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Chemical compounds
Second-quarter 2011 global chemicals industry mergers and acquisitions analysis

Special report:
Does your company's M&A strategy mitigate corruption-related risk and cost?

pwc

Welcome to the second-quarter 2011 edition of *Chemical compounds*, PwC's quarterly analysis of mergers and acquisitions (M&A) in the global chemicals industry. In addition to a detailed summary of M&A activity in the second quarter, this edition features a special report on the challenges companies are facing as they expand into regions around the world where corruption is pervasive. The rate of bribery and corruption in the chemicals industry has increased sharply in recent years, and with the uptick in deal activities, companies are looking to mitigate the related risks. Meanwhile, anti corruption initiatives are intensifying as governmental bodies and regulatory agencies prioritize the issue. However, through focused anticorruption efforts, companies have the opportunity to balance compliance and growth to produce the best results.

Special report:
Does your company's M&A strategy mitigate corruption-related risk and cost?

Multinational companies continue to accelerate global expansion with mergers and acquisitions, pursuing deal activity at an ever-increasing pace to fuel faster growth and hone competitive advantage. Yet organizations face intensified risks in regions where corruption is pervasive and unethical practices are longstanding—at times, even accepted as status quo. Calls for increased anticorruption initiatives are intensifying around the globe as governmental bodies in the United States, United Kingdom, India, Japan, and elsewhere are directing their regulatory agencies to take a stronger stance. The Securities and Exchange Commission (SEC) and Department of Justice (DOJ) are stepping up enforcement actions mandated by the US Foreign Corrupt Practices Act (FCPA) and resuming their investigations of backlogged cases and criminal prosecutions, subjecting some C-suite executives to personal FCPA exposure and even imprisoning some offenders. Growing dramatically, too, are penalties, disgorgement of profits, and costs associated with monitoring for corruption risks. The collateral financial damage is significant and climbing rapidly: FCPA enforcement actions increased 85% in 2010, with the Department of Justice (DOJ) and the Securities and Exchange Commission (SEC) bringing a combined 74 actions, nearly doubling the tally of 40 enforcement proceedings in 2009. In addition, eight of the largest FCPA-related monetary settlements in history—ranging from $56.2 million to $400 million—occurred during that period.[1] More than $1 trillion is paid in bribes annually, and the cost of doing business globally increases 10% on average due to fraud, according to the World Economic Forum.[2]

Due to the ramifications of successor liability, under which the purchaser assumes responsibility for past actions of the acquired company, companies are enhancing their corruption due diligence programs to understand the risks of acquiring certain targets, determine whether red flags exist, and analyze what compliance actions must be taken post-acquisition. Corruption due diligence, a regulatory expectation, may reduce purchase price adjustments. But organizations that fail to address these concerns before closing a deal face the potential of great financial loss and reputational risk. Companies that embrace the new compliance challenges can realize new opportunities for entry into markets they may have previously avoided.

The chemicals industry continues to view corruption as a significant concern, an issue particularly heightened during a robust period of M&A activity. The uptick in mergers and acquisitions presents opportunities as well as challenges. Bribery and other forms of corruption are of particular concern to chemical companies engaged in industry activities such as plant or product inspections, certifications, and sales to governmental offices.

The threat of illicit enterprise can be particularly high for chemical companies conducting business in E7 countries (Brazil, China, India, Indonesia, Mexico, Russia, and Turkey), a reality that has the potential to diminish deal value. Nearly half of the chemical companies operating in the E7 reported an incident of economic crime, and 40% said their company had been asked to pay a bribe, according to the 4th biennial Global Economic Crime Survey, which examined data from 181 chemical companies in 36 countries. Additionally, 35% of chemical companies responding to the survey said their business suffered because of corruption by E7 competitors.

In the wake of a landmark year for anticorruption enforcement, companies across multiple industries are concerned about several trends in the near term:

- The Dodd-Frank Act requirement to disclose all payments to foreign governments (applicable only to SEC registrants) could result in greater scrutiny of anticorruption issues.
- Foreign governmental bodies are amplifying anticorruption enforcement, with the UK, Denmark, and Italy implementing and actively enforcing antigraft legislation in 2010.[3] Also affecting corruption: the number of countries that have signed on to the Organization for Economic Cooperation and Development (OECD) Antibribery Convention, and the United Nations Convention Against Corruption (UNCAC).
- International harmonization of antifraud and anticorruption regulation will result in increased numbers of parallel investigations, likely resulting in increased penalties.

[1] "2010 FCPA Enforcement Shatters Records," Melissa Aguilar, *Compliance Week,* Jan. 4, 2011.

[2] "Partnering Against Corruption Initiative," World Economic Forum, www.weforum.org, 2011.

[3] 2010 FCPA Enforcement Shatters Records

- The number of FCPA cases and severity of penalties are expected to grow because the DOJ and SEC are planning to revisit a growing number of backlogged investigations.

- With anticorruption becoming a top corporate governance issue, companies will be burdened with the expense of devoting greater resources to comply with new regulations and initiatives.

- Corruption investigations will likely trigger shareholder litigation, tax investigations, money-laundering probes, and other adverse actions.

- Individuals will face increased scrutiny when regulators investigate potential violations of the FCPA and other anticorruption legislation around the globe.

Vetting third parties

Relationships with third parties, such as distributors, intermediaries, sales agents, dealers, and consultants, bring a high degree of risk for companies expanding globally, and consequently they will be subject to greater levels of scrutiny. That particularly holds true when organizations pursue deal activity in Brazil, Russia, India, and China (the BRIC countries) and the Middle East, where it is often impossible to drive business without establishing relationships with other individuals or commercial entities. Not incidentally, the BRIC countries received unfavorable ratings—from Russia, with a score of 2.1 to Brazil with a score of 3.7—on Transparency International's 2010 Corruption Perceptions Index, measured on a scale from 0 (highly corrupt) to 10 (highly clean).

A high percentage of the civil and criminal enforcement actions have stemmed from the activities of third parties, those new to the acquirer as well as those who have longstanding relationships with the acquirer. Heightening the potential for risk are third parties that may be adequately vetted, but that themselves use other third parties whose activities may not have been thoroughly scrutinized. Corruption issues often stem from third parties making direct or indirect payments that violate bribery and corruption laws or statutes around the globe. These payments, in some countries viewed by locals as the cost of doing business, typically are recorded as professional, consulting, commission, service, or selling expenses.

Companies that successfully mitigate corruption risks begin by gaining a thorough understanding of the third parties with whom they are engaged and the business model of those organizations. Further, they include compliance clauses in contracts and maintain their third-party contracts in a central location. Additionally, these organizations implement robust processes to periodically assess business partners and monitor activities and transactions associated with such relationships, and provide third parties with training on compliance policies.

Determining the appropriate level of due diligence

Companies pursuing corruption due diligence activities during mergers typically rate targets and their affiliated third parties on the degree of potential risk based on a variety of factors, including geographic regulation, the focus of regulators from an industry standpoint, and the size of the transactions with which they have been involved or will be involved. In addition to the complexities inherent to the activities are challenges related to judgments regarding the depth and intensity of due diligence proceedings supporting any particular transaction. Organizations are carefully evaluating how many resources should be devoted to any single case, in terms of labor and financial commitment. What if bribery or other corrupt practices are discovered post-deal closing? How can a company protect itself from enforcement actions then? How much due diligence is enough?

Navigating disclosure requirements for conflict minerals

In the wake of the "conflict minerals" provision of the Dodd-Frank Act, the SEC is expected to issue the rule and disclosure requirements by fall 2011. Already, companies in multiple subsectors across the industrial products spectrum are engaged in performing due diligence to determine whether their supply chain includes conflict minerals, defined by the OECD as "key minerals from conflict-affected and high-risk areas." Some companies, expecting the list to expand, are also preparing their supply chain for minerals beyond columbite-tantalite (coltan), cassiterite (tin), wolframite (tungsten), and gold. Companies looking to expand in Central Africa or pursue M&A with organizations that source these minerals from affected countries are challenged with determining the "reasonable" level of due diligence for their supply base, where mineral transparency has yet to be established.

Companies seeking to mitigate risk in this area are examining internally across operations, or communicating with an extensive supply base to inquire about and request indications of mineral presence in subcomponents or products provided. Effective strategies could include enhancements of the existing supply chain program, leveraging knowledge of the supply base on hand, and reactivating communication and reporting channels already in place with suppliers.

The downside for not heeding conflict minerals restrictions (including the FCPA requirements), in addition to the huge potential for enforcement actions: reputational damage. Watchdog organizations and media critics have been quick to publicly question and disparage companies whose mineral sourcing benefits armed groups in the Democratic Republic of the Congo (DRC) and surrounding countries. Consequently, a few companies may be assessing the operational effect of options for alternate sourcing, and examining competitors' business models; considerations include cost, performance, mineral compositions and quality, logistics, new supplier verification issues, and the issues associated with developing a new business model.

Strategizing to mitigate corruption risks

Companies achieving success in anticorruption efforts take a focused approach to the task. They strategize to balance compliance and growth, and allocate resources to the efforts that will produce the best results. These companies:

- Center near-term compliance efforts on FCPA regulations, which represent the core international criminalization and enforcement standards. By strictly adhering to FCPA guidelines, organizations can more easily come into compliance with other regulations, such as export laws, and be better prepared for upcoming global compliance initiatives.

- Build proactive, more transparent information-sharing among the risk, operations, finance, and corporate development functions.

- Carefully monitor and test accounts to discover financial discrepancies and determine whether to voluntarily disclose them to regulators.

- Educate employees on international anticorruption standards, develop robust training programs, and routinely field-test company compliance rules.

- Perform forensic due diligence on potential third parties—including suppliers, joint venture partners, agents, and local representatives—to inform business strategy with respect to new and potentially risky opportunities.

- Collaborate with anticorruption bodies and nongovernmental organizations to continually assess global corruption risk, identify potential opportunities in untapped markets, share anticorruption practices, and foster international cooperation across the public and private sectors.

Some observers have painted ongoing, robust international anticorruption efforts as a series of obstacles that has created an uneven and costly global field for US companies, thereby reinforcing the barriers to entry in potentially lucrative markets. But during an era of dramatically increased enforcement and heightened awareness about the pitfalls and collateral damage associated with corruption, the initiative is widely viewed as having a positive global influence, with other countries around the world starting to follow suit, committing to global anticorruption standards and taking action.[4]

[4] 10 Minutes on combating corruption, PwC, November 2009

Perspectives:
Thoughts on deal activity in the second quarter of 2011

Deal value in the second quarter amounted to less than half of the value reported during the first quarter. A decline in mega-deals was a big contributor to the decline in average deal value, which plummeted from $1,274 million to $512 million.

The proportion of financial deals declined during the second quarter, comprising only 15% of deal value. This decrease is not surprising. Although availability of credit improved, concerns remain regarding the slow-paced economic recovery (e.g., unemployment remains stubbornly high). This decrease further emphasizes continued interest by strategic investors. A need to improve upon organic growth and a desire to enter new markets drove many companies' merger and acquisition efforts. Additionally, strong balance sheets, the result of previous cost-cutting measures, and strong "per-unit" margins in many subsectors provide a ready source of cash for many strategic buyers.

As indicated above, second-quarter mega-deals (deals valued at $1 billion or more) declined both in number and value compared with the first quarter. Four deals with a combined value of $10.6 billion were announced in the second quarter, compared with seven deals valued at $35.19 billion the previous quarter. However, despite this decline, 2011 remains on track to equal or exceed M&A activity in 2010. The four mega-deals were geographically diverse, involving targets and acquirers from North America, South America, and Europe. Interestingly, despite its significant representation in deal activity overall, there were no mega-deals involving companies in the Asia & Oceania region.

In contrast to the overall lackluster numbers in the second quarter, we saw an increase in deals valued at $50 million or more in the BRIC countries. Consistent with our expectations, China generated the majority of the BRIC-related activity, with nine targets and nine acquirers, accounting for the majority of BRIC deal activity, which totaled 12 targets and 13 acquirers. Interestingly, China was not involved in any cross-border deals. This can be attributed in part to a recent trend in China: Regional companies are combining in an effort to create larger firms with the economies of scale necessary to compete globally.

We expect the recovery in the chemicals deal market, which began in mid-2009, to continue. Despite the minor setback encountered this quarter, the deal environment remains solid. The opportunity for growth, combined with strong balance sheets and a positive debt environment, leads us to believe that activity should continue to grow through the balance of 2011. Of special note, the continued emphasis on global reach and new market development will lead to continued expansion into developing markets, and countries such as China will continue to drive overall activity.

Commentary

2Q11 average deal value down almost 50%

Both deal volume and value decreased in second-quarter 2011 compared with the previous quarter. With the number of deals valued at $50 million or more declining by four, total deal value fell almost 65%, or by $26.9 billion. The general recovery in deal volume and value since first-quarter 2009 has stalled. However, we expect activity to strengthen in the second half of this year.

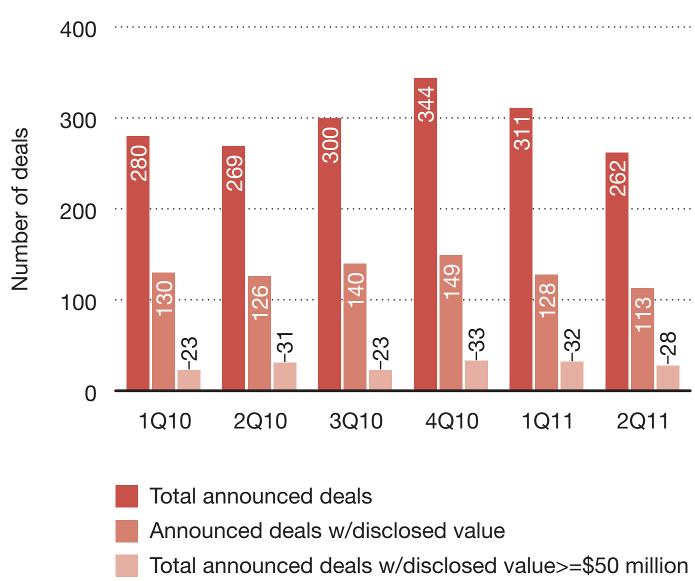
Quarterly chemicals deal activity
Measured by number and value of deals worth $50 million or more (3Q08-2Q11)

	2008		2009				2010				2011	
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Number of deals	33	20	9	22	24	29	23	31	23	33	32	28
Total deal value ($ bil)	33.5	14.6	11.7	5.3	7.8	7.8	22.3	16.3	50.4	20.6	40.8	14.3
Average deal value ($ mil)	1015.0	731.4	1297.2	239.1	325.6	268.5	971.0	526.6	2189.2	623.4	1274.4	512.2

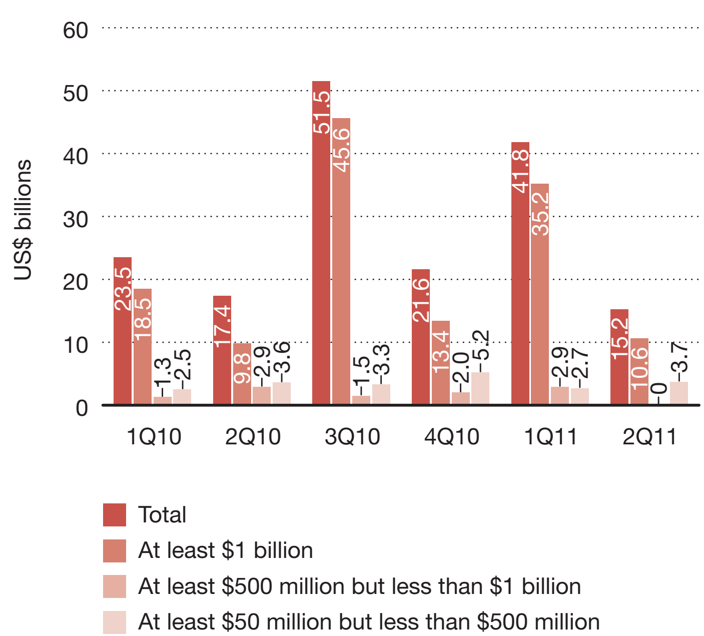
Mega-deals decline; smaller deal activity prevails

The number of deals announced in second-quarter 2011 declined more than 15% from the first quarter, from 311 to 262. At the same time, deal value declined, plummeting almost 64% to $15.2 billion. This fall-off was driven in large part by significantly lower deal value for announced mega-deals (deals valued at $1 billion or more) in the second quarter. While the number of mega-deals announced only declined from seven to four, deal value fell almost 70% to $10.6 billion. The values for medium-sized deals sank as well, with the number of deals valued at more than $500 million but less than $1 billion falling from $2.9 billion in the previous quarter to zero. In contrast to the larger deals, we noted that smaller deals (those valued at $50 million or more but less than $500 million) climbed 39% in value from $2.7 billion to $3.7 billion.

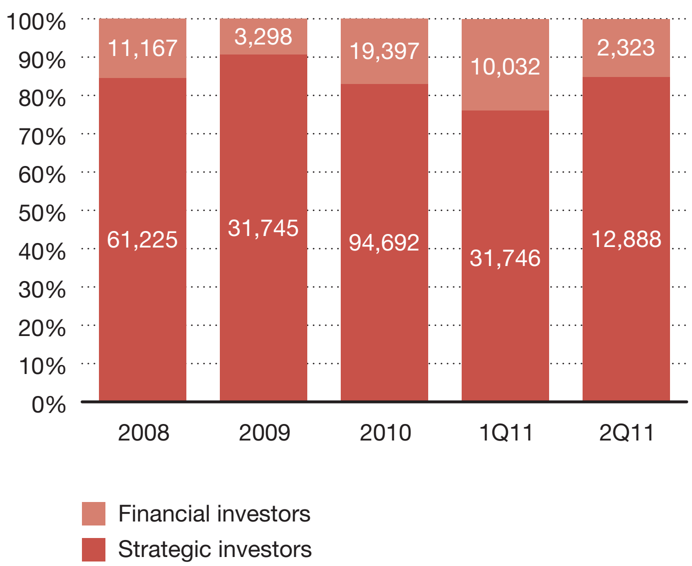
Quarterly deal activity by number of deals



Quarterly deal activity by total deal value



Deal activity by investor group
Measured by value of announced deals

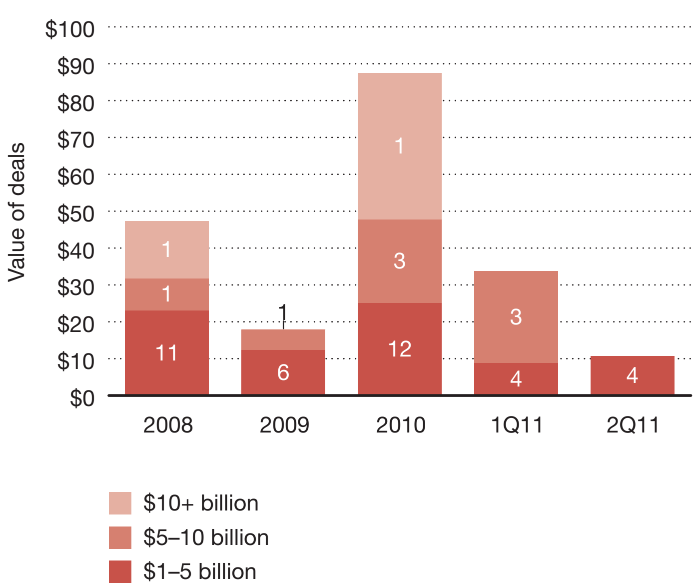


Recent trend reverses as financial investments decline

During the past few years, private equity firms have faced considerable fundraising challenges, restricting their participation in the deal environment. In 2010, as the credit markets eased, financial investors' contribution to deal activity increased to pre-recession levels, setting the stage for further improvement. However, in the second quarter, financial investments accounted for only 15% of deal activity, significantly lower than the recent high of 24% in first-quarter 2011.

Of the four mega-deals announced in second-quarter 2011, three were strategic deals, which remain the primary drivers of deals of all sizes. While financial leverage remains flat, cash on hand has increased substantially; companies with cash-heavy balance sheets are well positioned to make acquisitions to bolster growth and improve market share.

Mega-deals
Value greater than $1 billion



Mega-deal value declines substantially

There were four mega-deals (transactions of $1 billion or more) in the second quarter, down from seven in the first quarter. Deal value for second-quarter mega-deals was $10.59 billion, compared with $35.19 billion in the first quarter, a decline of almost 70%. Despite this slow-down, deal activity appears on pace to equal or exceed that of 2010.

Of the four mega-deals announced in the second quarter of 2011, all were valued between $1 billion and $5 billion. The highest valued deal was Belgium-based Solvay's offer of $4.7 billion to acquire French specialty manufacturer Rhodia. The deal, which is expected to accelerate Solvay's expansion into developing markets, will nearly double Solvay's sales. This deal allows Solvay to put to work part of the $7.6 billion it received from the sale of its Pharma business last year.

The second-largest mega-deal, Ashland Chemical's pending purchase of US-based International Specialty Products (ISP), will double Ashland's specialties business. Valued at $3.2 billion, this is the largest US-based deal since the proposed $7.6 billion 2010 acquisition of Airgas by Air Products, which was withdrawn after a Delaware court allowed Airgas to employ its "poison pill" defense.

In South America, Brazil-based Vale SA plans to spin off its fertilizer business through an initial public offering valued at $1.39 billion. Vale is expected to retain a controlling interest in the new business and invest about $2.5 billion in an attempt to increase its output threefold to 16.1 billion tons in 2015.

Finally, Evonik, a Germany-based specialty chemicals manufacturer has agreed to sell its carbon black business to US-based investor Rhone Capital for $1.3 billion. The sale is expected to allow Evonik to focus its energies on its core chemicals business.

Mega-deals in 2010

Month announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Value of transaction in US$ billion	Category
Aug	Potash Corp of Saskatchewan	Canada	BHP Billiton PLC	United Kingdom	Pending	39.76	Fertilizers & Agricultural Chemicals
Dec	Sil'vinit	Russian Fed	Uralkali	Russian Fed	Completed	8.18	Fertilizers & Agricultural Chemicals
Feb	Airgas Inc	United States	Air Products & Chemicals Inc	United States	Withdrawn	7.65	Industrial Gases
Apr	LyondellBasell Industries NV	Netherlands	Creditors	Netherlands	Completed	6.84	Commodity Chemicals
Sep	JNFL	Japan	Investor Group	Japan	Completed	4.75	Commodity Chemicals
Jan	Quattor Participacoes SA	Brazil	Braskem SA	Brazil	Completed	4.13	Other
Feb	Terra Industries Inc	United States	Yara International ASA	Norway	Withdrawn	4.10	Fertilizers & Agricultural Chemicals
Jun	BorsodChem Zrt	Hungary	Yantai Wanhua Polyurethanes Co	China	Completed	1.70	Specialty Chemicals
Mar	Styron Corp	United States	Bain Capital Partners LLC	United States	Completed	1.63	Commodity Chemicals
Nov	Sino Polymer New Materials Co	China	Lumena Resources Corp	China	Completed	1.47	Specialty Chemicals
Oct	Makhteshim Agan Industries Ltd	Israel	China National Agrochemical	China	Pending	1.44	Fertilizers & Agricultural Chemicals
Jun	Albaugh Inc	United States	Makhteshim Agan Industries Ltd	Israel	Withdrawn	1.28	Fertilizers & Agricultural Chemicals
Nov	IFCO Systems NV	Netherlands	Brambles Investments Ltd	United Kingdom	Completed	1.25	Commodity Chemicals
Dec	Xianglu Petrochemicals(Xiamen)	China	HeiLongJiang HeiHua Co Ltd	China	Pending	1.11	Specialty Chemicals
Aug	AWB Ltd	Australia	Agrium Inc	Canada	Completed	1.10	Fertilizers & Agricultural Chemicals
Feb	Fosfertil	Brazil	Mineracao Naque SA	Brazil	Completed	1.03	Fertilizers & Agricultural Chemicals

Mega-deals in 1Q11

Month announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Value of transaction in US$ billion	Category
Jan	The Mosaic Co	United States	Creditors	United States	Completed	8.88	Fertilizers & Agricultural Chemicals
Mar	Lubrizol Corp	United States	Berkshire Hathaway Inc	United States	Pending	8.79	Commodity Chemicals
Jan	Danisco A/S	Denmark	DuPont Denmark Holding ApS	Denmark	Pending	7.21	Other
Feb	PTT Aromatics & Refining PCL	Thailand	PTT Chemical PCL	Thailand	Pending	3.78	Other
Feb	Sued Chemie AG	Germany	Clariant AG	Switzerland	Completed	2.63	Other
Jan	Elkem AS	Norway	China Bluestar(Group) Co Ltd	China	Completed	2.18	Other
Mar	Chevron Corp-Pembroke Refinery	United Kingdom	Valero Energy Corp	United States	Pending	1.73	#N/A

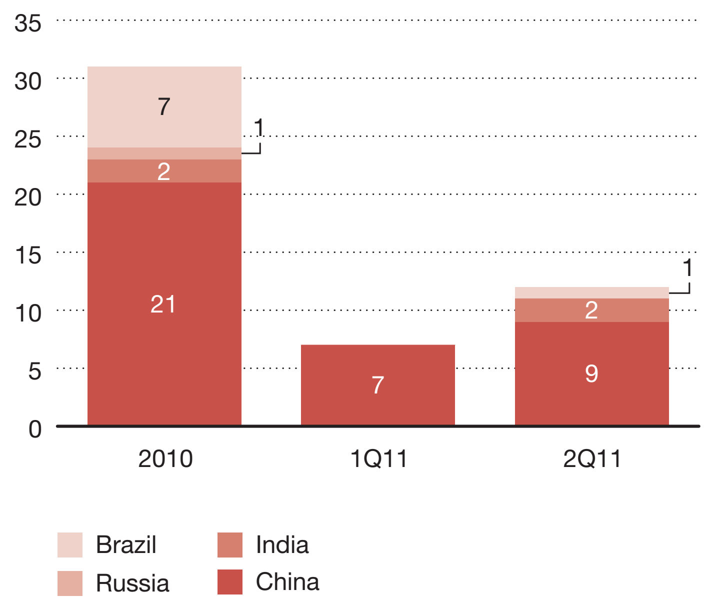
Mega-deals in 2Q11

Month announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Value of transaction in US$ billion	Category
Apr	Rhodia SA	France	Solvay SA	Belgium	Pending	4.70	Specialty Chemicals
May	International Specialty Prods	United States	Ashland Inc	United States	Pending	3.20	Specialty Chemicals
Jun	Vale Fertilizantes SA	Brazil	Vale SA	Brazil	Intended	1.39	Fertilizers & Agricultural Chemicals
Apr	Evonik-Carbon Black Business	Germany	Rhone Capital	United States	Pending	1.30	Specialty Chemicals

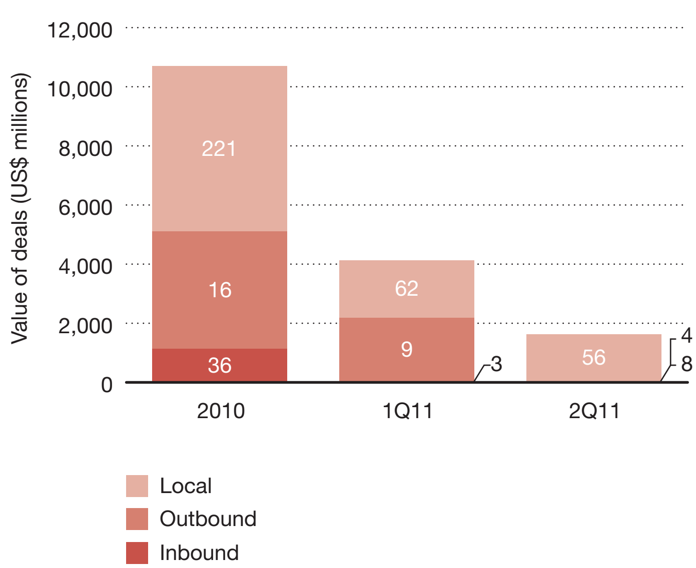
China dominates BRIC-affiliated transactions

The level of activity related to BRIC countries for deals valued at $50 million or more trended upward, with China leading the way. Of the 12 deals announced for BRIC targets, nine are in China, and of the 13 deals announced by BRIC acquirers, nine are based in China. All M&A deals in China were local deals, as China-based companies look to grow and compete on a global scale. Three of the nine China-based deals, or 33%, were classified as financial deals, a higher proportion than that of the sector as a whole (26%). Despite deal activity within China declining 8% overall this quarter, China likely will remain the most active BRIC country, given the size of its economy and the rapid pace of its industrial expansion.

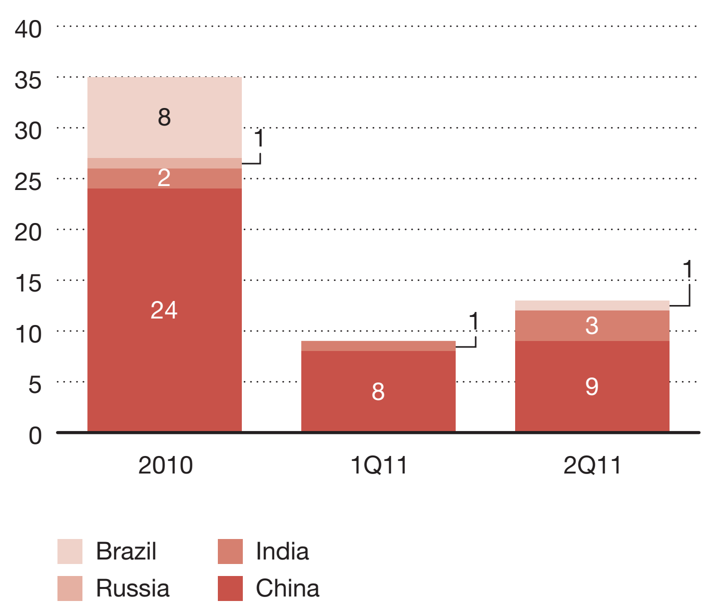
Distribution of BRIC deals by target region
Measured by number of announced deals worth $50 million or more



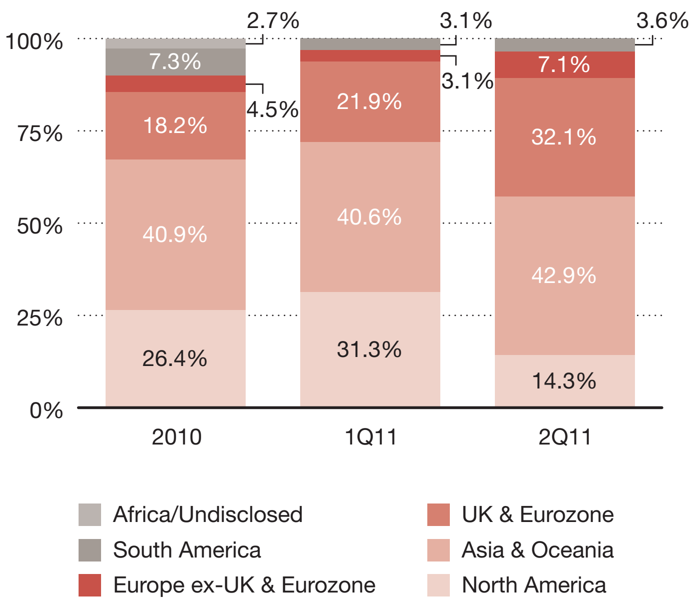
China deals
Includes all announced deals with disclosed value



Distribution of BRIC deals by acquirer region
Measured by number of announced deals worth $50 million or more



Regional distribution of deal volume by target region
Measured by number of announced deals worth $50 million or more



Asia & Oceania region leads deal activity; significant increase seen in North American acquirers

During the second quarter, targets in Asia and Oceania continued driving deal activity, accounting for almost 43% of transactions valued at $50 million or more, up slightly from 2010. UK & Eurozone targets increased to 32% in the second quarter, despite financial concerns about some region's economies (e.g., Greece). Europe's ex-UK & Eurozone region also saw growth. Finally, there was a noticeable drop in targets based in North America, falling from 26.4% in 2010 to 14.3% in second-quarter 2011.

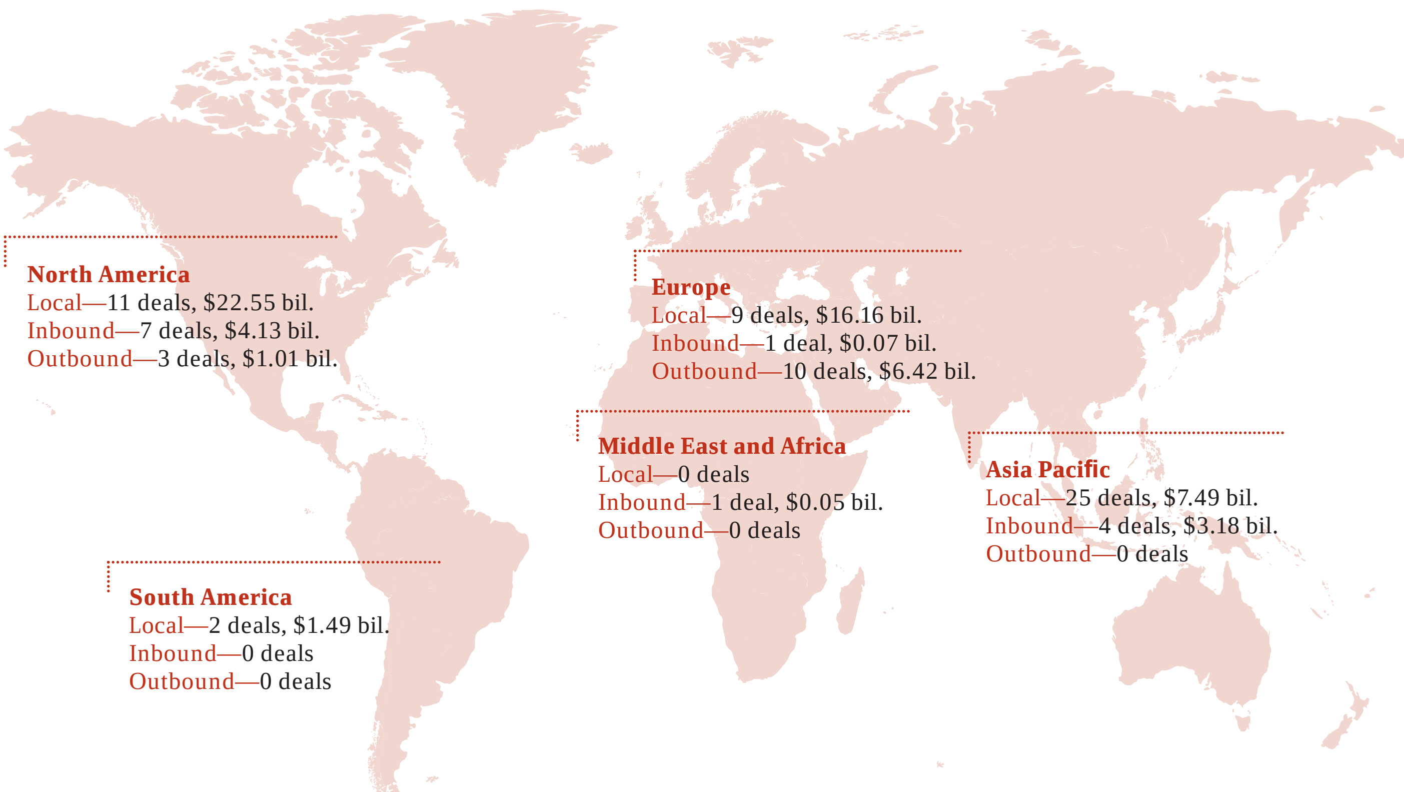
The Asia & Oceania region continues to dominate geographic trends in deal volume for acquirers as well. However, deal value was led by North America-based companies, likely due to the relative size of these companies and a more consolidated chemicals market. A considerable portion of the activity in Asia involved local market deals, particularly in China, where companies increased their stakes in subsidiaries and joint ventures.

North America and Europe drive local deal value

North America and Europe drove local deal value in the first half of 2011, with $22.55 billion and $16.16 billion, respectively. Deal volume was driven by 25 local deals in Asia and Oceania and 11 local deals in North America. It is expected that Asia and Oceania will continue to drive local deal volume through 2011 as smaller Chinese companies find it beneficial to combine and achieve economies of scale. Europe, on the other hand, was the primary driver for outbound volume and value, with 10 deals valued at $6.4 billion in the first half of 2011. This could be due to companies seeking higher growth rates than may be available from domestic economies.

Global chemicals M&A activity

Measured by number and value of deals worth $50 million or more (1H11).



PwC spotlight

With ever-increasing global M&A activity comes an uptick in reputational and business risks, as more and more business takes place in emerging and expanding markets. Adding to the challenge organizations face in their global business operations is a dramatic rise in US and international regulatory enforcement actions—in some cases, including multimillion and billion-dollar fines and settlements, and even imprisonment for executives.

Consequently, corruption due diligence has become a high priority, an essential area of emphasis for organizations seeking to achieve the desired results of M&A transactions and ensure business continuity. By effectively understanding, addressing, and resolving important concerns related to this issue, companies can develop a strong anticorruption program, one that embraces the demands of both compliance and growth. The viability of conducting business in any given region can hinge on how effectively companies prepare for anticorruption compliance and geopolitical risk.

How PwC can help

PwC's global network of seasoned professionals has the experience, knowledge, and global reach to help clients navigate and integrate all phases of regulatory compliance. The goal is to help organizations design, implement, evaluate, and monitor the effectiveness of their anticorruption programs. PwC helps companies:

- Understand the breadth of international anticorruption frameworks, monitor the extent to which emerging policies are being implemented and enforced around the world, and assess their potential effects on business strategy.
- Gain a better understanding of corruption to compete more effectively, make better decisions, and enter new markets.
- Issue clear company policy on what constitutes unacceptable behavior and enforce the prescribed consequences.[5]
- Perform a risk assessment of existing operations to support compliance and monitoring programs.
- Mitigate bribery concerns by maintaining transparent, well-tested systems and policies.
- Streamline payment systems and controls so organizations can easily view where, why, and how much money is being spent, and eliminate unexplained, insufficiently detailed, or falsely characterized payments.
- Regularly test payment systems and controls to ensure expenditures are accounted for at all times.
- Perform ongoing due diligence on the business partners, personnel, and contracts involved in a new-market expansion, thereby mitigating business, reputational, and regulatory risks.
- Thoroughly and annually train employees to address the effects of international anticorruption standards.
- Perform frequent field tests to determine whether employees understand compliance policy.

With a global presence in 150 countries, PwC has local perspective and depth, in addition to highly qualified due diligence, forensic, and analytical professionals to help mitigate risk in business transactions. PwC offers:

- A thorough understanding of local and regional culture, language, financial, and regulatory systems
- An international network of partners and staff members who offer a unilateral advantage in assessing issues that extend across borders
- An international network of individuals experienced in performing computer forensics
- The knowledge of qualified investigators who have held senior-level positions with or have extensive experience in working with major prosecutorial and law enforcement agencies in the United States, Canada, the United Kingdom, Europe, South Africa, and Asia

A majority of companies have anticorruption programs. Yet only 22% of executives recently surveyed by PwC said they were confident they could effectively identify and mitigate corruption risk. More than half reported that a stronger understanding of corruption would help them compete more effectively and enter new markets.[6]

[5] 10 Minutes on combating corruption, PwC, November 2009

[6] 10 Minutes on combating corruption, PwC, November 2009

Chemical company case study:

A chemical company conducts proactive anticorruption compliance across multiple locations

Client issue	A major chemical company wanted to evaluate how effectively certain business units had implemented its anticorruption compliance program. Periodic assessments of the units' compliance were integral to the program. But the company lacked the necessary anticorruption experience, assessment methodologies, and native language skills to effectively conduct reviews across a large number of diverse business units and global locations.
PwC approach	• Develop a risk-based plan focusing on business units operating in China, Brazil, Uruguay, and other countries • Assess compliance with the company's anticorruption policies and procedures • Coordinate a cross-functional, cross-border team of professionals to execute the assessments PwC developed a tailored approach to the assessments, encompassing interviews with relevant personnel, targeted testing of compliance-sensitive transactions, evaluations of relevant internal controls, and analysis of third-party interactions with agents, consultants, and other intermediaries.
The benefit	PwC identified several areas where the company could enhance its anticorruption compliance program and identified additional risks for the company to evaluate. As a result of the assessments and ongoing dialogue with PwC about how to address identified risks and gaps in internal controls, the client made significant advances toward achieving its objective of establishing a robust and effective anticorruption compliance program.

PwC's chemicals experience

Deep chemicals experience

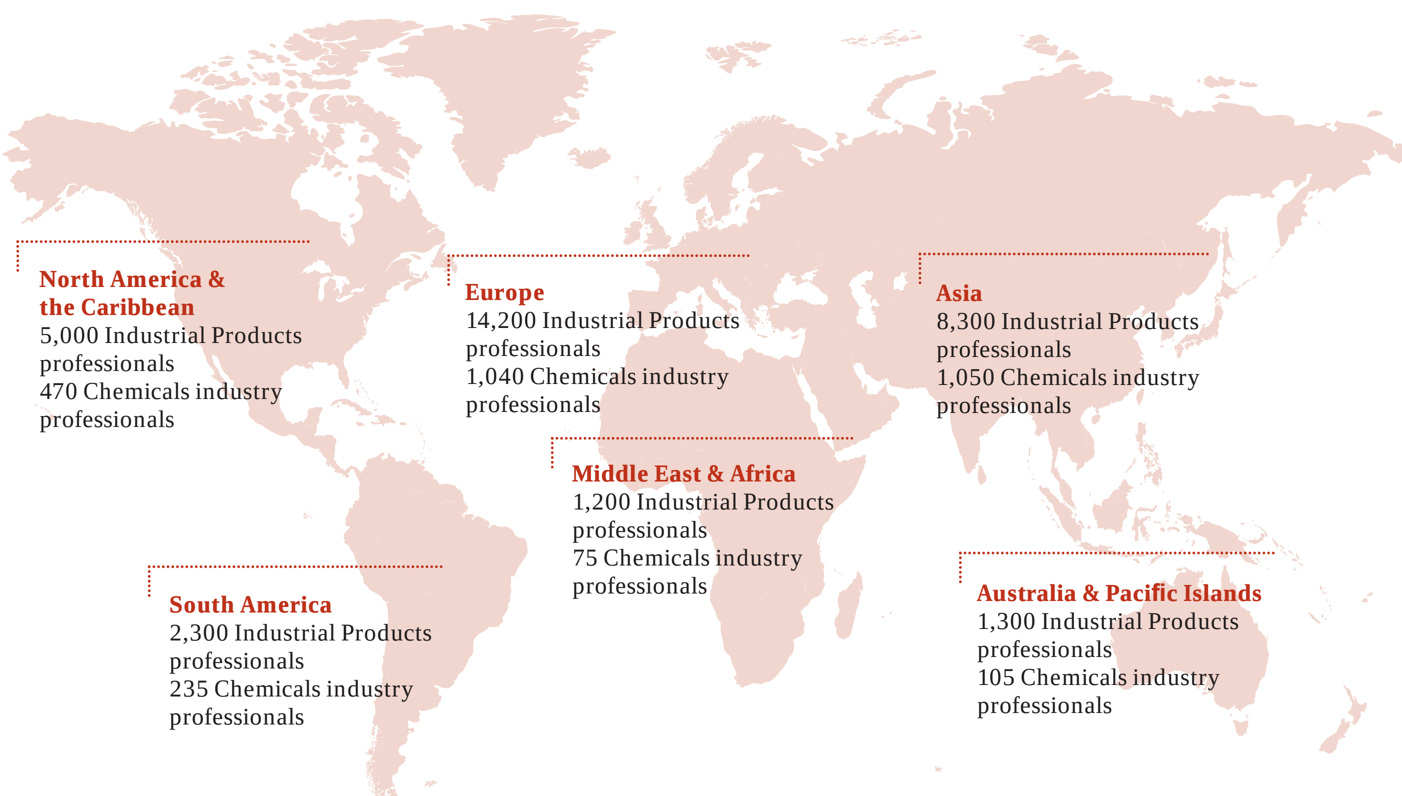
PwC continues to serve the leading market share in the industry. Our Chemicals Industry practice is comprised of a global network of nearly 3,000 partners and client service professionals. Our chemicals team encourages dialogue on emerging trends and issues by holding conferences for industry executives. PwC is also a sponsor of leading industry conferences and frequently authors articles for, or is quoted in, leading industry publications. Our involvement with these organizations represents PwC's commitment to furthering industry dialogue with chemicals industry leaders. Our professionals are concentrated in areas where the chemicals industry operates today and in the emerging markets where the industry will operate in the future.

Quality deal professionals

PwC's Transaction Services practice, with more than 6,500 dedicated deal professionals worldwide, has the right industry and functional experience to advise you on all factors that could affect the transaction, including market, financial accounting, tax, human resources, operating, IT, and supply chain considerations. Teamed with our Chemicals Industry practice, our professionals can bring a unique perspective to your deal, addressing it from a technical aspect as well as from a chemicals industry point of view.

Global connection

PwC's Chemicals Industry practice is part of an Industrial Products group that consists of more than 32,000 professionals, including more than 17,000 providing Assurance services, 8,300 providing Tax services, and 7,000 providing Advisory services.



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PwC's global Transaction Services practice

PwC's Transaction Services practice offers a full range of Tax, financial, business, Assurance, and Advisory capabilities covering acquisitions, disposals, private equity, strategic M&A advice, advice on listed company transactions, financing, and public/private partnerships. The team consists of:

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Methodology

Chemical compounds is an analysis of deals in the global chemicals industry. Deal information was sourced from Thomson Financial using the Thomson-defined industry sector of Chemicals and Allied Products for target, and other selected industries acquired by companies that are part of the Thomson-defined Chemicals and Allied Products designation. This analysis includes all mergers and acquisitions for disclosed or undisclosed values, leveraged buyouts, privatizations, minority stake purchases and acquisitions of remaining interest announced between January 1, 2008, and June 30, 2011, with a deal status of completed, intended, partially completed, pending, pending regulatory approval, seeking buyer, seeking buyer withdrawn, unconditional (i.e., initial conditions set forth by the acquirer have been met but deal has not been completed) or withdrawn. Geographic categories generally correspond to continents with exceptions for Australia (included in the Asia Pacific category), Europe (divided into Western and Eastern categories based upon UN definitions) and the Middle East (defined as a separate category based upon US CIA World Factbook). Where the number of deals is referenced in this analysis it means the number of all deals with disclosed or undisclosed values unless otherwise noted.

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