Ongoing: No

Details:

In December 2014, a group of Petrobras investors filed a class action lawsuit in U.S. federal court in Manhattan. The lawsuit alleges that USD 98 billion of Petrobras's American depository shares and bonds were artificially inflated based on overvalued Petrobras assets. Since then, more than a dozen lawsuits have been filed by U.S. investors who bought American depository receipts sold by Petrobras in New York, including the attorney general of Ohio, public pension funds in Idaho and Hawaii, and the city of Providence, R.I.

On 24 September 2015, the Bill and Melinda Gates Foundation, together with WGI Emerging Markets Fund, filed a lawsuit in the U.S. Southern District Court of New York against Petrobras and its auditor, Brazilian unit of PricewaterhouseCoopers LLP ("PwC") alleging that Petrobras' pervasive bribery and money laundering scheme caused both of the plaintiffs to lose tens of millions of dollars by investing in the company.

In February 2016, lower court Judge in Manhattan certified two classes of plaintiffs ruling that the claims are similar enough to be pursued as groups. One of the approved groups bought Petrobras securities from January 2010 to July 2015 and will be led by Universities Superannuation Scheme of Liverpool, England, and the other group bought debt securities from offerings in 2013 and 2014, and is led by North Carolina's treasurer and the Employees' Retirement System of Hawaii.

The defendants appealed the decision, and a decision is expected in 2017.

On 21 October 2016, the company agreed to settle cases brought by four investors (PIMCO Total Return Fund, Dodge & Cox International Stock Fund, Janus Overseas Fund and Al Shams Investments) for approximately USD 353 million, but still face another 23 individual lawsuits and one class action lawsuit.

On 2 November 2016, Petrobras and its bank underwriters asked the Second Circuit Court of Appeals in New York to decertify a class of investors in its class action suit. They argued that although only securities traded in the US can be included in the class action, these investors were trading on exchanges all around the world making it unclear that their transactions were in the US and that the plaintiffs failed to adequately show a clear link between negative news of the Petrobras scandal and investigation in Brazil and a drop in company's share price.

On 24 November 2016, Petrobras announced that it had agreed to settle 11 lawsuits brought by Abbey Life Assurance Company Limited, et al., Aberdeen Emerging Markets Fund, et al., Aberdeen Latin American Income Fund Limited, et al., Danske, et al., Delaware Enhanced Global Dividend and Income Fund, et al., Dimensional Emerging Markets Fund, et al., Manning & Napier Advisors, LLC, et al., Russell Investment Company, et al., Skagen, et al., State of Alaska Department of Revenue, Treasury Division, et al., State Street Cayman Trust Co., Ltd, and Ohio Public Employees Retirement System. The settlements will be applied against a USD 364 million provision recognized in Petrobras' third quarter financial results, filed on 10 November 2016.

Petrobras announced on 24 February 2017 that it had agreed to settle cases brought by four investors (New York City Employees Retirement System (and others), Transamerica Income Shares, Inc. (and others), Internationale Kapitalanlagegesellschaft mbH, Lord Abbett Investment Trust - Lord Abbett Short Duration Income Fund (and others)). The settlements will be applied against a USD 372 million provision for 2016, with USD 364 million recognized in Petrobras' third quarter financial results, filed on 10 November 2016. With these settlements, Petrobras has settled 19 of the 27 shareholder lawsuits filed against the company.

3 January 2018 -Petrobras, while expressly denying liability, agreed to pay a total of USD 2.95 billion in three installments to settle this shareholder class action suit

27 September 2018: In Petrobras's resolution with the SEC, which required a **total payment of US\$ 933.5 million**, consisting of US\$ 711 million in disgorgement and US\$ 222.5 million in prejudgment interest, Petrobras will receive a credit for the amount it pays to the class action settlement fund in the matter of *In re Petrobras Securities Litigation*, No. 14-cv-9662 (S.D.N.Y.), up to US\$ 933.5 million.

Agencies: United States: Civil Lawsuit

Results:

Year Resolved:

Compliance Monitor:

Ongoing: Yes

Details:

In February 2016, EIG Management Co ("EIG") and eight of its managed funds filed USD 221 million fraud suit against Petrobras in the US District Court, District of Columbia, Washington.

On 18 May 2016, Odebrecht, Keppel Corporation Ltd, Sembcorp Marine Ltd and Jurong Shipyard Pte Ltd. were added to the suit. In the filing, EIG alleges that the defendants misled the firm to invest over USD 221 million to purchase equity in now-bankrupt Sete Brasil Participacoes SA. EIG further alleges that fraudulently procured investments and proceeds were then used to perpetuate and expand a covert and massive corruption scheme to enrich themselves.

Agencies: United States: Department of Justice, United States: Securities and Exchange Commission

Results: Administrative Order, Cease-and-Desist Order, Criminal Fine, Disgorgement, Non-Prosecution Agreement

Year Resolved: 2018
Compliance Monitor:
Ongoing: No
Details:

On 10 November 2014, the DOJ and SEC announced investigations into Petrobras concerning allegations that Petrobras and its contractors over-inflated the cost of projects and acquisitions by hundreds of millions of dollars and paid part of the proceeds to politicians from the ruling Workers' Party (PT) coalition. Brazilian authorities have notified the DOJ of evidence that business units or affiliates of Toyo Engineering Corp., AP Moeller-Maersk A/S, Samsung Heavy Industries Co. and Skanska AB allegedly paid bribes to win contracts at Petrobras.

27 September 2018 - Petrobras resolved DOJ and SEC FCPA enforcement actions stemming from a massive bribery and corruption scheme perpetrated by former Petrobras senior executives. From at least 2003 to 2012, Petrobras officials facilitated the payment of hundreds of millions in bribes to Brazilian politicians through various bribery and kickback schemes with its contractors and suppliers, and then falsified its books, records, and filings to defraud investors and regulatory bodies.

Petrobras entered into a non-prosecution agreement with the DOJ requiring Petrobras to pay a **total criminal penalty of US\$ 853.2 million**, reflecting a 25% discount off of the bottom of the applicable U.S. Sentencing Guidelines fine range for the company's full cooperation and remediation. Under the NPA, Petrobras is required to pay 10% of the total criminal penalty to both the DOJ and the SEC (US\$ 85.3 million to each) and the remaining 80% (US\$ 682.6 million) to Brazil's Ministerio Publico Federal. The SEC's portion will be placed into a "Fair Fund" for harmed Petrobras investors.

The SEC issued a consensual cease-and-desist order against Petrobras requiring a **total payment of US\$ 933.5 million**, consisting of US\$ 711 million in disgorgement and US\$ 222.5 million in prejudgment interest. Petrobras will receive a credit for the amount it pays to the class action settlement fund in the matter of *In re Petrobras Securities Litigation*, No. 14-cv-9662 (S.D.N.Y.), up to US\$ 933.5 million.

This is the largest FCPA enforcement action to date.

ENTITIES/INDIVIDUALS INVOLVED

- Petroleo Brasileiro SA ("Petrobras")
- SBM Offshore NV ("SBM Offshore")
- Paulo Roberto Costa (former refining and fuel chief at Petrobras)
- Renato Duque (former services director at Petrobras)
- Nestor Cerveró (former director of international operations at Petrobras)
- UTC Engenharia S.A. (Brazilian construction engineering company)
- Sargeant Marine (U.S. asphalt company)
- Candido Vaccarezza (Brazilian lawmaker)
- Tsakos Aegean Dynacom Tankers Management (Greek shipping company)
- Galbraiths (Greek shipping company)
- Dorian Hellas (Greek shipping company)
- Fernando Collor de Melo (Brazilian senator and ex-President)
- Rolls-Royce
- Gleisi Hoffmann, the Workers' Party president

KEY TAKEAWAYS

RELATED DOCUMENTS

[Wall Street Journal: "Brazil's Petrobras Bribery Investigation Continues" \(17 March 2014\)](#)
[Wall Street Journal: "Petrobras CEO and Five Other Executives Resign" \(4 February 2015\)](#)

[Petro Global News: "Brazil claims \\$1.5 billion from contractors in Petrobras bribe scandal" \(23 February 2015\)](#)
[Office of the Attorney General \(Switzerland\): Petrobras scandal: USD 120 million released to Brazil](#)
[Wall Street Journal: "How Brazil's 'Nine Horsemen' Cracked a Bribery Scandal" \(6 April 2015\)](#)
[Reuters: "Brazil police arrest 3 ex-congressmen, broaden corruption probe" \(10 April 2015\)](#)
[Wall Street Journal: "Brazil Police Arrest Workers' Party Treasurer Joao Vaccari Neto" \(15 April 2015\)](#)
[Wall Street Journal: "Brazil's Petrobras Reports Nearly \\$17 Billion in Asset and Corruption Charges" \(22 April 2015\)](#)
[Wall Street Journal: "Judge Convicts Eight in Petrobras Probe" \(22 April 2015\)](#)
[Bloomberg Business: "Brazil Former Party Treasurer Charged in Petrobras Scandal" \(27 April 2015\)](#)
[Wall Street Journal: "Nine Brazilian Executives Accused of Graft in Petrobras Case to Be Released" \(28 April 2015\)](#)
[Reuters: "Petrobras writedown may give new ammunition to class-action suit" \(28 April 2015\)](#)
[Reuters: "Brazil's Supreme Court frees another executive in Petrobras probe" \(6 May 2015\)](#)
[Business Recorder: "Petrobras says it plans lawsuits to recoup \\$440 million in graft" \(10 May 2015\)](#)
[Wall Street Journal: "Brazil Witness Alleges Politicians Knew About Alleged Petrobras Scheme" \(11 May 2015\)](#)
[Petrobras Press Release: "R\\$ 157 million recovered by Lava Jato Operation" \(12 May 2015\)](#)
[Reuters: "Brazil prosecutors say Petrobras scheme moved \\$2.1 billion in bribes" \(14 May 2015\)](#)
[Wall Street Journal: "Brazil Charges First Lawmakers in Petrobras Graft Probe" \(14 May 2015\)](#)
[FCPA Blog: "Petrobras sues five contractors to recover \\$424 million corruption losses" \(15 May 2015\)](#)
[Wall Street Journal: "Brazil to Offer Leniency Deals to Spur Energy Industry" \(22 May 2015\)](#)
[Wall Street Journal: "Former Petrobras Executive Sentenced to Five Years in Prison" \(26 May 2015\)](#)
[Bloomberg: "U.S. Alerted in Brazil's Foreign Supplier Probe, Prosecutor Says" \(2 June 2015\)](#)
[Wall Street Journal: "Brazil Probe Sweeps Up Corporate Magnates" \(19 June 2015\)](#)
[Reuters: "UPDATE 7-Powerful Brazil CEO arrested in Petrobras graft probe" \(19 June 2015\)](#)
[Fox News Latino: "Suspect in Brazil graft case says he helped fund presidential campaigns" \(27 June 2015\)](#)
[Reuters: "Brazil's Rousseff slams graft informants, denies illegal donations" \(29 June 2015\)](#)
[Wall Street Journal: "Former Petrobras Executive Seeking Plea Deal With Prosecutors" \(1 July 2015\)](#)
[Bloomberg: "Brazil Arrests Ex-Petrobras International Head in Graft Probe" \(2 July 2015\)](#)
[Reuters: "UPDATE 4-Brazil police arrest another former Petrobras exec in probe" \(2 July 2015\)](#)
[Fox News Latino: "Brazilian cops search ex-president's properties" \(14 July 2015\)](#)
[Bloomberg: "Petrobras Corruption Probe Leads Police to Home of Ex-President" \(14 July 2015\)](#)
[New York Times: "Brazil: Three Executives Are Guilty of Graft in Petrobras Scandal" \(20 July 2015\)](#)
[Wall Street Journal: "Three Former Construction Executives Sentenced in Petrobras Graft Case" \(20 July 2015\)](#)
[DW: "First executives convicted in Petrobras scandal" \(21 July 2015\)](#)
[Wall Street Journal: "Swiss Authorities Open Investigation Into Brazil's Odebrecht" \(22 July 2015\)](#)
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