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Increased security in M&A transactions through Compliance Due Diligence Our Compliance Due Diligence methodology

Module 3

Module 1 Desktop/Data Room Review

Maturity of the Compliance Organization

· Review of compliance setup, governance structure, and roles and responsibilities

Identification of Compliance Risk Exposure

 Evaluation of individual risk exposures, e.g., considering the business modell

Policies and Guidelines

· Analysis of existing standards, e.g. code of conduct, anti-corruption, anti-trust, anti-money laundering, economic sanctions, and data protection

Trial Balance

 Review general ledger/payment activity in accounts of higher risk for corruption purposes

Background Research

Module 2

Background research on subjects with a potentially higher compliance risk exposure identified in phase 1

- Identified existing and potential business partners, respective recipients of contributions
- Identified executives and employees

Scope

Subjects

- Integrity checks on companies and individuals (quick checks)
- Information retrieval in cases of suspected fraud, embezzlement or corruption

Use of Publicly Available Sources

- Public records
- Company databases
- Press and media
- Compliance databases
- Internet sources
- Social networks and other internet sources

Interviews and Testing

Follow-up of risk areas identified in phases 1 and 2 **Interviews**

- Conduct interviews to follow up on potential risk areas as identified in phases 1 and 2
- Consider interviews with key employees (e.g., Head of Compliance/Marketing)

Process Walkthroughs

 Conduct of walkthroughs of high-risk processes (identified in phase 1)

Sample Testing

- Analyze sample transactions from selected general ledger accounts (phase 1) that in our experience, represent potential compliance exposure areas
- Review of bank accounts and petty cash records for large unusual or unexplained transactions

Why it is important?

- Compliance is becoming important in M&A deals since it can significantly influence decisions for both **buy side** and **sell side**
- Compliance risks such as sanctions, loss of reputation, and personal liability are gaining prominence beyond a mere focus on numbers
- The demand for transparency has therefore led strategic investors to seek in-depth information about a target company's compliance landscape, such as details on its compliance risks, measures and robust compliance management system

Pricing

The pricing is modular and depends on the type of Deloitte support and scoping as well as the general size (number of employees) of the target organization:

Modul 1:

Price range between €15,000-€20,000* x company size

Modul 2:

Price range between €7,000–€10,000* x company size

Modul 3:

Price range between €5,000–€10,000* x company size

Example Compliance Topics in M&A Due Diligence





Compliance within supply chains





Anti-corruption and anti-trust





Meet the team



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Outcome

- Detection of compliance gaps or violations
- Understanding of the financial health and integrity of the target company

Outcome

- Understanding of the relationships and contracts with business partners
- Identification of stakeholders for a smooth transition and obtaining necessary approvals

Outcome

- Deeper insights into the target company's operations/processes
- Identification of process inefficiencies via walkthroughs

^{*}This is a pricing indication; the binding pricing is defined in a separate individual proposal. This indication is not valid for companies from industries with specific requirements in regard to the design of the compliance function (e.g., financial institutions) or with specific regulatory topic areas (e.g., GxP in pharma). Foreign (non-German) regulation can only be included upon request.