

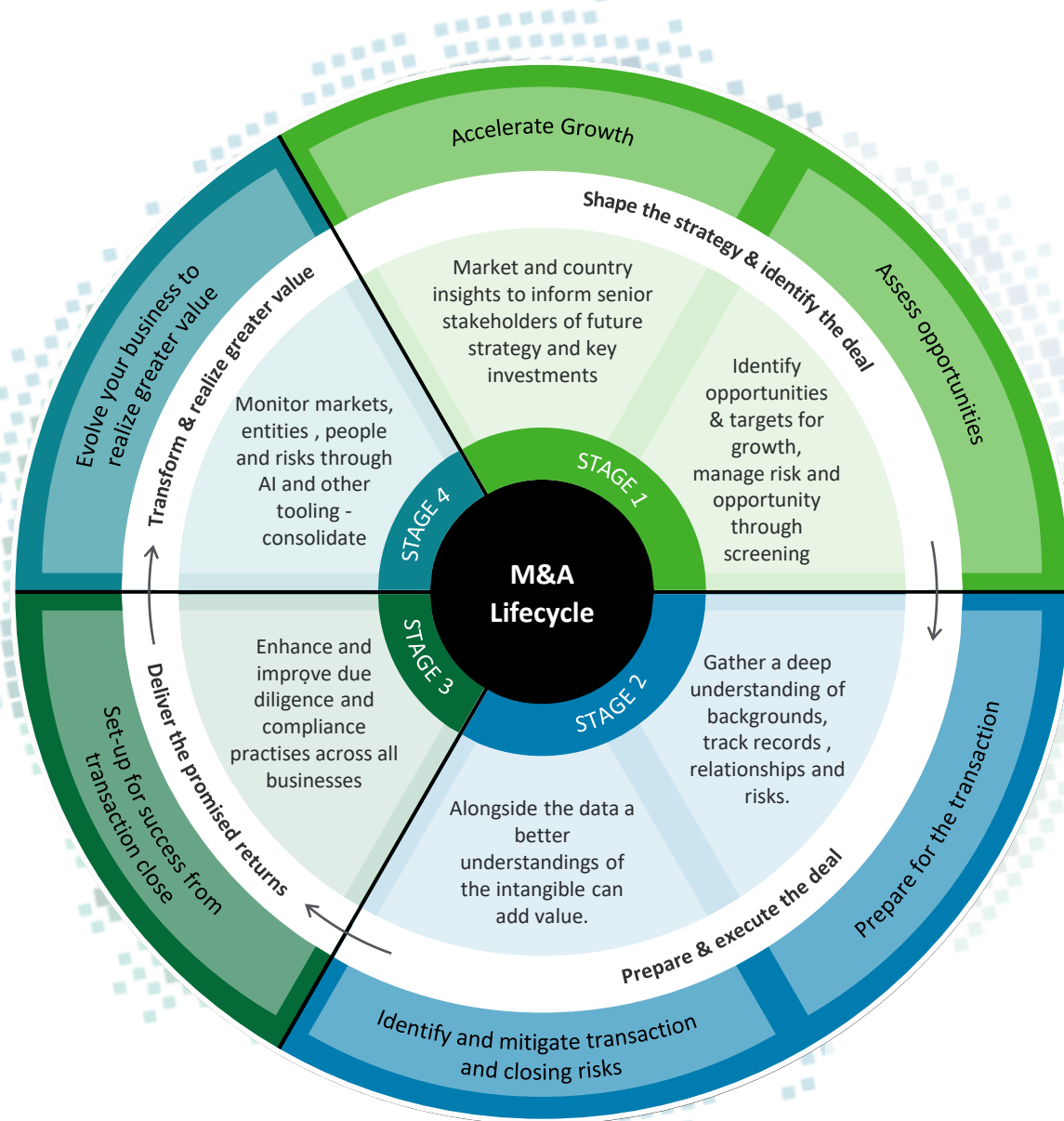


M&A Services: Integrity Due Diligence

Helping clients identify and understand the intangibles in a transaction

The M&A lifecycle from an intelligence gathering perspective

Integrity and reputational due diligence



How we help clients at different stages of the M&A Cycle

STAGE 1 - Market and country entry insights and mass screening

Assessing opportunities and preparing for growth

Combining local and global expertise, we can gather information on in-country opportunities, political, and regulatory risks across all sectors to help support growth strategy discussions and investment or acquisition plans.

In addition, as part of the prospecting stage screening technology can be utilised to quickly and cost effectively identify deal stopping sanctions or severe reputational risks, it can also be tailored to help diversify or increase the view of a portfolio of targets globally.

STAGE 2 - Identify opportunities & risks to equip for negotiations

Prepare for the transaction through deep insights

Leveraging decades of open-source intelligence knowledge and discreet human enquiries from anywhere across the globe we help clients better understand or validate a target's ownership and control, its track record, financial standing, negotiation style, and reputational or legal risks (not only those related to ABAC and illegality but also ESG and other contemporary risk topics).

Beyond a target company we help clients undertake intelligence gathering on the people on the other side of the deal, to help understand, track record, assets, and market sentiment on the business reputation of the individuals involved.

STAGES 3 and 4 – consolidate and improve information gathering practises

Enhance and improve intelligence operations to realise greater value

Whether integrating or separating an entity, our team can also provide support on all intelligence gathering and due diligence needs for all a client's portfolio, and subsidiary entities meaning cost savings can be achieved; in addition, reviews of suppliers and wider third parties within an acquisition may be needed to ensure regulatory and compliance obligations are met in underdeveloped assets.

There may be a requirement to undertake DD on the new generation of senior hires to ensure reputations and skills match the required levels, as well as future business plans, and strategies.

In addition, we help track and monitor market trends to help client and their portfolio react to breaking news or reputational issues.

Due to years of ABC regulatory requirements targets will come with a huge range of compliance, due diligence professionals, and supporting tools we help clients improve processes, identify duplications and improve process through AI to ensure efficiencies.

The team and case studies

For almost twenty-five years we have helped clients to gain an in-depth understanding of the background, reputation and integrity risks presented by proposed acquisition targets and close business partners in jurisdictions globally across all sectors. Examples of challenges, opportunities :

Challenge	Solution and outcome
Stage 1 example - New market assessments A consumer client was considering expansion into a Southeast Asian airport sector, via potential acquisition of existing operators in the market. It had no prior experience of the sector in this country, its risks or operations.	We undertook in-depth enquiries through a range of local subject matter experts – including industry analysts, lawyers, and competitors – to compile a detailed report providing current intelligence and insight on the specific risks and opportunities presented by entry to the sector, including focus on how to minimise exposure to bribery and corruption risks.
Stage 1 example - High-level screening of portfolio level acquisition targets A client was contemplating a transaction in a higher risk market and had identified a large number of potential targets which it wished to shortlist.	We risk-rated each target through quick AI driven and high-level screening research, which focused on adverse media (financial crime), financial performance and international sanctions checks. This narrowed the focus to a significantly smaller number of lower-risk targets.
Stage 2 example - IDD on operations in the new age Our client was in the early stages of negotiating the acquisition of a tech company, and wanted to better understand its operations, strengths and internal culture to inform its discussions.	We undertook in-depth Integrity Due Diligence through public record research and interviews with well-placed sources across the tech sector. This research identified two poorly-performing orbital divisions of the central business, issues with two of the executives, and positive news regarding the likelihood of two lynchpin developers staying with the business post-transaction. Our client was able to restructure the deal and their negotiation strategy in their favour.
Stage 3&4 examples - Post-transaction compliance optimisation Following a series of acquisitions of smaller businesses across multiple jurisdictions – each with their own legacy compliance policies – a client wanted to streamline and centralise its compliance and due diligence functions.	We used our extensive experience of targeted, risk-appropriate IDD and the resources available to us to undertake a review of existing policies to support the design of a single centralised policy that addressed all the risks required by individual legislation across the network. We also reviewed the various compliance databases technologies used across the network to determine which were worth retaining, based on the agreed goals of the centralised policy.

The team



Global understanding

Deloitte's global coverage enables us to undertake work in relation **any jurisdiction in the world**, whether a western country or a higher risk jurisdiction

Most key business languages are covered from the UK, and the wider Deloitte network can support with those we do not have locally



Intelligence specialists

Deloitte's in-house team of regional research and intelligence specialists are **experts in how to identify and access relevant information**, with each team member bringing the political and cultural knowledge required to **present our findings in a meaningful context**



Extensive network

We maintain a wide-reaching network of **human intelligence sources across diverse industries and jurisdictions** globally, enabling us to access **accurate and relevant intelligence** that simply cannot be found in the public record



Investigative mindset

Having supported clients on a wide range of internal and external investigations we bring an **analytical and sceptical approach** to all our projects, big or small.

Our **strong investigative mindset** ensures our **clients rarely have any follow-up questions** after receiving our reports



Business focused

As the world's largest professional services firm, we take a pragmatic approach to our work and **focus on helping clients to identify and mitigate risks**, rather than presenting a sensationalised list of risk issues.

The value of human intelligence globally

Our human sources provide valuable insights that cannot be accessed in the public domain – in all jurisdictions.

OPERATIONS

*“They have a back catalogue of [products] that worked well locally, but **they lack the contacts or experience** to resell them to bigger markets like the US. **They’re sitting on significant untapped value**”*

MANAGEMENT

*“the founder’s **eccentric management style** worked well when the Subject was a small start-up, but now it’s a major operator **he’s beginning to look completely out of his depth**. If anything, his inexperience of managing a large corporate business is putting its operations at risk”*

LEGAL

*“The company was created in a time of **rampant corruption**, and there’s no doubt they could only establish themselves and **win the licenses** they needed through bribery and corruption. But once they became large and profitable, **they went to great lengths to clean up the business, and there’s been no allegations like that for at least five or ten years**”*

MARKET ENVIRONMENT

*“The industry remains focused on traditional logging and any ecological credentials around carbon capture are only on paper. **On the ground, the deforestation of ancient forests and displacement of native people continues**”*

REPUTATION

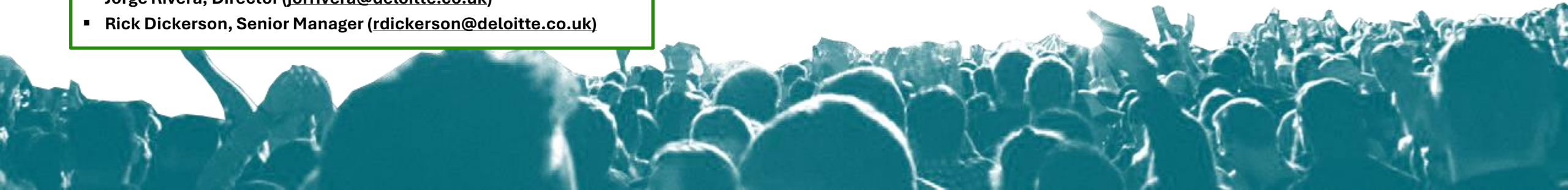
*“he’s **not well liked locally**, he’s soured relations with all of the larger business groupings he’s dealt with, and **if he’s looking internationally for financial support and partners it’s only because no one locally will touch him**”*

FINANCIAL

*“the **Subject made no profit in the four years it’s been trading**, despite its revenues increasing each year. But this reflects cost pressures in the industry generally, and it has spent its time building its base and establishing loyal customers. The industry is set to boom over the next decade, and **the Subject is now well placed to take advantage**”.*

For further information please contact:

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Examples of our previous findings

For almost twenty-five years we have helped clients to gain an in-depth understanding of the background, reputation and integrity risks presented by proposed acquisition targets and close business partners in jurisdictions globally across all sectors. Our findings have included the following examples:

Bribery & corruption	Illegal or unethical activities	Track record & reputation	Government connections	Other operational issues
Financial services: a bank in the former Soviet Union had a long and disreputable history as a pocket bank established to serve as a vehicle for bribes; however, sources were of the view it had since moved away from these operations and now serves as a legitimate commercial bank.	Agriculture: a Latin American agribusiness was the target of severe criticism for alleged 'slave-like' conditions at its farms. Sources were able to provide wider context to these allegations, indicating that the severity of conditions had been exaggerated for political reasons.	Technology & Media: a target's extensive success as a reality television producer was attributed to a format created by a third party, with a limited shelf life. Sources were not impressed by the target's attempts to repeat its success with home-grown original formats.	Healthcare: sources reported that a sub-Saharan healthcare provider was heavily reliant on its connections to the current President to maintain its state contracts. These sources anticipated that a change in regime would result in the loss of much of its business.	Consumer business: a fashion house in Eastern Europe was rumoured in the media to hold links to organised crime groups. Sources familiar with the business were able to clarify that while an early investor had held such links, the current owners had removed such influence over a decade ago.
Consumer business: a successful duty-free retail outlet operating at a Latin American airport was reported by sources to have made liberal use of bribe payments to secure its access to this airport concession.	Life Sciences: a pharmaceuticals firm was alleged to operate a drugs testing facility in a developing country solely to enable it to follow significantly lower safety standards in its human trials (which had allegedly resulted in several deaths).	Industrial products: a North African industrial equipment provider was reported by sources to have no real expertise or track record in its sector, serving instead primarily as a vehicle for officials to embezzle funds through inflated state contracts.	Energy & Natural Resources: a downstream oil company in central Asia was reported by sources to be reliant on the owner's close relationship with the country's President for a significant portion of its business, which was expected to end should he sell the business.	Technology & Media: a fast-growing app developer was reported by several sources to have low standards of governance, in particular failing to enforce its own privacy policies and having failed to prevent at least one major breach in customer data
Healthcare: a small operator of medical centres in Central Europe was alleged by sources to make regular bribe payments in return for receiving the necessary permits to operate its business and sell its products.	Industrial products: sources provided commentary indicating that while a target in South America was known to routinely breach environmental legislation, it had so far avoided formal penalties due to its strong political connections.	Consumer business: a European supermarket chain was facing a management buyout. Although our client had concerns around the lead manager's eccentric business style, sources commented very positively on his vision and track record and provided guidance on how best to work with him.	Infrastructure: a Southeast Asian infrastructure company faced extensive criticism in its domestic market as it had won most competitive tenders issued by certain regional governments. However, sources were of the view this was only because it was one of the few genuinely qualified companies in the country.	Energy & Natural Resources: our client was seeking to take a minority stake in an African oil & gas business. Sources warned this was also the target of a powerful local group, and that a foreign business would not succeed in challenging the local group's efforts to take full control.

Supporting successful transactions

Deloitte's market-leading and global Corporate Intelligence team has been helping clients to understand the opportunities and risks presented by M&A targets and key strategic relationships for over 25 years.

We work collaboratively with our clients, keeping them informed of key issues as the project progresses. We also work closely with our other Deloitte teams – in the UK and overseas – where required, feeding findings directly into wider due diligence processes, helping to inform negotiation and risk-mitigation strategies.

For further information please contact:

- **Jorge Rivera**, Director (jorrivera@deloitte.co.uk)
- **Rick Dickerson**, Senior Manager (rdickerson@deloitte.co.uk)

Intelligence gathering to provide insights

We use our in-depth intelligence-gathering methodology to assist you in identifying both the risks and opportunities associated with a deal:

- **Integrity and legal/regulatory risks** – to support a risk assessment of the deal and the development of post-transaction remediations. This would seek to support your compliance with legislation relating to bribery, corruption, money laundering, environmental protection, human rights, and sanctions
- **Operational risks** – which might include identifying underperforming executives, underperforming areas of the business, and noting key staff at risk of leaving,
- **Reputation** – ensuring you have a full and rounded understanding of the Target's reputation in its local markets, including the views of potential customers and competitors
- **Negotiating style of key parties at the target** – including seeking information from others who have negotiated with the target, to help inform your approach to the deal
- **Internal management style and working culture** – to help inform your post-transaction integration strategy for the asset

Our typical methodology



Online public record research (and retrieval of hard copy records where required)

We can access **numerous online public record databases** for the key jurisdiction in question, including media database, corporate registry records, litigation databases, and PEP and sanctions lists. We also maintain a network of record retrieval agents who can support with the **quick and cost-effective retrieval of local documentation** where it is not accessible online.



Human intelligence (market interviews) – our network of well-informed and discreet sources (external to Deloitte) operates in various industries and jurisdictions globally, **providing valuable personal knowledge and insights** which are not publicly reported. Such enquiries often identify information that is never reported in the public domain, including allegations of unethical activities and detailed information on market reputation.

Taken together, this methodology can help clients to fully understand the background, track record, reputation and business style of a Target, its vendor, and key executives at the company.



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