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More than Half of Multinationals Failing to Carry Out Thorough Anti-Bribery and Corruption Checks During M&A, Says new Report From Hogan Lovells

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More than half (54%) of multinationals say their pre- and post-merger and acquisition (M&A) due diligence isn't thorough enough, despite 64% believing M&A presents some of the biggest anti-bribery and corruption risks, according to a new report from global law firm Hogan Lovells.

Meanwhile almost three-quarters (72%) are failing to bring in their anti-bribery and corruption compliance team in good time during M&A discussions.

Crispin Rapinet, Global Head of Investigations, White Collar and Fraud at Hogan Lovells, said:

"Too few companies do enough to counter bribery and corruption in M&A and private equity investments. Instead they busy themselves with due diligence on tax, antitrust, legal, financial, intellectual property, and other asset or industry-specific areas. None of which makes a difference if the company you're after is corrupt."

Steering the Course: Navigating bribery and corruption risk in M&A is the third in a series of reports combining insights from lawyers at the firm's global Investigations, White Collar and Fraud practice with the results of interviews with 604 chief compliance officers, heads of legal, and equivalent, in the UK, U.S., Asia, France and Germany. Respondents work in many of the world's largest multinational companies (turnover of at least U.S. $350 million), in four sectors – energy, minerals and resources; life sciences and healthcare; transport (including automotive and aviation); and technology, media and telecommunications.

Key findings include:

- Only 58% of respondents from the UK do anti-bribery and corruption due diligence before high-risk M&A. In contrast, China, Germany, and the U.S. lead the way at 85%
- 54% of respondents say their pre- and post-M&A due diligence isn't thorough enough (the U.S. leads the way at 65% compared with 44% in Germany at the bottom)
- 64% of respondents said M&A gives rise to some of the biggest anti-bribery and corruption risks (with the U.S. again leading the way at 76% compared to France on 56% at the bottom)
- 72% of respondents say their compliance team should be involved earlier in M&A discussions; Japanese respondents were most likely to agree with this at 83% compared to 64% in Germany
- 57% of respondents have gone ahead with a merger or acquisition despite high bribery and corruption risk, with the U.S. and Germany reporting 71% and 78% respectively
- 59% say that sometimes their anti-bribery and corruption due diligence doesn't take place until after a merger or acquisition; in China it's 69% compared with 33% in Singapore, the most

cautious on this measure
- 36% overall see M&A as one of the biggest external risks to their company; at the top end over half (51%) of respondents in Japan answered affirmatively compared with 26% in France at the bottom end.

Crispin Rapinet said:

"Compared with 10 years ago, when the U.S. Department of Justice was the only real anti-bribery enforcer, today regulatory focus has stepped up. Regulators are talking to each other and sharing information. Authorities in China, Brazil, Germany, Italy, Spain, the UK, and elsewhere, are focusing hard on enforcing their anti-bribery legislation, with others jumping on the bandwagon all the time.

"There's also far more awareness of these issues in the media, with investigative journalists encouraging whistleblowers to divulge information. In short, you're much more likely to get caught. If you do, as a company you risk fines and criminal prosecution, while your executives risk jail sentences. Due diligence, helping you understand the target company's culture, assess its value and identify risks, is a first step toward mitigating corruption and steering clear of liability."

Hogan Lovell has produced its own benchmarking model, "The ABC of AB&C" (anti-bribery and corruption), to help companies comply with anti-bribery and corruption legislation around the world. To access it and read *Steering the Course: Navigating bribery and corruption risk in M&A* and other reports in the series, visit www.hoganlovellsabc.com

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About the study

The study spoke to 604 chief compliance officers or equivalent at 604 of the world's largest multinational companies about anti-bribery and corruption, in 2016. The respondents were based in the UK (101), Germany (102), France (100), the US (151), China (57), Singapore (52) and Japan (41).

The companies had a minimum of 2,000 employees and at least £250m turnover, and operated in four sectors: life sciences and pharmaceuticals (124); energy, minerals and resources (138); transport, including aviation and automotive (152); and technology, media and telecoms (190).

About the Hogan Lovells Global Bribery and Corruption Task Force

The Hogan Lovells Global Bribery and Corruption Task Force offers international clients informed advice in a number of areas of risk, from reactive incident response measures to the development of proactive strategies for managing potential exposure through compliance programs.

Our task force brings together a cross-jurisdictional team of partners from Hogan Lovells' international network with more than 25 years of experience in large-scale investigations. The task force has real experience on the ground in the United States and Europe (including the United Kingdom, Germany, Spain, Italy, and France), as well as in Russia, Asia (including China and Hong Kong), the Middle East, Latin America and Africa. Hogan Lovells is a recognized leader in investigations and fraud work, being ranked in the top tier of leading legal directories.

About Hogan Lovells

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Hogan Lovells is a leading global law firm providing business-oriented legal advice and high-quality service across its exceptional breadth of practices to clients around the world.

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