

DOJ accuses Ericsson of violating 2019 legal settlement

BY GREG MILLER
AND LOUISA LOVELUCK

The Justice Department has accused telecommunications giant Ericsson of violating a billion-dollar legal settlement by failing to fully disclose evidence of alleged corruption and possible payments to terrorists in Iraq, the company said Wednesday.

The revelation raises substantial legal risks for the Swedish company, including the possibility of steep fines or a new criminal investigation three years after Ericsson paid more than \$1 billion to avoid prosecution in other cases.

The disclosure came three days after The Washington Post and other news organizations published details of an internal Ericsson probe that had uncovered evidence of extensive fraud

Investigation found firm didn't disclose alleged fraud, payments to ISIS

by company officials, decisions to send workers into territory controlled by terrorists and the use of contractors who may have paid off Islamic State militants.

A report on the findings of an internal probe was obtained by the International Consortium of Investigative Journalists and shared with The Post as part of an international reporting project.

In a statement posted on its website, Ericsson said that it had been notified by the Justice Department on Tuesday that its disclosures to U.S. investigators

on the Iraq matter had been “insufficient” and that the company had “breached” terms of its 2019 settlement with the U.S. government.

Shares of Ericsson stock plunged 13 percent in value after the release, marking the latest in a series of sharp declines for a company that analysts at Citibank wrote earlier in the week had risked becoming “uninvestible.”

The fallout is related to the conclusions of an internal investigation that Ericsson completed in 2019 that found the company had engaged in “bribes and kickbacks” and other fraud over nearly a decade as it pursued contracts in Iraq that generated revenue of nearly \$2 billion.

The internal report, based on interviews with employees and a review of millions of emails and

other documents, also uncovered disturbing details about Ericsson’s decisions to send workers into areas overrun by Islamic State fighters.

The company continued to do so even after an engineer was kidnapped in 2014, making exorbitant cash payments to a cargo company that bypassed customs officials by “passing through ISIS controlled territories,” according to company investigators.

Ultimately, investigators said “it cannot be excluded” that Ericsson had contributed to “the illicit financing of terrorism.”

In a conference call with reporters and market analysts Wednesday, Ericsson President and chief executive Börje Ekholm repeated the company’s assertion that it found no evidence of direct involvement by Ericsson employees in any pay-

ments to the Islamic State.

“The question on financing armed factions cannot be substantiated,” Ekholm said.

Ekholm described the findings in the internal probe as “hugely embarrassing and hugely unsatisfactory” but did not comment on what the company had failed to share with the Justice Department.

Officials at the Justice Department declined to comment.

“We do cooperate fully with the U.S. authorities,” Ekholm said. “Now we have a breach notice, so we need of course to make improvements and to change.”

He said that the company has taken steps to strengthen compliance efforts, improving investigative mechanisms and encouraging employees to speak up where wrongdoing arises. But he

declined to answer a question about why staff named in the internal report remained at the company or had been promoted.

The Justice Department notice marks the second time that Ericsson has been found in breach of a deferred prosecution agreement in which it admitted to widespread fraud in China, Vietnam, Indonesia, Kuwait and Djibouti.

Ericsson is one of the world’s leading makers of the sophisticated radio towers, switches and other gear used in cellular communications networks. The Swedish firm is regarded by Western governments as a crucial alternative to Huawei, a Chinese company whose devices have been banned by the United States and other countries over suspicions that they are rigged to enable Chinese espionage.