Article Breakdown

1. Financial Times
2. Sunday Times/Times
3. Bloomberg
4. National newspapers (Telegraph, Guardian, City AM etc)
5. Australian media
6. Other international media
7. Trade media (Mining journal/miningweek.com etc)
8. Newswires
Leaked Emails

Sent from my BlackBerry Wireless Handheld
From: Walsh, Sam (RTIO)
Sent: Tuesday, May 10, 2011 10:47 AM
To: Albanese, Tom (RTHQ)
Subject: Fw: Confidential: Francois de Combret

Alan attempted to settle with Francois at $7.5 million, but he is holding out for $10.5 million. No question that he delivered sizeable value, but also no question that there is still sizeable risk going forward. I wonder if the answer is to hold part of the funds in an account in his name, but subject to first shipment. Alan won't like this, but I can't see another solution. Appreciate any thoughts that you have

Sam

From: Davies, Alan (RTIO)
Sent: Tuesday, May 10, 2011 02:15 PM
To: Walsh, Sam (RTIO)
Subject: Confidential: Francois de Combret

Further to our discussions about Francois de Combret’s fee and arrangements going forward, I provide the following update and request for approval. I have held discussions with Francois following your discussions with Tom last week. We have reached a final point, where Francois has requested a fee for services on securing 3 and 4 of US$10.5m. This is clearly stated as his bottom line, and a reduction from his request of US$15m.

Sam, I accept that this is a lot of money, but I also put forward that the result we achieved was significantly improved by Francois’ contribution and his very unique and unreplaceable services and closeness to the President. He vouched for our integrity when it was needed and helped bring us together when things were looking extremely difficult. These services were of the most unique nature, and we will never fully be able to judge the potential outcome if he was not assisting in us in good faith.

My belief is that we had a very low probability of resecuring 3 and 4, but through a combination of the negotiations and Francois’ unique help to me and Rio Tinto, we were able to close. There is still an enormous amount to do to secure the investment fully.

Since the signing, Francois has helped me on a number of communication issues with the President and the Minister of Mines, which has been invaluable. I have absolutely no doubt that Francois will not act as a friend of Rio Tinto going forward, and is extremely valuable insurance that things do go smoothly as we bed down the arrangements with the GoG.

I am extremely worried if we lose the direct connection to the President that I have cultivated with Francois. Francois has behaved with the utmost integrity and as I say, I have extreme confidence that he will continue to assist us to improve our relationship with the GoG and the President. There is also now a glimmer of
possibility that we may be able to move ourselves into a useful position in relation to 1 and 2. Irrespective of the good advances I have personally made, I am extremely pessimistic without the invaluable services that Francois has provided. This is not a standard situation, and is indeed extremely unique. I am very worried if we are not able to stabilize the situation and start delivering the project. Finalizing these discussions in a satisfactory way is extremely good insurance for Rio Tinto. May I please have your approval to agree a final fee with Francois of US$10.5m I am devoted to transition our relationship onto very stable footing, and see this as a very necessary step to doing that. Thanks for your understanding Sam

Alan Alan Davies
President International Operations
Rio Tinto Iron Ore

Message From: Walsh, Sam
Sent: 5/10/2011 2:32:53 PM
To: Davies, Alan (RTIO)
Subject: Fw: Confidential: Francois de Combret

Alan,
Got the figure up to $10.5 million but only holding an amount in escrow in his name subject to first shipment. I know that you won’t like this, but put your thinking cap on.
Sam

From: Albanese, Tom (RTHQ)
Sent: Tuesday, May 10, 2011 06:32 PM
To: Walsh, Sam (RTIO)
Subject: Re: Confidential: Francois de Combret

Sam,
Worth giving this a try, but also think about optics to the GoG.
Regards, Tom

Tom Albanese
Chief Executive Rio Tinto
Rio Tinto contacts regulatory authorities

9 November 2016

On 29 August 2016, Rio Tinto became aware of email correspondence from 2011 relating to contractual payments totalling US$10.5 million made to a consultant providing advisory services on the Simandou project in Guinea.

The company launched an investigation into the matter led by external counsel. Based on the investigation to date, Rio Tinto has today notified the relevant authorities in the United Kingdom and United States and is in the process of contacting the Australian authorities.

Energy & Minerals chief executive Alan Davies, who had accountability for the Simandou project in 2011, has been suspended with immediate effect.

Legal & Regulatory Affairs group executive Debra Valentine, having previously notified the company of her intention to retire on 1 May 2017, has stepped down from her role.

Rio Tinto intends to co-operate fully with any subsequent inquiries from all of the relevant authorities. Further comment at this time is therefore not appropriate.

Senior management changes

16 November 2016

Rio Tinto today terminated the contracts of Energy & Minerals chief executive Alan Davies and Legal & Regulatory Affairs Group executive Debra Valentine.

The board reviewed the findings to date of an internal investigation into 2011 contractual arrangements with a consultant who provided advisory services on the Simandou project in Guinea.

The board’s decision does not pre-judge the course of any external inquiries into this matter. However, the board concluded that the executives failed to maintain the standards expected of them under our global code of conduct, The way we work. In the circumstances, the board terminated the contracts of both executives.

In accordance with contract termination, neither executive will be eligible for any short-term incentive plan awards for 2016. Rio Tinto will also cancel all unvested incentive plan awards from previous years.

As previously announced, Rio Tinto contacted the regulatory authorities in the United Kingdom, Australia and the United States about the matter and intends to fully cooperate with any subsequent inquiries. Further comment at this time is therefore not appropriate.

Alan Davies will be replaced by Bold Baatar, who will join the Executive Committee as Energy & Minerals chief executive.

Bold held a number of senior investment banking roles with JP Morgan before taking on chief executive positions with a gold mining company and a diversified investment management business in Mongolia. He joined Rio Tinto in 2013 as Copper International Operations president and is the managing director of Marine and vice president Iron Ore Sales and Marketing.

Rio Tinto chief executive J-S Jacques said “Appointing Bold to run our Energy & Minerals business will add a fresh perspective to the product group. Bold brings broad international and executive
experience in a wide range of commercial disciplines. He has a proven track record and will be a great addition to our ExCo, particularly with his strong strategic approach and acute understanding of Asia.”

Bold’s biography is available at www.riotinto.com/ExecutiveCommittee.

Chief financial officer Chris Lynch has temporarily assumed accountability for the corporate Legal & Regulatory Affairs function. The recruitment process for a new chief legal counsel has commenced.
Rio aide’s ties to Guinea president raise bribery questions over iron ore deposit

Neil Hume and Tom Burgis — London

The former Lazard banker who helped Rio Tinto secure rights to a giant iron ore deposit in Guinea was also working as an informal adviser to the country’s president and had access to “highly confidential” information.

The disclosure raises the question of whether the Anglo-American mining company broke anti-corruption laws when it paid François Polge de Combre 10.5m in 2011 for assisting in negotiations on the Simandou project.

Lawyers and academics said the payment could lead to investigations by US and UK regulators. “I think it is likely the Department of Justice and the Securities and Exchange Commission would consider a payment to such an individual problematic,” said Mike Koehler of Southern Illinois University, an expert on US anti-corruption law.

The UK’s Serious Fraud Office is already evaluating whether to launch an investigation into the payment, according to one person close to the situation.

Rio has alerted authorities including the SFO and the DoJ about the payment and last week fired Alan Davies, head of its energy and minerals unit, who was previously in charge of the project, and Debra Valentine, its legal chief.

The company has not said why it reported the fee but emails from 2011 posted online in August showed senior Rio executives discussing the payment to Mr de Combre and his “closeness” to Guinea’s president Alpha Conde. Guinea has asked Rio to provide a full account of any malpractice identified in the company’s dealings with the government.

“Statements to the media from Rio Tinto have suggested Mr de Combre was in the pay of Rio Tinto during high-level negotiations between [it] and the Guinean government,” said Abdoulaye Magassouba, minister of mines.

The Guinean government confirmed that Mr de Combre acted as an informal adviser to Mr Condé between 2011 and 2014. Another person familiar with the situation said that while Mr de Combre was not a government official he was an “uncompensated adviser” to the president. The ex-Lazard banker declined to comment.
Gains from skirting anti-corruption rules will not last

The Top Line
Brooke Masters
Companies editor

Globalization is a dirty word in many quarters these days. But it is also a necessity for big companies that want to continue to grow.

Miners and oil companies need access to raw materials and manufacturers want cheaper labour, and everyone is searching for new customers in rapidly growing markets.

The election of Donald Trump, who has been explicitly protectionist, highlighted the political risks for those that focus their investment abroad at the detriment of workers at home.

Now, two big groups have received reminders of another potential pitfall of venturing far afield. Competing for business in countries where different laws apply can create reputational and legal problems at home.

Morgan Stanley and HSBC have both been charged and faced fines for activities that could be seen as bribing officials. The US bank has been fined $2bn in penalties for lying about 200 Chinese "iron ore" deals to win business from their well-connected relatives.

emails cited in the bank's settlement agreements with US authorities variously described some of the hiring as "photocopies", "finding nothing" and having a "country habit".

Seen by participants as part of the "Chinese tradition of hiring personal connections" the "programme was selling more than bribery by another name," according to attorney general Leslie Caldwell.

The prevailing business continued for seven years and brought in $600m in revenue from state-owned enterprises, according to an email cited in this agreement, which has an almost linear relationship with new investment banking business in China, according to an email cited in this agreement. This is a signal of the hiring of children and relatives of clients to win business and put in place a "sweetener" to prevent quick pro quo hires. But they continued until a new senior manager put his feet down in 2013. Since then, JPMorgan has fired or disciplined 20 employees.

A UK-based company's external lawyers received emails about the fee more than a year ago, but the company did not alert investigators or authorities until this month, after the second of the chief executives quoted in the emails had retired. In past bribery investigations, such a delay can lead to higher penalties.

Similarly, the anti-corruption rules may fall off in the short term, but history suggests the gains will not last. Better to invest in strong legal and compliance up front. Whether you walk down a muddy street, wear boots or expect to get dirty.

brooke.masters@ft.com
Rio adviser's links to Guinea president raise bribery questions

Regulator looking at whether miner broke anti-corruption law over mine negotiations

by: Neil Hume and Tom Burgis

The former Lazard banker who helped Rio Tinto secure rights to a giant iron ore deposit in Guinea was also working as an informal adviser to the country’s president and had access to “highly confidential” information.

The disclosure raises the question of whether the Anglo-American mining company broke anti-corruption laws when it paid François Polge de Combret $10.5m in 2011 for assisting in negotiations on the Simandou project.

Lawyers and academics said the payment could lead to investigations by US and UK regulators. “I think it is likely the Department of Justice and the Securities and Exchange Commission would consider a payment to such an individual problematic,” said Mike Koehler of Southern Illinois University, an expert on US anti-corruption law.

The UK’s Serious Fraud Office is evaluating whether to launch an investigation into the payment, according to one person close to situation.

Rio has alerted authorities including the SFO and the DoJ about the payment and last week fired Alan Davies, the head of its energy and minerals business, who was previously in charge of the project, and Debra Valentine, its legal chief.

The company has not said why it reported the fee but emails from 2011 posted online in August showed senior Rio executives discussing the payment to Mr de Combret and his “closeness” to Guinea’s president Alpha Condé.

Guinea has called on Rio to provide a full account of any malpractice identified in the company’s dealings with the government.

“Statements to the media from Rio Tinto have suggested that Mr de Combret was in the pay of Rio Tinto during high-level negotiations between the company and the Guinean government,” said Abdoulaye Magassouba, minister of mines and geology, in a statement.
“Mr de Combret was at the time acting in a capacity that would have given him access to highly confidential information.”

A spokesman for the government of Guinea confirmed that Mr de Combret acted as an informal adviser to Mr Condé between 2011 and 2014. Another person familiar with the situation said that while Mr de Combret was not a government official he was as “uncompensated adviser” to the president.

Rio has been involved in several fierce legal battles since it began exploring Simandou, one of the world’s biggest untapped deposits of iron ore, 20 years ago. It lost half the rights to the project in 2008 and only managed to hold on to the rest in 2011 through a $700m payment to the then new government of Mr Condé — a deal which, the leaked emails indicate, Mr de Combret helped to facilitate. The ex-Lazard banker declined to comment.

In one of the emails, Mr Davies tells former Rio chief executive Sam Walsh that Mr de Combret had “very unique and unreplaceable services and closeness to the president” of Guinea, and had helped the company to secure its tenure over mining leases for Simandou.

Guinea’s government said in a statement this month that it “had no knowledge, at the time in 2011, that Mr de Combret acted in any capacity on behalf of … Rio Tinto”.
Gains from skirting anti-corruption rules will not last
Companies venturing far afield should bear in mind the potential pitfalls

Rio adviser’s links to Guinea president raise bribery questions
NOVEMBER 18, 2016

by: Brooke Masters, Companies Editor

Globalisation is a dirty word in many quarters these days. But it is also a necessity for big companies that want to continue to grow.

Miners and oil companies need new sources of raw materials, manufacturers want cheaper labour and everyone is searching for new customers in rapidly growing markets.

The election of Donald Trump, who has been explicitly protectionist, highlighted the political risks for those that focus their investment abroad to the detriment of workers at home.

Now, two big companies have received stark reminders of another potential pitfall of venturing far afield. Competing for business in countries where different laws apply can create serious reputational and legal problems at home, as well.

Mining group Rio Tinto has fired two senior managers and reported itself to anti-corruption prosecutors in the UK, Australia and US over a $10.5m payment to a consultant who helped secure rights to a giant iron ore project in Guinea, western Africa.

Rio has not spelt out why it believes the payment is suspect. But the fee helped the group secure the rights after an epic battle that involved claims of political interference and bribery.

Internal emails from 2011 showed senior executives — including the then-chief executive and the man who replaced him — discussing the fee and the help provided by the consultant.
Rio’s current chief executive said staff are “shell-shocked”, and outside lawyers noted that fines for overseas bribery — if any is found — can run to the hundreds of millions of dollars.

Indeed, Rio need only look across the Atlantic at JPMorgan Chase. The US bank this week shelled out $264m in penalties for hiring about 200 Chinese “princelings” to win business from their well-connected relatives. Internal emails cited in the bank’s settlement agreements with US authorities variously described some of the hires as “photocopiers”, “doing nothing” and having a “napping habit”.

Seen by participants as part of the Chinese tradition of guanxi, or “personal connections”, the “programme was nothing more than bribery by another name”, said assistant attorney-general Leslie Caldwell.

The princeling hirings continued for seven years and brought in $100m in revenue from state owned enterprises, watchdogs said. JPMorgan even created spreadsheets to track the hiring “which has an almost linear relationship” with new investment banking business in China, according to an email cited in the agreement.

Both cases also appear to involve serious legal and compliance failures.

JPMorgan specifically banned the hiring of children and relatives of clients to win business and in 2007 put in place screening to prevent quid pro quo hires. But they continued until a new compliance officer put his foot down in 2013. Since then, JPMorgan has fired or disciplined 29 employees.

At Rio, the company’s external lawyers uncovered emails about the fee more than a year ago, but the company did not alert investors or authorities until this month, after the second of the chief executives quoted in the emails had retired. In past bribery investigations, such a delay has led to higher penalties.

Skirting the anti-corruption rules may pay off in the short term, but history suggests the gains will not last.

Better to invest in strong legal and compliance up front. When you walk down a muddy street, wear boots or expect to get dirty.
Mining: iron ore project

‘Shell-shocked’ Rio faces scrutiny over consultant fee

The Financial Times

Date: 18.11.2016
Client: BSGR
Publication: The Financial Times
Rio Tinto faces fresh controversy over $10.5m mining payment

Executives’ contracts terminated over consultant on Guinea project

Rio Tinto sacks energy chief Alan Davies after Guinea review

The Simandou iron ore deposit in Guinea

YESTERDAY by: Tom Burgis and Neil Hume in London

Rio Tinto’s lawyers uncovered more than a year ago internal emails about a questionable $10.5m payment to a consultant, but the mining company did not alert law enforcement authorities and investors about the matter until last week.

The Anglo-Australian group said on November 9 that it had notified authorities after discovering emails from 2011 that referred to the payment to the consultant, who helped head off a threat to Rio’s claim to the giant Simandou iron ore project in Guinea.

In the emails, seen by the Financial Times, Alan Davies, the executive in charge of Simandou, discusses with Tom Albanese, then chief executive, and Sam Walsh, then head of iron ore, paying a $10.5m fee to François Polge de Combret, a former top French banker and classmate of Guinea’s president.

Following an internal inquiry begun in August, Rio said last week that it had referred the matter to law enforcement authorities in the UK, the US and Australia. The company now faces years of scrutiny and the risk of large fines if it is found to have broken anti-corruption laws.

Rio had suspended Mr Davies, the only one of the three executives in the email chain still at the company.

On Wednesday night, Rio announced it had terminated the contract of Mr Davies and that of the head of legal and regulatory affairs Debra Valentine.

The company said: “The board’s decision does not pre-judge the course of any external inquiries into this matter. However, the board concluded that the executives failed to maintain the standards expected of them under our global code of conduct ... In the circumstances, the board terminated the contracts of both executives.”

Mr Davies said he was surprised by the termination and that he was not given the opportunity to respond to the allegations. He also argued that “there are no grounds for the termination of my employment”.

Rio said last week that it had discovered the emails in August, after they were anonymously posted online.
But two people with knowledge of the matter told the FT that the emails had been uncovered last year by lawyers working for the company on a legal dispute about the Simandou project.

The law firm, Quinn Emanuel, declined to comment. It reported to the department of Ms Valentine.

Ms Valentine had been due to retire next May but stepped down early following last week’s revelations. She could not be reached for comment.

Francois Polge de Combret

The dispute over Simandou dates back to 2008, when the Guinean dictator of the day stripped Rio of the rights to the northern half of the project and handed them to BSG Resources, the mining arm of Israeli diamond tycoon Beny Steinmetz’s family conglomerate. BSGR went on to agree a $2.5bn deal to bring in Vale of Brazil as its partner.

In 2011, Rio secured its claim to the remaining half of Simandou with a $700m payment to the then new government of President Alpha Condé — a deal which, the emails indicate, Mr de Combret helped to facilitate. The ex-Lazard banker declined to comment.

In 2014, an inquiry launched by the Condé government concluded that BSGR had won its rights to half of Simandou through a bribery scheme. The government cancelled those rights and has yet to reissue them.

Rio reacted in April 2014 by bringing a racketeering lawsuit in New York in which it claimed that BSGR, Mr Steinmetz, Vale and others had conspired to steal its Simandou rights.

The case was thrown out on a technicality in November 2015, but not before the parties had embarked on discovery, the process whereby claimants and defendants exchange material ahead of a trial.

A court filing by Vale’s lawyers in October 2014 specified the information it wanted Rio to hand over. One section demanded: “All documents regarding or constituting communications between Rio Tinto and any third party relating to Rio Tinto’s rights to Simandou blocks 1 and 2.”

This was a reference to the half of the deposit that had been taken from Rio and handed to BSGR.

The emails from 2011 that triggered the internal inquiry by Rio in August appear to fall squarely within the scope of Vale’s request for disclosure.

For instance, Mr Davies writes in one of the emails that, because of Mr de Combret’s efforts, “there is also now a glimmer of possibility that we may be able to move ourselves into a useful position in relation to [blocks] 1 and 2”.

People with knowledge of the matter said that Rio’s lawyers had come across the emails as they compiled documents to be disclosed in the discovery process.

It is unclear whether after Quinn Emanuel had found the emails that Ms Valentine’s department took any action or contacted Mr Walsh, who in January 2013 had succeeded Mr Albanese as chief executive.
Mr Walsh, who stepped down as Rio chief executive in July, declined to comment, as did Mr Albanese.

Following Rio’s disclosures last week, Guinea’s government said that it “had no knowledge, at the time in 2011, that Mr Polge de Combret acted in any capacity on behalf of … Rio Tinto”.

It added that it had “received no specific allegation of corruption” but that it would “follow any development in the self-reporting procedures initiated by Rio Tinto closely and will conduct all investigations that may be necessary to assist the relevant authorities with their mission”.

Jean-Sébastien Jacques, Rio’s current chief executive, told staff this week that the company did not take “lightly” a decision to contact regulators about the $10.5m payment to Mr de Combret. He added that the company was taking the situation “very seriously”.

BSGR has always maintained that it did nothing wrong in Guinea and that it was the victim of a plot by the government and its allies to confiscate its rights illegally.

The company has seized on recent allegations of bribery against the Condé government in a separate legal case as well as Rio’s disclosures last week to argue that it is being vindicated.
Rio Tinto sacks energy chief Alan Davies after Guinea review

Miner dismisses division boss and legal head after reviewing $10.5m consultant fee

by: Neil Hume in London and Jamie Smyth in Sydney

Rio Tinto has fired Alan Davies, chief executive of its energy and minerals division, and Debra Valentine, the head of legal affairs, after reviewing a $10.5m payment made for advisory services on a giant iron ore project in Guinea, west Africa.

By signing up you confirm that you have read and agree to the terms and conditions, cookie policy and privacy policy.

Last week, the FTSE 100 mining company suspended Mr Davies and announced the resignation of Ms Valentine after it alerted regulators about the payment of $10.5m to François Poige de Combret, a French consultant, for work on the Simandou project in 2011.

On Thursday, Rio said it had reviewed the findings of an internal investigation into contractual arrangements with Mr de Combret, a former senior banker, and concluded “that the executives failed to maintain the standards expected of them under our global code of conduct”. Rio said it had “terminated the contracts” of the two executives.

The Australian Federal Police said it had “engaged with Rio Tinto in relation to this matter, however, the matter has not been formally referred to the AFP”. Rio said last week that it had notified the US Department of Justice and the UK’s Serious Fraud Office about the payment.

People close to the Rio board said the decision to sack the executives had been taken on Monday and was unanimous.

Rio said its decision did not prejudice the course of any external inquiries into the matter. Neither of the executives would be eligible for any short-term incentive plan awards for 2016, it added.

One of the world’s biggest iron ore projects has been dogged by delays, disputes and allegations of corruption.

After learning of his dismissal, Mr Davies said he had no option but to take the strongest possible legal action.

“I have not been privy to Rio Tinto’s internal investigation report, nor have I had any evidence of the reasons for the termination of my employment given,” he said in a statement.

“There are no grounds for the termination of my employment. Rio Tinto has made no effort to abide by due process or to respect my rights as an employee and it has given me no opportunity to answer any allegations.”

Ms Valentine could not be reached for comment.
The move by Rio came after it emerged on Wednesday that lawyers working for the miner had uncovered internal emails about the questionable $10.5m payment more than a year ago, but the mining company did not alert law enforcement authorities and investors about the matter until last week.

The Anglo-Australian group said on November 9 that it had notified authorities after discovering emails from 2011 that referred to the payment to Mr de Combret, who helped head off a threat to Rio’s claim to the Simandou iron ore project in Guinea.

The dispute over Simandou dates back to 2008, when Lansana Conté, the Guinean dictator of the day, stripped Rio of the rights to the northern half of the project and handed them to BSG Resources, the mining arm of Israeli diamond tycoon Beny Steinmetz’s family conglomerate.

**The Steinmetz affair: The Mountain**

Tom Burgis tells the story of the intercontinental legal battle that has broken out among big mining companies over the iron ore buried beneath Guinea’s Simandou mountain range.

In 2011, Rio secured its claim to the remaining half of Simandou with a $700m payment to the then new government of President Alpha Condé — a deal which, the emails indicate, Mr de Combret helped to facilitate. The ex-Lazard banker declined to comment.

In the emails, seen by the Financial Times, Mr Davies, the executive in charge of Simandou, discusses with Tom Albanese, then chief executive, and Sam Walsh, then head of iron ore, paying a $10.5m fee to the consultant.

The company faces years of scrutiny and the risk of large fines if it is found to have broken anti-corruption laws. It could also complicate a $1.3bn deal agreed last month by Rio to sell its 46.6 per cent stake in the Simandou project to a Chinese company.

Late on Wednesday, Rio said that Mr Davies would be replaced by Bold Baatar, who joined the company in 2013 as the miner’s copper international operations president. Chris Lynch, Rio’s chief financial officer, has temporarily assumed accountability for the corporate legal and regulatory affairs function while it searches for a new chief legal counsel.
Rio Tinto: headhunting

Our words and actions are preserved in the digital world. Good for stars of social media, less so for those who would rather their every misstep did not linger like a fingerprint at a crime scene. The past is coming back to haunt Rio Tinto. Yesterday the Anglo-Australian miner fired Alan Davies, its head of energy and minerals, after emails from 2011 relevant to an investigation of possibly illicit payments, played a part.

Together with the dismissal of Debra Valentine, head of legal, the affair suggests serious lapses in Rio’s corporate governance. Internal messages from 2011 showed executives discussing a $15m payment made to an external consultant who had helped secure an iron ore deal with the state of Guinea. No allegation of bribery has surfaced, but these payments look bad. Mr Davies claims that Rio’s due process — see “The Way We Work” — was followed to the letter.

It matters who knew about these emails, and when. The board launched its own investigation from August, so the speed with which it subsequently acted is not in question. But senior executives — Sam Walsh and Tom Albanese — exchanged emails at the time. That Ms Valentine has also departed hints at something badly awry. Whether it is unforgivable ignorance on her part, or questionable judgment on this matter, is not known.

Ethical concerns will not immediately hurt Rio’s £5bn of operating cash flow. Short term, the direction of iron ore and aluminium prices matter more. But external investigations may follow the internal probe. These would distract its new chief executive Jean-Sébastien Jacq. Regulatory authorities in the UK, Australia and the US (where Rio has an ADR programme) have been alerted. Rio’s shareholders will prefer that its own miners, not prosecutors (US in particular), turn over rocks.

Expect this scandal to develop a life of its own. At 18-month highs, Rio’s shares warrant a cautious approach.
Rio faces new questions about giant Guinea project

Company lawyers found emails about $10.5m payment to consultant more than a year ago

by: Tom Burgis and Neil Hume in London

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Rio has suspended Mr Davies, the only one of the three executives in the email chain still at the company. He has not responded to requests for comment.

Rio said last week it discovered the emails in August, after they were anonymously posted online.
But two people with knowledge of the matter told the FT that the emails had been uncovered last year by lawyers working for the company on a legal dispute about the Simandou project.

The law firm, Quinn Emanuel, declined to comment. It reported to the department of Debra Valentine, the Rio executive in charge of legal and regulatory matters.

Ms Valentine had been due to retire next May but stepped down early following last week’s revelations. She could not be reached for comment.

Francois Polge de Combret

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People with knowledge of the matter said Rio’s lawyers came across the emails as they compiled documents to be disclosed in the discovery process.

It is unclear whether, after Quinn Emanuel found the emails, Ms Valentine’s department took any action, or contacted Mr Walsh, who in January 2013 had succeeded Mr Albanese as chief executive.

The FT has been unable to obtain comment from Mr Walsh, who stepped down as Rio chief executive in July. Mr Albanese has declined to comment.

Following Rio’s disclosures last week, Guinea’s government said it “had no knowledge, at the time in 2011, that Mr Polge de Combret acted in any capacity on behalf of ... Rio Tinto”.

It added that it had “received no specific allegation of corruption” but that it would “follow any development in the self-reporting procedures initiated by Rio Tinto closely and will conduct all investigations that may be necessary to assist the relevant authorities with their mission”.

Jean-Sébastien Jacques, Rio’s current chief executive, told staff this week that the company did not take “lightly” a decision to contact regulators about the $10.5m payment to Mr de Combret. He added the company was taking “this situation very seriously”.

BSGR has always maintained it did nothing wrong in Guinea and that it was the victim of a plot by the government and its allies to confiscate its rights illegally. The company has seized on recent allegations of bribery against the Condé government in a separate legal case as well as Rio’s disclosures last week to argue that it is being vindicated.
Simandont’t

The “resource curse” conventionally refers to the damage subterranean riches can do to societies corrupted and weakened by payments for extraction rights. The problems Rio Tinto has experienced with the huge Simandou iron ore mining project in Guinea shows the curse is a double-edged one.

The group has alerted the US and UK authorities to emails concerning $10.5m in payments “to a consultant providing advisory services”. Alan Davies, a senior executive once tipped to lead Rio, has been suspended. Legal and regulatory affairs boss Debra Valentine has stepped down.

It would be wrong to prejudge any official investigations. But Guinea, as a poor, corrupt west African state, harbours perils for prospectors that go beyond bush vipers. Dictator Lansana Conté confiscated Rio’s rights to the northern half of Simandou in 2008, handing them to the mining arm of Israeli tycoon Beny Steinmetz’s family business. A new government said they had been transferred through corruption, a finding Mr Steinmetz has disputed.

Last week, Rio announced it would offload its stake in Simandou to partner Chinalco for $1.3bn. The miner knew about the suspect emails then, though a weak iron ore price figures as the main reason for the disposal.

Resource analysts are too sanguine in dismissing the latest Simandou imbroglio as financially “immaterial”. They have historically had tin ears for the ringing of political and ethical alarm bells.

There is a pattern, after all. In June, Rio gave locals its shares in Panguna, an Australasian copper mine once tipped to become the most efficient in the world. A civil war fuelled by mineral rights killed that dream. Last year, Shell disposed of a large chunk of its assets in the Niger delta, whose oil belongs to anyone with a gun and the equipment needed to tap a pipeline. In South Africa, miners’ sweetheart deals with a post-apartheid business elite are spurring calls for mine nationalisation.

A geologist bowling through a squatters’ camp in an air-conditioned Land Cruiser can easily assume the resource curse only applies to local yokels out in the heat and flies. Bad assumption.

jonathan.guthrie@ft.com
Emails link Rio Tinto managers to Guinea payments

Former bosses discussed $10.5m fee for consultant on iron ore deal

by: Tom Burgis and Neil Hume in London

Two former chief executives of Rio Tinto discussed payments to a consultant for work on a $20bn iron ore project in Guinea that the mining company has since reported to regulators, according to internal correspondence.

Emails from 2011 seen by the Financial Times show Tom Albanese, then Rio chief executive, and Sam Walsh, then head of iron ore at the company, debating a request to pay $10.5m to the French consultant for his “very unique and irreplaceable services and closeness to the president” of Guinea.

The FT has established that the consultant involved was François Polge de Combret, who served as an adviser to Valéry Giscard d’Estaing during his time as French president.

Rio said on Tuesday that after launching an internal inquiry relating to the Simandou iron ore project in Guinea, it had notified the US Department of Justice and the UK’s Serious Fraud Office about the payments to the consultant.

If the agencies decide to launch an investigation into any potential breach of anti-corruption laws, the Anglo-Australian company faces years of uncertainty and possible fines.

It could also complicate a $1.3bn deal agreed last month by Rio to sell its 46.6 per cent stake in the Simandou project to a Chinese company.

Mr Albanese declined to comment on the emails. Mr Walsh could not immediately be reached for comment. Mr Davies did not respond to a request for comment.

Mr Albanese and Mr Walsh, two of the biggest names in the mining industry, no longer work at Rio.
Former Rio Tinto head of iron ore Sam Walsh, who later became chief executive © Bloomberg

Rio said on Tuesday that Alan Davies, head of energy and minerals and, in 2011, the executive in charge of the Simandou project, had been suspended by the company following the internal inquiry into the payments to the French consultant.

The emails seen by the FT date back to a period when Rio had lost half its rights to the Simandou project, regarded as one of the best undeveloped iron ore deposits in the world.

In April 2011, Rio paid $700m to the then new government of President Alpha Condé to secure its claims over the remaining half of Simandou.

In May 2011, Mr Davies sent an email to Mr Walsh requesting authorisation for a $10.5m fee for Mr de Combret, who acted as the consultant on the $700m transaction.

“Sam, I accept this is a lot of money, but I also put forward the result we achieved was significantly improved by François’ contribution and his very unique and irreplaceable services and closeness to the president,” said Mr Davies in one of the emails.

He added: “François’ behaved with the upmost integrity.”

Mining company notifies US and UK authorities about payments made to consultant

In a separate email, Mr Walsh then discussed the proposed payment to Mr de Combret with Mr Albanese, saying there was “no question that [Mr de Combret] delivered sizeable value”.

He recommended withholding part of the payment, however, until the first shipment of iron ore was made.

Mr Albanese replied: “Worth giving this a try, but also think about optics to the GoG [government of Guinea].”

Mr Albanese, who stepped down as Rio chief executive in 2013, is now chief executive of Vedanta, a FTSE 250 mining company.

Mr Walsh, who succeeded Mr Albanese as Rio chief executive, stepped down from this position in July. He has returned to his native Australia. Mr de Combret could not be reached for comment.
Rio suspends head of energy division after Guinea probe

Iron ore consultant was paid $10.5m
Mining group notifies authorities

TOM MURDOCH AND NEIL HUMPHREYS — LONDON
JAMIE BRYANT — SYDNEY

Rio Tinto has suspended Alan Davies, head of its energy and mineral unit, after an investigation into payments of $10.5m made to a consultant on Simandou, an iron ore project in Guinea.

The Anglo-Australian mining group said it had notified the Department of Justice and the Securities and Exchange Commission in the US, as well as the UK’s Serious Fraud Office and authorities in Australia, about the payments.

People with knowledge of the matter told the Financial Times that the internal inquiry centres on the company’s dealings with François Polge de Combris, a former classmate of Alpha Condé, Guinea’s president.

Mr de Combris could not be reached for comment. He was an adviser to Valéry Giscard d’Estaing, the former French president, and was a banker at Lazard, leaving in 2008.

In a statement released late yesterday, Rio said it had become aware in August of emails from 2011 “relating to contractual payment totalling $10.5m made to a consultant, providing advisory services on Simandou, considered the best undeveloped deposit of iron ore anywhere in the world.”

After launching an internal investigation, Rio suspended London-based Mr Davies, who was in charge of Simandou, at the time, with immediate effect.

A second executive, Benoît Valentine, head of legal and regulatory affairs, has stepped down, said Rio, which has listings in the US and Australia.

“Rio intends to co-operate fully with subsequent inquiries from all the relevant authorities,” said the company.

The SFO said: “We confirm that we have been notified about these payments. We cannot comment further at this time.”

The justice department did not respond to a request for comment.

Mr Davies, a well-respected industry figure, had been one of the leading candidates to succeed Sam Walsh at Rio’s chief executive.

He eventually lost out to France-born Jean-Sébastien Jacques this year.

Mr Davies is also a non-executive director of Rolls-Royce, currently the subject of a bribery probe by the SFO.

The suspension of Mr Davies comes just weeks after Rio agreed to sell its 49.6 per cent stake in Simandou to China’s Chinalco for up to $3.8bn.

Mr Davies declined to comment. Mrs Valentine could not be reached for comment.

Rio began prospecting the remote Simandou mountains in 1996 under the then Gallois director Jacques Condé. Shortly before his death in 2008, the Conde government stripped Rio of the right to the northern half of the Simandou project, saying that it had been too slow to start mining.

The government handed those rights to BSG Resources, the mining arm of Brazilian tycoon Eike Batista’s family conglomerate.

After Mr Condé, a veteran opposition leader, took power in 2010 he launched a review of mining contracts that culminated in the ejection of BSG. Rio, by contrast, reached a deal. It paid $700m for “the resolution of all outstanding issues” at the half of Simandou that it still held.

That settlement was signed in 2013, the same year as the email correspondence Rio cited in its statement. 

Lombard page 24
Rio suspends head of energy and minerals after Guinea probe

Mining company notifies US and UK authorities about payments made to consultant

Tom Burgis and Neil Hume in London, Jamie Smyth in Sydney

Rio Tinto, the Anglo-Australian mining group, has suspended one of its top executives after launching an investigation into payments worth $10.5m and made to a consultant on Simandou, a controversial iron ore project in Guinea.

Rio said it had notified the Department of Justice and the Securities and Exchange Commission in the US, as well as the UK’s Serious Fraud Office and authorities in Australia, about the payments.

People with knowledge of the matter told the Financial Times the internal inquiry centres on the company’s dealings with François Polge de Combret, a former classmate of Alpha Condé, Guinea’s president.

Mr de Combret could not immediately be reached for comment. He was an adviser to former French president Valéry Giscard d’Estaing and was a senior banker at Lazard, leaving in 2005.

In a statement released late on Wednesday, Rio said it had become aware in August of emails from 2011 “relating to contractual payments totalling $10.5m made to a consultant providing advisory services” on Simandou, considered the best undeveloped deposit of iron anywhere in the world.

After launching an internal investigation, Rio has suspended with immediate effect Alan Davies, the London-based head of its energy and mineral unit, who was in charge of Simandou at the time.

A second executive, Debra Valentine, head of legal and regulator affairs, has stepped down, said Rio, which has stock exchange listings in the UK and Australia.

“Rio intends to co-operate fully with subsequent inquiries from all the relevant authorities,” added the company.

The SFO declined to confirm or deny whether it had opened an investigation. The justice department did not immediately respond to a request for comment.

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He eventually lost out to French-born Jean-Sébastien Jacques this year. Mr Davies is also a non-executive director at Rolls-Royce, currently the subject of a bribery probe by the SFO.

The suspension of Mr Davies comes just weeks after Rio agreed to sell its 46.6 per cent stake in Simandou to China’s Chinalco for up to $1.3bn. Mr Davies declined to comment. Mrs Valentine could not immediately be reached for comment.

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Shortly before his death in 2008, the Conté government stripped Rio of the rights to the northern half of the Simandou prospect, saying it had been too slow to start mining.

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That agreement was signed 2011, the same year as the email correspondence Rio cited in its statement.

Propriety has become an increasingly important issue in the mining industry because of tough anti-corruption laws in the US and UK.

Last year, BHP Billiton paid $25m to settle charges with the SEC after the mining company offered packages worth thousands of dollars to government officials to attend the 2008 Olympic Games in Beijing.

In a memo to staff, Rio said Gary O’Brien, currently chief financial officer for energy and minerals, had been appointed acting head of the division with immediate effect.

The unit runs Rio’s coal mines alongside its uranium operations and a collection of smaller businesses.
Rio suspends head of energy and minerals after Guinea probe

Alan Davies suspended after miner found payments made to consultant on former project

Rio Tinto has suspended Alan Davies, head of its energy and mineral division, after discovering payments made to a consultant working on one of its former projects in Africa.

The FTSE 100 mining company said it had recently become aware of emails from 2011 relating to contractual payments totalling $10.5m made to a consultant for advisory services on the Simandou iron ore project in Guinea.

“The company launched an investigation into the matter led by external counsel. Based on the investigation to date, Rio Tinto has today notified the relevant authorities in the UK and US and is in the process of contacting the Australian authorities,” Rio said in a statement.

“Energy & Minerals chief executive Alan Davies, who had accountability for the Simandou project in 2011, has been suspended with immediate effect.

“Legal & Regulatory Affairs group executive Debra Valentine, having previously notified the company of her intention to retire on 1 May 2017, has stepped down from her role.”

The decision to suspend Mr Davies comes just days after Rio agreed to sell its stake in the Simandou iron ore project for up to $1.3bn to Chinalco, in a deal that could see the Chinese group take on development of the world’s largest untapped resource of the steelmaking ingredient.

Simandou has a chequered history. Rio’s rights to the northern half of the project were confiscated by the Guinean government and handed to BSG Resources, the mining arm of Israeli tycoon Beny Steinmetz’s business empire, in 2008.

In April 2014, the government cancelled the rights held by BSGR and Vale, its Brazilian mining partner, after a two-year inquiry found the former company had won them through corruption.

Rio said it would co-operate with any subsequent inquiries from all of the relevant authorities.

Shares in Rio fell 1.9 per cent to A$53.73 on the ASX on Wednesday morning in Sydney, in line with the broader market.

Paul Hissey, an analyst at Royal Bank of Canada, said it was unlikely that the latest development would have a material financial impact on Rio Tinto.
“Rather, this is a potentially negative public relations issue which Rio Tinto has managed to avoid whilst BHP Billiton has been dealing with the Samarco dam incident,” he said.

Rio’s rival BHP has been embroiled in controversy following the collapse of a tailings dam at its Samarco joint venture with Vale in Brazil, an accident in which 19 people died.
Rio suspends head of energy and minerals after Guinea probe

Alan Davies suspended after miner found payments made to consultant on former project

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It wasn’t going to be an ordinary board meeting.

Jan du Plessis, the South African chairman of Rio Tinto, had issued a three-line whip. All 10 other board members of the world’s second-largest mining company were ordered to fly to London from various corners of the globe for a 9am start last Monday.

No one was allowed to cry off. The issue was too important.
The previous week Rio had suspended Alan Davies, head of energy and minerals, after an email exchange emerged in which the Australian discussed a $10.5m (£8.5m) payment to a middleman who helped to secure rights to the valuable Simandou iron ore mine in Guinea, west Africa.

Debra Valentine, Rio’s head of legal affairs, had stepped down amid the deepening investigation into the matter.

The episode has plunged the FTSE 100 giant into a crisis that reaches its highest echelons, implicating two former chief executives. Rio is bracing itself for years of investigations by regulators in America, Britain and Australia, and potentially huge fines.

Jean-Sébastien Jacques, the 45-year-old Frenchman who took over as chief executive in July, admitted in a letter to staff last week the episode had left the company “shell-shocked”.

The emails in question go back to 2011, when Davies, 46, chief executive Tom Albanese and his eventual successor, Sam Walsh, discussed a payment to François de Combret.

De Combret, an independent financial adviser, had helped the company to strike a $700m deal to secure rights to half of Simandou, a huge undeveloped iron deposit. The trio agreed to pay $10.5m to de Combret, a friend of Guinea’s president Alpha Condé, for brokering the deal.

When the emails surfaced on at least two whistleblower websites at the end of August, the company launched a probe. It hired Kirkland & Ellis, the US law firm that specialises in such sensitive matters.

Du Plessis, 62, a respected boardroom veteran, called the Monday meeting to discuss what else the lawyers had found, and what to do next. Over 10 hours the investigators laid out what they had discovered after weeks of trawling through reams of company records and emails.

According to sources close to the situation, the board, which includes former Barclays chief executive John Varley and Simon Thompson, chairman of private equity firm 3i, was unanimous.

The company issued a press release on Wednesday announcing the termination of the contracts of Davies and Valentine for failing “to maintain the standards expected of them under our global code of conduct”.

Davies, a Rio lifer who was seen as potential future chief executive, declined requests for an interview. In a statement, however, he vowed to sue his former employer.
“There are no grounds for the termination of my employment,” he said. “I have been left with no option but to take the strongest possible legal action in response.”

Valentine and Walsh, who stepped down in July, could not be reached. Albanese, now chief executive of London-listed Vedanta Resources, declined to comment.

Rio has reported itself to Britain’s Serious Fraud Office as well as the Department of Justice and the Securities Exchange Commission in America and Australian authorities. The watchdogs will look into several issues.

One is how long Rio, or people within it, knew about the payment. In 2014, the company filed a lawsuit in New York against Vale, the Brazilian mining giant, and BSGR, controlled by Israeli diamond magnate Beny Steinmetz.

The suit alleged that the pair had taken part in a “conspiracy” to grab half of Simandou. Rio had control of the entire concession since the 1990s but was stripped of rights to half of it in 2008. Guinea handed the rights to BSGR, which then sold a share to Vale.

In the course of the case — which was thrown out on a technicality — Vale and BSGR requested access to all emails concerning Simandou.

Sources said the emails that surfaced in August, and others, were produced. Why the company acted on them only when they became public more than a year later is unclear.

Rio’s former chief executives may also get drawn in. Both Albanese, who ran Rio from 2007 to 2013, and Walsh, who took over until retiring in July, appeared to sign off on the payments that have led to Davies’s dismissal. Rio cancelled unvested share options and disqualified Davies and Valentine from 2016 awards.
Rio Tinto is in deep

The scandal brewing at Rio Tinto looks as if it could escalate into a pkgaged legal imbroglio for the mining giant. News that questionable payments have been unearthed in relation to an iron ore mine in Guinea, it seems inevitable that both the Serious Fraud Office and the US Department of Justice will investigate.

The leaked emails that sparked the company’s new inquiries suggest the $35.5m (£20.5m) paid to a French middleman to help win back the mine were made with the full knowledge of Rio’s joint two senior executives, Sam Walsh and Tom Albanese. Marlatt was held accountable, but whatever happened went right to the top.

vans.de.warmond-times.co.uk
Rio Tinto ‘offered to pay bribe for mine’

Ex-Guinea minister says money was no object
Sacked Rio Tinto
chief to sue over
Guinea scandal

Marcus Lemon

Alan Doddie, the executive sacked by Rio Tinto amid a pyramidal intricate
scandal, has announced a legal action against
his former employers.

The former chief executive of the mining and
revenue division was sacked on Tuesday by the FTSE 100
mining group over a $215m consultancy payment
he received as a friend of the president of Guinea,
where Rio Tinto was pressuring a hoped-for contractual deal on a project.

Mr Doddie was involved in a dispute over the mining and revenue division,
where he is accused of attempting to manipulate the terms of a contract
between the company and the Guinean government.

The company has denied any wrongdoing and the legal action is expected
to cost millions of dollars.

**Analysis**

The situation between Rio Tinto and a man who has not only stayed
sacked by the company after being implicated in a dispute over
the mining and revenue division is becoming increasingly complex.

Rio Tinto has been accused of attempting to manipulate the terms of a contract
between the company and the Guinean government.

The legal action is expected to cost millions of dollars.

**Date:** 18.11.16

**Client:** BSG

**Publication:** The Times Times
Rio Tinto sacks two executives over $10.5m Guinea payment

Robert Miller, Marcus Leroux

November 17 2016, 12:01am, The Times

Alan Davies, Rio Tinto’s head of energy and minerals, had his contract terminated

Rio Tinto last night sacked two senior executives for failing to “maintain the standards expected of them” after an internal investigation into contractual arrangements made in 2011 with a consultant who provided advisory services on the Simandou project in Guinea.

In a statement the FTSE 100 miner said that it had terminated the contracts of Alan Davies, Rio’s head of energy and minerals, and Debra Valentine, director of legal and regulatory affairs, who had stood down before a planned retirement next year.

Last week the company announced that it had suspended Mr Davies after uncovering a $10.5 million payment related to the vast west African iron ore project. Rio said that the payment had been made to a consultant “providing advisory services” on the already controversial Simandou project. Mr Davies was the executive in charge of the project at the time of emails that it had discovered.

Rio said that it became aware of emails from 2011 relating to “contractual payments” to the consultant. It said it had notified the relevant authorities in Australia, Britain, including the Serious Fraud Office, and the United States, where it has some securities listed.

Last night the company said that its decision to sack the two executives “does not pre-judge the course of any external inquiries into this matter. However, the board concluded that the executives failed to maintain the standards expected of them under our global code of conduct, ‘The way we work’. In the circumstances, the board terminated the contracts of both executives.”

Rio added: “Neither executive will be eligible for any short-term incentive plan awards for 2016. Rio Tinto will also cancel all unvested incentive plan awards from previous years.”

The miner also said that it “intends to fully co-operate” with any inquiries by authorities in the UK, Australia or the US and that “further comment at this time is therefore not appropriate”.

Simandou is the world’s largest untapped source of iron ore and economists believe that it has the potential to double the size of the Guinean economy.

However, it has a turbulent history. Rio discovered iron ore there in 1997, but was stripped of half of the concession in murky circumstances in 2008.

Mr Davies will be replaced by Bold Baatar, as energy and minerals chief executive. Chris Lynch, Rio’s chief financial officer, is to assume temporary responsibility for Ms Valentine’s role as director of legal and regulatory affairs.
Sacked Rio Tinto executive to sue

Marcus Leroux

November 17 2016, 12:00pm, The Times

Alan Davies, chief executive of Rio Tinto's diamonds and minerals division, plans to sue the miner

The executive sacked by Rio Tinto amid a corruption investigation plans to take legal action against the mining group.

Alan Davies, chief executive of its energy and minerals division, was sacked last night by the FTSE 100 mining group over a 2011 consultancy payment to a friend of the president of Guinea, where Rio Tinto was progressing a huge but contentious iron ore project.

Rio stressed that the termination of Mr Davies’s contract, along with that of Debra Valentine, its head of legal and regulatory affairs, did not prejudge the outcome of the investigations by authorities in Britain, the US and Australia.

However, it said that Mr Davies and Ms Valentine failed to “maintain the standards expected of them” under Rio’s internal code of conduct. That document includes a strident section on bribery and corruption, including the stipulation that “we never offer, give, demand or accept any financial or other favour to, or from, any person in order to secure business or any other advantage”.

The $10.5 million payment was made to Francois Polge de Combret, a former French diplomat and university contemporary of Alpha Condé, Guinea’s president. In leaked emails Mr Davies urged his superiors to authorise the payment to Mr de Combret for helping it secure the concessions to mine iron ore at Simandou, said to be the world’s largest untapped deposit of the steel ingredient. Mr Davies said in a statement: “It is with great surprise and disappointment that I have been advised of the termination of my employment by Rio Tinto.

“I have not been privy to Rio Tinto’s internal investigation report, nor have I had any evidence of the reasons for my termination of my employment given.

“There are no grounds for the termination of my employment.

“Rio Tinto has made no effort to abide by due process or to respect my rights as an employee and it has given me no opportunity to answer any allegations.

“This treatment of me and my past and recent colleagues is totally at variance with the values and behaviours of the company to which I have devoted my professional life.

“My rights are fully reserved, and I have been left with no option but to take the strongest possible legal action in response.” Rio began exploring Simandou in 1997 but was stripped of half of the concession in 2008 in murky circumstances. It paid $700 million in 2011 to the government of Guinea to retain the remaining half of Simandou, with the aid of Mr de Combret. Mr de Combret has not returned requests for comment. Ms Valentine could not be reached immediately.
The mining giant has had to own up about a $10m payment to secure a prize African asset

Danny Fortson

Rio Tinto reported itself to authorities in three countries after revelations of a $10.5m payment relating to Guinea’s Simandou mine

Beny Steinmetz leaned back in his seat, satisfied but not smug. “I feel very good. Nothing has changed,” he said. “Rio Tinto are the conspirators, not us.”

Sitting in a conference room at the London office of his lawyers, Mishcon de Reya, the Israeli billionaire had granted a rare interview because, for once, he had something he wanted to talk about.

While the world was transfixed by the US election on Tuesday night, Rio Tinto, the world’s second-largest miner, announced the suspension of a senior executive.

Alan Davies, a bookish 46-year-old Australian seen as a future Rio chief, was sent on leave over an alleged $10.5m payment to a consultant who helped secure rights to its giant iron mine Simandou in Guinea, west Africa.

The fee was allegedly paid in 2011 and signed off by Tom Albanese, then chief executive, and his successor, Sam Walsh. It came to light only in August, the company said.

The energy and minerals chief executive’s suspension is the latest twist in a bizarre series of events. Rio Tinto has long claimed that BSGR, the mining arm of Steinmetz’s family investment firm, paid huge bribes to secure half of Simandou just days after Guinea’s dying dictator repossessed it from Rio in 2008.

Amid its near-decade-long attempt to recover his trophy asset, Steinmetz, a diamond dealer with no experience in iron mining, was seen as the pantomime villain. Rio was the injured party in a tale of African corruption. Steinmetz and BSGR have always denied wrongdoing.

Last week’s revelation alters the narrative and raises serious questions about why Rio took so long to act, and whether it is about to get drawn into a regulatory.
Rio has contacted America’s Department of Justice and Securities and Exchange Commission, Britain’s Serious Fraud Office and regulators in Australia. It has pledged to “co-operate fully with . . . all the relevant authorities”.

Rio’s troubles emerged on August 29 when an email chain was published on at least two whistleblower websites. It involved Davies, who was responsible for Simandou in 2011, Albanese and Walsh, then Rio’s iron ore chief.

The trio discussed a potential payment to François de Combret, a former Lazard banker and classmate of Guinea’s current president, Alpha Condé. De Combret had helped to mend relations between Rio and Condé, which were at a low.

Condé won Guinea’s first presidential election in 2010. His predecessor, the dictator Lansana Conté, had handed BSGR the northern half of Simandou. Rio was having no joy in its attempt to recover it. Worse, its ownership of the southern part, a 70-mile stretch of peaks stuffed with iron ore deep in the Guinean jungle, was also in question.

De Combret acted as a broker. In April 2011, Rio agreed to pay Condé’s government $700m to “secure” its rights to its half of Simandou. Walsh said the deal, “gives us the certainty we need to allow us to invest and move forward quickly so we can bring this great resource into production and deliver its benefits to the Guinean people.”

Simandou is crucial to Guinea. It is the biggest undeveloped iron deposit in the world and could transform the economy of the grindingly poor country of almost 12m people. The plan was to invest up to $10bn and start production by 2015.

Eighteen days after Rio’s $700m detente with the Guinea government was reached, Davies wrote to Albanese and Walsh about de Combret’s potential fee, according to the newly published emails.

He wrote: “I accept that this is a lot of money, but I also put forward that the result we achieved was significantly improved by François’ contribution and his very unique and unreplaceable services and closeness to the president. Through a combination of the negotiations and François’ unique help to me and Rio Tinto, we were able to close.”

De Combret wanted $15m; Rio suggested $7.5m. They settled in the middle. Walsh wrote to Davies: “Got the figure up to $10.5m but only holding an amount in escrow in his name subject to first shipment. I know you won’t like this, but put your thinking cap on.”

Albanese responded: “Worth giving this a try.”

The exchange was posted for a few days into early September before it was taken down.

Steinmetz’s 2008 swoop on Simandou was dubbed the “deal of the century” because he was handed the concession gratis and quickly sold a share in it for $2.5bn to Vale of Brazil.

As rumblings grew over the deal, The Sunday Times began a series of investigations. In 2012, this newspaper became the first to visit Simandou.

Legal fireworks followed. America opened a grand jury investigation into potential offences under the Foreign and Corrupt Practices Act. BSGR and Vale fell out as the pressure increased. Of the proposed $2.5bn price tag, the Brazilians paid only $500m.
An agent who did work for BSGR went to jail after he was recorded in an FBI sting at a Florida airport trying to bribe a co-conspirator, the former wife of Lansana Conté, to “burn” evidence of the alleged corruption. BSGR said the documents were fakes.

In 2014, a special committee in Guinea concluded BSGR had acquired Simandou corruptly and repossessed its rights.

Days later, Rio launched a racketeering lawsuit in New York against BSGR and its partner Vale, claiming they took part in a “conspiracy” to snatch Rio’s asset. The case was thrown out on a technicality.

Steinmetz claims he has been victimised not because he paid bribes, but because he didn’t. He said: “We refused to pay. That’s why we got into trouble. We were naive — it took us some time to understand the extent of this conspiracy against us by some powerful opponents.”

The government of Guinea said charges of any impropriety were “totally false”, adding that a long-running international arbitration case over Simandou would make this clear. It said: “If BSGR is confident in its case, it should let the tribunal decide.”

The revelation of the Rio emails meanwhile raises uncomfortable questions for the London-based miner. As part of its New York court case, it will have been subject to in-depth “discovery”, forcing it to hand over reams of sensitive documents concerning Simandou.

Rio declined to comment on whether the alleged payment, and the involvement of its then and future chief executives, was uncovered in the course of those proceedings. (Albanese stepped down in 2013. Walsh left this summer.)

It is also unclear why Rio felt it necessary to self-report to authorities in America, Britain and Australia. Nothing in the emails indicates de Combret was anything other than an independent adviser paid for a service to a client. De Combret, who is not accused of wrongdoing, did not return calls.

Davies, Albanese and Walsh could not be reached for comment. Rio also announced last week that Debra Valentine, Rio’s group head of legal affairs who spearheaded the New York suit against BSGR and Vale, had stepped down.

Although it spent $1.4bn and nearly two decades working on Simandou, Rio gave it away just 12 days before it alerted the authorities to the payment in question last week. The company handed the project to partner Chinalco at no cost. It could still receive up to $1.3bn (£1bn) in future royalty payments, but only if it starts commercial production.
How Rio Tinto’s dreams were dashed in Guinea

Rush for resources was meant to bring riches but miner got caught up in bribery scandal

Marcus Leroux

Rio Tinto forecast that Simandou would produce 170 million tonnes of iron ore a year, transforming the prospects of Guinea.

It was the eve of the financial crisis and Rio Tinto was under pressure. But Tom Albanese, the studious American in charge of the company, had a secret weapon. BHP Billiton had tabled a hostile $150 billion takeover offer for its arch rival — the boldest gamble in a decade-long scramble for resources. In resisting it, Mr Albanese looked to the mountains of eastern Guinea, a small, desperately poor west African state that had been ruled by a military dictator since 1984.

“Simandou is, without doubt, the top undeveloped tier-one iron ore asset in the world,” he told reporters in May 2008, adding that the deposit was also among the highest grade in the world, a hidden gem totally absent from analysts’ valuations.

In time Rio said that Simandou would produce 170 million tonnes of ore a year — 8 per cent of global production at the time — and transform the prospects of Guinea.

Rio eventually fended off BHP, but within months its plan for Simandou was in tatters. Shortly before his death, Guinea’s dictator rescinded the northern half of its Simandou concession and shocked the mining industry by granting it to BSG Resources, a relatively unknown company controlled by Beny Steinmetz, a diamond trader. It was a lucrative bit of business for BSG: it sold a 51 per cent stake in its new asset to Vale of Brazil for $2.5 billion in 2010.

By 2011 Alpha Conde, Guinea’s first democratically elected leader, had come to power promising to unlock the country’s riches for the benefit of the people. A review was looking into how mining licences, such as BSG’s, were acquired.

Rio had just agreed a $700 million deal with the government allowing it to hold on to the southern half of the Simandou concession; and the price of iron ore had trebled in two years to record highs, elevating the rush for African resources to a new level.

This was the backdrop when an email arrived on Mr Albanese’s BlackBerry from Sam Walsh. Mr Walsh, the boss of Rio’s huge iron ore unit and a future chief executive of the group, was seeking approval to pay $10.5 million to Francois Polge de Combret, a French banker and university contemporary of Mr Conde, the Guinean president. Mr Walsh, who stood down as chief executive of Rio this year, told his boss that Alan Davies, the executive in charge of the Simandou project, had “attempted to settle with French at $7.5 million, but he is holding out for $10.5 million”, adding: “No question that he delivered sizeable value, but also no question that there is still sizeable risk going forward”.

JANE HAHN/GETTY IMAGES
Mr Davies, who was suspended by the company this week, had written that Mr de Combret’s assistance was essential to the project going “smoothly”, adding: “I am extremely worried if we lose the direct connection to the president that I have cultivated with François.”

Mr Albanese, who was chief executive until 2013, approved payment of the sum into an escrow account.

While the election of Mr Condé marked a turnaround in Rio’s fortunes, the reverse was true for Mr Steinmetz and BSGR. With a host of international advisers, Mr Condé began to try to make the resource industry more transparent.

In 2014 a government review found BSG won control of the prized mining licence after an extensive bribery campaign. BSG still denies any wrongdoing and has begun arbitration proceedings against the Guinean government after it was stripped of the concession.

Rio attempted to sue Vale, BSG and individuals in a racketeering case in New York, which failed because the judge deemed it had missed the date cut-off. Vale issued arbitration proceedings against BSG. The US Department of Justice began a criminal investigation into the affair. A fixer for BSG was convicted of obstructing the US investigation.

Under Jean-Sébastien Jacques, its new chief executive, Rio has attempted to draw a line under its 19-year involvement with Simandou. It is selling its stake in the still-unrealised project to Chinalco, its Chinese partner.

Mr Albanese and Mr Davies declined to comment. Mr Walsh could not be reached for comment.

**The main players in African drama**

**Sam Walsh** The 66-year-old, who retired as chief executive this year, has bragged about turning around Rio Tinto so that it “got its mojo back”. His tenure coincided with a global slump in commodity prices amid slowing demand in China but he helped the company to recover from two disastrous deals.

Mr Walsh, a devout Christian, is said to be rarely seen without a lapel badge indicating his Order of Australia honour, and is an opera lover who also collects milk jugs.

**Tom Albanese** Left Rio in 2013 with his reputation badly damaged after six years as chief executive. Having led the charge during the “super cycle” that saw the industry increase production, he invested billions of dollars in developing new mines and assets. However a $4 billion deal to acquire Riversdale, a Mozambique-focused coal mining company, and a $38 billion takeover of Alcan, the Canadian aluminium producer, ended in failure with the company having to take billions in writedowns.

Mr Albanese, 59, nicknamed Tigger because of his energy, was the first victim of the commodities bubble bursting after the scale of losses were called unacceptable by Rio’s chairman. He pocketed more than £22 million in cash and share options during his stint.

**Alan Davies** Rio’s head of diamond and minerals products since 2012. He joined the company in 1997 and has held positions in Australia, London and America.

Mr Davies was president and financial officer for the international operations of the iron ore business, overseeing operations in Canada, India and Guinea.
The 46-year-old is a fellow of the Institute of Chartered Accountants in Australia and was appointed last year as a non-executive director at Rolls-Royce, where his responsibilities include examining corporate governance and ethics.

**Alpha Condé** In 2010, he became Guinea’s first democratically elected president since it gained independence from France in 1958. He took over from the junta that seized power after the death of president Lansana Conté in 2008.

Mr Condé, 78, won a second term in October 2015, but the vote was denounced as fraudulent by the main opposition leader. EU observers said it was valid, but it was not the first time Mr Condé was accused of election irregularities.

He is said to rarely listen to advice, and often acts alone in an authoritarian and impulsive manner. Mr Condé survived an assassination attempt in 2011 when armed men destroyed his residence in Conarkry.

**François Polge de Combret** A university friend of the Guinean president, Mr de Combret, 75, spent three years as an economic adviser to Valéry Giscard d’Estaing when he was French finance minister, before rising to deputy chief of staff during his time as president.

He was a senior banker at Lazard, where he worked for 20 years in New York and Paris as a managing partner until 2005. Mr de Combret was a senior adviser to UBS and also sat on the board of Renault and Bouygues Telecom.

He advised on a joint venture between Renault and Nissan and on the creation of Airbus and the merger of Sagem, the defence company, and Snecma, the state-owned aeronautics company.
Ex-Rio Tinto chiefs knew of $10m Guinea payment

Former Lazard banker named in 'bribe' claim

Marcos Lencz

Two former bosses of Rio Tinto have been drawn into the storm over a payment that led to the suspension of another senior executive.

The FTSE 100 miner reported itself to authorities in Britain, America and Australia after finding that $105 million had been paid to a consultant in 2011 relating to the vast Simandou project in Guinea. It said in a statement on Tuesday night that Alan Davis, the executive in charge of the project, had been suspended after an email exchange came to light revealing the payment.

In the email exchange, the contents of which have been reviewed by The Times, Mr Davis assures his bosses of the importance of the payment to ensure the development goes “smoothly.” The other parties on the emails are Tom Albanese, chief executive at the time, and Sam Walsh, then the iron ore boss and a future chief executive.

The recipient of the consultancy fees was François Poige de Comont, an ex-Lazard banker and aide to former French president Valéry Giscard d’Estaing. Mr de Comont was a university friend of Alpha Condé, Guinea’s president.

Mr Davies wrote: “I am extremely worried if we lose the direct connection to the president that I have cultivated with François. François has behaved with the utmost integrity and as I say, I have extreme confidence that he will continue to assist us to improve our relationship with the GoG (government of Guinea) and the president.”

Mr de Comont also acted as a go-between for dealing with Mr Condé when BSG Resources, an Israeli company, was trying to settle a dispute with the Guinean government over a separate part of the Simandou concession, according to witness statements by two BSG executives relating to that dispute.

Bony Scalamuzza, the Israeli diamond magnate behind BSG, said in a witness statement: “This year it was through Mr de Comont that BSG were trying to explore whether a settlement with President Condé would be possible.”

Rio Tinto caught up in African bribery scandal

How The Times reported the story in later editions of yesterday's paper

The miner behind BSG obtained the lucrative licence, dubbed by some in the industry as the “deal of the century,” after a bribery campaign. BSG denies wrongdoing and has begun arbitration proceedings against the Guinean government.

Mr Albanese declined to comment.

Mr Walsh could not be reached for comment. Mr de Comont was not available for comment.
Rio Tinto caught up in African bribery scandal

Miner suspends senior executive over $10m payment

Marcus Leroux

One of the world’s biggest mining companies, and a stalwart of the London stock market, was embroiled in an alleged bribery scandal last night over a multimillion-dollar payment to a consultant.

As news of the crisis broke, Rio Tinto suspended one of its most senior executives after uncovering a $10.5 million payment related to vast west African iron ore project.

The FTSE 100 miner said that Alan Davies, chief executive of its energy and minerals division, had been suspended with immediate effect. Rio said the payment had been made to a consultant “providing advisory services” on the already controversial Simandou project in Guinea.

In addition Debra Valentine, another executive, has stood down as Rio’s director of legal and regulatory affairs.

Rio said that it discovered emails from 2011 relating to “contractual payments” to the consultant. It said that it had notified the relevant authorities in Britain and the United States, where it has some securities listed, and that it was in the process of notifying the Australian authorities.

It said that it had “launched an investigation into the matter led by external counsel”. It added that it intended to co-operate fully with any other inquiries.

Mr Davies was the executive in charge of the Simandou project at the time of the emails. The company said that it found the emails in August. It was not clear last night why it waited until last night to notify the shareholders.

Mr Davies declined to comment last night. Rio said it could not comment beyond the announcement.

Simandou is the world’s largest untapped source of iron ore and economists believe that it has the potential to double the size of the Guinean economy.

However, it has a turbulent history. Rio discovered iron ore there in 1997, but was stripped of half of the concession in murky circumstances in 2008.

The Guinean government later found that BSG Resources, a mining company controlled by Beny Steinmetz, an Israeli diamond tycoon, had secured the half of the Simandou concession stripped from Rio after paying millions of dollars in bribes. Both BSG and Mr Steinmetz have denied wrongdoing.
The discovery of the emails may be of interest to American investigators who are investigating corruption allegations against BSG.

The shock announcement Mr Davies’s suspension comes only ten days after Rio announced a deal to sell its remaining half of the Simandou concession to Chinalco, its Chinese partner, in a deal worth up to $1.3 billion.

Jean-Sebastien Jacques, Rio’s new chief executive, said in July that Rio was not willing to shoulder the $7 billion cost of building the mine while iron ore prices were low, preferring smaller projects with surer returns. Rio had already written off the value of Simandou from its balance sheet after spending $1.4 billion on progressing the project.

The Simandou project involves building a 400-mile railway to take the ore to port and is expected to cost $20 billion in total.
The World Bank’s private investment arm said it’s monitoring the situation after Rio Tinto Group announced a probe into a $10.5 million payment connected to the Simandou iron-ore project in Guinea, West Africa.

“The world’s second-biggest mining company is investigating a $10.5 million payment it made in connection with the Simandou project to a French banking consultant who was a university friend of President Alpha Conde of Guinea. On Thursday, it said it had fired two of its top executives in connection with the matter.

Guinea’s former mining minister said Nov. 9 that the head of Rio Tinto’s operation in the country had offered him a bribe in early 2010 in order to win back control of half of the undeveloped Simandou project, considered the world’s biggest untapped iron-ore deposit.

The IFC will continue to invest in Guinea, including in the bauxite mining sector where on Sept. 2 it announced a $200 million investment with Cie des Bauxites de Guinee.

“The IFC will also continue to support advisory programs that encourage the development of local businesses that supply goods and services to Simandou and other parts of the mining sector,” Jones said.
World Bank Arm Monitoring Rio Tinto’s Payments Probe in Guinea

The World Bank’s private investment arm said it’s monitoring the situation after Rio Tinto Group announced a probe into a $10.5 million payment connected to the Simandou iron-ore project in Guinea, West Africa.

The International Finance Corp. is supporting efforts to identify funding for the project, including through plans for Rio Tinto to hand over its stake to Aluminum Corp. of China, according to Frederick Jones, an IFC spokesman. The World Bank arm became aware on Nov. 8 that Rio Tinto had notified the relevant authorities following an internal investigation into e-mail correspondence from 2011 relating to contractual payments made to a consultant providing advisory services on Simandou.

“We are closely monitoring the situation and will work with Rio Tinto, the government of Guinea and community stakeholders to ensure our investments meet high standards for transparency, revenue management, governance and environmental and social risk management,” Jones said in an e-mail. “IFC has been a shareholder in Simandou since 2006, and we continue to see significant long-term potential for the project.”

The world’s second-biggest mining company is investigating a $10.5 million payment it made in connection with the Simandou project to a French banking consultant who was a university friend of President Alpha Conde of Guinea. On Thursday, it said it had fired two of its top executives in connection with the matter.

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Rio Tinto Offered Bribe for Mine, Ex-Guinea Minister Says

Jesse Riseborough and Franz Wild

A Rio Tinto Group executive asked how big a bribe it would take to beat out a competitor for a hotly contested iron ore deposit in Guinea, the country’s former mining minister said, adding a new accusation of graft just days after the world’s second-biggest miner fired two of its top executives over a payment made in connection with the West African project.

Mahmoud Thiam, the former mining minister, said that the head of Rio Tinto’s Guinea operation, Steven Din, offered him a bribe in early 2010 in order to win back control of half of the undeveloped Simandou project, considered the world’s biggest untapped iron ore deposit. Din was attempting to regain control of the blocks from billionaire investor Beny Steinmetz’s BSG Resources Ltd., Thiam said in a Nov. 9 phone interview.

Thiam claims Din said he had the backing of senior Rio Tinto executives to make the offer. Din denies ever paying or offering a bribe. Rio Tinto declined to comment.

Rio Tinto is investigating a $10.5 million payment the company made in connection with the Simandou project to a French banking consultant who was a university friend of President Alpha Conde of Guinea. The probe, conducted by an external law firm, was started after a website published e-mails showing a Rio Tinto executive named Alan Davies discussing the payment with then-Chief Executive Officer Tom Albanese. Rio Tinto has since confirmed the authenticity of the e-mails, which aren’t related to the offer Thiam says he received. Albanese declined to comment.

Rio Tinto shares were 2.6 percent lower at 29.44 pounds at 10:10 a.m. in London.

QuickTake: Corruption Is an Outrage, Though It Can Be Efficient

In a written statement on Nov. 9, the company said that after looking at the law firm’s review, it decided to report its findings to the U.S. Justice Department, Securities and Exchange Commission, the U.K.’s Serious Fraud Office and Australia’s Securities and Investments Commission.
“Rio offered to pay me off,” Thiam said after Bloomberg News inquired about Rio Tinto’s disclosure of the banking consultant’s payment. “There is no possibility of doubt. They assumed that BSGR had paid me. He said, ‘Whatever BSGR offered to pay you, you know we are bigger, we can do better.’” BSGR has denied that it paid any bribes.

‘Operationally Focused’

Din on Nov. 10 denied making the offer, saying that his meetings with Thiam around that time were to give the minister an update about a pending merger. Din also said he was “very much operationally focused” and spent much of his time working with engineers at the exploration site.

“I refute anything like that,” Din, who is now chief executive officer of a copper firm in Zambia, said by phone. “Rio Tinto has an ethical standard. Irrespective of operating in certain countries those ethical standards are always upheld.”

In February 2010, around the time that Thiam said the meeting took place, Din met with the U.S. ambassador to Guinea to discuss the country’s mining industry, according to a diplomatic cable published by WikiLeaks. According to the ambassador’s memo, Din said that Thiam had benefited personally from promoting BSGR and another company, citing as evidence Thiam’s purchase of a $3 million property in New York. Thiam, a former vice president at UBS Group AG in New York, said in an interview that he became wealthy as a banker and paid for his properties himself.

Feuding Rivals

Rio Tinto’s internal inquiry reignites one of Africa’s most high-profile corruption sagas, which for years focused on BSGR’s alleged bribery to win Simandou from Rio Tinto. The eight-year feud between the two companies has also pitted Rio Tinto against the No. 1 iron ore producer, Vale SA, which was a BSGR partner on the Simandou project. To this day Guinea, one of the world’s poorest countries, is left yearning for a mine that could have dramatically expanded the nation’s economy.

BSGR is still the subject of investigations in the U.S., France, Switzerland and Guinea over allegations that the company paid bribes to win control of the Simandou project. In a racketeering case last year, Rio Tinto accused BSGR of paying Thiam a $200 million bribe to secure its rights to Simandou. Thiam denied the allegation, saying it was “borderline comical.” BSGR has consistently denied any wrongdoing. A New York judge dismissed the case, saying that Rio Tinto had waited too long to sue and had failed to identify a pattern of racketeering activity by the defendants.
Steinmetz said in an interview in London on Nov. 10 that Rio’s disclosure of its probe “vindicated” him. He denied ever having paid bribes and said years of government investigations, litigation and accusations against him and his company were part of a plot, in part by Rio Tinto, to oust BSGR from Simandou.

‘Powerful Forces’

“We have been fighting very powerful forces,” Steinmetz said. “This is a very big fight. We all knew justice would prevail. We knew all along that we were right. Our assets were wrongfully taken away, based on lies.”

Din said he left his role in Simandou in early 2011, before the alleged payments were made. Rio’s Davies, who was fired along with a legal executive this week, didn’t respond to several messages left on his mobile phone. Previously he has said he wasn’t privy to Rio’s internal report and wasn’t given a reason for his dismissal. “Rio Tinto has made no effort to abide by due process or to respect my rights as an employee and it has given me no opportunity to answer any allegations,” he said in an e-mailed statement.

The Guinea government on Nov. 11 said it had “no knowledge” in 2011 of whether or not the French banking consultant was acting on behalf of Rio Tinto. It said it would assist all investigations “that may be necessary to assist the relevant authorities with their mission.”

The Simandou controversy began in 2008, when Guinea’s longtime dictator, Lansana Conte, stripped Rio Tinto of half the project and gave that portion to BSGR. Weeks later, Conte died. Thiam, who served under a military junta that replaced Conte’s administration, said the decision to strip Rio Tinto of half the rights was lawful, because the miner had failed to develop it a decade after first acquiring exploration rights.

Thiam says he was offered the bribe as Rio Tinto lobbied the government to restore its rights, arguing that they had been dispossessed illegally. By his account, shortly before the offer he had told Rio Tinto that he would ensure that the company kept the rights to blocks 3 and 4 if it would agree in writing to accept its loss of blocks 1 and 2. Rio Tinto refused, he said.

New Administration

After a new government was elected, Rio Tinto ended up paying the government $700 million to confirm its rights to blocks 3 and 4, and to get the new administration to skip a review of all mining contracts to remove uncertainty.
“So they paid $700 million for something I was offering them for free,” Thiam said. “I’ve never seen such value destruction in my life for a publicly traded company.”

Meanwhile, BSGR sold a 51 percent stake in its Simandou blocks to Vale for $2.5 billion. In 2014, however, the new government under Conde, the current president, revoked the rights from BSGR and Vale, saying it found evidence of corruption in the awarding of its licenses.

Rio Tinto exited the Simandou project last month, handing control to partner Aluminum Corp. of China, also known as Chinalco. It will receive only a fee for its stake of $1.1 billion to $1.3 billion if the mine is developed. Two weeks earlier the International Finance Corp., a small partner in the mine, exercised an option allowing it to exit and recoup costs.
Date: 17.11.16
Client: BSG
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Rio Tinto Fires Two Senior Executives Amid Payment Probe

Perry Williams  David Stringer & Jesse Riseborough

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Rio Tinto Fires Energy and Minerals Chief

Rio Tinto Group fired two of its top executives over a payment connected to a giant iron ore project in Guinea in West Africa.

The world’s second-biggest mining company terminated the contract of Alan Davies, chief executive of its energy and minerals unit, as well as the contract of Legal & Regulatory Affairs Group Executive Debra Valentine after an investigation, it said Thursday.

Davies was suspended on Nov. 9 over the $10.5 million payment to consultant Francois de Combret in 2011 for assisting negotiations with Guinea’s President Alpha Conde on the Simandou project. Davies said Thursday Rio had no grounds to fire him and that he will take legal action.

“The board concluded that the executives failed to maintain the standards expected of them under our global code of conduct,” the London-based company said in a statement. “The board’s decision does not pre-judge the course of any external inquiries into this matter.”

Davies said he had not been privy to Rio’s internal investigation report, nor had any evidence of the reasons for his termination.

“Rio Tinto has made no effort to abide by due process or to respect my rights as an employee and it has given me no opportunity to answer any allegations,” he said in an e-mailed statement.

Representatives for Lamprell Plc, a U.K.-listed engineering company where Valentine is a director, didn’t immediately reply to an e-mail outside business hours on Thursday requesting comment from Valentine. She stepped down from Rio last week, having previously informed the company she planned to retire in May.

“Rio is taking no prisoners on this one,” Investec Plc analysts wrote in a note on Thursday. “Previous management will be glad to be outside the blast radius.”

Rio last week said it had alerted authorities, including the U.S. Department of Justice and the U.K.’s Serious Fraud Office, to the payment made to de Combret in 2011. An e-mail exchange discussing the payment shows former CEOs Tom Albanese and Sam Walsh, who was then head of Rio’s iron ore unit, were aware of the payment. Walsh, Albanese and de Combret have declined to comment.

Separately, shareholder class action specialist Goldberg Law PC, based in Los Angeles, said it was investigating Rio Tinto for possible violations of federal securities law.

Rio rose 1.2 percent to 2,998 pence by 9:13 a.m. in London amid gains in other mining stocks.
Prized Asset

The $20 billion Simandou project, which Rio agreed to exit last month, was once one of the world’s most prized mineral assets. It has been at the center of a power struggle for almost a decade having attracted some of the biggest mining companies, Israeli billionaire Beny Steinmetz and powerful advisers including investor George Soros and former U.K. Prime Minister Tony Blair. It’s also spawned many legal challenges and a U.S. grand jury probe into potentially corrupt payments to Guinean officials.

“Many people across Rio Tinto are still shell-shocked,” Rio’s Chief Executive Officer Jean-Sebastien Jacques said in an internal memo seen this week by Bloomberg News. “The day I was made aware of a potential issue we launched an investigation. It wasn’t a decision we took lightly. We will fully cooperate with the authorities. Their investigations may take several years.”

The board made the decision on Davies and Valentine after reviewing the findings so far by the internal inquiry, the company said. In accordance with contract termination, neither executive will be eligible for any short-term incentive plan awards for 2016, it said. Rio will also cancel all unvested incentive plan awards from previous years.

Legal Action

“This treatment of me and my past and recent colleagues is totally at variance with the values and behaviors of the company to which I have devoted my professional life,” Davies said in the statement. “My rights are fully reserved, and I have been left with no option but to take the strongest possible legal action in response.”

Davies, who joined Rio in 1997, had been among internal challengers to become CEO ahead of the appointment of Jacques, who took the role in July. Bold Baatar, a Mongolian and former investment banker, will replace Davies on Rio’s executive committee as energy and minerals chief executive, the company said. Davies was accountable for Simandou at the time of the payments.

Chief Financial Officer Chris Lynch has temporarily assumed accountability for corporate, legal and regulatory affairs. The recruitment process for a new chief legal counsel has started, the firm said.
Ghost From the Past Still Haunts Rio Tinto

(Bloomberg Gadfly) -- Rio Tinto Group has fired two executives over a $10.5 million payment relating to a vast iron-ore mine in Africa. The cost to a reputation that took two decades to build could be a lot higher.

The company terminated its energy and minerals chief executive officer, Alan Davies, and Legal & Regulatory Affairs Group Executive Debra Valentine on Thursday over that sum connected with Simandou, the project in Guinea that's being sold after 19 years in development. The payment to Francois de Combret, a consultant who helped in negotiations to win back parts of the project that were assigned to rivals, had been discussed in leaked emails with former CEOs Sam Walsh and Tom Albanese. (Davies said Rio had no grounds to fire him and that he will take legal action.)

There's a grim irony that Rio Tinto, of all companies, should be in this situation. Under former Executive Chairman Robert Wilson, it put itself at the forefront of efforts to pull the mining industry out of the shadow of corruption, environmental degradation and abuse of indigenous rights that had surrounded it in the mid-1990s.

"If we were to give in to these sort of temptations we would likely damage our business in the long run," Wilson told an anti-corruption conference in 1999. "Once the door had been opened to corruption it would be difficult to resist further demands."

Wilson's intent was admirable, but it will take more than speeches and social-responsibility reports to put such behavior firmly in the past. Mining companies ultimately go where the mineral reserves are, and in many cases that will take them to countries with a less-than-savory reputation.

Share of world bauxite reserves in Guinea 26%

Take bauxite. The aluminum ore is a core part of Rio Tinto's development plans under the current chief executive officer, Jean-Sebastian Jacques, with a $1.9 billion project green-lighted in northeastern Australia last year. If it wanted to go to the place with the richest endowment of bauxite globally, however, the company would find itself in Guinea, which has about 26 percent of the world's reserves and is home to the Sangaredi mine, in which Rio Tinto has a 23 percent stake.

It's a similar pattern the world over. While a substantial share of mineral reserves can be found in countries like the U.S., Canada, Australia and Chile, which tend to rate highly on governance measures such as Transparency International's Corruption Perceptions Index, an equally significant
slice lies in countries such as South Africa, Russia, Indonesia and smaller developing nations with decidedly dicier reputations.

That's no excuse for companies that give in to temptation. Quite the opposite: If there's one thing the mining industry ought to have learned to get right over the past few decades, it's how to do business in troublesome places without becoming part of the problem.

The first step is knowing when to walk away. The mining industry has become increasingly focused on developing the geologically best "tier one" assets globally, but that ambition puts it in a bind, because sometimes the best assets are in the worst places.

When you've already spent close to $3 billion on a project, the temptation for an executive to put down a few million more to keep things moving must be substantial -- but it must be resisted. Corruption is a business like any other, and it will flourish as long as companies are willing to pay for its services.

This column does not necessarily reflect the opinion of Bloomberg LP and its owners.
Rio CEO Says Staff ‘Shocked’ by Probe That May Take Years

Jesse Riseborough

The Troll A offshore gas platform, operated by Statoil ASA, stands in the North Sea near Bergen, Norway, on Thursday, Oct. 11, 2012. Statoil is holding talks with OAO Gazprom on how to make the Shtokman natural gas project in the Russian Arctic economically viable after the partners delayed the development over costs. Photographer: Chris Ratcliffe/Bloomberg

Rio Tinto Group Chief Executive Officer Jean Sebastien Jacques said an investigation into the lawfulness of a payment the firm made to an external consultant relating to a giant iron ore project in Guinea has “shell-shocked” the company and may take several years to resolve.

The world’s second-biggest miner last week alerted authorities, including the U.S. Department of Justice and the U.K.’s Serious Fraud Office, to a $10.5 million payment made to Francois de Combret in 2011 for assisting negotiations with Guinea’s President Alpha Conde. An e-mail exchange discussing the payment shows former CEOs Tom Albanese and Sam Walsh, who was then head of Rio’s iron ore unit, were aware of the payment.

“Many people across Rio Tinto are still shell-shocked,” Jacques said in an internal memo seen by Bloomberg News. “The day I was made aware of a potential issue we launched an investigation. It wasn’t a decision we took lightly. We will fully cooperate with the authorities. Their investigations may take several years.”

The $20 billion Simandou project was once one of the world’s most prized mineral assets. It has been at the center of a power struggle for almost a decade having attracted some of the biggest mining companies, Israeli billionaire Beny Steinmetz and powerful advisers including investor George Soros and former U.K. Prime Minister Tony Blair. It’s also spawned many legal challenges and a U.S. grand jury probe into potentially corrupt payments to Guinean officials.

A team of external lawyers undertook a “significant data collection and review exercise,” which led to the decision to alert authorities, Jacques said in the memo. Rio is restricted on what information it can release because the investigation is ongoing, said Jacques, who became CEO in July.

“Some of us may be feeling that we are better informed by the press than by ourselves,” he said. “Speculation is running in some quarters and some of what is being said strikes at the heart of the culture and values of our company, which for me are fundamentally strong and vitally important.”

Rio suspended key executive Alan Davies and said Debra Valentine, head of legal and regulatory affairs, stepped down in relation to the company’s inquiry over the payment. Davies, head of Rio’s energy and minerals unit, was accountable for Simandou at the time of the payments in 2011, the
company said last week. He had been among internal challengers to become CEO ahead of the appointment of Jacques.

Rio announced at the end of October that it was exiting the Simandou project and handing over its stake to partner Aluminum Corp. of China, known as Chinalco. That was before Rio said it informed authorities over the payments to the consultant.

Development of Simandou and its estimated 2 billion metric tons of iron ore has been thwarted by numerous problems, including a slump in prices, corruption probes and the West African Ebola outbreak in 2014. There have also been difficulties in finding partners to fund the rail and port infrastructure component of the project expected to cost more than $10 billion.
Billionaire Says Rio Probe Proves Elaborate Plot to Strip Prized Guinea Mine Rights

Billionaire Beny Steinmetz says the suspension of a senior Rio Tinto Group executive this week over a payment in Guinea is evidence of an elaborate plot that culminated in Steinmetz’s mining company being stripped of its rights to a $20 billion iron-ore project two years ago.

Steinmetz’s BSG Resources Ltd. and Rio, the world’s second-biggest mining company, have been engaged in a bitter dispute over rights to one of the world’s most prized mineral assets for about a decade. BSGR, which has rejected allegations of bribery, had its rights to half of the iron-rich mountain in West Africa revoked after the government said it had found evidence of corruption in awarding the licenses.

This week, Rio’s Alan Davies, who headed the London-based company’s energy and minerals unit that was responsible for Simandou, was suspended pending an investigation into the lawfulness of $10.5 million in payments to consultant Francois de Combret in 2011. Former Rio executives Tom Albanese and Sam Walsh discussed whether to make the payments, according to e-mails seen by Bloomberg News.

“We have been fighting very powerful forces,” the 60-year-old Steinmetz, who amassed his fortune in the diamond trade, said in an interview in London on Thursday. “We all knew justice would prevail. I feel vindicated. We knew all along that we were right. Our asset was taken away based on lies.”

Rio said on Nov. 9 it will cooperate with any subsequent inquiries from authorities. It said it alerted the U.S. Department of Justice, the U.S. Securities and Exchange Commission, the Serious Fraud Office in the U.K. and Australian Securities and Investments Commission to the payment after starting an internal inquiry in late August.

A spokesman for Rio declined to comment, as did former CEO Albanese. Guinea’s Mines Minister Abdoulaye Magassouba said the government is not commenting on the issue at the moment. Rio’s Davies and former CEO Walsh couldn’t be reached for comment. De Combret, who prior to his consulting work had been a managing director at Lazard Ltd. in Paris, declined to comment.

Rio advanced 2.6 percent to A$59.62 by 12:50 p.m. in Sydney, as competitor BHP Billiton Ltd. rose 2.1 percent.

The Simandou project has a storied past. BSGR gained a foothold in 2008 when Guinea stripped Rio of half the project, and two years later sold 51 percent of its rights to Brazil’s Vale SA for $2.5 billion.
In stripping BSGR of its rights in 2014, President Alpha Conde’s government said it found evidence of corruption in the awarding of licenses. BSGR’s acquisition of those rights has also been the subject of a U.S. grand jury probe into possible violations of the Foreign Corrupt Practices Act and criminal money-laundering in connection with Simandou.

Claim Dismissed

Steinmetz and BSGR won dismissal of a racketeering suit in November last year in which Rio alleged they had conspired with Vale to steal the rights to Simandou.

“It’s a big conspiracy against us, huge,” Steinmetz said. “They tried to paint themselves as nice and clean but they never wanted to develop one ton of iron ore. We are the good guys.”

Guinea has been counting on the project to double the size of its $6.5 billion economy and turn it into the third-biggest exporter of the material. Delays to development created tension between Rio and the government, with Guinea earlier this year blaming the “ramblings of the technical team in London.”

Rio quit the project last month, handing control to partner Aluminum Corp. of China, or Chinalco. It will only receive a fee for its stake of $1.1 billion to $1.3 billion should the mine be developed. Two weeks earlier, the International Finance Corp., a small partner in the mine, exercised an option allowing it to exit and recoup costs.

“The people of Guinea are the biggest losers,” Steinmetz said. “BSGR lost a lot of money, which it deserved to make, because BSGR invested a lot and took on a huge risk. This project has gone with the wind.”
DAILY BRIEFING: Sacked Rio Tinto exec Alan Davies quits as a non-executive director of Rolls-Royce

By CITY & FINANCE REPORTER FOR THE DAILY MAIL

Stepping down: Alan Davies poses with a rare pink diamond

DIRECTOR QUITS  Sacked Rio Tinto executive Alan Davies has quit as a non-executive director of Rolls-Royce.

It is understood he decided to step down to prevent any damage to his professional reputation from affecting the engineering giant.

Rio sacked him alongside its legal group executive Debra Valentine on Wednesday while it investigates claims of an £8.4million payment to a consultant advising on an iron ore project in Guinea. Rio said the pair had breached its code of conduct.
Sacked Rio Tinto executive Alan Davis steps down from board of Rolls-Royce with no explanation

Rio Tinto sacked two executives on 16 November (Source: Getty)

A former Rio Tinto executive who was sacked by the mining giant on Wednesday has stepped down from the board of Rolls-Royce with immediate effect.

Alan Davies, who joined the Rolls-Royce board in 2015, was a non-executive director and member of the British manufacturing group's nominations and governance committee, the audit committee and the safety and ethic committee.

"I am hugely grateful to Alan for the contribution he has made to the board. His expertise and perspectives will be greatly missed," said Rolls-Royce chairman, Ian Davis.

No reason was given for Davies' departure.

Read more: Rio Tinto unveils $3bn debt reduction plan

On Wednesday, Rio Tinto announced it had terminated the contracts of Davies, who was formerly the chief executive of its energy and minerals division, and legal and regulatory affairs group executive Debra Valentine.

The company said the executives had "failed to maintain the standards expected of them" under Rio Tinto's global code of conduct, after it opened an investigation into a $10.5m (£8.4m) payment to a consultant advising on the group's huge Simandou iron ore project in Guinea.

Read more: Rio Tinto share price falls as first half profits nearly halve

Rio Tinto said it became "aware of email correspondence from 2011" relating to the matter. Davies "had accountability" for the project in 2011.

The Simandou mine in Guinea is one of the world's largest untapped iron ore deposits (Source: Rio Tinto)

Today, a Guinean former mining minister, Mahmoud Thiam, said the head of Rio Tinto's Guinea operation, Steven Din, offered him a bribe in 2010 to win back control of half the undeveloped Simandou project, Bloomberg reported.

Rio Tinto declined to comment on the claim.
Rio executive linked to bribery scandal quits job at Rolls-Royce

The Rio Tinto executive sacked by the mining group over a bribery scandal has quit his board role at Rolls-Royce.

The engineering group used a regulatory statement on Friday lunchtime to announce Alan Davies had resigned from his non-executive directorship with immediate effect.

Earlier this month Mr Davies was suspended from Rio and another executive stepped down after the mining giant said it contacted the authorities about an investigation into $10.5m of payments made to a consultant involved in a mining project Guinea.

On Wednesday, Rio terminated the pair’s contracts, saying their behaviour had “failed to maintain the standards expected of them under our global code of conduct”.

It understood that Mr Davies decided he had to leave FTSE 100 engineering group given what a source close to him described as the “damage to his professional reputation, which he did not want to have an impact on Rolls-Royce”. The source emphasised it was Mr Davies’ decision to resign and he was not pushed out.

The resignation comes as the Serious Fraud Office continues to investigate allegations of corruption at Rolls, with claims the blue-chip company spent years hiring middlemen to pay bribes to win contracts.

Announcing the departure, Rolls chairman Ian Davis said: “I am hugely grateful to Alan for the contribution he has made to the board. His expertise and perspectives will be greatly missed. He has been a highly valued colleague and board member.”

Mr Davies served just over a year as a non-exec, and sat on committees including Rolls’s safety and ethics group. When he was appointed the company highlighted his “deep knowledge of key emerging markets” as one of the reasons for taking him on.

He was sacked by Rio over concerns the company had about payments to a consultant who assisted in negotiations with Rio’s $20bn Simandou iron ore mine in Guinea. It misunderstood that the consultant dealt with the West African country’s government about the mine, which was expected to double the size of the nation’s economy.
However, Rio pulled out of the project, saying iron ore prices were too low for it to be viable, and last month sold its 46.6pc stake in the mine to Hong Kong-listed Chinalco, in a deal worth up to $1.3bn.

Mr Davies has hit back at his sacking, saying he will pursue legal action against Rio, adding: “I have not been privy to Rio Tinto’s internal investigation report, nor have I had any evidence of the reasons for my termination of my employment given.

“There are no grounds for the termination of my employment. Rio Tinto has made no effort to abide by due process or to respect my rights as an employee and it has given me no opportunity to answer any allegations."

Ian Davis' position as chairman has also been called into question by some City sources, fearing that Mr Davies' links to bribery allegations could taint Rolls's reputation, especially with him sitting on the ethics committee.

The departure is the third blow for Rolls this week. The company's shares tumbled after an investor day revealed a new accounting method will see profits fall, and news on Friday of problems with a huge and high profile order sent Rolls shares plunging again.

Emirates boss Sir Tim Clark said there were "technical issues" with the engines Rolls is supplying for the Gulf airline's A380 superjumbos.

“We have a new engine coming on and there are some issues with that at the moment,” Sir Tim said at a media event. “We want the engines as promised in the contract.”

The £6.1bn order for Trent 900 engines to power 50 of the "superjumbo" jets was revealed to great fanfare in April, being touted at the time as one of the UK's biggest ever export orders. It was also seen as a key win for Rolls, as rival GE had previously supplied engines for Emirates' fleet of A3980s.

A condition of the sale was for Rolls to deliver unspecified “quality improvements”, and it appears these are the source of the concerns.

Sir Tim said his airline will “hopefully” take delivery of the first Rolls-powered A380 next month, adding talks are taking place with the Derby-based engineering group about the issues and whether compensation could be paid.
Jim Armitage: It’s time for this mining giant to take an ethical stand

Rio Tinto is one of the world’s biggest mining companies Reuters

Once could be an accident; twice feels like a habit.

For the second time almost within a week, Rio Tinto has slipped out embarrassing disclosures about its potential bribery scandal at times the media, regulators and policymakers were looking elsewhere.

First, it chose the morning of Donald Trump’s election victory to reveal it had suspended a senior executive and alerted law enforcement about dodgy-looking payments.

Last night — long after newsroom deadlines in London — it slipped out the announcement that the honcho in question — Alan Davies — had been sacked.

Rio will argue that the timings were mere coincidence; in a fast-developing crisis, events happen at inconvenient hours.

But as the FT reports today, this is a scandal that first came to light more than a year ago. The company’s lawyers and rivals seem to have known, so it beggars belief that management didn’t.

The mishandling of this scandal isn’t just in the dark arts of “news management”. It’s also about the message “wriggling Rio” is sending to staff and partners.

Rio is the highest-profile blue-chip miner operating in some of the most corruption-prone parts of the planet.

As such, it has a duty to be seen as the gold standard of good conduct.

Yet nowhere in this affair has there been a clear statement from chief executive Jean-Sébastien Jacques deploring corruption and declaring he’ll root it out wherever he finds it.

Instead, last night, he just gave a bland endorsement of Davies’ replacement.

Sure, the lawyers will have crawled over every point and comma and urged the company not to be brave. But, especially given that they also fired their head of legal affairs last night, Rio should realise lawyers are there to advise, not dictate.

So, come on, J-S: take a stand.
Rio Tinto sacks senior executives over $10.5m payments linked to Guinea mine

The mining company fires Alan Davies and Debra Valentine amid investigation into money paid for ‘advisory services’

Agence France-Presse

Rio Tinto has fired two senior executives after an internal investigation into US$10.5m (£8.5m) in payments linked to the world’s biggest untapped iron ore deposit in Guinea.

The Anglo-Australian firm last week said it had launched an investigation and notified American, British and Australian regulatory authorities.

It did so after becoming aware in August of email correspondence from 2011 relating to the payments “made to a consultant providing advisory services” for the massive Simandou iron ore project.

The tycoon, the dictator’s wife and the $2.5bn Guinea mining deal


But last month it announced the sale of its 46.6% holding to Chinalco, which previously held a 41.3% stake.

One of the executives, energy and minerals head Alan Davies, who was accountable for Simandou in 2011, was suspended last week while legal affairs chief Debra Valentine stepped down.

“The board’s decision does not pre-judge the course of any external enquiries into this matter,” Rio said in a statement announcing the pair’s contracts had been “terminated”.

“However, the board concluded that the executives failed to maintain the standards expected of them under our global code of conduct.”

It gave no further details.

Davies said his sacking was a “great surprise”.

“There are no grounds for the termination of my employment... My rights are fully reserved, and I have been left with no option but to take the strongest possible legal action in response,” he said, according to The Australian Financial Review.

Shares in Rio were trading 0.88% higher at A$57.44 in Sydney on Thursday.
“I think the announcement has given investors the view that the company has dealt quickly and decisively with what could have been a serious issue,” CMC Markets strategist Michael McCarthy told AFP.

“The bearish aspect to this news was the potential that it might reveal a culture that’s built around this or it might imperil a number of other operations. The moves this morning have given investors confidence that this was a one-off.”
Sacked Rio Tinto exec hits back over Guinea bribery scandal

Simandou in Guinea is believed to be one of the biggest undeveloped high-grade iron ore deposits in the world

Alan Tovey Jon Yeomans

17 NOVEMBER 2016 • 7:26AM

One of the Rio Tinto executives linked to a bribery scandal in Guinea has hit out at his sacking by the mining group last night.

The FTSE 100 giant announced yesterday it had terminated the contracts of Alan Davies, chief executive of the mining giant’s energy and minerals unit, along with Debra Valentine, legal and regulatory affairs group executive.

Earlier this month Mr Davies was suspended and Ms Davies stepped down from her role after Rio contacted authorities about an investigation it was running into $10.5m of payments made to a consultant relating to the Simandou iron ore project in the West African country.

The company said it discovered the existence of the payments three months ago from email correspondence. The money was allegedly paid to a consultant for his help assisting in negotiations about Simandou with Guinea’s president.

Announcing the sackings, Rio said: “The board’s decision does not pre-judge the course of any external inquiries into this matter. However, the board concluded that the executives failed to maintain the standards expected of them under our global code of conduct.”

Alan Davies took charge of Rio’s energy and mineral group in July

Mr Davies, who joined the company in 1997, responded to his dismissal with “great surprise and disappointment” and vowed to take the "strongest possible legal action" to defend himself.

“I have not been privy to Rio Tinto’s internal investigation report, nor have I had any evidence of the reasons for my termination of my employment given,” he said last night.

“There are no grounds for the termination of my employment.

“Rio Tinto has made no effort to abide by due process or to respect my rights as an employee and it has given me no opportunity to answer any allegations.

“This treatment of me and my past and recent colleagues is totally at variance with the values and behaviours of the company to which I have devoted my professional life.”

Mr Davies, who is also a non-executive director at Rolls-Royce, only took charge of Rio’s energy and mineral group in July. His appointment was part of a shake-up by new chief executive Jean-Sebastian Jacques.
One of Mr Jacques’ first moves at the helm of Rio was to abandon developing the $20bn Simandou project, saying low iron ore prices made the mine unviable.

The decision angered the Guinea government, which was expecting the mine to double the size of the country’s economy.

Rio, which bought the concession to Simandou 15 years ago, last month sold its 46.6pc stake in the mine to Hong Kong-listed Chinalco, in a deal worth up to $1.3bn.

Mr Davies will be replaced by Bold Baatar, currently Rio’s managing director of marine and vice-president of iron ore sales and marketing. Chief financial officer Chris Lynch has assumed accountability for the corporate legal & regulatory affairs while the company recruits a new chief legal counsel.
Vedanta boss stays mum on Rio Tinto bribery scandal as profits jump

Tom Albanese, boss of Vedanta Resources, has insisted his mind is on his day job after being named in correspondence relating to a bribery scandal at his former company Rio Tinto this week.

Mr Albanese, chief executive of Rio between 2007 and 2013, was named in emails concerning the payment of $10.5m (£8.4m) to a contractor in Guinea in 2011.

The payment was for services related to the giant Simandou iron ore project, which Rio has since abandoned.

But, unveiling Vedanta’s half-year results, Mr Albanese refused to comment on the case, saying he was “continuing to focus on the job in hand”.

The scandal around the payments in Guinea has rocked FTSE 100 giant Rio, which scrapped plans to build the $20bn Simandou mine earlier this year after deciding it was economically unviable.

Mr Albanese’s name emerged in leaked email correspondence between him, Alan Davies, a Rio Tinto executive who was suspended earlier this week, and Sam Walsh, then head of Rio’s iron ore unit, who went on to become Mr Albanese’s successor as chief executive.

The executives apparently discussed a multi million-dollar payment to financier Francois de Combret, for his “very unique and unreplicable services and closeness to the president [of Guinea]”, in helping the company re-secure its rights to the mine from the Guinean government.

None of the players in the case have commented. Mr Walsh retired from Rio and moved back to his native Australia in July.

Mr Albanese was speaking as FTSE 250-listed Vedanta reported a 75pc jump in pre-tax profits to $426.5m for the six months to September 30.

He blamed sluggish commodity prices in the first half of the year for a 15pc fall in revenue to $4.87bn. The company will pay an interim dividend of 20 cents a share.

The results sent Vedanta shares soaring 14pc to £8.91 by lunchtime on Thursday.

Mr Albanese joined the India-based conglomerate in 2014 after carrying the can at Rio for a number of acquisitions that resulted in huge write-downs.

He said he was committed to his strategy of keeping costs down and extracting the best from Vedanta’s “uniquely strong assets”.
Vedanta, founded by Indian billionaire Anil Agarwal, specialises in zinc but also produces copper, iron ore, oil and gas. It recently approved the merger of two of its subsidiaries, Cairn India and Vedanta Limited, in a bid to simplify its structure.

Earlier this year, Vedanta was linked to a possible merger with Anglo American, but Mr Albanese dismissed talk of M&A activity. “My main focus is on the assets we have,” he said, adding he saw potential “good organic growth”.

In April Mr Albanese became the first major mining chief to declare that commodity prices had turned a corner after a dire 2015.

“I said that we’d probably seen the worst in commodity prices - that seems to have played out,” he said. “We’re now seeing a post-Trump rally in prices, based on the expectation that President Trump will be good for infrastructure, which is very much needed in the US. It remains to be seen whether that will last or not.”
Rio Tinto suspends executive over $10m payments in Guinea deal

By Ann Veneman

Rio Tinto's project in Guinea has been plunged into turmoil after discovering 'significant' flaws in its business practices in the country. The mining giant has suspended a senior executive over allegations of corruption and inappropriate payments.

Rio Tinto, the world's second-largest mining company, has been accused of making payments to Guinea officials that could amount to as much as $10m. The company has not confirmed the exact amount of the payments, but has admitted to an internal investigation.

The allegations have sparked outrage in Guinea, where Rio Tinto has been operating since 2008. The government has demanded that the company provide a full explanation of the payments, and has threatened to revoke its license to operate in the country.

In a statement, Rio Tinto said it had initiated an internal investigation into the allegations and had suspended a senior executive. The company has not disclosed the identity of the executive or the nature of the allegations.

The allegations come just weeks after Rio Tinto announced a $30bn deal to acquire the assets of the Brazilian mining company Vale SA. The deal, which was expected to be completed in 2017, has been under scrutiny by anti-corruption authorities in several countries, including Brazil.

Rio Tinto has denied any wrongdoing, saying that it is cooperating fully with the authorities. The company has also pledged to strengthen its anti-corruption measures and to tighten its control over its business practices.

The allegations have raised questions about the role of mining companies in developing countries and the extent to which they may be influenced by political and economic pressures.

In a statement, the Guinean government said it was 'deeply concerned' by the allegations and had ordered an investigation into the matter. The government has also called for a full audit of Rio Tinto's activities in the country.

Rio Tinto has denied any wrongdoing, saying that it is cooperating fully with the authorities. The company has also pledged to strengthen its anti-corruption measures and to tighten its control over its business practices.
£3.4m boss suspended in miner probe over bribes

MINING giant Rio Tinto has been engulfed in a £3.4m bribery scandal leading to the suspension of an executive.

Its energy and minerals chief Alan Davies, who was paid £3.4m last year, has been suspended after emails surfaced allegedly relating to bribery in 2011.

These referred to £3.4m of ‘contractual payments’ made to a consultant advising on its Simandou mine project in the West African country of Guinea.

High-profile boss Davies, 45, who has appeared on US business television network CNBC and regularly speaks at public events, is also a non-executive director at Rolls-Royce.

He was a rising star at the miner, often pictured with presidents and World Bank chiefs, and had spoken out about the importance of transparency.

The Australian, responsible for the Simandou project at the time of the emails, was one of three people tipped in the race to replace Sam Walsh as chief executive earlier this year.

London-listed Rio Tinto has launched an investigation and informed US and UK lawmakers. It is not known what the payments were for. As a result of the allegations, another executive, legal and regulatory affairs chief Debra Valentine, has stepped down from her role after initially planning to retire in May.

The decision to suspend Davies comes days after Rio agreed to sell its stake in the Simandou iron ore project for up to £1bn to a Chinese rival.

Rio Tinto yesterday would not confirm whether the emails had surfaced due to a whistleblower or comment further on the allegations. But it is not the first time it has been embroiled in a public bribery probe.

In 2010, four executives admitted to a Chinese court that they had taken bribes, and faced charges of commercial espionage. They were convicted of accepting more than £10m of kickbacks from Chinese steel firms and illegally obtaining trade secrets.

One, Australian Stern Hu, was jailed for ten years.

Rio Tinto said yesterday that it intended to co-operate fully with inquiries. Shares closed up 8.4p, or 106.90p, at 2065.3p.

by Sabah Meddings
Date: 09.11.2016
Client: BSGR
Publication: The Telegraph

Rio Tinto suspends senior exec over Guinea mine bribery claims

Jon Yeomans

Global mining giant Rio Tinto has been plunged into a bribery scandal after discovering multimillion-dollar payments to a contractor relating to a project in Guinea, West Africa.

The FTSE 100 company has suspended Alan Davies, the executive in charge of its energy and minerals division, with immediate effect, as it investigates payments of $10.5m made to a consultant in relation to its giant Simandou iron ore project.

Mr Davies allegedly had accountability for Simandou in 2011, when the transactions were apparently made.

Rio said it became aware of email correspondence relating to the payments in August this year. Yesterday it notified the authorities in the UK and the US and “is in the process of contacting the Australian authorities”.

Debra Valentine, the executive in charge of Rio’s legal and regulatory affairs, has also stepped down from her role. She had previously notified the company of her intention to retire in May next year.

“Rio Tinto intends to co-operate fully with any subsequent inquiries from all of the relevant authorities,” the company said. “Further comment at this time is therefore not appropriate.”

Mr Davies, who is also a non-executive director at Rolls-Royce, only took charge of Rio’s energy and mineral group in July, in a broader restructuring implemented by new chief executive Jean-Sebastian Jacques when he took on the top job.

One of Mr Jacques’ first major decisions was to cancel development of the long-gestating $20bn Simandou project after deciding that low iron ore prices made the mine unviable. The decision outraged the Guinea government, which had been banking on Simandou to provide a much-needed boost; the mine had been tipped to double the size of the country’s economy.

Last month Rio sold its 46.6pc stake in Simandou to Chinalco, a mining company listed in Hong Kong, for up to $1.3bn.

Simandou has long been dogged with controversy. It is believed to be one of the biggest undeveloped high-grade iron ore deposits in the world, but its inland location makes building the infrastructure to tap it hugely expensive. Iron ore is the key ingredient in steel.

Rio bought the concession 15 years ago, but lost the rights to half the lode in 2008, when the Guinea government transferred them to BSG Resources, owned by Israeli billionaire Beny Steinmetz.

The deal raised eyebrows not just for the relatively small amount that BSGR had invested in Simandou, but for the fact that company was a specialist in diamond, rather than iron ore, mining. BSGR subsequently sold half its stake to Brazilian giant Vale for an initial $500m, but both companies
were ejected from Simandou after a two-year inquiry in Guinea found that BSGR had used bribery to gain the rights to the mine.

In 2014, Rio sued BSGR and Vale in the US, alleging they had conspired to misappropriate Rio’s half of the deposit in 2008. The case - which included claims that BSGR had given Guinea’s minister of mines a diamond-encrusted Ferrari - was dismissed last year after the judge ruled it had fallen foul of the statute of limitations. Both BSG and Vale denied any wrongdoing.

Analysts at Investec said the announcement it was a “surprise” given that Mr Davies had been touted as a potential CEO prior to Mr Jacques’ appointment. “While we do not expect this to have any impact on operations, it does cast a negative cloud over a company that considers itself above any such indiscretions. That said the company appears to be addressing this firmly.”

Rio Tinto’s shares were up 5.5pc amid a general rally in the mining sector following Donald Trump’s US election victory.
Rio Tinto suspends executive over $11m in Africa payments

All change: Rio Tinto has suspended its head of energy after discovering $10.5 million payments made to a consultant on a project in Africa. Reuters

Rio Tinto on Wednesday admitted it has suspended its head of energy and informed US and UK corporate authorities after discovering $10.5 million payments made to a consultant on a $20 billion project in Africa.

The FTSE 100 mining giant said that on August 29 it “became aware” of emails from 2011 relating to payments worth $10.5 million to a consultant for advice on its Simandou iron ore project in Guinea.

Over two months later, and on the day of the news-dominating election of Donald Trump as US president, Rio made its discovery public and said it was informing the authorities.

The Australia-focused miner said it had suspended Alan Davies, a 19-year veteran at Rio who was in charge of the Simandou project in 2011, over the payments.

Davies, who was this year promoted to head of energy and is also a board member of Rolls-Royce, was paid more than £2 million last year.

Rio Tinto’s new boss says HQ to stay in London

Rio also said its legal boss Debra Valentine, who was last year paid $2.9 million and had planned to retire next May, has stepped down early from her role.

The miner said it had “launched an investigation into the matter led by external counsel”, and that as a result it “today notified the relevant authorities in the UK and US and is in the process of contacting the Australian authorities.

“Rio Tinto intends to co-operate fully with any subsequent inquiries from all of the relevant authorities,” the miner added.

Rio long pursued plans to develop Simandou, which it called “one of the world’s largest untapped high-grade iron ore resources”.

It even sued rival Vale over claims it had misappropriated its rights over half the deposits there. The case was dismissed.

But last week Rio agreed to sell its stake in the $20 billion project to China’s Chinalco for up to $1.3 billion after the collapse in the iron ore price rendered the work uneconomic.
Miner Rio Tinto is embroiled in a row after it sacked exec Alan Davies

One of Rio Tinto’s most senior executives today warned he will “take the strongest possible legal action” against the FTSE 100 miner after it sacked him over an alleged $10.5 million (£8.4 million) African bribery scandal.

Rio suspended Alan Davies, chief executive of energy and minerals, last week on the day of Donald Trump’s election as US president, two months after becoming “aware” of 2011 emails relating to multi-million-dollar payments to a consultant for advice on its Simandou iron ore project in Guinea.

Last night, the miner announced it had sacked Davies (pictured) and Debra Valentine, director of legal and regulatory affairs, who had stood down before her planned retirement, claiming its internal investigation showed the pair had failed to “maintain the standards expected of them”.

She could not be reached for comment.

The move came after chief executive Jean-Sébastien Jacques admitted in an internal memo that “people across Rio Tinto are still shell-shocked” and said the firm will “fully co-operate with the authorities, [whose] investigations may take several years”.

Those authorities are the UK’s Serious Fraud Office and the US Department of Justice.

But Davies, a respected executive with almost two decades of experience at Rio, hit back, saying that the firm had “no grounds” to fire him, and that he had not been privy to Rio’s internal investigation report, nor seen any evidence of the reasons for his termination.

He added: “Rio Tinto has made no effort to abide by due process or to respect my rights as an employee and it has given me no opportunity to answer any allegations.

“This treatment… is totally at variance with the values and behaviours of the company to which I have devoted my professional life. I have been left with no option but to take the strongest possible legal action.”
Davies, who is also a non-executive director at Rolls-Royce and was paid more than £2 million by Rio last year, only took the helm of its energy and mineral group in July, when he was promoted by Jacques.

Davies had at one time been seen as one of the internal contenders to become chief executive.

An email exchange discussing the payment shows Rio’s former chief executive Tom Albanese plus Sam Walsh, then head of iron ore, knew about the payment, according to Bloomberg. Both declined to comment.

Rio, the world’s second-largest miner, had long pursued plans to develop Simandou, which it named “one of the world’s largest untapped high-grade iron ore resources”, but Jacques last month decided to sell its stake in the $20 billion project to China’s Chinalco for up to $1.3 billion, due to the collapse in the iron ore price.

A spokesman for Davies told the Standard he was being advised by employment law specialists.
Rio Tinto suspends executive as it investigates Guinea payments

Rio Tinto has notified US and UK authorities after uncovering $10.5m worth of payments made to a consultant. Photograph: Yun Yue/EPA

Mining group Rio Tinto has suspended a senior executive and alerted US and UK authorities after uncovering $10.5m (£8.4m) of payments to a consultant who worked on its Simandou iron ore project in west Africa.

The Anglo-Australian company said it had launched an investigation after discovering in late August emails from 2011 relating to “contractual payments totalling $10.5m made to a consultant providing advisory services on the Simandou project in Guinea”.

Alan Davies, the head of Rio Tinto’s energy and minerals division, who was responsible for the Simandou project in 2011, has been suspended “with immediate effect”. Another senior official, legal and regulatory affairs executive Debra Valentine, who was due to leave next May, has stepped down.

The group, which has its headquarters in the UK and is listed on the London and New York stock exchanges, has notified authorities in both countries and is in the process of alerting Australian officials.

“Rio Tinto intends to cooperate fully with any subsequent inquiries from all of the relevant authorities,” it said.

Analysts said the impact on the business should be limited. Shares in Rio Tinto rose more than 2% to £29.34.

RBC Capital Markets analyst Paul Hissey said: “Given the scale of Rio Tinto, it would appear unlikely that this development would have a material impact from a monetary perspective, though we will have to see if anything eventuates from this in the future.”

Rio sold its 46.6% stake in the Simandou project to Chinalco for up to $1.3bn last month. It previously had to give up part of the iron ore deposit in Guinea – the world’s largest untapped resource of the steelmaking ingredient – to BSG Resources, a Guernsey-registered company controlled by the Israeli billionaire Beny Steinmetz. BSG’s multibillion-dollar deal with the Guinean government later became the subject of an international investigation and an agent for BSG received a jail sentence.
Other mining companies have become embroiled in corruption scandals in recent years. Last year BHP Billiton was fined $25m for violating US anti-bribery law by treating 60 foreign government officials and their spouses to trips to the 2008 Beijing Olympics.

BHP, the world’s biggest mining group, is currently dealing with the fallout of the Samarco dam collapse a year ago that left 19 people dead and hundreds homeless, amid accusations that the company put profit before safety. Eight of its employees face criminal charges.
Sacked Rio executive Alan Davies loses Rolls-Royce directorship

The personal toll on sacked Rio Tinto senior executive Alan Davies over the group’s Guinea iron ore bribery scandal has continued to mount, with the 20-year Rio veteran resigning as a non-executive director of Rolls-Royce.

Roll-Royce announced Mr Davies’ resignation to the London market on Friday without explanation.

The chairman of Rolls-Royce Ian Davis said: “I am hugely grateful to Alan for the contribution he has made to the board. His expertise and perspectives will be greatly missed.”

The London-based Mr Davies joined the Rolls-Royce board in November last year and was a member of its nominations and governance committee, the audit committee and the safety and ethics committee.

Annual fees for the board position are about £70,000 (US$118,000). Mr Davies’ remuneration at Rio as its energy and minerals chief executive for 2015 was US$3.5 million.

Mr Davies and Rio’s legal group executive Debra Valentine were stood down on November 9 after Rio announced it had contacted global corruption authorities in Britain, the US and Australia about its 2011 payment of US$10.5m to French investment banker Francois de Combret.

The payment was for services in helping Rio secure ownership of its Simandou iron ore riches from the Guinean government when it was in doubt. The payment followed an earlier US$700m “settlement” with the Guinean government securing Rio’s interest.

A marathon 10-hour emergency board meeting at Rio’s London head office last week reviewed Rio’s investigation into the 2011 payment to Mr de Combret and followed up by terminating the contracts of Mr Davies and Ms Valentine.

Rio claimed the executives had “failed to maintain the standards expected of them under our global code of conduct”. But Mr Davies has said he has done nothing wrong, that Rio had made “no effort to abide by due process” in sacking him, and
that he was “left with no option but to take the strongest possible legal action in response”.

Rio also stripped Mr Davies and Ms Valentine of any short-term incentive plan awards for 2016 and cancelled all unvested incentive plan awards from previous years. The personal cost for the pair would be more than $US10m.

Rio has refused to disclose what information prompted the sacking of Mr Davies and Ms Valentine.

On Friday the Conde government called on Rio to provide a “full account of any malpractice identified in the company’s dealings” in the west African nation.

Mines Minister Abdoulaye Magassouba said Guinea needed answers given that it was “the country caught in the middle of this boardroom drama at Rio”. Mr Magassouba fuelled new controversy, saying comments from Rio suggested Mr de Combret was advising the government while also providing Rio with consultant advisory services.

Because Rio has reported the results of its investigations into the payment to authorities, its new CEO Jean-Sebastien Jacques will be unlikely to add to the unfolding story when he meets with investors and analysts in Sydney on Thursday, and presents to more than 600 people at the Melbourne Mining Club on Friday.

In leaked emails that came to light at the end of August, two former Rio chief executives, American Tom Albanese (who was CEO in 2011) and Australia’s Sam Walsh (he was Rio’s iron ore boss), discuss the $US10.5m payment to Mr Combret after Mr Davies, who was responsible for Simandou at the time, requests clearance to proceed.

Mr Albanese and Mr Walsh have not been mentioned in Rio statements on the sacking of Mr Davies and Ms Valentine. Mr Albanese now leads India’s Vedanta Resources while the Perth-based Mr Walsh retired from Rio earlier this year. Mr Walsh is due to make a keynote speech to the CPA Congress in Perth tomorrow on the subject of leadership in a complex world.
Rio Tinto's Guinean scandal has failed to deter shareholders

Big shareholders in Rio Tinto say they are still willing to invest in developing nations despite the company's Guinean payment scandal, and they want chief executive Jean-Sebastien Jacques to further explain how the company's strategy will change under his leadership.

Mr Jacques will front Australian investors at briefings in Sydney and Melbourne this week, in what looms as his first public appearance since the company sacked two executives and alerted fraud and securities authorities to a $US10.5 million payment made to a political adviser in Guinea.

Aside from any potential penalties that may arise from the authorities' investigations, the sacking of energy and minerals boss Alan Davies looks set to create a legal headache for Rio, with Mr Davies threatening to "take the strongest possible legal action" in response.

Aberdeen Asset Management has a large stake in Rio and other companies working in developing markets, and assistant investment manager Jason Kururangi said the Guinea scandal was an example of the big risks that come with the big rewards on offer in developing countries.

"It is a risk being exposed to a business like Rio, but that comes with potential for higher reward and if they are doing their homework and they are managing their risks correctly internally ... you can only assume that ultimately it should flow through in benefits for shareholders," he said.

"We have seen a number of gold miners and other miners operate in quite challenging markets and emerging markets globally and do very well, it is all about the internal processes of the business and how they qualify all of their risks."

Rio 'no less attractive'

Rio has exited its stake in Guinea's Simandou project but still has a bauxite asset there, while its biggest growth project is also located in a developing nation; the Oyu Tolgoi copper mine in Mongolia.

Mr Kururangi said he did not believe Rio was a less attractive investment proposition in the wake of the Guinea scandal.
"They have some great assets and it is quite easy to lose sight of that for something that ultimately is on the side and is bad if true, but equally it doesn't make the whole business uninvestable in our opinion," he said.

Argo Investments managing director Jason Beddow agreed, saying Rio's appeal to investors was little diminished by the Guinea scandal.

"I don't necessarily think so, we have been through this before with Rio in China to some degree," he said, in reference to the 2010 scandal when four Rio employees were arrested in Shanghai.

"It is a bit like the Samarco situation with BHP ... if these guys are going to go into joint ventures, or countries that have lower standards of corporate governance they probably need to be a bit more careful with how they conduct themselves. That is probably more the lesson learned, I would say, as opposed to them not being investable."

Mr Jacques has not dramatically changed Rio's strategy since being appointed chief executive in July, and Mr Kururangi said he was keen to get a clearer picture of the CEO's strategy on Thursday.

"He has clearly been building out a team of people, I think the next step is the articulation of the strategy and that will come in time," he said, adding that the copper division would likely be among the most important during Mr Jacques reign.

The comments came as Rio Tinto confirmed it would shed jobs from its Pilbara iron ore division, citing challenging market conditions despite the 69 per cent increase in the iron ore price so far this year to about $US72 a tonne.

**About 500 to lose jobs**

A company spokesman would not confirm the number of employees affected by the cuts but it is understood to be about 500. The cuts come just weeks after The Australian Financial Review revealed that a number of key roles at Rio were being relocated to Singapore.

"The market outlook remains challenging and we currently have 1000 initiatives under way across our business to reduce costs, improve productivity and ensure we remain internationally competitive," a Rio spokesman said.

"Unfortunately, there will be some role reductions that will result in people leaving our business."

West Australian Nationals leader Brendon Grylls, who is lobbying for an increase in the rent Rio and rival BHP Billiton pay under state agreements from 25c a tonne to
$5 a tonne, accused the miner's London-based management of being "disconnected" from its Pilbara operations and distracted by the Simandou investigation.

Mr Grylls vowed to "stare Rio Tinto in the eye and make sure they are accountable for their activities in Western Australia".

"Its [the iron ore resources'] real value is not being maintained when jobs are offshored, when jobs are automated and when it seems more of the focus of the boardroom is put into speculative projects on the other side of the world, which are a sovereign risk by the look of what Sam Walsh and others are facing at the moment, as compared to the very, very, very stable and profitable iron ore division in the Pilbara which continues to deliver record profits," Mr Grylls said.

The Rio spokesman denied the job cuts were related to its automation program.
Rio Tinto probe questioned whether execs followed payment rules

Guinea’s mining minister has raised concerns over a Rio Tinto probe into payments linked to the massive Simandou iron-ore deposits in the African nation.

The Anglo-Australian miner has fired two executives and notified authorities in the US, UK and Australia over emails that discuss payments in 2011 to a consultant, Francois de Combret, a former Lazard Freres managing director who was close to senior government officials in Guinea.

“Mr de Combret was at the time acting in a capacity that would have given him access to highly confidential information,” Guinea’s Minister of Mines and Geology Abdoulaye Magassouba said in an emailed statement. “It raises both legal and ethical concerns if, as media reports suggest, Mr de Combret was passing on privileged information in return for large amounts of money.”

Mr de Combret hasn’t been able to be reached for comment.

Mr Magassouba said the government “is demanding a full account from Rio Tinto.”

A spokesman for Rio Tinto declined to comment.

Guinea’s official comment came after Rio’s internal investigation raised questions about whether company executives followed rules for paying people close to government officials in foreign countries.

The probe turned up no evidence that top Rio Tinto executives were aware of any bribes paid to Guinean government officials, a person familiar with the matter said.

The abrupt firings this week of energy and minerals chief Alan Davies, as well as head of legal and regulatory affairs Debra Valentine, followed a review of internal Rio Tinto emails detailing $US10.5 million in payments made in 2011 to Mr de Combret, a consultant who helped acquire rights to the massive iron-ore deposit.

The dismissals sent shockwaves through the British-Australian mining giant’s executive ranks, particularly angering allies of Mr Davies, who said he wasn’t given a chance to defend himself, according to people familiar with the matter.

The emails, seen earlier by The Australian and which were reviewed by The Wall Street Journal, show Mr Davies asking permission from the company’s then-iron-ore chief, Sam Walsh, to make the payments to Mr de Combret.
Mr de Combret had been helping the company negotiate with the Guinean government to retain an iron-ore concession in the country’s Simandou mountain range, according to Mr Davies’s email, and his services “were of the most unique nature,” including helping the company’s communications with Guinea’s president, Alpha Condé. Mr Condé was at the time being advised by Mr de Combret, a friend he had met in school in Paris, according to a person familiar with the matter.

Mr Walsh, who later became Rio Tinto’s CEO in 2013, checked the idea with Tom Albanese, the company’s then-chief executive, who gave the green light but warned Mr Walsh to “think of the optics to the (government of Guinea.),” according to the emails.

Both Walsh and Albanese are no longer with Rio Tinto.

The Guinean government wasn’t notified by Rio or Mr de Combret about the payments to Mr de Combret, a person familiar with the matter said.

Mr Albanese, currently CEO of India-focused miner Vedanta Resources, declined to comment. Mr Walsh, who stepped down in July, Mr de Combret, and Ms Valentine couldn’t be reached.

Rio did retain the rights to Simandou deposits that year, though it sold them this year to Aluminum Corp of China for up to $US1.3 billion.

An internal Rio Tinto investigation, which was conducted in the past few months, aided by the Chicago law firm Kirkland & Ellis, raised questions about whether standard procedures and reviews involving such payments were strictly followed, the person familiar with the internal company probe said.

Such reviews typically entail referrals of details of the payments and their recipient to internal compliance officers, among other things.

Rio Tinto has said it has turned the emails and additional information about the payments over to authorities in the UK, Australia and the US. Law-enforcement agencies from the three countries haven’t said whether they are investigating.

In a statement yesterday, Mr Davies said Rio Tinto has “given me no opportunity to answer any allegations” and that he has “been left with no option but to take the strongest possible legal action in response” to his dismissal.

Rio Tinto chief executive Jean-Sébastien Jacques on Sunday addressed the tensions simmering across the company, sending an internal memo, reviewed by the Journal, saying employees are “shell-shocked.”

“Speculation is running in some quarters and some of what is being said strikes at the heart of the culture and values of our company,” Mr Jacques wrote.
The dispute highlights tensions between Rio Tinto’s iron ore and copper divisions. Mr Jacques rose to power through the copper unit, while Mr Davies was a longtime iron-ore executive.

One of Mr Jacques’s first moves after taking over as CEO earlier this year was to cancel Mr Davies’s Simandou project and sell the assets. People familiar with the matter say some high-level iron-ore employees have been angered by how Mr. Davies has been treated.

Rio Tinto, like most big miners, has emphasised a renewed focus on human-rights issues. In March 2015, Mr Walsh, then Rio’s CEO, said in a speech in London that one of his most important considerations is “the lives of our neighbours in the communities and countries that host us.”

Rio first secured exploration rights to Guinea’s Simandou iron-ore deposit in the 1990s, but was slow to develop it. In 2008, the government stripped the miner of half of concession and awarded it to BSG Resources, or BSGR, the mining business of Israeli billionaire Beny Steinmetz. BSGR later struck a deal to sell a 51 per cent stake to Vale for $US2.5 billion.

An investigation by Guinea’s government later determined that BSGR obtained the rights through corrupt dealings and stripped them from the company. BSGR denies the allegations. Rio entered negotiations to retain the rest of the concession, which it concluded in 2011 in a deal that included a $US700 million payment to the Guinea government.
Rio Tinto chairman Jan du Plessis to take lead on Guineagate

Rio Tinto chairman Jan du Plessis has been oddly anonymous through the depressing and dangerous drama that has seen two of his most senior and demanding executives sacked with considerable prejudice.

So far, every external and internal missive on the discovery, investigation and mitigation of Guineagate has been given the voice of novice chief executive officer Jean-Sebastien Jacques.

Even last Thursday's definitive boardroom decision to sack suspended minerals and energy boss, Rio lifer Alan Davies, and eight-year veteran, legal and regulatory boss Debra Valentine, arrived without any formal comment or direction from the chair. Again, Jacques carried the personal weight of the decision.

Well, from what we understand, this is about to change.

Sources living inside this reputation-sapping West African soap opera say that du Plessis admits privately to some little embarrassment at the absence of his presence either internally or externally.

They report is that the chairman is determined to "man up" and will, henceforward, make obvious his leadership in a crisis that has already spawned potentially years of regulatory risk in the US, UK and Australia, amplified simmering internal tensions over Jacques' successful election, left two Rio worthies without careers, past share entitlements or future prospects, and tainted the legacy of a pantheon of past management including two former CEOs and a former chief financial officer.

So, from here on, we should expect to see the full weight of brand du Plessis publicly attached to Rio's management of a crisis that continues to swirl out of its control.

The weekend, for example, brought allegations from a former mining minister of Guinea that he had been offered a bribe back in 2010. That this allegation is made by a man that Rio has accused of pocketing $US200 million from a transaction that resulted from the legally debatable appropriation of the company's mining rights in 2008 raises questions about the motive and timing of this claim.

At the same time, it has to be recorded that Simandou's progress had been part of Davies' management brief since 2008 so, once again, he is the guy in the gun here should any the minister's claims warrant further inquiry.

Davies supporters claim this shattering personal and corporate upset is the product of a "callow" CEO reporting to a distracted chairman. This feels only about half right.

But it is hard to see how the leaked emails published briefly on online forum fnPaste in August could have failed to triggered an inquiry by Jacques once they were bought to his attention.

The simple fact that confidential internal emails had leaked was concern enough. That the fnPaste post featured troubling excerpts of Davies' attempts to secure formal approval for a $US10.5 million payment for services rendered in Guinea by a former investment banker Francois de Combret was every reason for higher levels of concern.
That du Plessis was distracted, on the other hand, might be fair judgement. The South African-born professional director was until September’s end the chairman of SABMiller and it was under his auspices that the global brand was consigned to history through its $US103.6 billion takeover by AB InBev.

Du Plessis’s SABMiller board accepted and recommended the bid back in October 2015. But deals of this magnitude and regulatory reach always dawdle to the finish line and only arrive there having passed through unexpected and time-sapping complication. Shareholders finally approved the deal on 28 September.

As it turns out, du Plessis was on a short holiday when Jacques called at the end of August to tell him of the emails, their content and his concerns. He is said to have agreed with Jacques that the leak and its contents demanded further inquiry.

Rio’s compliance team, which includes former employees of the US Department of Justice and the UK Serious Fraud Office, was asked to run a discrete but deep dive through the data. The compliance people reported their initial findings and fears to a board meeting in mid-September. The board accepted a recommendation that outside counsel be bought in.

Chicago’s Kirkland & Ellis was introduced to what was a gathering crisis, and a preliminary report by internal and external counsel was presented to the October board meeting. No one liked where this was going.

What changed between the October board meeting and the decision on November 9 to suspend Davies and accept Valentine’s offer of immediate retirement is not so clear. Everyone is now being encouraged to accept that the updated findings of the compliance team generated evidence enough to demand suspension and then, nine days later, dismissal.

One other of the many interesting claims made since Davies’ sacking last week is that Rio management had known of the email trail in question for better than a year. The critical question there, I suppose, is exactly which Rio executives knew? Some have it that Valentine was one manager aware of the emails and, more importantly, of the questions they demanded as well as the answers those questions had received. Certainly, the potential that she owned the information, but the various board committees with oversight of these issues did not, might explain the punitive conditions of her departure.

Outside of the 2010 bribery claim, Guinea’s other contribution to the growing tension has been to claim that Rio’s chosen middle man, de Combret, was also an unpaid advisor to the nation’s president, Alpha Conde, a position that allowed him access to confidential information.

If we ignore personal scepticism over pretty much everything to do with Guinea and its volatile politics, this potential would seem to sit at the heart of the problem here. Was de Combret appropriate counsel for Rio and, if he wasn’t, why didn’t the internal high-level audit of his regulatory standing identify it?
Mining giant Rio Tinto to axe hundreds of jobs in Perth, Pilbara

Nick Evans, PerthNow

November 20, 2016 9:55pm

RIO Tinto is preparing to sack up to 500 workers ahead of the March State election, a move likely to exacerbate tensions between the State’s biggest miner and WA Nationals leader Brendon Grylls.

More than 130 management and support roles could go in the next two months, after new iron ore boss Chris Salisbury completed a restructure of his senior management team last week.

Up to another 350 jobs are likely to go in the new year as the effects of the restructure flow through the company’s Perth head office and Rio’s mine, port and rail operations across the Pilbara.

It is the third major staff cut at Rio in the past two years, and would take the total jobs lost to more than 2000. The company shed about 700 workers early this year and about 800 early last year. It now has about 11,500 workers across the State.

Rio, BHP Billiton and the Chamber of Minerals and Energy have launched a public campaign against Mr Grylls’ push for a $5 a tonne production rental fee on the two miners’ iron ore exports, claiming the levy would cost jobs and risk further investment in the State’s mining industry.

The latest round of redundancies risks undermining that strategy and fuelling Mr Grylls’ criticism that the Pilbara’s big two do not contribute enough.

The State’s unemployment rate hit 6.5 per cent this month, after almost 50,000 full-time jobs were lost from the local economy over the past year.

The job cuts come after a sustained rally in commodity prices, which has seen the iron ore price increase from a long-term low of $US38.40 a tonne late last year to an average of more than $US60/t since July.

The iron ore price hit $US79.80/t early this month and the commodity was selling for $US72.79/t on Friday. BHP, Rio and Fortescue Metals Group have all flagged that they expect iron ore prices to drift lower next year, perhaps back to about $US40/t.
A Rio spokesman would not comment on the latest job cuts but said the market remained “challenging”.

“We have 1000 initiatives under way across our business to reduce costs and improve productivity,” he said.

CME chief executive Reg Howard-Smith said the Rio cuts were more evidence that Mr Grylls’ plan was ill-conceived.

“This is further evidence that now is the wrong time to be introducing a big new mining tax in WA that would put even more pressure on WA jobs and investment,” Mr Howard-Smith said.

“Taxes and royalties on WA mining are already seven times more than our biggest competitor Brazil.

“Mr Grylls’ plan is to make that worse and put more WA jobs and more WA investment at risk.”
Guinea wants answers from Rio Tinto over payment

Guinea has called on Rio Tinto to provide a “full account of any malpractice identified in the company’s dealings” in the west African nation.

Mines Minister, Abdoulaye Magassouba, said Guinea needed answers given that it was “the country caught in the middle of this boardroom drama at Rio”.

Tension with President Alpha Conde’s government has escalated following Rio’s report to international corruption authorities of a $US10.5m payment by the company in 2011 to French investment banker Francois de Combret for services in securing Rio its stake in the Simandou iron ore project, which was in doubt at the time.

Rio has since sacked two senior executives: Australian Alan Davies, who then was in charge of Simandou, and American Debra Valentine, Rio’s legal chief.

Rio said the two had “failed to maintain the standards expected of them under our global code of conduct”, claiming in the process it had not prejudged the outcome of any investigations.

Ms Valentine has not commented but Mr Davies has slammed Rio for not giving him any evidence of the reasons for his termination. He said the miner had left him no option but to take the “strongest legal action”.

Mr Magassouba fuelled new controversy, saying comments from Rio suggested Mr de Combret was advising the government while also providing Rio with consultant advisory services.

Mr de Combret could not be contacted.

An industry source with experience of the US Foreign Corrupt Practices Act probe said Rio would face fines of more than $US100m from US authorities if found to have breached the act as well as fines under British laws.

Australia recently bulked-up its foreign bribery laws with companies facing fines of up to $17m or fines depending on benefit obtained. Individuals found to have engaged in facilitation payments face up to 10 years in jail. However, by taking its concerns to authorities, Rio could expect softer treatment. Even so, any probe could extend to former chief executives Tom Albanese and Sam Walsh to uncover what both knew about the payments.
Meanwhile, the International Finance Corporation — the private-sector investment arm of the World Bank and a long-term investor in the Simandou iron ore project —— told *The Weekend Australian* it viewed Rio Tinto’s unfolding saga over the corruption scandal in the west African nation “very seriously”.

“We are closely monitoring the situation and will work with Rio Tinto, the government of Guinea and community stakeholders to ensure our investments meet high standards for transparency, revenue management, governance and environmental and social risk management,” the corporation said.
Rio Tinto offered bribe for mine, ex-Guinea minister Mahmoud Thiam says

A Rio Tinto Group executive asked how big a bribe it would take to beat out a competitor for a hotly contested iron ore deposit in Guinea, the country's former mining minister said, adding a new accusation of graft just days after the world's second-biggest miner fired two of its top executives over a payment made in connection with the West African project.

Mahmoud Thiam, the former mining minister, said that the head of Rio Tinto's Guinea operation, Steven Din, offered him a bribe in early 2010 in order to win back control of half of the undeveloped Simandou project, considered the world's biggest untapped iron ore deposit.

Rio Tinto execs sacked amid bribery probe

Rio Tinto fires two of its top executives over $13.5 million in payments to a consultant who helped the company win rights to develop the world's largest untapped iron ore lode in Guinea.

Mr Din was attempting to regain control of the blocks from billionaire investor Beny Steinmetz's BSG Resources (BSGR), Mr Thiam said in a November 9 phone interview.

Mr Thiam claims Mr Din said he had the backing of senior Rio Tinto executives to make the offer. Mr Din denies ever paying or offering a bribe. Rio Tinto declined to comment.

Rio Tinto is investigating a $US10.5 million ($14.3 million) payment the company made in connection with the Simandou project to a French banking consultant who was a university friend of President Alpha Conde of Guinea.

The probe, conducted by an external law firm, was started after a website published emails showing a Rio Tinto executive named Alan Davies discussing the payment with then-chief executive Tom Albanese.

Advertisement

Rio Tinto has since confirmed the authenticity of the emails, which aren't related to the offer Mr Thiam says he received. Mr Albanese declined to comment.

In a written statement on November 9, the company said that after looking at the law firm's review, it decided to report its findings to the US Justice Department,
Securities and Exchange Commission, the UK’s Serious Fraud Office and Australia’s Securities and Investments Commission.

"Rio offered to pay me off," Mr Thiam said after Bloomberg News inquired about Rio Tinto's disclosure of the banking consultant's payment.

"There is no possibility of doubt. They assumed that BSGR had paid me. He said, 'Whatever BSGR offered to pay you, you know we are bigger, we can do better'.

$US10.5 million payment. Photo: Glenn Hunt

'Operationally focused'

Mr Din on November 10 denied making the offer, saying that his meetings with Mr Thiam around that time were to give the minister an update about a pending merger. Mr Din also said he was "very much operationally focused" and spent much of his time working with engineers at the exploration site.

"I refute anything like that," Mr Din, who is now chief executive of a copper firm in Zambia, said by phone.

"Rio Tinto has an ethical standard. Irrespective of operating in certain countries, those ethical standards are always upheld."

In February 2010, around the time that Mr Thiam said the meeting took place, Mr Din met with the US ambassador to Guinea to discuss the country's mining industry, according to a diplomatic cable published by WikiLeaks.

According to the ambassador’s memo, Mr Din said that Mr Thiam had benefited personally from promoting BSGR and another company, citing as evidence Mr Thiam's purchase of a $US3 million property in New York.

Mr Thiam, a former vice-president at UBS Group in New York, said in an interview that he became wealthy as a banker and paid for his properties himself.

Feuding rivals

Rio Tinto's internal inquiry reignites one of Africa's most high-profile corruption sagas, which for years focused on BSGR's alleged bribery to win Simandou from Rio Tinto.

The eight-year feud between the two companies has also pitted Rio Tinto against the No. 1 iron ore producer, Vale, which was a BSGR partner on the Simandou project.

To this day Guinea, one of the world's poorest countries, is left yearning for a mine that could have dramatically expanded the nation's economy.
BSGR is still the subject of investigations in the US, France, Switzerland and Guinea over allegations that the company paid bribes to win control of the Simandou project.

In a racketeering case last year, Rio Tinto accused BSGR of paying Mr Thiam a $US200 million bribe to secure its rights to Simandou.

Mr Thiam denied the allegation, saying it was "borderline comical".

BSGR has consistently denied any wrongdoing. A New York judge dismissed the case, saying that Rio Tinto had waited too long to sue and had failed to identify a pattern of racketeering activity by the defendants.

Mr Steinmetz said in an interview in London on November 10 that Rio's disclosure of its probe "vindicated" him.

He denied ever having paid bribes and said years of government investigations, litigation and accusations against him and his company were part of a plot, in part by Rio Tinto, to oust BSGR from Simandou.

'Powerful forces'

"We have been fighting very powerful forces," Mr Steinmetz said. "This is a very big fight. We all knew justice would prevail. We knew all along that we were right. Our assets were wrongfully taken away, based on lies."

Mr Din said he left his role in Simandou in early 2011, before the alleged payments were made.

Rio's Mr Davies, who was fired along with a legal executive this week, didn't respond to several messages left on his mobile phone. Previously he has said he wasn't privy to Rio's internal report and wasn't given a reason for his dismissal.

"Rio Tinto has made no effort to abide by due process or to respect my rights as an employee and it has given me no opportunity to answer any allegations," he said in an emailed statement.

The Guinea government on November 11 said it had "no knowledge" in 2011 of whether or not the French banking consultant was acting on behalf of Rio Tinto. It said it would assist all investigations "that may be necessary to assist the relevant authorities with their mission".

The Simandou controversy began in 2008, when Guinea's long-time dictator, Lansana Conte, stripped Rio Tinto of half the project and gave that portion to BSGR.

Weeks later, Mr Conte died. Mr Thiam, who served under a military junta that replaced Mr Conte's administration, said the decision to strip Rio Tinto of half the
rights was lawful, because the miner had failed to develop it a decade after first acquiring exploration rights.

Mr Thiam says he was offered the bribe as Rio Tinto lobbied the government to restore its rights, arguing that they had been dispossessed illegally.

By his account, shortly before the offer he had told Rio Tinto that he would ensure that the company kept the rights to blocks 3 and 4 if it would agree in writing to accept its loss of blocks 1 and 2. Rio Tinto refused, he said.

**New administration**

After a new government was elected, Rio Tinto ended up paying the government $US700 million to confirm its rights to blocks 3 and 4, and to get the new administration to skip a review of all mining contracts to remove uncertainty.

"So they paid $US700 million for something I was offering them for free," Mr Thiam said. "I've never seen such value destruction in my life for a publicly traded company."

Meanwhile, BSGR sold a 51 per cent stake in its Simandou blocks to Vale for $US2.5 billion. In 2014, however, the new government under Mr Conde, the current president, revoked the rights from BSGR and Vale, saying it found evidence of corruption in the awarding of its licences.

Rio Tinto exited the Simandou project last month, handing control to partner Aluminum Corp of China, also known as Chinalco.

It will receive only a fee for its stake of $US1.1 billion to $US1.3 billion if the mine is developed. Two weeks earlier the International Finance Corp, a small partner in the mine, exercised an option allowing it to exit and recoup costs.
Guinea demands answers from Rio Tinto over email scandal

Guinean president Alpha Conde says he had not known of Mr de Combret's relationship with Rio.

Andrey Rudakov

by Peter Ker  Matthew Stevens

The African nation at the centre of Rio Tinto's payment scandal, the Republic of Guinea, has demanded answers from the mining company over its decision to sack two executives this week, as a former minister claimed he was offered a bribe by a Rio employee.

Rio sacked energy and minerals boss Alan Davies and legal affairs executive Debra Valentine on Thursday in response to revelations that Mr Davies had allegedly sought a $US10.5 million payment to a political adviser in Guinea named Francois de Combret.

Leaked emails show Mr Davies telling former chief executive Sam Walsh that Mr de Combret had "very unique and unreplaceable services and closeness to the President" of Guinea, and had helped Rio to secure its tenure over mining leases at the giant Simandou iron ore project in the developing nation.

Guinea's minister of mines and geology, Abdoulaye Magassoub, issued a statement on Friday urging Rio to clarify any wrongdoing.

Sacked Rio executive Alan Davies has declared war on the mining giant.

Sacked Rio executive Alan Davies has declared war on the mining giant. Michael Nagle

"As the country caught in the middle of this boardroom drama at Rio Tinto, we need answers," he said in the statement.

"The government of Guinea is demanding a full account from Rio Tinto of any wrongdoing identified in the company's dealings with the Republic of Guinea."

But Mr Magassoub's statement was overshadowed late on Friday when his predecessor Mahmoud Thiam claimed he was offered a bribe in 2010 by Rio’s top executive in Guinea at the time, Steven Din.

"Rio offered to pay me off," Mr Thiam told Bloomberg.

Mr Din denied making the offer, saying that his meetings with Mr Thiam around that time were to give the minister an update about a pending merger.

"I refute anything like that," said Mr Din, who now works for a subsidiary of Indian miner Vedanta.
Ironically, Vedanta's current chief executive is Tom Albanese, who was Rio chief executive when the alleged payment to Mr de Combret was discussed and when Mr Thiam claims he was offered a bribe.

"Rio Tinto has an ethical standard. Irrespective of operating in certain countries those ethical standards are always upheld," said Mr Din in an interview with Bloomberg.

Code of conduct

Rio sold its stake in Simandou to Chinalco last month, but still has a stake in a bauxite operation in Guinea.

Mr Magassoub said Rio’s decision to sack its two executives raised legal and ethical concerns.

"Statements to the media from Rio Tinto have suggested that Francois Polge de Combret was in the pay of Rio Tinto during high-level negotiations between the company and the Guinean government," said Mr Magassoub in the statement.

"Mr de Combret was at the time acting in a capacity that would have given him access to highly confidential information. It raises both legal and ethical concerns if, as media reports suggest, Mr de Combret was passing on privileged information in return for large amounts of money."

The comments come just days after Guinean president Alpha Conde issued a statement saying the government had not known of Mr de Combret's relationship with Rio.

The Rio board decided to sack the two executives on Thursday morning Australian time, despite the fact that investigations by fraud and securities authorities in the US, UK and Australia have barely started.

The board decided that an internal investigation had shown the executives had not complied with Rio's staff code of conduct, and that was deemed sufficient to dismiss the pair.

Mr Davies broke his silence soon after his sacking, saying he had not been given a chance to defend himself and insisting there were no grounds for his sacking.

Court challenge likely

"This treatment of me and my past and recent colleagues is totally at variance with the values and behaviours of the company to which I have devoted my professional life," he said in a statement this week.
Rio Tinto executive sacked over $13.5m payment promises a legal fight

Patrick Hatch

A top Rio Tinto executive sacked over a suspect multimillion-dollar payment connected to the mining giant’s African operations says the company had "no grounds" to fire him and promises a legal fight.

The Anglo-Australian miner said on Thursday morning it had terminated the contracts of energy and minerals boss Alan Davies and chief legal counsel Debra Valentine, two of its 10 most senior executives.

Fired energy and minerals boss Alan Davies has vowed to take the "strongest possible legal action" against Rio.

Fired energy and minerals boss Alan Davies has vowed to take the "strongest possible legal action" against Rio. Photo: Mathias Magg

Rio said the decision was based on the initial findings of a company investigation into large payments made in 2011 to a consultant who helped Rio access the massive Simandou iron ore deposit in Guinea, West Africa.

Internal company emails have revealed discussions of a $US10.5 million ($13.5 million) payment in relation to the project.

Rio's Simandou email trail snares former CEOs Walsh, Albanese

Rio suspends executive over $13.5m Simandou payments

But Mr Davies, an Australian based in London, hit back shortly after his dismissal was announced, saying it came as a "great surprise" and that he would take "the strongest possible legal action in response".

"There are no grounds for the termination of my employment," Mr Davies said in a statement released through a crisis communications agency.

"I have not been privy to Rio Tinto’s internal investigation report, nor have I had any evidence of the reasons for my termination of my employment given."

Mr Davies said Rio had not given him an opportunity to respond to any allegation against him nor made any effort to abide by due process.

Debra Valentine, a former general counsel at the US Federal Trade Commission, had joined the mining giant in 2008.

Debra Valentine, a former general counsel at the US Federal Trade Commission, had joined the mining giant in 2008. Photo: Rio Tinto

"This treatment of me and my past and recent colleagues is totally at variance with the values and behaviours of the company to which I have devoted my professional life," he said.
Rio said in a statement released on Thursday that Mr Davies and Ms Valentine had failed to maintain the standards expected of them.

Authorities alerted

The company said it became aware of the suspicious payment in August and has notified corporate regulators in Australia, the United Kingdom and the United States. Its decision to sack the executives did not pre-judge the regulators' investigations, it added.

Contacted by Fairfax Media on Thursday, the Australian Federal Police confirmed in an emailed statement that it "has engaged with Rio in relation to this matter." However, the issue hadn't been formally referred to the AFP, it said, declining to comment any further.

It's unclear if corporate regulators' investigations will draw in two former Rio executives who, according to the leaked emails, knew about the payments: Tom Albanese, who was CEO at the time, and Sam Walsh, who was head of its iron ore operations and later served as CEO.

The Australian Securities and Investments Commission said on Thursday it could not confirm nor deny if it was investigating.

Announcing the executives' dismissal, Rio said Mr Davies and Ms Valentine would not be eligible for any short-term bonuses from 2016 and would lose all unvested incentive awards from previous years.

Mr Davies was suspended from his position last week. He had held senior positions in Rio's operations in Australia, London and the United States since joining the company in 1997, and was appointed to the board of Rolls Royce in November 2015.

Ms Valentine, a former general counsel at the US Federal Trade Commission and commissioner of the Congressional Antitrust Modernisation Commission, also stepped aside last week. She was due to retire early next year.

Mr Davies will be replaced by Rio's vice president of iron ore sales and marketing, Bold Baatar, who will join the mining giant's executive committee as part of the move. Finance chief Chris Lynch would take on Ms Valentine's role until a new chief legal counsel was found, the company said.

In October, Rio sold its 46.6 per cent stake in the Simandou mine to Chinese miner Chialco for between $US1 billion and $US1.3 billion, after earlier writing off its $US2 billion exposure to the project.
Rio Tinto terminates two executives linked to Guinea payment scandal

by Peter Ker

Former Rio Tinto energy and minerals boss Alan Davies has vowed to drag the mining giant through the courts after he was sacked amid an investigation into payments to a political consultant in Guinea.

Brisbane-born Mr Davies broke his silence on Thursday moments after Rio Tinto announced that he and legal affairs boss Debra Valentine would have their contracts terminated.

"There are no grounds for the termination of my employment," he said in a statement. "My rights are fully reserved, and I have been left with no option but to take the strongest possible legal action in response."

Mr Davies' statement implicitly linked his case to that of former chief executives Tom Albanese and Sam Walsh, who according to leaked emails discussed with Mr Davies payments in 2011 to a consultant with close ties to the president of the African country where Rio was battling to keep iron ore mining rights.

Rio Tinto chief executive Jean-Sebastien Jacques used his first interviews in the job to make it clear his team would remain disciplined when doing deals. Philip Gostelow

Production of copper, gold, iron ore, coal, aluminium, borates, titanium dioxide and other minerals and metals.

"This treatment of me and my past and recent colleagues is totally at variance with the values and behaviours of the company to which I have devoted my professional life."

Mr Davies attacked Rio's handling of the investigation into the emails.

"I have not been privy to Rio Tinto's internal investigation report, nor have I had any evidence of the reasons for my termination of my employment given," said Mr Davies in the statement.

"Rio Tinto has made no effort to abide by due process or to respect my rights as an employee and it has given me no opportunity to answer any allegations."

Fired energy and minerals boss Alan Davies has vowed to take the "strongest possible legal action" against Rio.

Fired energy and minerals boss Alan Davies has vowed to take the "strongest possible legal action" against Rio. Mathias Magg

Ms Valentine has made no comment.

Rio alerted fraud and securities agencies in Britain, US and Australia last week after emails from 2011 emerged showing Mr Davies asking Mr Walsh, who was then in charge of Rio's iron ore division, to approve a $US10.5 million ($14 million) payment to a political adviser in Guinea named Francois de Combret.
Mr Davies said in the emails that Mr de Combret had helped Rio secure its place as the operator of the Simandou iron ore project in Guinea, and the email trail shows that Mr Walsh sought further input from then CEO Tom Albanese.

Attempts by The Australian Financial Review to contact Mr Walsh in recent days have been unsuccessful, while Mr Albanese declined to comment when asked about the Guinea scandal on November 10.

Failed to meet standards

External investigations into the matter are in their early stages. The Rio board said on Thursday that an internal investigation was sufficient to dismiss the two executives.

"The board concluded that the executives failed to maintain the standards expected of them under our global code of conduct "The Way We Work". In the circumstances the board terminated the contracts of both executives," the company said in a statement.

The Australian Federal Police said the matter had not yet been "formally referred" to it.

Rio said the dismissal decision "does not pre-judge the course of any external inquiries into this matter".

Rio said neither Mr Davies nor Ms Valentine will be eligible for any short-term incentive plan awards in 2016 and unvested incentive plan awards from previous years will also be cancelled.

Mr Davies is also a director of Rolls Royce in Britain, and his tenure there remains unchanged.

Rio CEO Jean-Sebastien Jacques is expected to be questioned about the Guinea saga when he visits Australia next week to give an investor briefing and a speech to the Melbourne Mining Club.

The company has appointed Bold Baatar to run the energy and minerals division that Mr Davies had previously fronted, while chief financial officer Chris Lynch will take on some extra duties in the legal affairs area left vacant by Ms Valentine.

Mr Baatar is vice-president of Rio’s iron ore sales and marketing division and worked with Mr Jacques when he was in charge of the company’s copper division.

A Mongolian citizen, Mr Baatar’s appointment comes as Rio pushes ahead with development of a big mine expansion at the Oyu Tolgoi copper and gold mine in Mongolia.
Alan Davies declares war as Rio Tinto's GuineaGate gets nasty

Alan Davies is a very, very angry man.

A brief suspension from his job as chief executive of Rio Tinto's energy and minerals is over.

Suddenly he is a former Rio executive. So, too, is fellow exco member Debra Valentine.

On Monday, as foreshadowed in AFR Weekend, an emergency meeting of the Rio board of directors determined that both executives of long standing and influence should be "terminated".

"My rights are fully reserved, and I have been left with no option but to take the strongest possible legal action in response."

That decision was translated to Rio people on Thursday morning in another internal email from new chief executive Jean Sebastien Jacques.

For all that it was shocking, the news obviously came as no surprise to Davies. Within moments a London-based public relations firm had dispatched his response.

Typically, Davies did not mince words. Un-typically, those words were laced with bitterness, ferocious anger and naked threat.

This is a moment brutally un-Rio Tinto. These are waters of open conflict unchartered for an organisation unfortunately well practised in the art of crisis management.

Even through its brush with financial mortality after the global financial crisis and through the sacking in 2013 of chief executive Tom Albanese and energy boss Doug Ritchie, Rio kept its public poise and the departed retained their reputational and financial legacy.

The 2011 emails detailed discussion between Davies, his then boss at Rio iron ore Sam Walsh (pictured) and the company's then chief executive Tom Albanese. Louise Kennerley

Not this time.
If not prejudgment, what is it?

In termination, Davies and US citizen Valentine have lost any short-term at risk payments that would have been due them in 2016 and will lose any unvested shares in their long-term incentive plans.

Even worse for the pair, they have effectively been identified as the key targets for scrutiny by the market regulators that Rio visited last week, with news of its concern over a $US10.5 million payment that was made to a French consultant named Francois de Combret.

In an internal note to Rio staff sent this week, Jacques claimed ownership of concern over the content of leaked emails that were published briefly through August on an internet forum.

On Thursday morning, he told his people that Davies and Valentine had been terminated because the board had "concluded that there had been a failure to maintain the standards laid out in our code of conduct, 'The way we work'."

"It is important to note that the board's decision is not in any way meant to prejudge the course of any external inquiries on this matter," Jacques wrote rather oddly.

I mean, if being sacked with financial prejudice is not prejudgment then what exactly is it?

The 2011 emails detailed discussion between Davies, his then boss at Rio iron ore Sam Walsh and the company's then chief executive Tom Albanese, over the terms and quantum of the payment to be made to de Combret for his role in resecuring Rio's potential leases in Guinea.

Jacques noted that a subsequent external investigation had inflated his concerns enough to warrant Davies' suspension and an early retirement by then and extant legal and regulatory affairs boss Valentine.

For the record, Davies had worked for Rio since 1997, and Valentine joined the company in 2008 from a leading Washington law firm after having worked as general counsel to the US Federal Trade Commission.

Four worrying paragraphs

We hear that the hopeful within Rio believed that sacking Davies and Valentine might result in speedy and meaningful dissipation of the public heat over GuineaGate and its consequences.

Wrong. This is going to be war. Davies has made that plain.
In his first public commentary on matters that were first ventilated in public with Rio's confirmation last week of his suspension, Davies claimed that Rio had denied him his rights, that he had been offered neither insights into the nature of the evidence that damned him nor an opportunity to defend his employment or reputation, and accused the company of flouting its own values.

"It is with great surprise and disappointment that I have been advised of the termination of my employment by Rio Tinto," the Davies manifesto said. Plainly the disappointment is very real, though the surprise is understandably confected.

"I have not been privy to Rio Tinto's internal investigation report, nor have I had any evidence of the reasons for my termination of my employment given. There are not grounds for the termination of my employment," Davies claimed.

"Rio Tinto has made no effort to abide by due process or to respect my rights as an employee and it has given me no opportunity to answer any allegation.

"This treatment of me and my past and recent colleagues is totally at variance with the value and behaviours of the company to which I have devoted my professional life.

"My rights are fully reserved, and I have been left with no option but to take the strongest possible legal action in response."

These are four very worrying paragraphs.

Given we can take Davies at his word about the lack of process – we know him well and are prepared to while Rio is making no comment on the matter – then we have to conclude that Rio's investigation of the leaked email trail that started all of this has found a still-warm and dangerous smoking gun or that Davies is going to eventually secure himself a sizeable nest egg given the scarring engineered to his professional reputation.

Whether Valentine is of the same angry and litigious mood, well, that is not clear. The word is she has been inconsolable and uncontactable since this messy and ugly affair went public last week.

What we are sure of is that many close to this issue have been left scratching their heads as to the nature of the Rio board's now darkly definitive concern over the contract Davies arrangements with de Combret.

Rio's public termination notice leaves in no doubt that it is the disconcert of the de Combret contract with the principals of the company's "How we work" code that has forced the board's hand.
It should also be understood that the community of the Rio pantheon caught up in the GuineaGate net stretches far beyond and above Davies and Valentine. Their sackings stain, en passant, the reputations of Albanese, Walsh and former chief financial officer and current Shell plc director Guy Elliott.

They also raise concerns about the board oversight of management. Current chairman Jan du Plessis was running the board in 2011 and he was also chairman of the sustainability committee, whose brief includes oversight of Rio's engagements with nations established and emerging.

Back then, as now, Rio had firm and established rules and processes for working in places as patently risky as Guinea and hiring expensive, high-level consultants such as de Combret. From what we understand, those processes covered the way advisers were selected, vetted, paid and then the way they worked. These protocols were defined by "The way we work", Rio's in-house bible of behaviours.

Several sources close to the de Combret process insist that the board-enforced rules were followed to the letter. It is claimed that de Combret selected at an executive committee meeting called to review several potential advisers. It is claimed that Rio's legal, government and security departments conducted due diligence of de Combret and that resulted in exco confirmation of his appointment.

To be clear here, in 2011 Davies was not a member of the Rio executive elite. He did not sit on the exco meetings. It is far from clear who was involved in those approval meetings. But it is hard to believe that none of Albanese, Walsh or Elliott was in attendance along with the now-dismissed Valentine.

And what of the terms of an arrangement that saw de Combret pocket $US10.5 million? Well, we understand that payment was just over 1 per cent of the transaction value ($US700 million that was paid to secure blocks 3 and 4 of the Simandou iron ore deposit). Several sources have suggested that, despite content in the leaked emails that indicates a level of concern about the payment and its terms, both Albanese and Walsh signed off on the arrangements.

For good measure, as was routine, the contract that locked in these arrangements was drafted by Rio's internal legal team. We have previously noted it was written by then legal counsel for iron ore, future managing director of Rio Tinto Australia and now former Rio man Phil Edmands.

We have since been told he contract passed the board-approved compliance and anti-corruption hurdles, which should not surprise, I suppose, given this payment was linked to a $US700 million payment to a government then rated as the third most corruptible in the world.
These are now our known knowns. What no one outside of the Rio boardroom and the offices of Chicago lawyers Kirkland & Ellis know is whether the evidence that has damned two Rio executives to unemployment is limited to these knowns. Inquiries since the leaked emails were brought to management's attention have churned through billions of bytes of data and what the searchers have found has convinced a board of considerable quality that the known unknown is a breach powerful enough to demand punitive sackings.

Given that, it has to be wondered whether Rio's vengeance should be limited to Davies and Valentine. At the end of 2012 Rio changed its remuneration rules to give the board authority to claw back benefits from management present and past. So will it pursue bonuses paid to the likes of Albanese, Walsh and Elliott, and will it also attempt to recover the $US10.5 million paid to de Combret?
Rio Tinto sacks two senior executives in wake of Simandou probe

Alan Davies in Beijing in October 2015.

DANIEL PALMER

Alan Davies, one of the Rio Tinto executives caught up in the Simandou payments scandal, has lashed out at the miner after he was formally sacked today, with legal action in the works.

His stern criticism of the process came quickly after Rio said it had terminated the contracts of two executives at the centre of a payments scandal that has left its staff “shell-shocked”. Rio also said it had hired an internal candidate to assume Mr Davies’ vacated role of head of energy and minerals.

In a statement this morning, the miner said its internal investigation into a $US10.5 million payment to a consultant working on the Simandou iron ore project in Guinea had resulted in the firings of Mr Davies and legal and regulatory affairs group executive Debra Valentine.

The action from the board comes a week after Ms Valentine had stepped down and Rio Tinto said it had suspended Mr Davies.

“The board’s decision does not prejudge the course of any external inquiries into this matter,” the miner said.

“However, the board concluded that the executives failed to maintain the standards expected of them under our global code of conduct, ‘The way we work’. In the circumstances, the board terminated the contracts of both executives.”

Rio chief backs ‘shocked’ staff

Mr Davies quickly rallied against the announcement, saying the decision to fire him came as a “great surprise”, with legal action to be pursued in response.

“There are no grounds for the termination of my employment,” he said.

“Rio Tinto has made no effort to abide by due process or to respect my rights as an employee and it has given me no opportunity to answer any allegations.”

Mr Davies added that at not stage had the miner provided him with insights into what the internal investigation uncovered, nor had he received evidence for the reasons of his employment termination.

“This treatment of me and my past and recent colleagues is totally at variance with the values and behaviours of the company to which I have devoted my professional life,” he said.

“My rights are fully reserved, and I have been left with no option but to take the strongest possible legal action in response.”

The two sacked executives formed part of Rio Tinto’s 10-person executive committee.
Mr Davies, a 20-year veteran at Rio and longest-serving member of the executive committee, was only promoted to the top role in energy and minerals this year after a shake-up of the group’s operations.

The enlarged role built on his ascension to the leadership role of the diamonds and minerals unit in 2012, which came after he led the group’s international iron ore operations.

He was also a member of Rio Tinto’s ethics committee. Ms Valentine joined the miner in 2008 and assumed her role as head of legal and regulatory affairs in 2009.

The two executives were among the highest-paid in Australia last year, with Mr Davies’ remuneration totalling £2.1m and Ms Valentine taking home $US2.9m.

At the end of Rio Tinto’s financial year the figures had the Australian dollar equivalents of $4.2m and $3.9m respectively.

The decision to fire both executives means they are not entitled for any short-term incentives in 2016 and all unvested incentive plan awards will be scrapped.

Rio (RIO) also announced the appointment of Bold Baatar, who currently heads up its marine unit — focused on ocean freight services — to the role of energy and minerals chief executive. Mr Baatar had spent time in investment banking at JP Morgan and led a gold miner prior to joining Rio in 2013.

“Appointing Bold to run our energy & minerals business will add a fresh perspective to the product group,” Rio Tinto chief executive Jean-Sebastien Jacques said.

“Bold brings broad international and executive experience in a wide range of commercial disciplines. He has a proven track record and will be a great addition to our ExCo, particularly with his strong strategic approach and acute understanding of Asia.”

Current chief financial officer Chris Lynch has temporarily assumed accountability for the corporate legal and regulatory affairs function following Ms Valentine’s dismissal.

The shake-up in the executive ranks comes after former Rio chief executives Tom Albanese and Sam Walsh were also implicated in the scandal, with an email trail suggesting they were aware of a payment to a contractor Mr Davies had said provided “very unique and (ir)replaceable services and closeness to the president” of Guinea.

Regulatory authorities in the US, UK and Australia have been called in to investigate the actions.

It is understood probes will be carried out by the Department of Justice and the Securities and Exchanges Commission in the US, the Serious Fraud Office in Britain and ASIC in Australia.
Two Rio Tinto executives are out over Africa payments

CHRIS PASH

NOV 17, 2016, 9:34 AM

The harbour at Conakry, Guinea. Cellou Binani/AFP/Getty Images

Two very senior Rio Tinto executives have lost their jobs over payments to made to a consultant on an iron ore project in Africa.

Rio Tinto today terminated the contracts, and is withholding the bonuses of energy and minerals chief executive Alan Davies and legal group executive Debra Valentine.

The action was taken after the Rio Tinto board reviewed the findings to date of an internal investigation into 2011 contracts with a consultant who provided advisory services on the Simandou iron project in Guinea, West Africa.

“The board concluded that the executives failed to maintain the standards expected of them under our global code of conduct,” the company said in a statement to the ASX.

However, the company says the decision “does not pre-judge the course of any external inquiries”.

Neither executive will be eligible for short-term incentives for 2016. Rio Tinto is also cancelling all unvested incentive plan awards from previous years.

Davies joined the company in 1999 and is based in the UK. According to the company’s annual report, his base pay is £540,000 ($A897,000) and in 2015 was paid a short term incentive of £613,000 ($A1.02 million). He is also member of the board of directors of Rolls Royce Holdings.

Valentine has been head of legal since 2009. She was paid $US696,000 ($A930,000) and received a short term bonus of US$951,000 ($A1.27 million) in 2015.

Rio Tinto has informed regulatory authorities in the UK, Australia and the US and says it intends to fully cooperate with any investigation.

Davies and Valentine were stood down earlier this month over a series of payments totalling $US10.5 million.

The move follows the discovery in August this year of email correspondence from 2011 about payments to a consultant providing advisory services on the Simandou project in Guinea, West Africa.

Rio announced last month that it has signed a preliminary deal to sell its 46.6% stake in the Simandou project to Chinalco, which already has 41.3%.

It expects to receive between $US1.1 billion ($A1.4 billion) and $US1.3 billion ($A1.6 billion).

Simandou project is one of the world’s largest high grade iron ore resources at more than 2 billion tonnes.
Davies is being replaced as energy and minerals chief executive by Bold Baatar, who worked at JP Morgan before taking on chief executive positions with a gold mining company and a diversified investment management business in Mongolia.

He joined Rio Tinto in 2013 as copper international operations president and is the managing director of Marine and vice president iron ore sales.

Chief financial officer Chris Lynch has temporarily assumed accountability for the corporate legal affairs. The recruitment process for a new chief legal counsel has started.
Dumped Rio Tinto executive Alan Davies to take miner to court over dismissal

John Dagge, Herald Sun

RIO Tinto has sacked two senior executives over a payment scandal related to a controversial iron ore project in Africa, sparking threats of legal action.

Energy and Minerals chief executive Alan Davies has said he will take the mining giant to court over his dismissal, saying there were “no grounds” for his termination and he had been denied the opportunity to answer any allegations his former employer may have.

“I have not been privy to Rio Tinto’s internal investigation report, nor have I had any evidence of the reasons for my termination of my employment given,” Mr Davies said in a statement.

“Rio Tinto has made no effort to abide by due process or to respect my rights as an employee and it has given me no opportunity to answer any allegations.

“There are no grounds for the termination of my employment.”

Rio announced it had sacked Mr Davies and Legal and Regulatory Affairs group executive Debra Valentine in a statement lodged with the local stock exchange Thursday morning. Rio had already suspended Mr Davies while Ms Valentine had voluntarily stood down from her role.

The dismissals follow emails surfacing which show Rio discussing a $US10.5 million payment to a consultant made to ensure the Simandou iron ore project in Guinea went “smoothly” with the local government.

The emails, briefly published in a public website, show former Rio chiefs Sam Walsh and his predecessor Tom Albanese were aware of the payment made in 2011.

Rio last week announced it had self-reported the matter to regulators in Australia, the United States and United Kingdom following an internal investigation led by outside counsel.

These include the Australian Securities and Investments Commission, the US Department of Justice and Securities and Exchange Commission and the UK Serious Fraud Office. The Australian Federal Police, whose remit covers foreign bribery and corruption by Australian corporations, is also looking at the matter. Rio said the decision to dismiss the two executives did not prejudge the course of any external inquiries into the matter.

“However, the board concluded that the executives failed to maintain the standards expected of them under our global code of conduct,” it said in a statement.

“In the circumstances, the board terminated the contracts of both executives.” Mr Davies said the treatment of him and Ms Valentine was “totally at variance with the values and behaviours of the company to which I have devoted my professional life”. “My rights are fully reserved, and I have been left with no option but to take the strongest possible legal action in response,” he said.
Alan Davies declares war as Rio Tinto's GuineaGate gets nasty

by Matthew Stevens

Alan Davies is a very, very angry man.

A brief suspension from his job as chief executive of Rio Tinto's energy and minerals is over.

Suddenly he is a former Rio executive. So, too, is fellow exco member Debra Valentine.

On Monday, as foreshadowed in AFR Weekend, an emergency meeting of the Rio board of directors determined that both executives of long standing and influence should be "terminated".

Alan Davies: "My rights are fully reserved, and I have been left with no option but to take the strongest possible legal ...

That decision was translated to Rio people on Thursday morning in another internal email from new chief executive Jean Sebastien Jacques.

For all that it was shocking, the news obviously came as no surprise to Davies. Within moments a London-based public relations firm had dispatched his response.

Typically, Davies did not mince words. Un-typically, those words were laced with bitterness, ferocious anger and naked threat.

This is a moment brutally un-Rio Tinto. These are waters of open conflict unchartered for an organisation unfortunately well practised in the art of crisis management.

Even through its brush with financial mortality after the global financial crisis and through the sacking in 2013 of chief executive Tom Albanese and energy boss Doug Ritchie, Rio kept its public poise and the departed retained their reputational and financial legacy.

The 2011 emails detailed discussion between Davies, his then boss at Rio iron ore Sam Walsh (pictured) and the company's then chief executive Tom Albanese. Louise Kennerley

Not this time.

If not prejudgment, what is it?

In termination, Davies and US citizen Valentine have lost any short-term at risk payments that would have been due them in 2016 and will lose any unvested shares in their long-term incentive plans.

Even worse for the pair, they have effectively been identified as the key targets for scrutiny by the market regulators that Rio visited last week, with news of its concern over a $US10.5 million payment that was made to a French consultant named Francois de Combret.
In an internal note to Rio staff sent this week, Jacques claimed ownership of concern over the content of leaked emails that were published briefly through August on an internet forum.

On Thursday morning, he told his people that Davies and Valentine had been terminated because the board had "concluded that there had been a failure to maintain the standards laid out in our code of conduct, 'The way we work'."

"It is important to note that the board's decision is not in any way meant to prejudge the course of any external inquiries on this matter," Jacques wrote rather oddly.

I mean, if being sacked with financial prejudice is not prejudgment then what exactly is it?

The 2011 emails detailed discussion between Davies, his then boss at Rio iron ore Sam Walsh and the company's then chief executive Tom Albanese, over the terms and quantum of the payment to be made to de Combret for his role in resecuring Rio's potential leases in Guinea.

Jacques noted that a subsequent external investigation had inflated his concerns enough to warrant Davies' suspension and an early retirement by then and extant legal and regulatory affairs boss Valentine.

For the record, Davies had worked for Rio since 1997, and Valentine joined the company in 2008 from a leading Washington law firm after having worked as general counsel to the US Federal Trade Commission.

Four worrying paragraphs

We hear that the hopeful within Rio believed that sacking Davies and Valentine might result in speedy and meaningful dissipation of the public heat over GuineaGate and its consequences.

Wrong. This is going to be war. Davies has made that plain.

In his first public commentary on matters that were first ventilated in public with Rio's confirmation last week of his suspension, Davies claimed that Rio had denied him his rights, that he had been offered neither insights into the nature of the evidence that damned him nor an opportunity to defend is employment or reputation, and accused the company of flouting its own values.

"It is with great surprise and disappointment that I have been advised of the termination of my employment by Rio Tinto," the Davies manifesto said. Plainly the disappointment is very real, though the surprise is understandably confected.

"I have not been privy to Rio Tinto's internal investigation report, nor have I had any evidence of the reasons for my termination of my employment given. There are not grounds for the termination of my employment," Davies claimed.

"Rio Tinto has made no effort to abide by due process or to respect my rights as an employee and it has given me no opportunity to answer any allegation.

"This treatment of me and my past and recent colleagues is totally at variance with the value and behaviours of the company to which I have devoted my professional life.
"My rights are fully reserved, and I have been left with no option but to take the strongest possible legal action in response."

These are four very worrying paragraphs.

Given we can take Davies at his word about the lack of process – we know him well and are prepared to while Rio is making no comment on the matter – then we have to conclude that Rio’s investigation of the leaked email trail that started all of this has found a still-warm and dangerous smoking gun or that Davies is going to eventually secure himself a sizeable nest egg given the scarring engineered to his professional reputation.

Whether Valentine is of the same angry and litigious mood, well, that is not clear. The word is she has been inconsolable and uncontactable since this messy and ugly affair went public last week.

What we are sure of is that many close to this issue have been left scratching their heads as to the nature of the Rio board’s now darkly definitive concern over the contract Davies arrangements with de Combret.

Rio’s public termination notice leaves in no doubt that it is the disconcert of the de Combret contract with the principals of the company’s "How we work" code that has forced the board’s hand.

It should also be understood that the community of the Rio pantheon caught up in the GuineaGate net stretches far beyond and above Davies and Valentine. Their sackings stain, en passant, the reputations of Albanese, Walsh and former chief financial officer and current Shell plc director Guy Elliott.

They also raise concerns about the board oversight of management. Current chairman Jan du Plessis was running the board in 2011 and he was also chairman of the sustainability committee, whose brief includes oversight of Rio’s engagements with nations established and emerging.

Back then, as now, Rio had firm and established rules and processes for working in places as patently risky as Guinea and hiring expensive, high-level consultants such as de Combret.

From what we understand, those processes covered the way advisers were selected, vetted, paid and then the way they worked. These protocols were defined by "The way we work", Rio’s in-house bible of behaviours.

Several sources close to the de Combret process insist that the board-enforced rules were followed to the letter. It is claimed that de Combret selected at an executive committee meeting called to review several potential advisers. It is claimed that Rio’s legal, government and security departments conducted due diligence of de Combret and that resulted in exco confirmation of his appointment.

To be clear here, in 2011 Davies was not a member of the Rio executive elite. He did not sit on the exco meetings. It is far from clear who was involved in those approval meetings. But it is hard to believe that none of Albanese, Walsh or Elliott was in attendance along with the now-dismissed Valentine.

And what of the terms of an arrangement that saw de Combret pocket $US10,5 million? Well, we understand that payment was just over 1 per cent of the transaction value ($US700 million that was
paid to secure blocks 3 and 4 of the Simandou iron ore deposit. Several sources have suggested that, despite content in the leaked emails that indicates a level of concern about the payment and its terms, both Albanese and Walsh signed off on the arrangements.

For good measure, as was routine, the contract that locked in these arrangements was drafted by Rio's internal legal team. We have previously noted it was written by then legal counsel for iron ore, future managing director of Rio Tinto Australia and now former Rio man Phil Edmands.

We have since been told the contract passed the board-approved compliance and anti-corruption hurdles, which should not surprise, I suppose, given this payment was linked to a $US700 million payment to a government then rated as the third most corruptible in the world.

These are now our known knowns. What no one outside of the Rio boardroom and the offices of Chicago lawyers Kirkland & Ellis know is whether the evidence that has damned two Rio executives to unemployment is limited to these knowns. Inquiries since the leaked emails were bought to management's attention have churned through billions of bytes of data and what the searchers have found has convinced a board of considerable quality that the known unknown is a breach powerful enough to demand punitive sackings.

Given that, it has to be wondered whether Rio's vengeance should be limited to Davies and Valentine. At the end of 2012 Rio changed its remuneration rules to give the board authority to claw back benefits from management present and past. So will it pursue bonuses paid to the likes of Albanese, Walsh and Elliott, and will it also attempt to recover the $US10.5 million paid to de Combret?
Rio Tinto: JS Jacques says the miner is 'shell-shocked' by Guinea scandal

by Matthew Stevens

Nascent Rio Tinto chief executive, Jean-Sebastien Jacques, has described the company as "shell-shocked" by the metamorphosis of its Guinean iron ore project from 20-year, billion-dollar disappointment to mother of a potential scandal that has forced one senior executive into purdah and another into early retirement.

"I am fully aware that this week's announcement re Simandou came as a surprise and many people across RT are still shell-shocked," the man they call JS said in an email sent to senior Rio leaders on Sunday ahead of an emergency board meeting that was called for Monday, London time.

Last Wednesday Rio announced that its Energy & Minerals chief executive Alan Davies had been stood down as a result of the initial findings of an internal and external inquiry into a set of leaked emails that were published very briefly on open forum fnPaste.

Rio also confirmed that Legal & Regulatory Affairs group executive Debra Valentine had stepped down, apparently as a result of the reviews of the circumstances of a $US10.5 million payment to a consultant to the Simandou project.

At the same time, Rio also reported its problems to three worlds of corporate regulators.

Acting on the advice of the external legal counsel called in to assess the email trail, the Chicago-based firm Kirkland & Ellis, Rio dobbed itself into regulators including the Securities & Exchange Commission and the Department of Justice in the US, Britain's fearsome Serious Fraud Office and the Australian Securities & Exchange Commission.

In his circular to the Rio elite, JS observes that this concert of events had created a peculiar dilemma.

"We are facing a very challenging situation where the RT [Rio Tinto] organisation would like to better understand what has happened, and at the same time we are constrained in what we can share due to the fact the matter is with the US, UK and Australian agencies," JS noted in an accurate assessment of his Gordian bind.

No comment

"Some of you may not be aware but once the regulators are alerted, we cannot freely share much information," he continued. "This means we cannot comment in any way on the details."

Just to give an idea of what that means, the latest thing Rio cannot comment on includes whether or not Davies is being paid during his suspension and whether or not JS knows personally or professionally the consultant at the centre of his first crisis as Rio's CEO, a French investment banker named Francois de Combret.
"Some of us may be feeling that we are better informed by the press than by ourselves," JS warned. "Speculation is running in some quarters and some of what is being said strikes [at] the heart of the culture and values of our company which for me, are fundamentally strong and vitally important," Jacques writes.

The chief executive goes on to share "in confidence" the three steps to a process that culminated in Davies' suspension, Valentine's departure and Rio's embrace of the risk of investigation by some of the world's most powerful and persistent commercial cops.

Jacques said he ordered an investigation of the published emails on "the day I was made aware of the potential issue".

Several sources close to Rio have told The Australian Financial Review that Jacques demanded a review of the content of the emails and the circumstances that allowed their publication.

Jacques is said to have been fiercely angry at the breech of security implicit in the leaks and to have contemplated the future of Organisation Resources group executive, the IT savvy Hugo Bague. Apparently calmer heads prevailed.

Final step

Step two on the path to public crisis was to call in external expertise that Jacques was not prepared to name in his internal note but which we know was Kirkland & Ellis.

"The investigation has been carried out with the support of experienced external lawyers and has involved a significant data collection and review exercise," Jacques wrote.

The final definitive step into the maelstrom was taken last week when "based on the available findings" Rio trooped off to the regulators.

"It wasn't a decision we took lightly," Jacques assured his team.

To understand why, one only needs to consider what happened at BHP Billiton when it took a similar course of regulatory self-referral in 2010 after identifying problems with past payments made in trying to make progress on a big bauxite deposit in Cambodia.

The SEC eventually abandoned the Cambodian tea money problem in preference for allegations of failed book keeping and oversight of the Australian company's engagement with government officials invited to attend the Beijing Olympics.

Five years after self-reporting, BHP agreed to pay fines of $US25 million and entertain another year's worth of agency scrutiny to settle the SEC's concern that US anti-bribery laws had been breached.

China's Games was BHP's first and last play in big-ticket international sports sponsorship.

Probe 'may take years'

Little wonder then that Jacques, after noting that Rio would fully cooperate with the regulators, told Rio leaders that the "investigations [may] take several years".
"We have taken this situation very seriously from the moment we were aware of the emails," the Jacques clarion continued. "We did review where we are with the ExCo team on Thursday and we are committed to making sure we are not in the same situation again.

"As you know, over the last five years we have done a lot to strengthen our systems and controls. We will focus on what we need to do to take the company forward with our values, The Way We Work and our behaviours."

Jacques pledged to "share with you and the rest of the organisation" as much as was possible within the constraints of the investigations, and concluded his note by exhorting his executive to "weather the storm and lead Rio Tinto by example".

The essential problem here for Team Jacques is that the known knowns of "Simandougate" just do not account for the nature of the punitive action against two senior executives of very long and very good standing in the company.

Sure, the content of the four emails sent in early 2011 are not encouraging. But Australian and UK sources with knowledge of the events that triggered the Jacques inquiry insist that Vallentine was a stickler for procedure when it came to Rio's engagement of consultants generally and with those engaged for duties on the company's volatile frontiers particularly.

The question then is, what does Jacques know that the rest of us do not? Presumably the board will be told exactly that when it meets on Monday to consider, among many things, whether to make Davies' suspension permanent. But it is hard to see how that hard judgment could be publicly sustainable without publication of the advice from Chicago. And Jacques has made it plain enough that is not possible.

$10.5m payout

The man in the middle of Rio's conversation with the government of Guinea back in 2011 was a French investment banker called Francois de Combret. He was hired to help Rio win back two of four iron ore leases taken from the company by the government in 2008. Having helped do just that, de Combret asked to be paid $US10.5 million.

The email discussion that has so harmed two existing Rio executives and potentially dented the reputations of two past chief executives along with a very eminent chief financial officer, revolved around how much de Combret should be paid and how that payment might be structured.

The emails give the appearance that the fee was rather more fluid than might be imagined given a contract must have secured de Combret's services. The fact of the contract has been confirmed to us. The Financial Review reported on Saturday that the arrangements were overseen by then general counsel of Rio Tinto Iron Ore, Phil Edmands.

Sources in the UK and Australia have since explained that de Combret was one of four consultants considered for the role. One of the four was former UK prime minister Tony Blair. Another is said to have been Bernard Kouchner. Like de Combret he was a former school friend of the Paris educated Guinean president Alpha Conde. Kouchner is also said to be a friend of Rio's
controversial French-born director, "Atomic" Anne Lauvergeon. It is claimed that the heaviest price tag in this run-off was $US20 million.

Meanwhile, on Monday we finally made contact with de Combret. With poised French politeness, he resisted our invitation for comment. "I would love to speak with you but unfortunately, at the present time, it is impossible," he responded. "I am sure you will understand."

We do.
Billionaire Says Rio Probe Proves Elaborate Plot to Strip Prized Guinea Mine Rights

Billionaire Beny Steinmetz says the suspension of a senior Rio Tinto Group executive this week over a payment in Guinea is evidence of an elaborate plot that culminated in Steinmetz’s mining company being stripped of its rights to a $20 billion iron-ore project two years ago.

Steinmetz’s BSG Resources Ltd. and Rio, the world’s second-biggest mining company, have been engaged in a bitter dispute over rights to one of the world’s most prized mineral assets for about a decade. BSGR, which has rejected allegations of bribery, had its rights to half of the iron-rich mountain in West Africa revoked after the government said it had found evidence of corruption in awarding the licenses.

This week, Rio’s Alan Davies, who headed the London-based company’s energy and minerals unit that was responsible for Simandou, was suspended pending an investigation into the lawfulness of $10.5 million in payments to consultant Francois de Combret in 2011. Former Rio executives Tom Albanese and Sam Walsh discussed whether to make the payments, according to e-mails seen by Bloomberg News.

“We have been fighting very powerful forces,” the 60-year-old Steinmetz, who amassed his fortune in the diamond trade, said in an interview in London on Thursday. “We all knew justice would prevail. I feel vindicated. We knew all along that we were right. Our asset was taken away based on lies.”

Rio said on Nov. 9 it will cooperate with any subsequent inquiries from authorities. It said it alerted the U.S. Department of Justice, the U.S. Securities and Exchange Commission, the Serious Fraud Office in the U.K. and Australian Securities and Investments Commission to the payment after starting an internal inquiry in late August.

A spokesman for Rio declined to comment, as did former CEO Albanese. Guinea’s Mines Minister Abdoulaye Magassouba said the government is not commenting on the issue at the moment. Rio’s Davies and former CEO Walsh couldn’t be reached for comment. De Combret, who prior to his consulting work had been a managing director at Lazard Ltd. in Paris, declined to comment.

Rio advanced 2.6 percent to A$59.62 by 12:50 p.m. in Sydney, as competitor BHP Billiton Ltd. rose 2.1 percent.

The Simandou project has a storied past. BSGR gained a foothold in 2008 when Guinea stripped Rio of half the project, and two years later sold 51 percent of its rights to Brazil’s Vale SA for $2.5 billion.

In stripping BSGR of its rights in 2014, President Alpha Conde’s government said it found evidence of corruption in the awarding of licenses. BSGR’s acquisition of those rights has also been the subject of
a U.S. grand jury probe into possible violations of the Foreign Corrupt Practices Act and criminal money-laundering in connection with Simandou.

Claim Dismissed

Steinmetz and BSGR won dismissal of a racketeering suit in November last year in which Rio alleged they had conspired with Vale to steal the rights to Simandou.

“It’s a big conspiracy against us, huge,” Steinmetz said. “They tried to paint themselves as nice and clean but they never wanted to develop one ton of iron ore. We are the good guys.”

Guinea has been counting on the project to double the size of its $6.5 billion economy and turn it into the third-biggest exporter of the material. Delays to development created tension between Rio and the government, with Guinea earlier this year blaming the “ramblings of the technical team in London.”

Rio quit the project last month, handing control to partner Aluminum Corp. of China, or Chinalco. It will only receive a fee for its stake of $1.1 billion to $1.3 billion should the mine be developed. Two weeks earlier, the International Finance Corp., a small partner in the mine, exercised an option allowing it to exit and recoup costs.

“The people of Guinea are the biggest losers,” Steinmetz said. “BSGR lost a lot of money, which it deserved to make, because BSGR invested a lot and took on a huge risk. This project has gone with the wind.”
Rio Tinto directors’ heads on the chopping block over Africa deal

Rio Tinto directors are set to meet in London in the next few hours in order to discuss the future of the two of its executives involved in the so-called African payments scandal.

Sources say that the board will be considering whether to dismiss the company’s Australian-born suspended chief executive of energy and minerals, Alan Davies.

Rio announced the suspension of Davies along with legal affairs executive Debra Valentine after emails surfaced detailing a AUD$13.8 million payment to consultant, Francois de Combret, who allegedly provided political advisory services to Rio for the Simandou iron ore business in the west African country of Guinea.

According to the Australian Financial Review, the leaked emails appear to show Davies discussing the payment with then iron ore boss and later CEO of Rio, Sam Walsh, who in turn sought guidance from then CEO Tom Albanese.

The AFR has also suggested the contract between Rio and de Combret was overseen by Rio’s former managing director of Australian operations Phil Edmands, who was general counsel of the miner’s iron ore division at the time.

This new Guinea controversy comes six and a half years after four Rio employees, including Australian Stern Hu, were arrested in China over bribery allegations and 12 months after Rio director Anne Lauvergeon was questioned by French investigators over a number of alleged misleading accounts while CEO of nuclear power utility Areva.

Not that all this legal and corporate mud-slinging has hurt its standing with investors – since the close of trading on Friday, Rio shares actually went up by more than 8 per cent.
Rio chief reassures ‘shell-shocked’ staff

Rio Tinto managing director Jean-Sebastien Jacques has told “shell-shocked” staff that he called an investigation the day he found out about potential issues relating to a leaked email exchange between his predecessors Sam Walsh and Tom Albanese over a $US10.5 million payment to a consultant working on the Simandou iron ore project in Guinea.

In his first comments since Rio first made an announcement on the emails, the new Rio chief said company systems and controls had been strengthened since the 2011 payment was made and that Rio’s culture and values were “fundamentally strong”.

In the email to staff on Sunday, Mr Jacques warned that investigations could last several years.

The company last week reported itself to anti-corruption agencies in the US, Britain and Australia after the release of the emails sparked an internal review.

“I am fully aware that this week’s announcement regarding Simandou came a surprise and many people across Rio Tinto are still shell-shocked,” Mr Jacques, who replaced Mr Walsh in July, said in the email.

“We are facing a very challenging situation where the Rio Tinto organisation would like to better understand what has happened, and at the same time we are constrained in what we can share due to the fact the matter is with the US, British and Australian agencies.”

The six-week investigation after the emails were made public on a filesharing website on August 29 has resulted in the standing down of two executive committee members: minerals and energy chief Alan Davies, who has been suspended, and legal head Debra Valentine, who has left six months earlier than her planned retirement.

It also clouded the reputations of Mr Walsh and Mr Albanese and will subject Rio to intense scrutiny from the US Justice Department and Securities and Exchange Commission and the British Serious Fraud Office and the possibility of hundreds of millions of dollars in fines.

“We did review where we are with the ExCo (executive committee) team on Thursday and we are committed to making sure we are not in the same situation again,” Mr Jacques said.

“As you know, over the past five years we have done a lot to strengthen our systems and -controls.”

The Rio board, which is still chaired by Jan du Plessis, as it was in 2011, was due to meet last night to consider the future of Mr -Davies.

The emails that led to the investigation discuss the payment of $US10.5m to French investment banker Francois Polge de Combret for advisory services in securing a deal with the Guinean government that let Rio keep its Simandou iron ore mining tenements for a payment to the government of $US700m and a stake in the project.
Sources say Rio followed board-approved procedure in appointing Mr de Combret, who Mr Davies in his email said had provided “very unique and unreplaceable services and closeness to the president” of Guinea, Alpha Conde, that had significantly improved the outcome.

In the email exchange, Mr Davies said Mr de Combret’s closeness to the president had significantly improved the outcome of the deal.

“He vouched for our integrity when it was needed and helped bring us together when things were looking extremely difficult,” Mr Davies said.

It is unclear exactly what the investigation has uncovered that led Rio to report itself to the authorities.

“The day I was made aware of a potential issue, we launched an investigation,” Mr Jacques said.

He added that the company was unable to share much information on the case now that regulators had been alerted.

Over the weekend, the Guinean government released an official statement saying it did not know Mr de Combret was working for Rio.
Exbritish Pm Tony-Blair On Guinea Consult Shortlist

Former British prime minister Tony Blair was among a shortlist of consultants internally assessed by Rio Tinto during the process that eventually saw French banker Francois de Combret paid $US10.5 million to help seal a $US700m deal in 2011 so the mining giant could keep its Simandou iron ore tenements in Guinea.

Emails made public this week show former chief executives Sam Walsh and Tom Albanese along with then international iron ore boss Alan Davies discussing approval of the payment to Mr de Combret, who Mr Davies said provided “very unique and unreplaceable services and closeness to the president” of Guinea, Alpha Conde.

They sparked a Rio investigation that has now seen the matter referred to authorities in the US, Britain and Australia.

Rio’s board, headed by chairman since 2009, Jan du Plessis, will meet today in London to discuss the future of now minerals and energy chief Mr Davies, who was suspended last week.

Some of Rio’s board members have had some recent experience of being investigated by authorities.

Director John Varley is a former Barclays chief who has been interviewed but not charged as part an ongoing UK Serious Fraud Office investigation of market statements made to investors about Qatari investors.

And director Anne Lauvergeon, a former Areva chief, was this year questioned by French authorities over filing of accounts around an ill-fated $2 billion acquisition of African uranium mines, which were later completely written off.

The short Rio executive email exchange over payment to Mr de Combret, made public last week, has raised concerns from external compliance experts that the executives make no mention of governance concerns. Rio has declined to comment on what processes or discussions took place regarding the appropriateness or legality of the payment.

But sources say a high-level executive committee selected Mr de Combret after assessing a list of about five consultants, including Mr Blair, who could have done the job.

Mr Blair has previously acted as an adviser to Mr Conde and has reportedly acted as a mediator between Rio and the Mongolian government over Rio’s big Oyu Tolgoi copper and gold project.

Before the shortlist went to the executive committee, internal and external due diligence was said to have been done on Mr de Combret. Usual practice would involve Rio’s work principles explained to him face-to-face, and a contract drawn up that would had Rio’s work principles embedded in it.

It is understood the contract with Mr de Combret was put together by senior internal Rio staff.
The contract was overseen by legal and regulatory group executives.

Internal compliance officers were known to be sticklers for process.

Sources say they made every employee who invited guests on behalf of Rio to the London Olympics sign a five-page questionnaire on the guest and then made the company secretary or a director of the invitee company send back a compliance questionnaire.

The revelations surfacing suggesting that board-approved process has been followed in the appointment of Mr de Combret make even more intriguing what Rio may have discovered in its investigation, which kicked off less than two months after Mr Walsh stepped down as CEO.

By now inviting some of the world’s strictest anti-corruption enforcers to look into the company, the miner has clouded the reputations of two former chiefs, seen two top-level executives stood down and left the company potentially facing hundreds of millions of dollars of fines.

The company is not prepared to give any indication of its internal investigation findings.

If Brisbane-born Mr Davies, now running minerals and energy, does not survive today’s board meeting, it will leave aluminium chief Alfredo Barrios, who was promoted in 2014, as the only surviving product group head since Mr Jacques was announced in March this year.

The Rio investigation started on August 29 after the emails were briefly posted on a file-sharing website.

It is not known who posted the files, but some believe they were contained in email discovery by defendants in a 2014 court case over Simandou, where Rio unsuccessfully tried to sue rival Vale and BSG Resources.
Guinea distances itself from Rio Tinto's 'unique helper'

The office of Guinean President Alpha Conde has distanced itself from the man at the centre of Rio Tinto's African ...

by James Chessell  Peter Ker  Matthew Stevens

The Guinean government has distanced itself from the Frenchman Rio Tinto paid $US10.5 million for his "unique help" in securing one of the world's largest iron ore deposits in 2011, claiming it was unaware Francois Polge de Combret represented the Anglo-Australian mining giant at the time.

In its first response to the African payments scandal that has rocked the world's second-largest mining company, the office of Guinean President Alpha Conde issued a statement on Saturday (AEDT) that appears to contradict claims by senior Rio executives that Mr de Combret enjoyed a close relationship with government officials.

Leaked emails from May 10, 2011, show Tom Albanese, Rio's then chief executive, Sam Walsh, then head of iron ore, and Alan Davies, who ran Rio's iron ore operations outside Australia, debated a request to pay Mr de Combret the $US10.5 million fee for his "very unique and irreplaceable services and closeness to the [Guinean] President" after a dispute over the massive Simandou iron ore deposit was resolved.

Direct connection

Alpha Conde, right, with French President Francois Hollande. The Guinean president has distanced himself from Frenchman ...

Alpha Conde, right, with French President Francois Hollande. The Guinean president has distanced himself from Frenchman Francois Polge de Combre. JACQUES BRINON

Mr de Combret, a former senior investment banker at Lazard and adviser to Valery Giscard d'Estaing during his time as French president, helped Rio establish a "direct connection" with the Presidential Palace in Conakry, according to an email sent by Mr Davies. In his reply, Mr Walsh noted: "No question that he [Mr de Combret] delivered sizeable value".

However, Mr Conde's office claims it had no knowledge that Mr de Combret worked for Rio or Simfer, the holding company established by Rio to own the southern half of Simandou.

"The government was not aware at the relevant time in 2011 that Mr Polge de Combret was in any way working on behalf of Simfer or Rio Tinto," the statement says. "It has, to date, received no specific allegations of corruption in relation to the events reported in the press release of Rio Tinto."

Rio's relationship with the Guinean government has been strained for many years. The miner was abruptly stripped of its rights to the northern half of Simandou in 2008 by Mr Conde's predecessor. The 2011 payment to Mr de Combret related to another dispute in which Rio was forced to pay the government $US700 million to retain the southern half of Simandou deposits the company believed it already owned.
Bribery concerns

The payment to Mr de Combret became public knowledge on Tuesday when Rio revealed it had suspended Mr Davies, while regulatory and legal boss Debra Valentine had stood down amid concerns the payment could be considered a form of bribery.

Rio, which sold its rights to Simandou earlier this year, has hired Chicago-based law firm Kirkland & Ellis to conduct the internal review and has alerted authorities in Britain, the US and Australia. The company will hold an emergency board meeting on Monday to discuss the payment and Mr Davies’ conduct. Mr Walsh and Mr Albanese no longer work at Rio.

Mr Conde’s office said it was closely following the matter and would carry out any "necessary investigations" of its own to assist the authorities seized "in the performance of their duties".

While Rio’s current management, led by chief executive Jean-Sebastien Jacques, believes the payment is questionable enough to warrant a serious investigation, a source close to the company claims the executives followed due process before transferring the money. The source claims Mr de Combret’s credentials were vetted by Rio, his consultancy agreement was prepared by then general counsel Phil Edmands and he was asked by Mr Davies to abide by Rio’s "The Way We Work" code of conduct.

Formal investigation

Rio is already awaiting the result of a French investigation into the conduct of non-executive director Anne Lauvergeon during her controversial time running Paris-based uranium giant Areva. In May, Ms Lauvergeon was placed under formal investigation for accounting irregularities related to the ill-fated $US2.5 billion takeover of African uranium miner Uramin in 2007, a deal that was almost entirely written off months after Ms Lauvergeon left Areva in 2011.

Ms Lauvergeon might, however, be able to offer her fellow Rio directors a special insight into Mr de Combret during Monday’s meeting. Ms Lauvergeon and Mr de Combret worked together on the board of French defence company Safran during the mid-2000s. Mr de Combret was also managing partner of Lazard in Paris when Ms Lauvergeon worked at the investment bank in 1995-96.

Ms Lauvergeon visited Guinea in May and met with Mr Conde in her capacity as a non-executive director of bauxite explorer, Alliance Miniere Responsable.

The leaking of the emails has caused great consternation within Rio. It is understood Rio’s head of operational resources Hugo Bague, who is responsible for the company’s email systems, has been put under pressure from Mr Jacques to explain how the leak to a public file-sharing website occurred.
Rio Tinto directors to consider suspended executives' plight

Rio Tinto chairman Jan du Plessis. The board will decide how to handle the African payment scandal in London on Monday.

Rio Tinto chairman Jan du Plessis. The board will decide how to handle the African payment scandal in London on Monday. Luke MacGregor

by Matthew Stevens  Peter Ker  James Chessell

Rio Tinto directors will meet in London on Monday for an emergency board meeting over its African payment scandal, and are expected to discuss the future of the two current executives involved.

It's understood one option the board will consider on Monday will be whether to dismiss the company's currently suspended chief executive of energy and minerals, Alan Davies.

Rio announced the suspension of Australian born Mr Davies and the stepping-down of legal affairs executive Debra Valentine on Wednesday after emails relating to a $US10.5 million ($13.8 million) payment to a consultant in Guinea came to light.

The consultant, French business figure Francois de Combret, had allegedly provided political advisory services to Rio over the Simandou iron ore business in Guinea.

Leaked emails appear to show Mr Davies discussing the payment with then iron ore boss and later CEO of Rio, Sam Walsh, who in turn sought guidance from then CEO Tom Albanese.

Rio has since alerted fraud and financial regulators in Britain, the US and Australia.

It is believed that Rio has hired Chicago-based law firm Kirkland & Ellis to conduct the internal review that led to Mr Davies' suspension on Wednesday.

Sources suggest the contract between Rio and Mr de Combret was overseen by Rio's former managing director of Australian operations Phil Edmands, who was general counsel of the miner's iron ore division at the time.

Code compliant

Mr Edmands declined to comment on Friday, but sources said the contract referred to and complied with Rio's behavioural and ethical standards code "The Way We Work".

It is also understood that Mr Davies briefed Mr de Combret on the standards expected by "The Way We Work" when negotiating the payment.

Sources suggest Mr de Combret's appointment was approved by Rio's internal security department.

Mr Albanese made a scheduled appearance on Thursday night at an investor briefing for his current employer Vedanta Resources.

When asked by The Australian Financial Review whether he planned to defend his reputation against the leaked emails, Mr Albanese was tight-lipped.
"We are here to talk about Vedanta so I’m not in a position to comment on that matter, thank you," he said.

Vedanta has a large presence in Africa and other parts of the developing world, including in its home base in India.

Neither Mr Davies nor Mr Walsh nor Mr de Combret could be reached for comment.

Rio sold its Simandou stake to Chinese company Chinalco on October 28.

The Guinea controversy comes less than seven years after four Rio employees, including Australian citizen Stern Hu, were arrested in China over bribery allegations.

It also comes after a year in which Rio director Anne Lauvergeon has faced questioning by authorities in her native France over whether she filed misleading accounts while CEO of nuclear power utility Areva.

Rio shares drifted lower in the hours after the company announced it had alerted the authorities, but the stock has since risen sharply following Donald Trump’s election to the US presidency, which has triggered a broad market rush for materials and natural resources stocks.

By the close of trading on Friday Rio shares had risen more than 8 per cent since Rio revealed the Guinea controversy on Wednesday.
When the most powerful executives at Rio Tinto emailed each other in May 2011 to discuss a $US10.5 million payment to an adviser who could influence the new president of Guinea, the main point of discussion was how much Rio was prepared to pay.

What is baffling compliance experts and others who have read the exchange that may land the company and some executives in hot water, is why there was no mention of potential governance concerns.

There clearly should have been, given an investigation Rio conducted after the emails came to its attention three months ago has seen the case referred to authorities in three jurisdictions, two executives stood down, a cloud over the reputations of former chief executives Sam Walsh and Tom Albanese, and the potential for hundreds of millions of dollars in fines.

The payment, discussed in company emails by then chief executive Mr Albanese, then iron ore chief Mr Walsh and international iron ore chief Alan Davies was to Frenchman Francois de Combret. It was for services in helping Rio strike a deal a month earlier to retain two iron ore mining leases in Guinea’s Simandou ranges by Rio paying the Guinea government $US700m.

“Sam, I accept this ($US10.5m) is a lot of money, but I also put forward that the result we achieved was significantly improved by Francois’ contribution and his very unique and unreplaceable services and closeness to the president,” Mr Davies says in a detailed May 10, 2011, request for approval.

He says there is still work to do to “secure the investment fully” and that he had knocked Mr de Combret down from an initial request of $US15m.

Mr Walsh then asks his boss, Mr Albanese, his thoughts on paying half the fee now and half on first production from the planned $US20 billion Simandou project.

“Worth giving this a try, but also think about optics to the GoG (Government of Guinea),” Mr Albanese replies.

Mr Walsh took over from Mr Albanese as chief executive in 2013 and was replaced by Jean-Sebastien Jacques in July this year. Mr Jacques apparently became aware of the payment shortly after his appointment, when the emails were quietly posted, by persons unknown, on a public website on August 29.

Rio then did an internal investigation before announcing on Tuesday that it was suspending Mr Davies, that legal head Debra Valentine would leave the company six months earlier than planned and the case would be reported to the US Department of Justice and the Securities and Exchanges Commission, Britain’s Serious Fraud Office and the Australian Federal Police.

During the investigation, on October 28, Rio said it planned to hand its share of Simandou over to partner Chinalco for a payment of $US1bn to $US1.3bn if it were ever developed.

The question that compliance experts are asking is why there were no signs of alarm bells about the appropriateness and legality of the payment in an email exchange at the highest levels of a company that stresses to employees that anti-corruption measures are effectively embedded in its DNA.
It is even more baffling because, little more than a year earlier, four employees of Mr Walsh’s iron ore unit, including Australian Stern Hu, were jailed in China for accepting bribes and stealing trade secrets.

Transparency International Australia chief executive Phil Newman said it was good that Rio had self-reported, but the clearly problematic payment should have been picked up earlier. “There should have been questions asked about whether this was an appropriate transaction, who they were dealing with and the political exposure, but it doesn’t look like that happened,” he said.

Mr Newman added that the fact Mr Albanese discussed the optics of the deal was “appalling”.

“There’s no way an issue of that nature should be discussed from an optics perspective, they should be saying ‘it’s not how we conduct business’,“ he said. “It doesn’t speak well to the values and culture of decision-making.” It is not known what other discussions the trio had about the appropriateness of the payment to Mr de Combret, which Rio this week said was made in full.

But the fact Rio has now stood down two executives and notified authorities shows its investigators did not find sufficient evidence that everything was OK.

One compliance expert said an eight-figure bill for consulting services was a “classic anti-bribery 101 red flag”.

“The consultant should be itemising what that bill was for, how many hours he worked and break down how many people were working with him,” he said.

“Guinea is a high-risk country, you’re paying an agent a huge amount of money because of his contacts in the government, and success depends on him — they are all massive red flags.” Guinea is ranked 139th of 168 countries in Transparency International’s corruption perceptions index.

An industry source who has been through a US Foreign Corrupt Practices Act investigation said Rio was likely to face fines of more than $US100m from US authorities if found to have breached the act.

In September, hedge fund Och-Ziff agreed to pay $US200m to the SEC and a criminal penalty of $US213m, with chief executive Daniel Och personally paying an extra $US2.2m, after the fund was found to have used intermediaries to pay bribes to government officials in Africa, including in Guinea.

Attempts to contact Mr Davies, Mr Walsh and Mr de Combret were unsuccessful. Mr Albanese on Thursday refused to comment.
Two former Rio Tinto CEOs caught up in African payment probe

Email correspondence between former Rio Tinto CEO Sam Walsh and head of its African operations, Alan Davies, have been given to authorities. Bloomberg

by James Chessell

Former Rio Tinto chief executives Tom Albanese and Sam Walsh were involved in discussions over the merits of paying a French consultant $US10.5 million ($13.7 million) to ensure the miner’s relationship with the Guinean government went "smoothly" after a dispute over the massive Simandou iron ore project was resolved.

According to email correspondence on May 10, 2011, Rio’s then chief executive Tom Albanese, head of iron ore Sam Walsh and senior executive Alan Davies were involved in discussions over the merits of paying consultant Francois de Combret $US10.5 million for his "very unique and unreplaceable services and closeness to the [Guinean] President" Alpha Condé.

The payment became public knowledge on Tuesday after Rio revealed in a brief statement that it had suspended Mr Davies, who ran Rio’s iron ore operations outside Australia at the time, while regulatory and legal boss Debra Valentine had stood down over a payment made to the consultant for “providing advisory services” in connection with Simandou.

The Anglo-Australian miner released the statement after becoming aware of the emails on August 29 but did not spell out the name of the consultant, the services he provided in the west African nation or the names of the other senior executives involved in the email discussion with Mr Davies. The statement suggest the payment was made in full.

Outstanding dispute

Copies of the emails obtained by The Australian Financial Review shed light on the nature of Rio’s concerns.

The correspondence shows Mr Davies requested the payment be made to Mr de Combret just days after Rio announced it would pay the government of Guinea $US700 million to resolve an outstanding dispute over the southern half of the Simandou project known as blocks 3 and 4.

Rio lost northern blocks 1 and 2 in 2008 when Guinea’s then dictator, Lansana Conté, assigned them to BSG Resources, a company controlled by Israeli diamond tycoon Beny Steinmetz.
In an email to Mr Walsh asking for "final approval" to make the payment, Mr Davies began by saying he had spoken to Mr de Combret following separate discussions between Mr Walsh and Mr Albanese – Rio's two most senior managers at the time.

"We have reached a final point, where Francois has requested a fee for services on securing [blocks] 3 and 4 of US$10.5 million. This is clearly stated as his bottom line, and a reduction from his request of US$15 million," he wrote.

"Sam, I accept that this is a lot of money, but I also put forward that the result we achieved was significantly improved by Francois' contribution and his very unique and unreplaceable services and closeness to the President.

"He vouched for our integrity when it was needed and helped bring us together when things were looking extremely difficult. These services were of the most unique nature, and we will never fully be able to judge the potential outcome if he was not assisting us in good faith.

"My belief is that we had a very low probability of resecuring [sic] 3 and 4, but through a combination of the negotiations and Francois' unique help to me and Rio Tinto, we were able to close. There is still an enormous amount to do to secure the investment fully."

Mr de Combret is a former classmate of Mr Condé, who attended high school and university in Paris, according to an analysis of Guinean mining interests contained on the website of the International Centre for Settlement of Investment Disputes. An adviser to the former French president, Valéry Giscard d'Estaing, and an ex-investment banker at Lazard and UBS, he set up an independent advisory firm called FC Finance in 2010.

The analysis, which is critical of Mr Condé, refers to allegations that prominent investor George Soros "does not like Francois de Combret and has attempted to sideline him from influencing the President on State or Mining Matters". Mr Soros has acted as an adviser to Mr Condé.

'Utmost integrity'

In his email, Mr Davies goes on to say Mr de Combret has helped him on "a number of communication issues" with President Condé and describes the consultant as "extremely valuable insurance that things do go smoothly as we bed down the arrangements with the [government of Guinea]."

Expressing concern Rio could lose its "direct connection" with President Condé, Mr Davies adds: "Francois has behaved with the utmost integrity and as I say, I have extreme confidence that he will continue to assist us to improve our relationship with the [government] and the President".

Mr Davies says "this is not a standard situation, and is indeed extremely unique" before concluding: "I am very worried if we are not able to stabilise the situation and start delivering the project. Finalising these discussions in a satisfactory way is extremely good insurance for Rio Tinto."

Mr Walsh then referred the email to his boss at the time, Mr Albanese. Mr Walsh wrote there is "no question" Mr de Combret "delivered sizeable value" but he also questioned whether the agreement with the government could collapse. He suggested that the funds should be placed in an account in Mr de Combret's name and only released once the first shipment of iron ore from Simandou took place.
Simandou is yet to be developed and Rio sold its stake in the project last month. However, at the time Rio and the Guinean government were hopeful production would begin in 2015.

Mr Albanese replied that this approach is worth "a try" but he should also "think about optics to the government of Guinea" in a possible reference to political blowback for not paying Mr de Combret earlier.

Mr Walsh then writes back to Mr Davies to say he is prepared to pay the full $US10.5 million figure "but only holding an amount in escrow in his name subject to first shipment". He concludes: "I know that you won't like this, but put your thinking cap on."

Stood down

Neither Mr Albanese nor Mr Walsh work at Rio now and there is no suggestion they formed part of Rio's investigation into the payment. Nor is there any suggestion Mr de Combret has done anything wrong.

Attempts to contact Mr Walsh, Mr Albanese and Mr Davies were unsuccessful.

Mr Albanese was stood down by the board in January 2013 over Rio's poor financial performance while Mr Walsh retired earlier this year after a three-year stint as CEO. He is now the chief executive of London-listed mining group Vedanta Resources. A spokesman for Vedanta declined to comment.

Rio has not explained precisely why it was sufficiently concerned about the emails to launch an investigation and alert authorities on three continents. However, it is possible the company could be worried the payment might be viewed as a type of facilitation payment which can be illegal in certain circumstances.

The suspension of Mr Davies and the resignation of Ms Valentine comes after French prosecutors have spent much of the past year investigating Rio Tinto director Anne Lauvergeon over her conduct as chief executive of French nuclear power company Areva almost a decade ago.

Prosecutors have questioned Ms Lauvergeon over whether she deliberately filed misleading accounts at Areva in 2007. Her husband, Olivier Fric, has also reportedly been investigated over insider-trading claims.

Ms Lauvergeon recently defended herself against the investigation, saying she had not concealed any losses.

In 2010 four Rio Tinto employees were charged with receiving bribes and stealing commercial secrets in China.

A Rio spokesman declined to comment.
Rio Tinto's Simandou email trail includes former CEOs Sam Walsh, Tom Albanese

Two former Rio Tinto chief executives are included in the emails at the heart of investigations across three continents into payments the global miner made over access to a mining project in West Africa.

Both Tom Albanese and Sam Walsh received emails relating to $US10.5 million ($13.5 million) in payments to a consultant over the massive Simandou iron ore deposit in Guinea.

Email correspondence between former Rio Tinto CEO Sam Walsh and head of its African operations, Alan Davies, have been ...

Email correspondence between former Rio Tinto CEO Sam Walsh and head of its African operations, Alan Davies, have been given to authorities. Photo: Bloomberg

The emails were sent in 2011 as Rio was finalising access to the deposit but have only now been brought to the attention of the authorities in Britain, the United States and Australia.

At the time, Mr Albanese was the company's chief executive and Mr Walsh the head of the group's iron ore operations. Mr Walsh went on to become the group's chief executive after Mr Albanese was pushed out over a failed investment in an African coal project that cost the group billions of dollars.

On Wednesday, Rio disclosed the head of its mining and energy division, Alan Davies, had been suspended following discovery of the payments, while the group's head of legal and regulatory affairs, Debra Valentine, had stepped aside. She was due to retire early next year.

The timing of the emergence of the payments could indicate the discovery of the correspondence as part of the "due diligence" by the acquirer of Rio's stake in the project, its partner Chinalco. By self-reporting the payments, Rio could be seeking to soften any possible future prosecution or fine that might eventuate.

"Self-reporting will mitigate whether it goes to prosecution or whether a fine will be levied ... to get a potential discount to show up-front you haven't hidden it," University of Sydney Business School associate professor David Chaikin said.

"It is obviously early days, and I can't comment on the case, but the pressure is on large companies to act to prevent bribery."

Emails sent to another former Rio Tinto CEO, Tom Albanese, are being investigated.

Emails sent to another former Rio Tinto CEO, Tom Albanese, are being investigated. Photo: Glenn Hunt

The US was known to levy heavy fines in cases involving the bribing of government officials, while the UK had more stringent legislation as it was also an offence not to prevent a payment being made, where the only defence was an effective compliance system, Dr Chaikin said.
At the heart of the email trail is a $US10.5 million payment to French banker Francois de Combret, a former boss of Lazard Freres and a former school mate of Guinea's President, Alpha Conde.

Both Tom Albanese and Sam Walsh received emails relating to $US10.5 million ($13.5 million) in payments to a consultant...

Both Tom Albanese and Sam Walsh received emails relating to $US10.5 million ($13.5 million) in payments to a consultant over the Simondou iron ore deposit in Guinea.

"We have reached a final point, where Francois has requested a fee for services on securing [blocks] 3 and 4 of the Simandou deposit of $US10.5m," Mr Davies wrote in an email sent to Mr Walsh.

"This is clearly stated as his bottom line, and a reduction from his request of $US15m.

"Sam, I accept that this is a lot of money, but I also put forward that the result we achieved was significantly improved by Francois' contribution and his very unique and unreplaceable services and closeness to the President."

Mr Walsh sought to defer part of the payment until the project was in production.

"Got the figure up to $10.5 million but only holding an amount in escrow in his name subject to first shipment," Mr Walsh wrote in an email to Mr Davies.

"I know that you won't like this, but put your thinking cap on. Sam."

Mr Albanese agreed the company should seek to hold the funds in escrow but was concerned the government of Guinea could view the move badly, since Rio was also hopeful of regaining control of blocks 1 and 2 of the project, which had been taken from the company in 2008.

"Sam, Worth giving this a try, but also think about optics to the GoG [government of Guinea]. Regards, Tom."

In an email to Mr Walsh, Mr Davies signalled the door might have been re-opened to regaining control of blocks 1 and 2, describing the situation of the payment as "extremely unique".

"There is also now a glimmer of possibility that we may be able to move ourselves into a useful position in relation to [blocks] 1 and 2 [of the Simandou deposit]. Irrespective of the good advances I have personally made, I am extremely pessimistic without the invaluable services that Francois has provided. This is not a standard situation, and is indeed extremely unique."

A spokesman for Rio said it had no comment to make when approached about the emails.
Rio Tinto CEO was uneasy about ‘the optics’ of Guinean payment: leaked email

Former Rio Tinto executives Sam Walsh and Tom Albanese at the University of Western Australia in 2009.

Rio Tinto’s two previous chief executives, Sam Walsh and Tom Albanese, have been drawn into the developing Guinea payments scandal that has seen senior executive Alan Davies stood down, with an email trail showing the pair discussing the payment Rio has now referred to US, British and Australian authorities.

In a 2011 email chain obtained by The Australian, Mr Davies, then head of international iron ore operations, asks Mr Walsh, who was head of the company’s iron ore division, for permission to pay French investment banker Francois de Combret $US10.5 million, down from a previous request from Mr de Combret of $US15m.

Mr de Combret, who went to the same school as Guinean President Alpha Conde.

“Sam, I accept that this is a lot of money, but I also put forward that the result we achieved was significantly improved by Francois’ contribution and his very unique and unreplaceable services and closeness to the President,” Mr Davies said in the May 10, 2011 email.

“I am extremely worried if we lose the direct connection to the President that I have cultivated with Francois. Francois has behaved with the utmost integrity and as I say, I have extreme confidence that he will continue to assist us to improve our relationship with the Government of Guinea and the President.”

The email was sent after Rio Tinto (RIO) had the month before agreed to pay Guinea a $US700m settlement fee to retain Simandou iron ore project mining tenements in Guinea.

Mr Walsh, who succeeded Mr Albanese in 2013, then suggests to Mr Albanese that half the payment be held subject to first shipments of iron ore.

“Sam, Worth giving this a try, but also think about optics to the GoG (Government of Guinea)” Mr Albanese replied.

Rio has said $US10.5m of payments were made.

It also investigated the payment for 6 weeks before deciding to suspend Mr Davies and stand down legal head Debra Valentine, who had previously been intending to step down in May next year.

Mr Walsh, Mr Albanese and Mr Davies have not been able to be contacted for comment.

Rio yesterday revealed it had become aware six weeks ago of emails relating to $US10.5m of payments in 2011 to “a consultant providing advisory services” on the project.

It said subsequent investigations had led to Mr Davies’s suspension and the stepping down of Ms Valentine.
Rio said Ms Valentine had previously told the company she planned to retire in May.

Last night, a Federal Police spokeswoman said the force had “engaged with Rio Tinto in relation to this matter”, but the allegations had not been formally referred to it.

The company has notified the US Department of Justice and the Securities and Exchange Commission, the Serious Fraud Office in Britain and ASIC in Australia, indicating there were concerns about the payments and that the adviser may have been linked to the government.

Rio made no mention of Mr Walsh or Mr Albanese in the statement. Mr Walsh did not reply to emails yesterday. Mr Albanese is now chief executive of London-listed Vedanta Resources, which is controlled by Indian billionaire Anil Agarwal.
Rio suspends senior executive after discovery of $13.5m Simandou mine payments

Brian Robins

Global miner Rio Tinto has suspended one of its most senior executives following the discovery of large payments to a consultant who worked on the Simandou iron ore project in West Africa.

In a statement, the miner said it has suspended Mr Alan Davies, the company's energy and minerals chief executive "with immediate effect".

Suspended: Alan Davies became head of Rio's energy and minerals division earlier this year, having led its diamonds and ...

Suspended: Alan Davies became head of Rio’s energy and minerals division earlier this year, having led its diamonds and minerals business since 2012. Photo: Mathias Magg

Legal and regulatory affairs group executive Debra Valentine, who sits with Mr Davies on the mining giant’s 10-member executive committee, has stepped aside from her role. She was due to retire on May 1, 2017.

Rio said it has "notified the relevant authorities in the United Kingdom and the United States and is in the process of contacting the Australian authorities".

It did not clarify what has transpired apart from saying that in late August it "became aware of email correspondence from 2011 relating to contractual payments totalling $US10.5 million [$13.5 million] made to a consultant providing advisory services on the Simandou project in Guinea".

"The company launched an investigation into the matter led by external counsel," it said.

Mr Davies, who took control of Rio's energy and minerals division earlier this year, had accountability for the Simandou project in 2011.

Rio Tinto said it intends to co-operate fully with any subsequent inquiries from all of the relevant authorities.

"Further comment at this time is therefore not appropriate," it said in a statement.

"Given the scale of Rio Tinto, it would appear unlikely that this development would have a material impact from a monetary perspective, though we will have to see if anything eventuates from this in the future," RBC Capital Markets analyst Paul Hissey told clients Wednesday. "Rather, this is a potentially negative public relations issue which Rio Tinto has managed to avoid whilst BHP has been dealing with the Samarco dam incident."
Late last month, Rio sold its 46.6 per cent stake in the project to Chinalco for up to $US1.3 billion after earlier writing off its $US2 billion exposure to the project.

This marked the second significant reversal for Rio in Africa in recent years, following the disastrous $US3.7 billion purchase of Riversdale Mining, which owned a coal deposit in Mozambique, in 2011 which it sold subsequently for just $US50 million. The economics of both of the projects were undermined by the need to build extensive infrastructure.

Rio had been forced to give up part of the Simandou deposit to BSG Resources, a company controlled by the Israeli investor Beny Steinmetz, who was later the subject of a US investigation into whether he had made illegal payments to secure control of the acreage. BSG subsequently onsold its interest to Brazil's Vale.

In 2014, the US FBI said Frederic Cilins, a 51-year old French citizen who had been an agent for BSG, had been sentenced to 24 months in prison for obstructing a federal criminal investigation into alleged bribes to obtain mining concessions in the Republic of Guinea.

Early in 2014, Swiss authorities, who were already assisting the government of Guinea in its investigation into the case, announced that they had opened a criminal probe into the matter.

Separately, Rio also launched took legal action against Vale and Steinmetz in the US, claiming Vale had feigned interest in a joint venture to access Rio's confidential information and had worked secretly with Steinmetz to steal the rights to the northern part of the resource from it. It also alleged significant bribes had been paid to government officials. The action failed since the US courts decided Rio had waited too long to file the case.

In April 2011, Rio agreed to pay $US700 million to the Government of Guinea following the granting of mining concessions, with a $US10 billion investment planned in a mine to begin production in 2014, although it was subsequently shelved.
Rio Tinto suspends Energy & Minerals chief executive

Rio Tinto has suspended Alan Davies, Energy & Minerals chief executive, after launching an investigation into $10.5 million payments for advisory services.

The suspension is in connection with payments made for advisory services on the Simandou project in Guinea.

Davies was accountable for the Simandou project when the contractual payments were made to a consultant in 2011.

Rio Tinto launched an investigation into the matter in August this year, after it became aware of email correspondence relating to the payments. The investigation is led by external counsel and Rio Tinto has also notified the relevant authorities in the United Kingdom and United States, while it is in the process of contacting the Australian authorities.

The company said that Legal & Regulatory Affairs group executive Debra Valentine, has stepped down from her role, having previously notified the company of her intention to retire on 1 May 2017.

Rio Tinto said it intends to fully co-operate with any inquiries from the relevant authorities and could therefore not make further comment on the matter at this stage.
Rio Tinto cuts WA iron ore jobs, 500 expected to go

The company will not confirm numbers, but it is understood 500 jobs, or 4 per cent of its workforce, will go.

The company told the ABC "rolling reductions" were underway, with jobs at head office in Perth to be targeted first.

Rio has released a one-line statement acknowledging tough conditions for iron ore.

"The market outlook remains challenging and we currently have 1,000 initiatives underway across our business to reduce costs, improve productivity and ensure we remain internationally competitive," it said.

The iron ore price hit almost $US80 a tonne on Friday, but has fallen to $US72 over the weekend.

Rio Tinto said most analysts were forecasting the iron ore price to average $US40–50 a tonne next year.

Rio Tinto cut 170 jobs from its Pilbara operations in March.

The latest cuts come in the wake of a proposal by West Australian Nationals leader Brendon Grylls to hit big mining companies with a $5-per-tonne iron ore tax.

The tax has been widely criticised by Rio Tinto and BHP Billiton and the Chamber of Minerals and Energy on the grounds it is unfair and would cost jobs.

It has also been dismissed by the Premier Colin Barnett, but the mining companies claim it is causing uncertainty in the industry in the lead-up to the state election in March.
Melbourne. Facing international pressure to get tougher on corruption, Australian authorities say they are targeting the resources industry but have yet to be formally asked to look into a high-profile probe into payments at miner Rio Tinto.

A senior official at the Australian Federal Police said there had been talks with Rio, the world's second-largest miner, though police had yet to begin an official investigation into e-mailed details of payments that led to two top executives being fired this week.

"We haven't had a matter referred to us for investigation," said Peter Crozier, the AFP's manager of criminal assets, fraud and anti-corruption.

There is no evidence of illegal activity involving Rio officials nor a consultant to whom payments were made, a banker linked to Guinea's president. But e-mails detailing the transactions are a blow to the reputation of a group that has long been vocal in its campaign for transparency.

Australia has beefed up its resources in tackling corruption and fraud after the Organisation for Economic Co-Operation and Development chided the government in 2012 or being slack in prosecuting bribery offences – at a time when miners and oil firms were expanding everywhere from Papua New Guinea to the Democratic Republic of Congo.

"In the course of some of the research that we've done, the extractive industry is obviously one that's very challenged in this space," Crozier said in an interview.

Rio has moved swiftly to attempt to draw a line under the payments scandal, alerting authorities to the emails, dating back to 2011, that discuss $10.5 million in payments to French investment banker Francois de Combret.

But lawyers and industry analysts expect investigations and potential court cases could keep the issue simmering.

Such investigations typically take five to 10 years, Crozier said, citing OECD statistics, with massive resources required.

"The services provided, the relationships that exist, all of those sort of things are key to actually proving that a person's intent was potentially to pay a bribe or receive a bribe or influence a public official," he said.
A lawyer familiar with AFP investigations said Rio Tinto would be a choice target for the agencies to set an example to others – if there was wrongdoing.

"What I do know is that the AFP is desperate to put somebody in jail as a deterrent. You couldn't think of a bigger deterrent than a senior executive from a major corporate being put into jail for this type of offence," said Steven Fleming, a partner with United States law firm Jones Day in Sydney.

AFP's Crozier said there would be no race for headlines.

"It's not a matter of picking one that's going to make the biggest impact," he said.

"It's important to put a message out there to say if you are involved in this sort of activity, you are going to face the full effect of the law. We have a number of investigations that are ongoing."

Rio Tinto has declined to comment on the issue, as have two former chief executives involved in the email exchange.

Tom Albanese, now chief executive of Vedanta Resources, declined to comment when asked about the matter last week, and Sam Walsh has not responded to efforts to contact him.

Regulators in Britain, the United States and beyond have taken a much tougher stance on corruption in recent years.

Aluminium producer Alcoa and a joint venture it controlled paid $384 million in 2014 to resolve charges of bribing officials of a state-controlled smelter in Bahrain.

BHP Billiton came under scrutiny for payments made in Cambodia on an exploration project but then the US Securities and Exchange Commission expanded its probe to the company's hospitality program at the Beijing Olympics in 2008.

After a six-year investigation, BHP paid a $25 million fine for slack record keeping tied to the Olympics hospitality.
Guinea: Ex Mines Minister alleges he was offered bribe over Simandou project

A former minister of mines of Guinea, Mahmoud Thiam has told Bloomberg that the head of Rio Tinto’s Guinea operation, Steven Din, offered him a bribe six years ago.

He said the bribe was to win back control of half of the undeveloped Simandou project.

The project is considered the world’s biggest untapped iron ore deposit.

According to the former minister, Din was attempting to regain control of the blocks from billionaire investor Beny Steinmetz’s BSG Resources Ltd.

Din however denies this allegation.

Meanwhile, Rio Tinto Mining company has fired two of its senior managers after a questionable $10.5 million payment to a consultant.

The payment made by the Anglo-Australian company was supposedly used to help secure right to a giant ore project in Guinea Conakry.

Already, law enforcement authorities in UK, US and Australia are evaluating the case. The company will face charges if found corruption.

The incumbent Guinean minister of mines and geology Abdoulaye MA has requested Rio Tinto to transmit all the information these procedures could reveal.

The controversy on the Simandou project dates back to 2008 during the former president Lassana Conte’s administration, who took the decision to withdraw half of BSGR, Beny Steinmetz’s BSG Resources Ltd’s concessions of this site, in order to assign it to Rio Tinto.
Rio Tinto : les dollars troubles de Simandou

Le groupe minier anglo-australien fait le ménage au sein de sa direction pour un mettre un terme aux affaires de corruption dans lesquelles il est impliqué en Guinée.

Avec une richesse par habitant (PIB) d’un peu plus de 545 dollars (514 euros) par an, la Guinée est le 9e pays le plus pauvre du monde. Un damné de l’Afrique qui regarde passer les dollars de loin. Ceux des mines, par exemple, qui abondent dans le pays et apportent plus de malédiction que de prospérité. Loin à l’est du pays, le mont Nimba regorge des terres rouges du minerai de fer, le gisement de Simandou, au potentiel considérable.

Depuis plus de vingt ans les compagnies occidentales y traînent leurs guêtres sans grand résultat autre qu’un insistant parfum de scandale. L’anglo-australien Rio Tinto, deuxième groupe minier mondial, en sait quelque chose. Le 10 novembre, il licencie brutalement deux de ses principaux dirigeants, le patron de la division énergie et minerais, Alan Davies, et la responsable juridique, Debra Valentine.

Rio Tinto Terminates Executives Over Simandou Investigation

Rio Tinto previously said it was contacting authorities over emails linked to $10.5 million in payments to a consultant on the Simandou project in Guinea.

Alan Davies, the former chief executive officer of energy and minerals at Rio Tinto, speaks in

By RHIANNON HOYLE

Mining giant Rio Tinto PLC said it fired one of its most senior operational executives and its head of legal and regulatory affairs based on the findings from a continuing internal probe into $10.5 million in payments to a consultant who helped acquire mining rights in Guinea.

Rio Tinto said in a statement that it terminated the contracts of energy and minerals chief executive Alan Davies and legal and regulatory affairs group executive Debra Valentine.

The firings are the latest development in the company’s probe of emails related to payments to a consultant who helped to acquire rights to mine the prized Simandou iron-ore deposit.

Rio Tinto said last week that it was investigating internal emails connected to the 2011 payments, and said it had notified law enforcement officials and regulators including the U.S. Justice Department, the U.S. Securities and Exchange Commission and the U.K.’s Serious Fraud Office.

The company also said last week that Mr. Davies, who was responsible for the Simandou project at the time, was suspended, while Ms. Valentine, who had previously told the company she intended to leave in May next year, had stepped down.

In a statement, Mr. Davies said there were “no grounds” for his termination and he had been given “no opportunity to answer any allegations.”

“I have been left with no option but to take the strongest possible legal action in response,” he said.

Ms. Valentine couldn’t be reached for comment.

The company said the decision to fire the two executives “does not pre-judge the course of any external inquiries into this matter.” But it said “the board concluded that the executives failed to maintain the standards expected of them under our global code of conduct.”

In a note to Rio Tinto’s senior managers on Sunday viewed by The Wall Street Journal, CEO Jean-Sébastien Jacques said Rio’s top ranks have “taken this situation very seriously from the moment we were aware of the emails.”
Some emails reviewed by the Journal show other executives, including Tom Albanese, who was chief executive at the time, and Sam Walsh, who succeeded Mr. Albanese as CEO in 2013, discussing the payments to the consultant.

Mr. Walsh couldn’t be reached for comment. A spokeswoman for Vedanta Resources, where Mr. Albanese is now CEO, declined to comment.

The consultant aided the company in negotiations with Guinea’s government over access to Simandou, according to people familiar with the matter and emails the Journal reviewed.

Rio Tinto has said it believed it could turn Guinea into one of the world’s top exporters of iron ore, a steelmaking commodity.

Mr. Davies will be succeeded by Bold Baatar, who held a number of senior investment banking roles with J.P. Morgan before taking on CEO posts at a gold mining company and a diversified investment management business in Mongolia.

He joined Rio Tinto in 2013 as copper international operations president and is the managing director of its marine unit and vice president of iron ore sales and marketing.

Chief Financial Officer Chris Lynch will temporarily head Rio Tinto’s legal and regulatory affairs unit, the company said.

The Rio Tinto matter comes as global law enforcement and regulators—from the U.S. SEC and Justice Department to the British SFO—have pushed to crack down on allegations of corruption overseas.

Simandou was one of the mining world’s most coveted prizes because of its size and high quality of iron ore. Rio Tinto last month sold its stake to Aluminum Corp. of China for $1.1 billion to $1.3 billion.

Rio Tinto began exploring Simandou in the 1990s. The $20 billion Simandou project became engulfed in controversy after the government of now-deceased dictator Lansana Conté in 2008 stripped Rio Tinto of two of the project’s four blocks, saying the miner had failed to develop the project in a timely manner. Rio won the pair of blocks back in 2011.
Rio Tinto brass faces forgery charges

P Naveen | TNN | Updated: Nov 17, 2016, 11.52 AM IST

BHOPAL: Almost three months after the Rio Tinto Group announced the shutting of its diamond mine in Bunder (Chhatarpur district), the state police has registered a case of forgery against the company's India director and three other top officials.

Case has been registered by Satna police under section 420 (forgery) of IPC following a complaint lodged by Dushyant Singh, director of Star Agronomics Limited, Green Park, New Delhi.

According to the complainant, company officials had floated a tender on October 3 for selling two pieces of land - 6.68 hectare with residential complexes and a 3.28-hectare commercial area having a diamond Dense Media Separation (DMS) plant - in Chhatarpur's Buxwaha area. Star Agronomics Limited was the only company which took part in the invitation with a proposal of Rs 1.16 cr in total for both the plots.

"We responded to Rio Tinto's advertisement and won the bid by quoting highest. This was confirmed to us in a written communication by the company. When we processed documents to take over the land, Rio Tinto stopped responding and said that the tender is being cancelled. This is a breach of trust. We feel cheated," Dushyant Singh told TOI. "We had also deposited Rs 5.8 lakhs with the company while filing nomination for the tender," he added. Rio Tinto officials could not be contacted for their comments despite several attempts.

A FIR has been registered against Rio Tinto's MD (India) S Vijay Iyyer, director (exploration) Siddhartha Jain, director (external affairs) Kamal Kant and advisor (external relations) Kamal Sethi at Kotwali police station in Satna.

Nearly 16 years after its discovery and an investment of Rs 500 crore, Rio Tinto Group had announced in August that it will shut the Bunder mine in India by end of the year to cut costs and conserve cash. In an emailed statement to the media, Rio Tinto said Bunder will remain a top-class diamond deposit and their company will work with the Madhya Pradesh government to examine options for another investor to take over the project.

While officials in the state government claim Rio Tinto has got 22 viable locations in South Africa, company insiders say was project was stalled by delays in environmental approvals, especially protests over clearing of a forest area near Panna Tiger reserve. As per plan, Rio Tinto wanted to start production by 2019.

The Bunder diamond project was discovered in 2004. During initial stage, Rio Tinto announced it was planning to invest USD 500 million in the Bunder project, and it would create 30,000 jobs in the diamond-cutting industry in India.
Rio Tinto Terminates Two Executives After Guinea Bribery Scandal

November 16, 2016, 08:24:00 PM EDT By RTT News

(RTTNews.com) - Rio Tinto (RTPPF.PK, RIO.L, RIO, RTNTF.PK) said that it terminated the contracts of Energy & Minerals chief executive Alan Davies and Legal & Regulatory Affairs Group executive Debra Valentine.

The Rio Tinto board reviewed the findings to date of an internal investigation into 2011 contractual arrangements with a consultant who provided advisory services on the Simandou project in Guinea.

The board’s decision does not pre-judge the course of any external inquiries into this matter. However, the board concluded that the executives failed to maintain the standards expected of them under global code of conduct, The way we work. In the circumstances, the board terminated the contracts of both executives.

Alan Davies will be replaced by Bold Baatar, who will join the Executive Committee as Energy & Minerals chief executive.

The Chief financial officer Chris Lynch has temporarily assumed accountability for the corporate Legal & Regulatory Affairs function. The recruitment process for a new chief legal counsel has commenced.
Rio Tinto executives sacked over Guinea consultancy payments

By senior business correspondent Peter Ryan

PHOTO: Rio Tinto last month sold its share of the Simandou project to Chinalco. (ABC: Kathryn Diss)

RELATED STORY: Rio executive suspended amid African payments investigation

Mining giant Rio Tinto has sacked two top executives over payments to a consultant who provided "advisory services" in the African nation of Guinea.

In a statement, Rio Tinto said it had terminated the contracts of Energy and Minerals chief executive Alan Davies and the head of Legal and Regulatory Affairs, Debra Valentine.

The terminations come after the Rio Tinto board reviewed the findings of an internal probe into $US10.5 million in payments and contractual arrangements with a consultant who provided "advisory services" on the Simandou iron ore project in Guinea in 2011.

"The board's decision does not pre-judge the course of any external inquiries into this matter," the company said in a statement, having referred the matter to authorities in the UK, US and Australia last week.

"However, the board concluded that the executives failed to maintain the standards expected of them under our global code of conduct."

The outcome of Rio's internal probe will be costly for Mr Davies and Ms Valentine who will now not receive short-term incentives for 2016, with unvested incentive plans from previous years also cancelled.

Earlier, Mr Davies — who had overall accountability for the Simandou project — had been suspended from all duties while the investigation was underway.

Rio Tinto has repeated that it is cooperating with regulators in the United Kingdom, Australia and the United States on their subsequent inquiries.

The Anglo-Australian mining giant has refused to comment further while the other investigations are underway.

'No grounds for termination'

Mr Davies has hit back at his former employer, saying he is surprised and disappointed about his dismissal.

"I have not been privy to Rio Tinto's internal investigation report, nor have I had any evidence of the reasons for my termination of my employment given," he said in a statement.
There are no grounds for the termination of my employment.

"Rio Tinto has made no effort to abide by due process or to respect my rights as an employee and it has given me no opportunity to answer any allegations.

"This treatment of me and my past and recent colleagues is totally at variance with the values and behaviours of the company to which I have devoted my professional life."

Mr Davies said he has been left with no option but to "take the strongest possible legal action in response"

The ABC sought to contact Debra Valentine last week, but had no response.

Rio Tinto puts Simandou behind it

The $US10.5 million in payments occurred in 2011, which the company’s records show was the same year it signed a major agreement with the Government of Guinea.

At the time Rio Tinto told shareholders the agreement "secures Rio Tinto's mining title in Guinea and paves the way for first shipment of iron ore by mid-2015".

The agreement also confirmed that a Rio Tinto subsidiary, Simfer, would pay the Government of Guinea $US700 million.

At the time, Rio Tinto praised the Government of Guinea for engaging "so constructively" with the company.

It also praised the Government's commitment to the Extractive Industries Transparency Initiative.

Rio Tinto last month sold its stake in the Simandou project to Chinese mining giant Chinalco in a deal that may net it up to $US1.3 billion.

Mr Davies is being replaced by Bold Baatar who held senior banking roles with JP Morgan before joining Rio Tinto in 2013 as copper international operations president.
Rio Tinto’s West African Bet Comes Back to Haunt It

Rio Tinto PLC’s firing of two top executives has shone a fresh spotlight on its probe into payments associated with a massive iron-ore deposit in Guinea.

Early Thursday in Australia, Rio Tinto said it had ended the contracts of energy and minerals chief executive Alan Davies and legal and regulatory affairs group executive Debra Valentine. The move came after Mr. Davies was suspended and Ms. Valentine stepped down last week.

Internal Rio Tinto emails, seen by The Wall Street Journal, showed that high-level executives at the company approved payments in 2011 to a consultant who was close to senior government officials in Guinea.

In a statement, Mr. Davies said there were “no grounds” for his termination and he had been given “no opportunity to answer any allegations.”

The Australian Securities and Investments Commission wouldn’t say Thursday whether it was looking into the matter, while the Australian Federal Police said it “has engaged with Rio Tinto in relation to this matter, however, the matter has not been formally referred to the AFP.”

On Sunday, in a note to senior leaders, Rio Tinto CEO Jean-Sébastien Jacques acknowledged the miner was facing a challenging situation and said official investigations might take years.

Mining companies have been driven into new frontiers to chase the most valuable deposits of everything from iron ore to copper, or risk losing out on lucrative developments.

At Simandou, where Rio Tinto first secured exploration rights in the 1990s, plans for a mine were complicated by a lack of rail and port infrastructure. Plus, its development was bogged down by political upheaval, commodity-price volatility, contractual wrangling and legal issues that included a U.S. grand-jury investigation.

The company agreed last month to sell its stake in Simandou to Aluminum Corp. of China for $1.1 billion to $1.3 billion. Earlier this year, Rio had virtually written off Simandou, recording an impairment charge of $1.12 billion, citing uncertainty with securing funding for the project.
Appetite for iron-ore resources was big early last decade, as rapid industrialization in Asia, especially China and India, bolstered demand for steel.

Although a huge investment was needed in the site—the plan included construction of a 400-mile railway from the mine to Guinea's Atlantic coast, as well as building a deep-water port to ship the ore abroad—miners from China to Europe, including Glencore PLC, at one time expressed an interest in investing.

BHP Billiton Ltd. previously held rights to iron-ore reserves in Guinea but sold out a few years ago. On Thursday, BHP Chief Executive Andrew Mackenzie denied walking away from Guinean iron ore because of political issues.

It “was an economic decision,” he told reporters on the sidelines of a shareholder meeting in Brisbane, Australia. “It just didn’t stack up versus increasing investment in Australia.” He declined to comment on the situation facing rival Rio Tinto.
Rio Tinto Executives Fired Over Mine Payments—Energy Journal

By NEANDA SALVATERRA

Here’s your morning jolt of news, insight and analysis on the global energy business.

RIO TINTO TERMINATES EXECUTIVES OVER SIMANDOU INVESTIGATION

Mining giant Rio Tinto PLC said it has fired senior employees amid a probe into improper payments related to its acquisition of mining rights in West Africa, writes Rhiannon Hoyle.

The company said it terminated the contracts of energy and minerals chief executive Alan Davies and legal and regulatory affairs group executive Debra Valentine.

The firings are the latest development in the company’s probe of emails related to a $10.5 million payment to a consultant who helped Rio Tinto acquire rights to mine the prized Simandou iron-ore deposit in Guinea.

The Simandou mine was sought after because of its size and high quality of iron ore. Rio Tinto last month sold its stake to Aluminum Corp. of China for $1.1 billion to $1.3 billion.

The Rio Tinto matter comes as global law enforcement agencies, including U.S. and U.K. regulators, have cracked down on overseas corruption.
Rio Tinto debates Guinea payments at London board meeting

BARBARA LEWIS

Rio Tinto PLC called a board meeting on Monday to discuss payments of $10.5 million (U.S.) made to a consultant on its project to develop the world’s largest untapped iron ore reserves in Guinea, industry sources said.

Rio said last week it had alerted Australian, U.K. and U.S. authorities after becoming aware on Aug. 29 of e-mails from 2011 that referred to payments to a consultant providing advisory services on its Simandou project in Guinea. Spokesmen for the mining company said on Monday they could not comment beyond last week’s statement because a legal investigation was underway.

In an internal e-mail sent at the weekend, Rio Tinto chief executive officer Jean-Sebastien Jacques said he was aware many people in the company were “shell-shocked” by the news.

He said he had launched an investigation the day he found out there was an issue and that, now that it was in the hands of external authorities, it could take “several years.”

“We are committed to making sure we are not in the same situation again. As you know, over the last five years we have done a lot to strengthen our systems and controls,” he said in the e-mail, seen by Reuters.

Mr. Jacques took over as CEO at the start of July from Sam Walsh, who has a track record in iron ore. Mr. Jacques has earned kudos for his Oyu Tolgoi project in Mongolia which will be the world’s biggest copper mine when completed.

The Simandou project has huge potential, but Mr. Jacques has voiced frustration over the difficulty of funding the massive infrastructure required to develop the mine. At the end of October, Rio announced it was selling its Simandou stake to its partner Chinalco, which has declined comment on the investigation.

Rio’s share rose on the news it had found a way out of Simandou and the rally has continued despite the uncertainty of a lengthy legal investigation. So far this year, Rio shares have gained nearly 60 per cent. The company announced the payments and suspended one senior executive on Nov. 8, the day of the U.S. presidential election won by Republican candidate Donald Trump.
Corruption Currents: Rio Tinto Suspends Exec Amid Graft Probe

By SAMUEL RUBENFELD

A daily roundup of corruption news from across the Web. We also provide a daily roundup of important risk & compliance stories via our daily newsletter, The Morning Risk Report, which readers can sign up for here. Follow us on Twitter at @WSJRisk.

Bribery:

Rio Tinto PLC said an executive stepped down and another was suspended in connection with a company investigation into emails that reference $10.5 million of payments made to a consultant for helping to acquire rights to iron-ore deposits in Guinea. One person allegedly involved in the emails declined to comment and the other couldn’t be reached. How did Rio Tinto get tangled in the corruption scandal? (WSJ, FT, Reuters, AFR)

A senior Trafigura executive stepped down to fight bribery charges linked to the Petrobrasandal in Brazil. (FT)

FIFA recommended a lifetime ban for a former official who pleaded guilty in the U.S. to charges in the soccer corruption scandal. (ITG)

Fraud:

Macedonia extradited a Kazakh official accused of fraud. (OCCRP)

Money Laundering:

The U.K. is helping Guatemala in its fight against money laundering and terrorism finance. (press release)

Switzerland’s tax authority won’t appeal a ruling in France to let authorities there pore through UBS files. (Reuters)

Ecuador’s president defended his vice president against allegations of money laundering. (PanAm Post)

The trial of a banker linked to the 1MDB scandal continues. (Straits Times, Straits Times)

Nigeria filed charges against judges amid its probe of the judiciary. Meanwhile, a former governor’s money laundering trial began after an eight-year wait. (Vanguard, Vanguard, AFP, Nation Nigeria, Leadership, Premium Times)

A Kenyan money-laundering case stalled after a key person disappeared. (Daily Nation)

The Isle of Man has a new financial intelligence unit chief. (IOM Today)

A Bangladeshi minister, his wife and their son were asked to surrender in a money-laundering case. (Daily Star)
How are banks fighting money laundering? (D Magazine)

Sanctions:

Russia is looking for sanctions relief from Donald Trump as part of a friendlier relationship between Washington and Moscow when he becomes president. The Kremlin sees the two in lockstep. (Reuters, WSJ, Guardian, Newsweek, Reuters)

There is a debate brewing about the stability of the Iran nuclear agreement upon Mr. Trump’s inauguration. Tehran says it has options if the agreement fails. Hardliners will be empowered and investors are nervous. Will Total be the only Western energy company to strike a post-sanctions business deal? (Reuters, Washington Post, CATO, Al Monitor, Lobelog, Atlantic Council, Reuters, Reuters, Reuters, Foreign Policy)

The U.N. atomic agency noted a small violation by Tehran to the nuclear agreement. (AP, Reuters)

General Anti-Corruption:

Millions of people in India are scrambling after the country banned large banknotes. Banks are overwhelmed but the government may see a windfall. (AP, Wire, FT, Bloomberg)

China will set up a new anti-corruption agency to oversee public officials. A former general manager of Sinopec pleaded guilty to corruption. (SCMP, Reuters)

Iraq’s parliament began an investigation into oil corruption. (Iraq Oil Report)

Italy arrested dozens in an organized crime bust. (OCCRP)

Two Zambian soccer officials are under investigation for alleged embezzlement. They refused to comment. (BBC)

What is democracy’s role in fighting corruption? (Trace)
Rio Tinto Executive Suspended, Another Steps Down Amid Payments Probe
Company has been investigating emails that reference $10.5 million payout to consultant related to mining rights in Guinea

By RHIANNON HOYLE and SCOTT PATTERSON

SYDNEY—Rio Tinto PLC said an executive stepped down and another was suspended in connection with a company investigation into emails that reference $10.5 million of payments made to a consultant for helping to acquire rights to massive iron-ore deposits in Guinea.

The suspension of Rio Tinto’s Energy and Minerals Chief Executive Alan Davies and the resignation of Legal and Regulatory Affairs Group Executive Debra Valentine are the latest twists in a long-running scandal relating to Simandou, one of the mining world’s most coveted prizes because of its size and high quality of iron ore.

Internal Rio Tinto emails reviewed by The Wall Street Journal show that high-level executives at the company, including its chief executive at the time, Tom Albanese, approved the payments in 2011 to a consultant, François de Combret, a former Lazard Frères managing director who was close to senior government officials in Guinea.

On Wednesday, Rio Tinto said it had been investigating the emails since August. The company said it had notified the U.S. Department of Justice, the U.S. Securities and Exchange Commission, the U.K.’s Serious Fraud Office and the Australian Securities and Investments Commission of the emails. The company didn’t say why it forwarded the emails to authorities.

“Rio Tinto intends to cooperate fully with any subsequent inquiries from all of the relevant authorities,” the company said.

Mr. Albanese, who stepped down as Rio’s CEO in 2013 and is now chief executive of Vedanta Resources PLC, declined to comment. Mr. de Combret couldn’t be reached for comment. Efforts to reach Mr. Davies and Ms. Valentine weren’t successful.

Mr. de Combret aided the company in negotiations with Guinea’s government over access to Simandou, according to people familiar with the matter and emails the Journal reviewed. Rio Tinto has said it believed it could turn Guinea into one of the world’s top exporters of iron ore, a steelmaking commodity.

The emails show that Mr. Davies sought approval for the payments to Mr. de Combret from Sam Walsh, then head of Rio’s iron-ore division. “May I please have your approval to agree a final fee with François of US$10.5m,” Mr. Davies wrote in a May 10, 2011, email to Mr. Walsh soon after Rio had agreed to pay $700 million to Guinea to secure the rights to the mine.
Mr. Davies said in the email that Mr. de Combret had provided significant help in obtaining rights to mine two large pieces of the Simandou concession from the Guinea government and noted his “closeness” to Guinea President Alpha Condé.

Mr. Walsh, after reviewing Mr. Davies’s request, sent an email to Mr. Albanese, then CEO of Rio Tinto, recommending that the company make the payment, subject to certain conditions. “Worth giving this a try,” Mr. Albanese replied. Mr. Walsh wasn’t reachable for comment.

The miner became aware of the communications after an unspecified number of emails were published on an open internet forum, a spokesman said. The emails were posted for a short time before being removed, he said.

Rio Tinto began exploring Simandou in the 1990s. The $20 billion Simandou project became engulfed in controversy after the government of now-deceased dictator Lansana Conté in 2008 stripped Rio Tinto of two of the project’s four blocks, saying the miner had failed to develop the project in a timely manner.

The government awarded the rights to BSG Resources Ltd., the mining business of Israeli billionaire Beny Steinmetz, which later struck a deal with Brazil’s Vale SA to buy a 51% stake in the Simandou assets.

The Guinea government later stripped BSGR and Vale of those rights, alleging they were illegally obtained. BSGR has denied any wrongdoing. Rio won the pair of blocks back in 2011.

The Anglo Australian company last month sold its stake Simandou to Aluminum Corp. of China for about $1.3 billion.
Rio Tinto suspends executive Alan Davies over payment of $10.5 million to consultant for Guinea project

By Vittorio Hernandez @vitthernandez on November 09 2016 1:40 PM

Alan Davies, chief executive of Rio Tinto’s diamonds and minerals division, poses with a rare pink diamond in Hong Kong September 6, 2013. The Argyle Pink Diamond Tender, showcasing the finest coloured diamonds from Rio Tinto Ltd’s mine in northwest Australia, opens its doors to about 100 carefully selected gem enthusiasts in Hong Kong this week. Reuters/Bobby Yip

Miner Rio Tinto has alerted authorities in the UK and US and is contacting Australian authorities too after the company suspended Alan Davies, Energy and Minerals chief executive. His suspension was triggered by an investigation that Davies paid a consultant US$10.5 million (A$13.6 million) for advisory services on a project in Guinea.

Davies was appointed to his current position in 2016, but he had oversight on the Simandou project in 2011. The payments were made that year which was also when Rio Tinto inked a major agreement with the Guinea government, ABC reports. The mining giant became aware only in August 2016 of the 2011 emails about the contractual payments made to the consultant who provided advisory services on the Simandou project.

Besides Davies, who was immediately suspended, Debra Valentine, legal and regulatory affairs group executive and part of Rio Tinto’s 10-member executive committee, which includes Davies, stepped aside from her role. Valentine is supposed to retire on May 1, 2017, Sydney Morning Herald reports.

The external counsel of the mining giant leads the investigation into the payment. Rio Tinto declines to further comment on the matter since it is not appropriate at this time.

Paul Hissey, RBC Capital Markets analyst, told clients on Wednesday that “Given the scale of Rio Tinto, it would appear unlikely that this development would have a material impact from a monetary perspective, though we will have to see if anything eventuates from this in the future.” But Hissey notes that it could potentially cause negative public relations issue for Rio Tinto which has so far managed to avoid one, unlike BHP Billiton which has been struggling with the Samarco dam incident.

For almost a decade, the Simandou project has been embroiled in legal scandals after the Guinea government stripped Rio—which has been exploring since the 1990s the site containing the largest untapped iron ore deposits in the world—some of its licence area and gave it to BSG Resources.

BSG then partnered with Vale, Rio’s competitor, leading Rio to file in the New York District Court a racketeering suit against BSG and Valle. Although the court threw out the case, the new Guinea government after a review of previous mining contracts, concluded BSG got the mining licence because of bribery.
Rio Tinto Suspends Executive Alan Davies Amid Payments Probe

Second executive steps down as miner investigates emails that reference US$10.5 million payout to consultant

By RHIANNON HOYLE

SYDNEY—One Rio Tinto PLC executive stepped down while another was suspended as the miner alerted authorities to emails that reference US$10.5 million worth of payments made to a consultant on the troubled Simandou project in Guinea, one of the world’s largest iron-ore deposits.

The Anglo-Australian mining company has since August been investigating the emails relating to Simandou, a project that has been bogged down by lawsuits and in which Rio Tinto last month sold its stake to Aluminum Corp. of China for up to US$1.3 billion. It said on Wednesday it was notifying authorities in the U.K., U.S. and Australia.

Energy and Minerals Chief Executive Alan Davies, who was responsible for the Simandou project at that time, has been suspended.

Legal and Regulatory Affairs Group Executive Debra Valentine has stepped down. She had previously told the company she intended to leave Rio Tinto in May, 2017, the company said.

Rio Tinto Energy and Minerals Chief Executive Alan Davies, pictured in New York in May this year. He has been suspended. PHOTO: BLOOMBERG NEWS

“On Aug. 29, Rio Tinto became aware of email correspondence from 2011 relating to contractual payments totaling US$10.5 million made to a consultant providing advisory services on the Simandou project in Guinea,” the company said in a regulatory filing.

The miner became aware of the communications after an unspecified number of emails were published to an open internet forum, a spokesman said. The emails were posted for a short time before being removed, he said.

The Simandou site, which Rio Tinto began exploring in 1997, had been considered one of the mining world’s most coveted prizes due to its size and high quality of iron ore. Rio Tinto said it could sustain a mine for more than four decades and possibly turn Guinea into one of the world’s top exporters of the steelmaking commodity.

The US$20-billion project became engulfed in controversy, however, after the government of now-deceased dictator Lansana Conté in 2008 stripped Rio Tinto of two of the project’s four blocks on
grounds that the miner had failed to develop the project in a timely manner. The government awarded the rights to BSG Resources Ltd., the mining business of Israeli billionaire Beny Steinmetz, which later struck a deal with Brazil’s Vale SA to buy a 51% stake in the Simandou assets.

The Guinea government later stripped BSGR and Vale of those rights, alleging they were illegally obtained.

“Rio Tinto intends to cooperate fully with any subsequent inquiries from all of the relevant authorities,” the company said.

It is notifying the U.S. Department of Justice, the U.S. Securities and Exchange Commission, the U.K.’s Serious Fraud Office and the Australian Securities and Investments Commission.

The miner said it wouldn’t comment further. Efforts to reach Mr. Davies and Ms. Valentine weren’t successful.

“Given the scale of Rio Tinto, it would appear unlikely that this development would have a material impact from a monetary perspective, though we will have to see if anything eventuates from this in the future,” said RBC Capital Markets analyst Paul Hissey. “Rather, this is a potentially negative public relations issue which Rio Tinto has managed to avoid whilst BHP Billiton Ltd. has been dealing with the Samarco dam incident.”

Rio Tinto shares didn’t react. Its stock traded up 1% in Sydney on Wednesday, versus a 0.8% rise in the S&P/ASX 200.
World Bank arm monitoring Rio Tinto’s payments probe in Guinea

SYDNEY – The World Bank’s private investment arm said it’s monitoring the situation after Rio Tinto Group announced a probe into a $10.5-million payment connected to the Simandou iron-ore project in Guinea, West Africa.

The International Finance Corp. is supporting efforts to identify funding for the project, including through plans for Rio Tinto to hand over its stake to Aluminum Corp. of China, according to Frederick Jones, an IFC spokesperson. The World Bank arm became aware on Nov. 8 that Rio Tinto had notified the relevant authorities following an internal investigation into e-mail correspondence from 2011 relating to contractual payments made to a consultant providing advisory services on Simandou.

“We are closely monitoring the situation and will work with Rio Tinto, the government of Guinea and community stakeholders to ensure our investments meet high standards for transparency, revenue management, governance and environmental and social risk management,” Jones said in an e-mail. “IFC has been a shareholder in Simandou since 2006, and we continue to see significant long-term potential for the project.”

The world’s second-biggest mining company is investigating a $10.5-million payment it made in connection with the Simandou project to a French banking consultant who was a university friend of President Alpha Conde of Guinea. On Thursday, it said it had fired two of its top executives in connection with the matter.

Guinea’s former mining minister said November 9 that the head of Rio Tinto’s operation in the country had offered him a bribe in early 2010 in order to win back control of half of the undeveloped Simandou project, considered the world’s biggest untapped iron-ore deposit.

The IFC will continue to invest in Guinea, including in the bauxite mining sector where on September 2 it announced a $200-million investment with Cie des Bauxites de Guinee.

“The IFC will also continue to support advisory programs that encourage the development of local businesses that supply goods and services to Simandou and other parts of the mining sector,” Jones said.
Rio Tinto sacks execs in Guinea payment probe

17TH NOVEMBER 2016 Mariaan Webb

PERTH (miningweekly.com) – Mining major Rio Tinto has terminated the contracts of energy and minerals chief Alan Davies and legal and regulatory affairs group executive Debra Valentine amid the furor caused by a $10.5-million payment to a consultant in Guinea.

Rio in November suspended the two staff members and contacted authorities in the US, UK and Australia, after becoming aware of email correspondence from 2011 relating to the contractual payment to a consultant providing advisory services on the Simandou iron-ore project.

Rio told shareholders on Thursday that the company’s board had reviewed the findings to date of an internal investigation into the matter, and had taken the decision to terminate the contracts of both Davies and Valentine.

The company said that while the decision to terminate their employ did not pre-judge the course of any external inquiries into the matter, the board concluded that the executives failed to “maintain the standards expected from them” under the company’s global code of conduct.

Neither Davies, nor Valentine would be eligible for any short-term incentive plan awards for 2016, and Rio would also cancel all unvested incentive plan awards from previous years.

Davies, for his part, expressed surprise with his dismissal, saying he had not been privy to the company’s internal investigation report, or had been given any evidence for the reason of his termination.

“There are no grounds for the termination of my employment,” the Australian Financial Review quoted Davies as saying.

He said the company had made no effort to abide by due process or to respect his rights as an employee, giving him no opportunity to answer to any allegation.

“This treatment of me and my past and recent colleagues is totally at variance with the value and behaviours of the company to which I have devoted my professional life.

“My rights are fully reserved, and I have been left with no option but to take the strongest possible legal action in response,” Davies said.

Meanwhile, Rio announced that Davies would be replaced by Bob Baatar, who would join the executive committee as energy and minerals CEO.

Baatar joined Rio in 2013 as copper international operations president, and is the MD of marine and VP of iron-ore sales and marketing.
Rio Tinto sacks energy chief Alan Davies after Guinea review

Miner dismisses division boss and legal head after reviewing $10.5m consultant fee

Rio Tinto has fired Alan Davies, chief executive of its energy and minerals division, and Debra Valentine, the head of legal affairs, after reviewing a $10.5m payment made for advisory services on a giant iron ore project in Guinea, west Africa.

Last week, the FTSE 100 mining company suspended Mr Davies and announced the resignation of Ms Valentine after it alerted regulators about the payment of $10.5m to François Polge de Combret, a French consultant, for work on the Simandou project in 2011.

On Thursday, Rio said it had reviewed the findings of an internal investigation into contractual arrangements with Mr de Combret, a former senior banker, and concluded “that the executives failed to maintain the standards expected of them under our global code of conduct”. Rio said it had “terminated the contracts” of the two executives.

The Australian Federal Police said it had “engaged with Rio Tinto in relation to this matter, however, the matter has not been formally referred to the AFP”. Rio said last week that it had notified the US Department of Justice and the UK’s Serious Fraud Office about the payment.

People close to the Rio board said the decision to sack the executives had been taken on Monday and was unanimous.

Rio said its decision did not prejudice the course of any external inquiries into the matter. Neither of the executives would be eligible for any short-term incentive plan awards for 2016, it added.

One of the world’s biggest iron ore projects has been dogged by delays, disputes and allegations of corruption

After learning of his dismissal, Mr Davies said he had no option but to take the strongest possible legal action.

“I have not been privy to Rio Tinto’s internal investigation report, nor have I had any evidence of the reasons for the termination of my employment given,” he said in a statement.

“There are no grounds for the termination of my employment. Rio Tinto has made no effort to abide by due process or to respect my rights as an employee and it has given me no opportunity to answer any allegations.”

Ms Valentine could not be reached for comment.

The move by Rio came after it emerged on Wednesday that lawyers working for the miner had uncovered internal emails about the questionable $10.5m payment more than a year ago, but the mining company did not alert law enforcement authorities and investors about the matter until last week.
The Anglo-Australian group said on November 9 that it had notified authorities after discovering emails from 2011 that referred to the payment to Mr de Combret, who helped head off a threat to Rio’s claim to the Simandou iron ore project in Guinea.

The dispute over Simandou dates back to 2008, when Lansana Conté, the Guinean dictator of the day, stripped Rio of the rights to the northern half of the project and handed them to BSG Resources, the mining arm of Israeli diamond tycoon Beny Steinmetz’s family conglomerate.

The Steinmetz affair: The Mountain

Tom Burgis tells the story of the intercontinental legal battle that has broken out among big mining companies over the iron ore buried beneath Guinea’s Simandou mountain range.

In 2011, Rio secured its claim to the remaining half of Simandou with a $700m payment to the then new government of President Alpha Condé — a deal which, the emails indicate, Mr de Combret helped to facilitate. The ex-Lazard banker declined to comment.

In the emails, seen by the Financial Times, Mr Davies, the executive in charge of Simandou, discusses with Tom Albanese, then chief executive, and Sam Walsh, then head of iron ore, paying a $10.5m fee to the consultant.

The company faces years of scrutiny and the risk of large fines if it is found to have broken anti-corruption laws. It could also complicate a $1.3bn deal agreed last month by Rio to sell its 46.6 per cent stake in the Simandou project to a Chinese company.

Late on Wednesday, Rio said that Mr Davies would be replaced by Bold Baatar, who joined the company in 2013 as the miner’s copper international operations president. Chris Lynch, Rio’s chief financial officer, has temporarily assumed accountability for the corporate legal and regulatory affairs function while it searches for a new chief legal counsel.
Rio Tinto fires executives over Simandou payments

Rio Tinto has fired the two senior executives at the heart of a scandal over payments related to the Simandou iron ore project in Guinea.

Earlier this month, the mining giant said it was investigating emails related to a US$10.5 million payment to a consultant who had helped the company acquire the mining rights for Simandou.

The company also said it has notified law enforcement officials and regulators, including the UE Securities and Exchange Commission and the UK’s Serious Fraud Office.

In a statement on 16 November, the company it had now decided to terminate the contracts of Alan Davies, who had responsibility for Simandou at the time of the payments and had subsequently been appointed Chief Executive of Energy & Mineral, and Debra Valentine, Legal & Regulatory Affairs Group Executive.

“The board’s decision does not pre-judge the course of any external inquiries into this matter,” the company said. “However, the board concluded that the executives failed to maintain the standards of them under our global code of contact.”

Davies will be replaced as head of the Energy & Minerals business by Bold Baatar. Baatar joined Rio Tinto in 2013 and had been Managing Director of Marine and Vice President of Iron Ore Sales and Marketing.

“Appointing Bold to run our Energy & Minerals business will add a fresh perspective to the product group,” said J-S Jacques, Rio Tinto’s CEO. “Bold brings broad international and executive experience in a wide range of commercial disciplines. He has a proven track record and will be a great addition to our executive committee, particularly with his strong strategic approach and acute understanding of Asia.”
Rio Tinto fires legal chief amid investigation into payments to consultant

Alex Berry

Rio Tinto has terminated the contract of legal chief Debra Valentine amid an inquiry into payments made to a consultant in 2011, after concluding that she “failed to maintain the standards expected” of her under the company’s code of conduct.

The mining company has also terminated the contract of energy and minerals chief executive, Alan Davies, citing the same reasons.

The firings come after the company became aware of payments amounting to $10.5m (£8.5m) made to a consultant on its Simandou iron ore project in Guinea (pictured above).

Valentine, who joined Rio Tinto as global head of legal in 2008 and was promoted to legal and regulatory affairs group executive the following year, had been due to retire next May.

A Rio Tinto spokesperson stated: “The board’s decision does not pre-judge the course of any external inquiries into this matter. However, the board concluded that the executives failed to maintain the standards expected of them under our global code of conduct.”

The firing of Valentine and Davies means they will not be eligible for any short-term incentive plan awards for 2016, and the company will cancel all unvested incentive plans from previous years. The company said it has reported the issue to US, Australian and UK authorities.

“Rio Tinto intends to cooperate fully with any subsequent inquiries from all of the relevant authorities,” the company added.

Chief financial officer Chris Lynch has temporarily taken over Valentine’s role and the recruitment process for a new chief legal counsel is underway.

Valentine also previously worked for United Technologies Corporation, where she was deputy general counsel and corporate secretary. Before that, she was a partner at O’Melveny & Myers in Washington, while she also served as GC at the US Federal Trade Commission from 1997 until 2001.

Law firms Rio Tinto has used in recent years include Sullivan & Cromwell, Linklaters and the magic circle firm’s Australia ally, Allens.
A dismissed senior executive is taking legal action against Rio Tinto

CHRIS PASH

Jung Yeon-Je/AFP/Getty Images

One of two senior Rio Tinto executives dismissed after an investigation into the payment of consultancy fees on an African iron ore project is coming after his former employer with legal action.

Rio Tinto today terminated the contracts, and is withholding the bonuses, of energy and minerals chief executive Alan Davies and legal group executive Debra Valentine.

However, Davies now says: “I have been left with no option but to take the strongest possible legal action in response.”

Rio took action after its board reviewed the findings to date of an internal investigation into 2011 contracts totalling $US10.5 million with a consultant who provided advisory services on the Simandou iron project in Guinea, West Africa.

“The board concluded that the executives failed to maintain the standards expected of them under our global code of conduct,” the company said in a statement to the ASX.

However, the company says the decision “does not pre-judge the course of any external inquiries”.

Davies released a statement: “I have not been privy to Rio Tinto’s internal investigation report, nor have I had any evidence of the reasons for my termination of my employment given.”

He says there are no grounds for him to lost his job.

“This treatment of me and my past and recent colleagues is totally at variance with the values and behaviours of the company to which I have devoted my professional life,” he says.

“Rio Tinto has made no effort to abide by due process or to respect my rights as an employee and it has given me no opportunity to answer any allegation.”

Both Davies and Valentine have had their bonuses taken from them. Neither will be eligible for short-term incentives for 2016 and Rio Tinto is also cancelling all unvested incentive plan awards from previous years.

Davies joined the company in 1999 and is based in the UK. According to the company’s annual report, his base pay was £540,000 ($A897,000) and in 2015 was paid a short term incentive of £613,000 ($A1.02 million). He is also member of the board of directors of Rolls Royce Holdings.

Valentine has been head of legal since 2009. She was paid $US696,000 ($A930,000) and received a short term bonus of US$951,000 ($A1.27 million) in 2015.

Rio Tinto says it has informed regulatory authorities in the UK, Australia and the US and says it intends to fully cooperate with any investigation.
Rio Tinto terminates top lawyer’s contract amid mining payments probe

By Rachel Moloney  17 November 2016 10:27

Rio Tinto has kickstarted its search for a new head of legal after it terminated the contract of former boss Debra Valentine.

The FTSE 100 giant announced last week that Valentine had “stepped down” from the position amid an investigation into contractual mining payments made in 2011 totalling $10.5m.

These payments were “made to a consultant providing advisory services on the Simandou project in Guinea”, according to a statement.

Valentine had previously notified the company of her intention to retire next May, but Rio Tinto today (17 November) announced that it has “terminated” her contract.

It has also terminated the contract of energy and minerals chief executive Alan Davies, who was responsible for the project.

Rio Tinto, who has launched an internal investigation into the controversial payments, said “executives failed to maintain the standards expected of them” under the company’s global code of conduct.

“In accordance with contract termination, neither executive will be eligible for any short-term incentive plan awards for 2016,” the statement added.

“Rio Tinto will also cancel all unvested incentive plan awards from previous years.”

Legal matters are being handled in the interim by chief financial officer Chris Lynch. Rio Tinto said the recruitment process for a new chief legal counsel is underway.

Valentine was appointed group executive of legal and regulatory affairs in 2009 having joined Rio Tinto as head of legal the year before.

Prior to Rio Tinto, she was deputy general counsel at United Technologies Corporation and started out her private practice career at O’Melveny & Myers.
Rio Tinto suspends executive over bribery allegation

Rio Tinto has today notified the relevant authorities in the UK and US and will also contact the Australian authorities. Emails were discovered by company in August.

Rio Tinto PLC (LON:RIO) has suspended a senior executive while another has left the miner after allegations of bribery at its Simandou project in Guinea.

Energy & Minerals division chief executive Alan Davies, who had accountability for the Simandou project in 2011, has been suspended with immediate effect.

Debra Valentine, a Legal & Regulatory Affairs group executive, has stepped down from her role early said the miner. She had already indicated she would retire next year.

Rio Tinto said that it become aware in August of email correspondence from 2011 relating to US$10.5mln payment to a consultant providing advisory services at Simandou.

An investigation led by external counsel was instigated and based on the information uncovered to date, Rio Tinto has today notified the relevant authorities in the UK and US and will contact the Australian authorities.

Shares rose 3.6% to 2,974p.
Rio fires minerals chief, calls in regulators

A good day to bury bad news, perhaps? On Wednesday morning, Rio Tinto (RIO) announced it had suspended its energy and minerals chief executive Alan Davies with immediate effect, following an internal investigation into its controversial iron ore project in Simandou, Guinea.

The commodities giant has also contacted regulators in the US, UK and Australia after discovering emails "relating to contractual payments totalling $10.5m (£8.5m) made to a consultant" who provided advice on Simandou. Rio first became aware of the emails, which date back to 2011, at the end of August. The internal investigation, led by external counsel, has also led to the resignation of Rio's long-serving legal and regulatory group executive Debra Valentine, who was due to step down next May.

Simandou, one of the world's largest unexplored high-grade iron ore resources, has been billed as transformational for the Guinean economy but has long been mired in disagreements over mining rights. Last month, Rio announced it would be exiting Simandou after reaching a non-binding agreement to sell its 47 per cent stake to Chinese aluminium miner and project partner Chinalco, in a deal worth up to $1.3bn.

IC VIEW

This announcement arrived on a particularly fraught day for equity markets, but did not stop Rio shares rising 2.5 per cent, which was broadly in line with the mining sector. But while the implication of corruption is never good for a company, regulators tend to look favourably on self-reporting and pre-emptive action. Hold.

Last IC view: Hold, 2,424p, 3 Aug 2016
Rio shows a greasy hand in Guinea

Major diversified miner Rio Tinto (LN:RIO) has suspended Energy and Minerals chief executive Alan Davies after it discovered emails linking the company to payments of US$10.5 million to a “consultant” in Guinea that provided “advisory services” related to the massive Simandou iron ore project.

Davies was in charge of Simandou in 2011, though former chief executive Sam Walsh was head of iron ore from 2004-2013. Legal and regulatory affairs group executive Debra Valentine has brought forward her May 2017 retirement, effective immediately.

“Rio Tinto intends to co-operate fully with any subsequent inquiries from all of the relevant authorities,” the major said in a statement. “Further comment at this time is therefore not appropriate.”

Investment bank RBC said the development was unlikely to have a “material impact from a monetary perspective”, with the caveat that it was still early days.

More concerning to the miner would be the “potentially negative public relations issue which Rio Tinto has managed to avoid whilst BHP (AU:BHP) has been dealing with the Samarco dam incident”. Though this issue pales into insignificance compared to Samarco in terms of immediate fiscal and reputational damage, it has the potential to be far messier for much longer.

BHP is still smarting over the fallout from Samarco but the parameters and challenges around that problem are relatively clear. At Simandou, there are already multiple investigations and legal cases in progress on behalf of multiple groups with vested interests. This is just the latest twist in an eight-year period of high drama and ultimate tragedy for Simandou and the Guinean people.

Back in 2008, Rio held blocks 1, 2, 3, and 4 of the Simandou project as part of a long-term iron ore portfolio it intended to develop as and when required.

The Guinean government, led by president (read: dictator) Lansana Conté, seemingly knew little of the value of the holding in the context of the world minerals market until BHP made a bid for Rio in 2008, at which point Rio was forced to shout about all its world-class assets in order to bolster its value and fend off the advance. Simandou was central in this exercise.
The impoverished Guinean government (or at least the government representing its impoverished people) understandably asked the question: If this project is so good, why aren’t you building it?

A review was launched almost immediately and Rio was reportedly found to have missed work programme deadlines and was consequently stripped of blocks 1 and 2. The licences were handed to Beny Steinmetz Group Resources (BSGR), which had been aggressively exploring its licences along trend. That was shortly before Conté’s death in December 2008.

BSGR, having spent US$160 million on its newly secured licences, brought in Vale as a 51%-joint venture partner in 2010 in a staged earn-in deal potentially worth $2.5 billion.

The country’s first democratic elections in 2010 installed Alpha Condé as president, who after investigating the issuance of licences to BSGR decided to take them back on behalf of the state in 2014. The licences are yet to be reallocated.

The fallout from all this: Rio launched claims under the Racketeer Influence and Corrupt Organizations Act in New York against BSGR, Beny Steinmetz himself, Vale, former mining minister Mahmoud Thiam, BSGR associate Frederic Cilins, and Mamadie Toure – Conté’s fourth and youngest wife; Vale made a claim against BSGR; and BSGR filed a claim against the Guinean government. Separately, The US Justice Department and the FBI launched their own investigation into allegations Steinmetz, through BSGR, bribed his way into Simandou.

Up until that point, Rio had held itself out as the wronged party – the victim of African corruption and the unscrupulous dealings of other businesses. But Rio’s dealings around Simandou have looked increasingly dubious since December last year, when the New York court threw out its claim.

BSGR said at that point it was considering adding Rio to its litigation dance card. Should various investigations confirm wrong-doing by Rio, a suit brought by BSGR would have to be considered highly likely.

Walsh stepped down from the Rio CEO role in March this year and his successor, Jean-Sebastien Jacques, officially mothballed Rio’s remaining blocks (3 and 4) in July.

In August, a fellow called Samuel Mebiame was arrested by the US Department of Justice on charges relating to his role as a ‘fixer’ for a US hedge fund, which is also intrinsically linked to the project. The complaint alleges Mebiame successfully bribed president Condé (not Conté) in relation to the expropriation of mining assets.

Mebiame is currently in jail and one might speculate has been bargaining with the prosecutor using intimate information from Simandou’s dark past as leverage.

The World Bank walked away from Simandou early last month and Rio quietly sold out to its joint venture partner Chinalco a few weeks later.

And now this.

Simandou may not be built in any of our lifetimes but, hopefully, we may enjoy some clarity over who did what in the mess that is its failed development. For the minute, it’s Rio’s turn to answer some questions.
Rio Tinto energy and minerals chief suspended over Simandou bribery claims

Simandou holds over two billion tonnes of iron ore reserves and some of the highest grades in the industry (66% – 68% Fe which attracts premium pricing). (Image courtesy of Rio Tinto Simandou)

Rio Tinto (ASX, LON:RIO), the world’s second largest mining company, has suspended Alan Davies, head of its energy and mineral division, after discovering payments made to a consultant working on its Simandou iron ore project in Guinea.

Move comes just days after Rio agreed to sell its stake in the Simandou iron ore project for up to $1.3bn to its partner Chinalco.

Together with alerting US and UK authorities, the miner said it had only recently become aware of emails from 2011 about contractual payments totalling $10.5m made for advisory services on its former project.

“The company launched an investigation into the matter led by external counsel. Based on the investigation to date, Rio Tinto has today notified the relevant authorities in the UK and US and is in the process of contacting the Australian authorities,” it said in a statement.

Rio’s legal and regulatory affairs executive, Debra Valentine, who was due to retire next May, has also stepped down, the company said.

"Rio Tinto intends to co-operate fully with any subsequent inquiries from all of the relevant authorities. Further comment at this time is therefore not appropriate," the company said in a statement to the Australian stock exchange.

Simandou’s chequered history

In May 2014, the Guinea government and Rio Tinto (LON:RIO) and its partners – China’s Chalco together with the World Bank – inked a landmark $20 billion deal for the southern section of the Simandou iron deposit in Guinea.

Davies was in charge of Simandou in 2011, when the payments were made and also the same year that Rio signed a major agreement with Guinea, which secured its mining rights in the country.

The agreement called for a new 650km railway across the West African country to Conakry, Guinea’s capital in the north, plus a new deep water port at a conservatively estimated cost of $7 billion; infrastructure investments that would double the economy of the impoverished country.

Two years later Rio, the world’s number two producer of iron ore, delivered a bankable feasibility study on the project. In July this year, the Anglo-Australian giant pulled the plug, saying that "in the
current environment" it did "not see a way forward," and only two weeks ago it announced it was exiting it by selling its stake to partner Chinalco.

The deal, worth between $1.1 billion and $1.3 billion payable when Simandou starts commercial production and based on output, could open up a new path to development for the $20 billion project, unless the just launched probe changes Simandou’s faith.

Alan Davies was in charge of the iron ore project in 2011, when the payments were made and also the same year that Rio signed a major agreement with the Government of Guinea, which secured the firm’s mining title.

Davies, a 20-year veteran at Rio and member of the executive committee, was only promoted to the top role in the energy and minerals division in June this year, after a shake-up of the firm’s operations.

He is also a member of Rio Tinto’s ethics committee.
Rio Tinto suspends energy and minerals chief over Simandou payments

Rio Tinto energy and minerals chief Alan Davies

BY: ESMARIE SWANEPOEL

PERTH (miningweekly.com) – Mining major Rio Tinto has immediately suspended its energy and minerals chief Alan Davies, and has contacted authorities in the US and UK, after uncovering a $10.5-million payment to a consultant in Guinea.

The miner said on Wednesday that it had become aware of email correspondence from 2011 relating to the contractual payment to a consultant providing advisory services on the Simandou iron-ore project.

While not revealing what the correspondence contained, Rio said that it had launched an investigation into the matter, led by external council.

Based on the investigation to date, the company had notified the relevant authorities and was in the process of also contacting Australian authorities.

Rio said that it would cooperate fully with any subsequent inquiries from all the relevant authorities.

The miner in October signed a nonbinding agreement to sell its stake in the Simandou project to Chinese company Chinalco for between $1.1-billion and $1.3-billion, based on the timing of the project development.

Rio in July this year shelved the development of the $20-billion project, which includes a 650 km railway and a deepwater port, citing a global iron-ore over supply and challenges in securing financing.

Meanwhile, the company’s legal and regulatory affairs group executive, Debra Valentine, also stepped down. Valentine previously notified the company of her intention to retire in May next year.
Rio suspends executive as $10.5m Simandou payment surfaces

By David McKay - November 9, 2016 0148

THE scandal and murky dealings that have characterised Guinea’s Simandou iron ore project permeated into the affairs of Rio Tinto following an investigation into $10.5m in payments made to a consultant to the project.

Rio Tinto said in an announcement early this morning that it became aware of email correspondence from 2011 relating to contractual payments totalling $10.5m made to a consultant providing advisory services on Simandou.

As a result, the Anglo-Australian group has suspended its energy & minerals CEO, Alan Davies, who had accountability for the project at the time whilst Debra Valentine, the group’s legal and regulatory affairs group executive has stepped down. Valentine had earlier announced a decision to retire.

“The company launched an investigation into the matter led by external counsel. Based on the investigation to date, Rio Tinto has today notified the relevant authorities in the United Kingdom and United States and is in the process of contacting the Australian authorities,” it said in a statement.

“Rio Tinto intends to co-operate fully with any subsequent inquiries from all of the relevant authorities,” it said. “Further comment at this time is therefore not appropriate.”

This comes less than a month after Rio Tinto said it intended to sell its 46.6% stake in Simandou to Chinalco for between $1.1bn and $1.3bn.

Simandou proved a political headache for Rio Tinto amid accusations of bribery and fraud by the Guinea government involving mining entrepreneur, Beny Steinmetz.

Rio initially controlled Simandou until in 2008 the late Guinean dictator, Lansana Conté, cancelled its rights to the northern half and granted them instead to Beny Steinmetz Group Resources (BSGR) days before Conté’s death.

Rio subsequently launched a court bid to prove that BSGR, Steinmetz and Vale, the Brazilian iron ore and coal group which benefited from the reallocation of the mineral rights to northern Simandou had conspired to affect the reallocation.

However, in November 2015, a New York court threw out Rio’s case as it fell foul of the statute of limitations (not on the merits of the case).

The cost of developing Simandou, which is estimated to produce 100 million tonnes/year of iron ore for up to 40 years, has been estimated at $20bn – an outlay that also pays for a 650km railway and a deep water harbour.
Rio Tinto signed a framework agreement with the Guinea government in 2014 which provided guarantees on timing of the project in which a year is given for completion of a feasibility study and 36 months for the finance to be place.

It duly delivered a bankable feasibility study but then weeks later said it planned to shelve the project following a decision by newly appointed CEO, Jean-Sebastien Jacques, that it could not be justified against then iron ore price.
Rio Tinto in spotlight as Australia fraud police targets resources industry

By Sonali Paul | MELBOURNE

Facing international pressure to get tougher on corruption, Australian authorities say they are targeting the resources industry but have yet to be formally asked to look into a high-profile probe into payments at miner Rio Tinto (RIO.L) (RIO.AX).

A senior official at the Australian Federal Police said there had been talks with Rio, the world’s second-largest miner, though police had yet to begin an official investigation into emailed details of payments that led to two top executives being fired this week.

"We haven't had a matter referred to us for investigation," said Peter Crozier, the AFP’s manager of criminal assets, fraud and anti-corruption.

There is no evidence of illegal activity involving Rio officials nor a consultant to whom payments were made, a banker linked to Guinea's president. But emails detailing the transactions are a blow to the reputation of a group that has long been vocal in its campaign for transparency.

Australia has beefed up its resources in tackling corruption and fraud after the Organisation for Economic Co-Operation and Development chided the government in 2012 or being slack in prosecuting bribery offences - at a time when miners and oil firms were expanding everywhere from Papua New Guinea to the Democratic Republic of Congo.

"In the course of some of the research that we've done, the extractive industry is obviously one that's very challenged in this space," Crozier said in an interview.

Rio has moved swiftly to attempt to draw a line under the payments scandal, alerting authorities to the emails, dating back to 2011, that discuss $10.5 million in payments to French investment banker Francois de Combret.

But lawyers and industry analysts expect investigations and potential court cases could keep the issue simmering.
Such investigations typically take five to 10 years, Crozier said, citing OECD statistics, with massive resources required.

"The services provided, the relationships that exist, all of those sort of things are key to actually proving that a person's intent was potentially to pay a bribe or receive a bribe or influence a public official," he said.

A lawyer familiar with AFP investigations said Rio Tinto would be a choice target for the agencies to set an example to others - if there was wrongdoing.

"What I do know is that the AFP is desperate to put somebody in jail as a deterrent. You couldn't think of a bigger deterrent than a senior executive from a major corporate being put into jail for this type of offense," said Steven Fleming, a partner with U.S. law firm Jones Day in Sydney.

AFP's Crozier said there would be no race for headlines.

"It's not a matter of picking one that's going to make the biggest impact," he said.

"It's important to put a message out there to say if you are involved in this sort of activity, you are going to face the full effect of the law. We have a number of investigations that are ongoing."

Rio Tinto has declined to comment on the issue, as have two former chief executives involved in the email exchange.

Tom Albanese, now CEO of Vedanta Resources, declined to comment when asked about the matter last week, and Sam Walsh has not responded to efforts to contact him.

Regulators in Britain, the United States and beyond have taken a much tougher stance on corruption in recent years.

Aluminum producer Alcoa (AA.N) and a joint venture it controlled paid $384 million in 2014 to resolve charges of bribing officials of a state-controlled smelter in Bahrain.

BHP Billiton (BHP.AX)(BLT.L) came under scrutiny for payments made in Cambodia on an exploration project but then the U.S. Securities and Exchange Commission expanded its probe to the company's hospitality program at the Beijing Olympics in 2008.

After a six-year investigation, BHP paid a $25 million fine for slack record keeping tied to the Olympics hospitality.
Guinea tells Rio Tinto to spell out any wrongdoing tied to Simandou project

Fri Nov 18, 2016 7:07am GMT

MELBOURNE (Reuters) - The government of Guinea has called on Rio Tinto to spell out what exactly it has discovered in an internal investigation into payments made to an adviser in Guinea who helped it secure ownership of the Simandou project.

"The Government of Guinea is demanding a full account from Rio Tinto of any wrongdoing identified in the company’s dealings with the Republic of Guinea," Guinea’s Minister of Mines and Geology Abdoulaye Magassouba said in an emailed statement.
The Anglo-Australian mining giant sacked two senior employees amid a probe into payments made in Guinea. High corporate ethics are admirable but hard to apply in frontier markets. Yet turning a blind eye to corruption benefits neither resource owners nor investors.
Rio Tinto terminates two directors, first half profits rise at Johnson Matthey

Josh White

The FTSE 100 is expected to open 10 points higher on Thursday, after closing down 0.63% at 6,749.72.

Stocks to watch

Rio Tinto has terminated the contracts of two directors after an internal review into a controversial payment made to a consultant concerning the Simandou iron ore project in Guinea. Energy and minerals chief executive Alan Davies and legal and regulatory affairs group executive Debra Valentine were said to have "failed to maintain the standards expected of them under our global code of conduct".

Underlying pre-tax first half profits at specialist chemicals company Johnson Matthey rose 5% to £219.6m on revenues of £5.6bn, down 2%. Reported pre-tax profits fell 36% to £210m. The interim dividend was lifted 5% to 20.5p. Chief executive Robert MacLeod said the company had a “solid first half, supported by favourable exchange rates, and our health and safety performance improved. Trading for the group during the period was in line with our expectations in our continuing businesses on a constant currency basis. We have increased our interim dividend by 5% reflecting our confidence in the medium term”.

Royal Mail’s half year revenue increased slightly due to its European business, while the FTSE 100 company gears up for a busy Christmas, which its full year performance depends upon. For the six months ended 25 September, revenue nudged up by 1% to £4.58bn, compared to last year, driven by a good performance from GLs, its continental European parcel business.

AstraZeneca announced the completion of the licensing agreement between MedImmune, its global biologics research and development arm, and Allergan, for the global rights to MEDI2070 on Thursday. The FTSE 100 firm said MEDI2070 is an IL-23 monoclonal antibody currently in a Phase IIb clinical trial for moderate-to-severe Crohn’s disease and ready for Phase II for ulcerative colitis, diseases that sit outside AstraZeneca’s three main therapy areas. “AstraZeneca will not retain a significant ongoing interest in MEDI2070,” its board said in a statement.
Rio Tinto suspends senior executive after uncovers Guinea payments

A Rio Tinto logo is displayed on the front of a wall panel during a news conference in Sydney November 29, 2012. REUTERS/Tim Wimborne/File Photo

Global miner Rio Tinto (RIO.AX) (RIO.L) said on Wednesday it has suspended a top executive over $10.5 million (8.47 million pounds) in payments to a consultant on its Simandou iron ore project in Guinea, and has alerted U.S. and UK authorities. A second senior executive has stepped down.

Rio Tinto took the steps at a time when mining companies have come under scrutiny in corruption probes, with the world's biggest miner BHP Billiton (BHP.AX)(BLT.L) last year paying $25 million to settle charges that it violated a U.S. anti-bribery law in failing to properly monitor its programme sponsoring foreign government officials at the 2008 Olympics in Beijing.

Rio Tinto said it became aware in August of emails from 2011 "relating to contractual payments totalling $10.5 million made to a consultant providing advisory services on the Simandou project in Guinea".

An internal investigation led it to flag the issue to U.S. and UK agencies, and it said it was in the process of contacting Australian authorities as well.

The company has suspended the head of its energy and minerals division, Alan Davies, who was in charge of Simandou in 2011.

Davies was not immediately available to comment.

The group's legal and regulatory affairs executive, Debra Valentine, who was due to retire next May, has also stepped down, Rio Tinto said.

"Rio Tinto intends to co-operate fully with any subsequent inquiries from all of the relevant authorities. Further comment at this time is therefore not appropriate," the company said in a statement to the Australian stock exchange.

Investors shrugged off the prospect of a bribery probe and the suspension of Davies, whom analysts said is well respected. Rio Tinto's shares rose as much as 1.8 percent in early trade to a more than 16-month high after the announcement in line with gains in the broader market.

"It's too early to say anything, it's an investigation right now. They're just doing the prudent thing," Macquarie analyst Hayden Bairstow said.

"With iron ore at $69, met coal (coking coal) at $307, the whole sector is riding the spot price moves," he said.
Rio Tinto long chased plans to develop Simandou, which it touted as one of the world's most valuable iron ore deposits.

It even sued rival Vale (VALE5.SA) in the United States, alleging the Brazilian giant had conspired with Israeli billionaire Beny Steinmetz and BSG Resources to misappropriate its rights over half the lode in 2008.

That case was dismissed a year ago as the judge ruled Rio Tinto had waited too long to file a case under the Racketeer Influence and Corrupt Organizations Act.

Last week Rio Tinto agreed to sell its stake in the $20 billion project to Chinese state-owned Chinalco, after writing off its investment in Simandou earlier this year on diminished prospects of it being developed anytime soon.
Rio Tinto debates Guinea payments at London board meeting

By Barbara Lewis | LONDON

Rio Tinto called a board meeting on Monday to discuss payments of $10.5 million made to a consultant on its project to develop the world's largest untapped iron ore reserves in Guinea, industry sources said.

Rio said last week it had alerted Australian, UK and U.S. authorities after becoming aware on Aug. 29 of emails from 2011 that referred to payments to a consultant providing advisory services on its Simandou project in Guinea.

Spokesmen for the mining company said on Monday they could not comment beyond last week's statement because a legal investigation was underway.

In an internal email sent at the weekend, Rio Tinto CEO Jean-Sebastien Jacques said he was aware many people in the company were "shell-shocked" by the news.

He said he had launched an investigation the day he found out there was an issue and that now it was in the hands of external authorities it could take "several years".

"We are committed to making sure we are not in the same situation again. As you know, over the last five years we have done a lot to strengthen our systems and controls," he said in the email, seen by Reuters.

Jacques took over as CEO at the start of July from Sam Walsh, who has a track record in iron ore. Jacques has earned kudos for his Oyu Tolgoi project in Mongolia which will be the world's biggest copper mine when completed.

The Simandou project has huge potential, but Jacques has voiced frustration over the difficulty of funding the massive infrastructure required to develop the mine.

At the end of October, Rio announced it was selling its Simandou stake to its partner Chinalco, which has declined comment on the investigation.

Rio's share rose on the news it had found a way out of Simandou and the rally has continued despite the uncertainty of a lengthy legal investigation. So far this year, Rio shares have gained nearly 60 percent.

The company announced the payments and suspended one senior executive on Nov. 9, the day of the U.S. presidential election won by Republican candidate Donald Trump.

Any negative impact on Rio's shares from the investigation was wiped out by a strong rally in mining stocks, driven by Trump's promises of major infrastructure projects which are likely to boost demand for raw materials.

Anti-corruption campaigners asked why the payments had not been questioned earlier.
"The issue is that the rules are tight and should have been picked up at the time," Peter Van Veen, business integrity director at Transparency International, said.

Frances Hudson, a director at Standard Life, which holds Rio shares, said the investigation could drag and it was not yet clear whether there would be any financial fallout.

"The risk of punitive action remains but price movements in the meantime will be determined by other factors," she said.

(Additional reporting by Simon Jessop and Kirstin Ridley; editing by David Clarke)
Leaked emails drag top Rio bosses into Guinea mine woes

Top Rio Tinto executives discussed payments to a consultant working to smooth relations with Guinea, weeks after it announced a settlement allowing it access to one of the world's largest iron ore deposits, according to internal emails.

Rio reported the April 2011 email correspondence on Wednesday after an internal probe. It said it had notified authorities and suspended the senior executive in charge of the project at the time, head of energy and minerals Alan Davies.

There is no suggestion that officials or the consultant acted illegally, but the emails, which involve two former chief executives, are a blow to a group that has campaigned for transparency even in complex countries, and in projects as devilishly difficult as Guinea's $20 billion Simandou mine.

U.S. authorities have investigated corruption in Guinean mining and a former representative of a rival miner, BSG Resources, was jailed for two years in 2014. BSGR denied allegations it paid bribes or ordered others to do so.

A U.S. investigation into Rio's activities and any payments in Guinea, however, could complicate a move announced late last month to sell the project to the miner's Chinese partner, Chinalco.

Guinea has been a focus for anti-corruption campaigners and funds, attracting cash from former British Prime Minister Tony Blair and billionaire George Soros to improve governance.

"The company did self report and people have been stood aside, but that doesn't tell a lot about the ethical governance within Rio Tinto," Transparency International Australia chairman Anthony Whealy said.

The U.S. and Britain in recent years have ratcheted up their anti-corruption rules.

The email exchange in question, between then chief executive Tom Albanese, iron ore head Sam Walsh and Davies discussed a $10.5 million payment to Francois de Combret, a former Lazard investment banker with a long history operating in Guinea.

Rio has not confirmed the details, referring to an unnamed consultant and a "contractual payment".

Davies did not answer his mobile phone when contacted by Reuters. Albanese did not immediately respond to messages. Walsh could not be immediately contacted for comment. Rio declined further comment.

It was not clear exactly what services de Combret was being compensated for, although one email referenced "his very unique and irreplaceable services and closeness to the (Guinean) President", referring to Alpha Conde, elected in 2010.

In one exchange, Davies said he had spoken to de Combret.

"We have reached a final point, where Francois has requested a fee for services on securing [Simandou blocks] 3 and 4 of US$10.5m," Davies wrote.

"Sam, I accept that this is a lot of money, but I also put forward that the result we achieved was significantly improved by Francois' contribution," he wrote.
"He vouched for our integrity when it was needed and helped bring us together when things were looking extremely difficult."

Commodities' outlook depends on if Trump reality matches rhetoric: Russell

Big Oil revels in Trump victory, expects less red tape

In the correspondence, Walsh wrote there was "no question" de Combret "delivered sizeable value."

De Combret was a classmate of Conde who worked at Lazard bank until 2005, according to a document on the World Bank's International Centre for Settlement of Investment Disputes web site.

De Combret could not be reached for comment.

Albanese was ousted by Rio's board in 2013 after investments in aluminum and coal that turned into billions of dollars of writedowns. He was replaced by Walsh, who retired in July.
Global mining giant Rio Tinto said it suspended the chief executive of its energy and minerals division while it investigates more than $10.5 million paid to a consultant for the Simandou iron ore project in Guinea.

Alan Davies was in charge of Simandou in 2011 when the payments for "advisory services" were allegedly made, according to a U.S. securities filing.

London-based Rio Tinto said it learned about the payments in August this year from email correspondence.

Legal & Regulatory Affairs group executive Debra Valentine stepped down, Rio Tinto said. She previously notified the company of her intention to retire on May 1, 2017.

On Tuesday, Rio Tinto notified authorities in the UK and the United States. It said it “is in the process of contacting the Australian authorities.”

“Rio Tinto intends to co-operate fully with any subsequent inquiries from all of the relevant authorities,” the company said. “Further comment at this time is therefore not appropriate.”

Davies took over Rio Tinto’s energy and mineral group in July.

Rio Tinto canceled the $20 billion Simandou project because of low iron ore prices.

Last month Rio Tinto sold its 46.6 percent interest in Simandou for about $1.3 billion to Chinalco, a Chinese company listed in Hong Kong.

The Wall Street Journal reported Thursday that internal Rio Tinto emails it saw showed that high-level executives, including then CEO Tom Albanese, approved the payments in 2011 to a consultant.

The WSJ said the consultant was François de Combret, a former Lazard Frères managing director with ties to senior government officials in Guinea.

The government of Guinea stripped Rio Tinto of half the Simandou project in 2008 for alleged non-performance.

The rights then went to BSG Resources Ltd., owned by Israeli billionaire Beny Steinmetz. BSG teamed up with Brazil’s Vale SA to acquire control of Simandou.

But Rio won the rights back in 2011 after the Guinea government stripped them from BSG and Vale, alleging the companies had acquired them illegally.
BSG and Vale have denied any wrongdoing.

This week Steinmetz said the Rio Tinto disclosure revealed a long-running scheme against BSG.

“It’s a big conspiracy against us, huge,” Steinmetz told Bloomberg. “They tried to paint themselves as nice and clean but they never wanted to develop one ton of iron ore. We are the good guys.”

Here’s the disclosure from Rio Tinto's Form 6-K (Report of Foreign Private Issuer) filed November 8, 2016 with the SEC

On 29 August 2016, Rio Tinto became aware of email correspondence from 2011 relating to contractual payments totalling US$10.5 million made to a consultant providing advisory services on the Simandou project in Guinea.

The company launched an investigation into the matter led by external counsel. Based on the investigation to date, Rio Tinto has today notified the relevant authorities in the United Kingdom and United States and is in the process of contacting the Australian authorities.

Energy & Minerals chief executive Alan Davies, who had accountability for the Simandou project in 2011, has been suspended with immediate effect.

Legal & Regulatory Affairs group executive Debra Valentine, having previously notified the company of her intention to retire on 1 May 2017, has stepped down from her role.

Rio Tinto intends to co-operate fully with any subsequent inquiries from all of the relevant authorities. Further comment at this time is therefore not appropriate.