



PRESS RELEASE

# Lafarge Pleads Guilty to Conspiring to Provide Material Support to Foreign Terrorist Organizations

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## In Justice Department's First Corporate Material Support for Terrorism Prosecution, Lafarge S.A. and its Syrian Subsidiary Admit Revenue-Sharing Agreement with ISIS and Agree to Pay \$778 Million in Fines and Forfeiture

A global building materials manufacturer and its subsidiary pleaded guilty today to a one-count criminal information charging them with conspiring to provide material support and resources in Northern Syria from 2013 to 2014 to the Islamic State of Iraq and al-Sham (ISIS) and the al-Nusrah Front (ANF), both U.S.-designated foreign terrorist organizations. Immediately following the defendants' guilty pleas this morning, U.S. District Judge William F. Kuntz II sentenced the defendants to terms of probation and to pay financial penalties, including criminal fines and forfeiture, totaling \$777.78 million.

According to court documents, Lafarge S.A., headquartered in Paris, France, and Lafarge Cement Syria (LCS) S.A., headquartered in Damascus, Syria, schemed to pay ISIS and ANF in exchange for permission to operate a cement plant in Syria from 2013 to 2014, which enabled LCS to obtain approximately \$70.3 million in revenue.

“The terrorism crimes to which Lafarge and its subsidiary have pleaded guilty are a vivid reminder of how corporate crime can intersect with national security,” said Deputy Attorney General Lisa O. Monaco. “The defendants partnered with ISIS, one of the most brutal terrorist organizations the world has ever known, to enhance profits and increase market share — all while ISIS engaged in a notorious campaign of violence during the Syrian civil war. This case sends the clear message to all companies, but especially those operating in high-risk environments, to invest in robust compliance programs, pay vigilant attention to national security compliance risks, and conduct careful due diligence in mergers and acquisitions.”

“The defendants routed nearly six million dollars in illicit payments to two of the world’s most notorious terrorist organizations – ISIS and al-Nusrah Front in Syria – at a time those groups were brutalizing innocent civilians in Syria and actively plotting to harm Americans,” said Assistant Attorney General Matthew G. Olsen of the Justice Department’s National Security Division. “There is simply no justification for a multi-national corporation authorizing payments to designated terrorist organizations.”

From approximately May 2010 to September 2014, Lafarge, through LCS, operated a cement plant in the Jalabiyeh region of Northern Syria (the Jalabiyeh Cement Plant) that Lafarge had constructed at a cost of approximately \$680 million. After the start of the Syrian Civil War in 2011, Lafarge and LCS negotiated agreements to pay armed factions in the Civil War to protect LCS employees, to ensure continued operation of the Jalabiyeh Cement Plant, and to obtain economic advantage over their competitors in the Syrian cement market.

As Lafarge executives made clear in contemporaneous emails, their motives were primarily economic. LCS executives purchased raw materials needed to manufacture cement from ISIS-controlled suppliers; paid monthly “donations” to armed groups, including ISIS and ANF, so that employees, customers and suppliers could traverse checkpoints controlled by the armed groups on roads around the Jalabiyeh Cement Plant; and eventually agreed to make payments to ISIS based on the volume of cement that LCS sold to its customers, which Lafarge and LCS executives likened to paying “taxes.”

Lafarge and LCS executives intentionally structured their agreements with ISIS to compensate the terrorist organization based on the amount of cement that LCS was able to sell – effectively, a revenue-sharing agreement – to incentivize the terrorist group to act in LCS’s economic interest.

As a condition of entering into this revenue-sharing agreement, Lafarge and LCS executives sought ISIS’s assistance to impose costs on competitors selling Turkish cement imported into northern Syria, which was often sold more cheaply than cement produced at the Jalabiyeh Cement Plant. LCS executives made clear to the intermediaries negotiating with ISIS that, in exchange for LCS paying ISIS 750 Syrian Pounds per each ton of cement that it sold, they expected ISIS to take action against its competitors, either by stopping the sale of competing

imported Turkish cement in the areas under ISIS's control, or by imposing taxes on competing cement that would allow LCS to raise the prices at which it sold cement.

"In the midst of a civil war, Lafarge made the unthinkable choice to put money into the hands of ISIS, one of the world's most barbaric terrorist organizations, so that it could continue selling cement," said U.S. Attorney Breon Peace for the Eastern District of New York. "Lafarge did this not merely in exchange for permission to operate its cement plant – which would have been bad enough – but also to leverage its relationship with ISIS for economic advantage, seeking ISIS's assistance to hurt Lafarge's competition in exchange for a cut of Lafarge's sales. Today, Lafarge has admitted and taken responsibility for its staggering crime. Never before has a corporation been charged with providing material support and resources to foreign terrorist organizations. This unprecedented charge and resolution reflect the extraordinary crimes committed and demonstrates that corporations that take actions in contravention of our national security interests in violation of the law will be held to account."

"This guilty plea is a result of extraordinary collaboration among the FBI, the Department of Justice, and our international partners," said FBI Deputy Director Paul Abbate. "The result demonstrates to anyone who would seek to contribute to ISIS's terrorist activities, that the FBI will relentlessly pursue, and hold them accountable, regardless of where, or how, they attempt to hide."

From August 2013 through October 2014, Lafarge and LCS paid ISIS and ANF, through intermediaries, the equivalent of approximately \$5.92 million, consisting of fixed monthly "donation" payments to ISIS and ANF, payments to ISIS-controlled suppliers to purchase raw materials, and variable payments based on the amount of cement LCS sold. Lafarge and LCS also paid the equivalent of approximately \$1.11 million to the third-party intermediaries for negotiating with and making payments to ISIS and ANF on Lafarge's and LCS's behalf. In addition, when LCS eventually evacuated the Jalabiyeh Cement Plant in September 2014, ISIS took possession of cement that LCS had produced in furtherance of the conspiracy, and ISIS sold the cement at prices that would have yielded ISIS approximately \$3.21 million. As a result of the scheme, LCS obtained approximately \$70.30 million in total sales revenue from August 2013 through 2014. The gains to all participants in the conspiracy, including LCS, the intermediaries and the terrorist groups, totaled approximately \$80.54 million.

Lafarge and LCS executives actively concealed their scheme to provide material support to ISIS and ANF. For example:

- Lafarge and LCS executives required intermediaries to create business entities with names not obviously linked to the intermediaries and created invoices with false descriptions of services rendered for an intermediary to submit to LCS.
- LCS executives structured the revenue-sharing payments to ISIS so that LCS's customers would pay ISIS the amounts owed under LCS's agreement with ISIS, while LCS discounted

the prices it charged to the customers to reimburse them. To ensure that LCS's customers did not underpay ISIS, LCS agreed to provide ISIS with periodic sales reports, which ISIS could use to verify that LCS's customers were paying the amounts owed under the terms of LCS's agreement with ISIS.

- To further conceal the arrangements, Lafarge and LCS executives attempted to require ISIS not to include the name "Lafarge" on the documents memorializing and implementing their agreements.
- Many of the Lafarge and LCS executives involved in the scheme used personal email addresses, rather than their corporate email addresses, to carry out of the conspiracy.
- In October 2014, as a condition of paying an intermediary for having negotiated with ISIS and other armed groups, Lafarge and LCS executives required the intermediary to sign an agreement terminating his agreement to provide services to LCS. Critically, the Lafarge and LCS executives backdated the termination agreement to Aug. 18, 2014, a date shortly after the United Nations Security Council had issued a resolution calling on member states to prohibit doing business with ISIS and ANF, to falsely suggest that he had not been negotiating with ISIS on behalf of LCS after the U.N. resolution.

Lafarge was eventually acquired by a competitor (the Successor Company) in a transaction that closed on July 10, 2015. Lafarge executives did not disclose LCS's payments to ISIS and ANF to the Successor Company during pre-acquisition diligence meetings, and the Successor Company conducted neither pre- nor post-acquisition due diligence of LCS's operations in Syria, which had terminated by the time the transaction closed. Lafarge, LCS and the Successor Company also did not self-report the conduct or fully cooperate in the investigation.

Lafarge and its subsidiary pleaded guilty to conspiring to provide material support to designated foreign terrorist organizations and admitted to negotiating with and paying armed groups and terrorists, negotiating revenue-sharing agreements with ISIS to seek economic advantage, and concealing their payments, falsified records, and backdated contracts.

The FBI's New York Joint Terrorism Task Force is investigating the case. The Justice Department's Office of International Affairs provided critical assistance in this case. The Department also appreciates the significant cooperation and assistance provided by the French, Moroccan and Lebanese authorities.

Assistant U.S. Attorneys Allon Lifshitz, Alexander A. Solomon, Ian C. Richardson, and Joshua Hafetz for the U.S. Attorney's Office's National Security and Cybercrime Section are prosecuting the case, with valuable assistance provided by Assistant U.S. Attorneys Artemis Lekakis, J. Matthew Haggans, and Lauren A. Bowman and Trial Attorneys Bridget Behling and Jennifer Levy of the National Security Division's Counterterrorism Section.

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