



In the Eyes of the Storm

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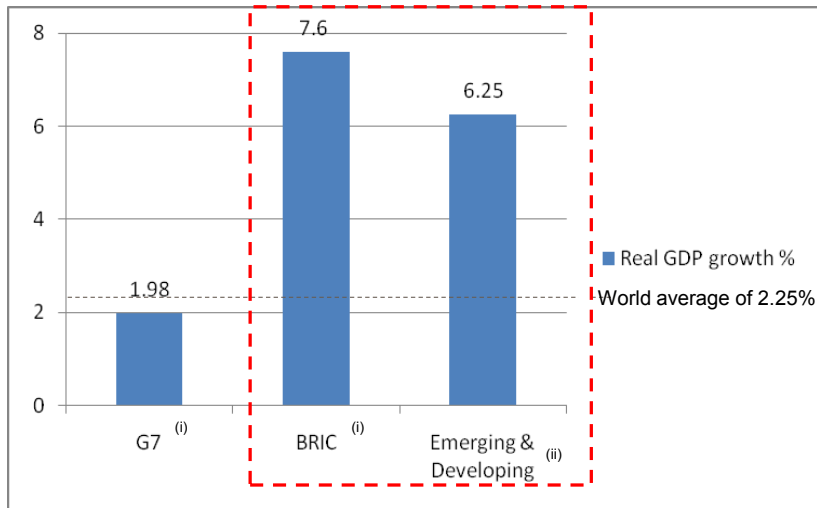


Western Investors in Africa are in the Eye of the Storm



Stagnant Growth in Western Markets

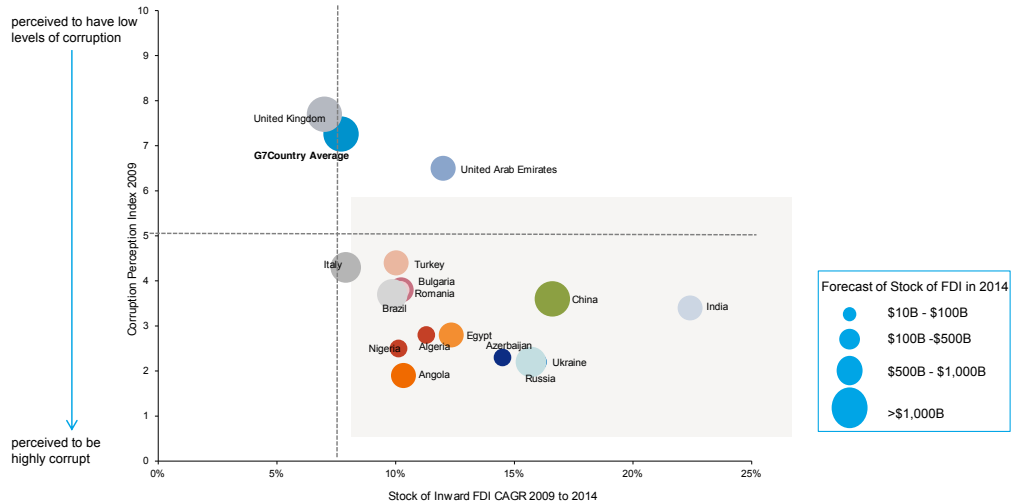
Investors and corporations are seeking opportunities elsewhere and Africa is the new investment horizon—8% GDP growth projections



(i) 2009-2014 CAGR for real GDP based upon Kroll analysis and IMF statistics
(ii) 2010 and 2011 average as per IMF's World Economic outlook

Investment Shifting Into Higher Risk Countries

A significant portion of investment is bound for Sub-Saharan Africa



Note: Kroll analysis based upon information as provided by the IMF and UNCTAD; Kroll compared countries in the EMEA region with FDI stock of greater than \$10 billion to G-7 and BRIC countries.

Regulatory Authorities are Taking a Proactive Stance

Anti-bribery and anti-corruption regulation is being aggressively enforced

■ Immediate and direct consequences:

- » Criminal and civil **fines** have **exceeded US\$1bn** over the last couple of years
- » **Number of cases** pursued by SEC and DOJ **have increased five fold**

■ Long term initiatives adopted by global regulatory bodies:

US ramping up efforts

- » Record breaking fines (e.g. Siemens and Tidewater)
- » SEC and DOJ promising more “proactive” investigations
- » Developing new strategies to strengthen activity

Global cooperation

- » Regulators coordinating on cross-border enforcement
- » Emerging markets at the root of many high-profile investigations
- » Sector-specific investigations

Regulatory Authorities are Taking a Proactive Stance

Africa recurs frequently amongst firms that have paid the largest penalties

	RANK	COMPANY	TOTAL PENALTY	COUNTRY
2011	1	JGC Corporation	\$218,800,000	Nigeria
	2	Johnson & Johnson	\$147,000,000	-
	3	Comerse Technology	\$56,000,000	-
	4	Bridgestone Corporation	\$28,000,000	Latin America
	5	Tenaris	\$17,900,000	-
	6	Diageo Plc	\$16,400,000	India, Thailand and South Korea
	7	Armor Holdings	\$16,000,000	-
	8	Maxwell Technologies	\$14,300,000	China
	9	IBM	\$10,000,000	South Korea and China
	10	Rockwell Automation Inc	\$5,200,000	China
	11	Tyson Foods	\$5,200,000	Mexico
	12	Balf Corporation	\$300,000	Argentina
	13	Innospec Inc	\$239,037	-
2010	1	BAE Systems plc	\$400,000,000	Saudi Arabia, Czech Republic and Hungary
	2	Snamprogetti	\$365,000,000	Netherlands
	3	Technip SA	\$338,000,000	Nigeria
	4	Daimler AG	\$185,000,000	Russia, China and Croatia
	5	Alcatel-Lucent SA	\$137,000,000	Honduras, Malaysia and Taiwan
	6	Panalpina	\$81,800,000	Angola, Azerbaijan, Brazil, Kazakhstan, Nigeria, Russia and Turkmenistan
	7	ABB Ltd	\$58,300,000	Mexico and Iraq
	8	Pride	\$56,100,000	Mexico and Venezuela
	9	Shell	\$48,100,000	Nigeria
	10	Innospec	\$25,300,000	Italy
	11	General Electric Company	\$23,400,000	Mexico
	12	Transocean	\$20,600,000	Nigeria
	13	Alliance One International	\$19,450,000	Kyrgyzstan, China, Greece and Indonesia
	14	Tidewater	\$15,650,000	Nigeria, Azerbaijan
	15	Universal Corporation	\$8,800,000	Malawi, Mozambique
	16	Noble	\$8,090,000	Nigeria
	17	GlobalSantafe Corp	\$5,900,000	Nigeria, Gabon, Angola and Equatorial Guinea

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	RANK	COMPANY	TOTAL PENALTY	COUNTRY
2009	1	Kellogg Brown & Root LLC and Halliburton	\$579,000,000	Nigeria
	2	AGCO Corporation	\$19,900,000	Iraq
	3	Control Components Inc	\$18,200,000	China, Korea, Malaysia and UAE
	4	Novo Nordisk	\$18,000,000	Iraq
	5	UTStarcom Inc	\$3,000,000	China and Thailand
	6	Latin Node Inc	\$2,000,000	Honduras and Yemen
	7	ITT Corporation	\$1,700,000	China
	8	Helmerich & Payne Inc	\$1,375,000	Argentina and Venezuela
	9	Nature's Sunshine Products Inc	\$600,000	Brazil
	10	Avery Dennison Corp	\$518,000	China
	11	United Industrial Corp	\$337,679	Egypt
	RANK	COMPANY	TOTAL PENALTY	COUNTRY
2008	1	Siemens	\$800,000,000	Argentina, Bangladesh, Venezuela, Iraq, Israel, Nigeria, Vietnam, China, Russia and Mexico
	2	Willbros Group	\$32,300,000	Bolivia, Ecuador and Nigeria
	3	AB Volvo	\$19,600,000	Iraq
	4	Fiat	\$17,700,000	Iraq
	5	Flowserve Corp	\$10,500,000	Iraq
	6	Albel	\$4,200,000	Nigeria
	7	Faro Technologies	\$2,950,000	China
	8	AGA medical Corp	\$2,000,000	China
	9	Westinghouse Air Brake Technologies Inc	\$675,000	India
	10	Con-Way Inc	\$300,000	Philippines
	11	Nexus technologies Inc (Vietnam)	N/A	Vietnam

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Regulatory Authorities are Taking a Proactive Stance

UK Bribery Act takes FCPA a few steps further towards more stringent regulation

Provision	FCPA	UK Bribery Act
Covers	Bribes paid or offered to foreign officials	Bribes paid to any person (not limited to foreign officials)
"Active Offense" Vs. "Passive Offense"	Active—only act of payment prohibited	Active and Passive offenses: one for offering and the other for receiving bribes
Strict Corporate Liability	Only as it relates to accounting provisions for public companies	Establishes a new strict liability corporate offense for the failure to prevent bribery
Jurisdiction	US companies and its citizens, foreign listed companies, or any person committing an offense while in the US	UK nationals or residents, organizations based in or conducting some part of their business in the UK
Facilitation Payments	Allowed in the case of payments for expediting routine government action	Disallowed, though guidance may suggest that nominal payments are unlikely to be prosecuted
		↓
Costs associated with violating	Fines, penalties, disgorgement of profits, reputational damage, corporate legal costs	Fines, penalties, disgorgement of profits, reputational damage, corporate legal costs; criminal charges against board members, personal legal costs

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Regulatory Authorities are Taking a Proactive Stance

African countries are looking to improve anti-bribery frameworks

Country	Legislation and/or regulatory Initiative
Germany	<ul style="list-style-type: none"> No new regulations that deal exclusively with bribery or corruption
Poland	<ul style="list-style-type: none"> Criminal Liability of Collective Entities Act 2002 (the Act) (No new regulations that deal exclusively with bribery or corruption)
Russia	<ul style="list-style-type: none"> Anti-Corruption Strategy 2010-2011 Federal Law On Amendments to the Criminal Code and the Code of Administrative Offenses of the Russian Federation to improve State Anti-Corruption Management.
Brazil	<ul style="list-style-type: none"> Draft Bill 6826/2010
China	<ul style="list-style-type: none"> State Secrecy law Anti-Price Monopoly Regulation Circular on Further Improving Administration of Developing and Filing of Equity Investment Enterprises in Pilot Areas (PE Fund Filing Circular).
India	<ul style="list-style-type: none"> The Foreign Contribution (Regulation) Act 2010 (FCRA)
Nigeria	<ul style="list-style-type: none"> The Corrupt Practices and Other Related Offenses Act, Laws of the Federation of Nigeria 2004 established the Independent Corrupt Practices Commission (ICPC) The Federal Capital Development Authority (FCDA) has launched its chapter of the Anti-Corruption and Transparency Unit (ACTU). June 2012
South Africa	<ul style="list-style-type: none"> The Prevention and combating of Corrupt Activities Act 12 of 2004 (PACCA)
OECD	<ul style="list-style-type: none"> 2008 joint initiative with the African Development Bank to support African governments combat bribery and corruption.

Compliance Infrastructure Costs Surging

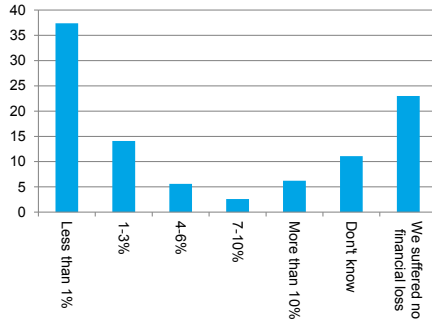
Ideally firms would mitigate risks across the entire spectrum of risk mitigation measures

PREVENT	DETECT	RECOVER
Third Party Screening	Financial Controls	External Investigations
Employee Screening	Inventory Management	Internal Investigations
Senior Hire Screening	Physical Security	External Forensics
Risk Assessments	IT Security	Internal Forensics
PEPs Analysis	IT Countermeasures	External Legal
Employee Training/ Whistleblower	Audit Committee	Internal Legal

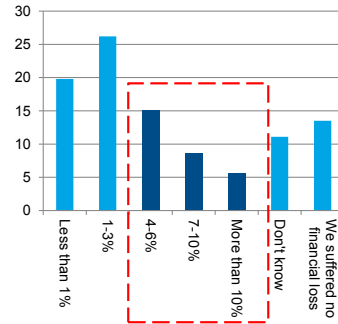
Cost of Getting it Wrong

The failure to address the key mitigations results in asymmetric losses to bribery and fraud in Africa

Europe



Africa



Historically, the Focus in Africa Had Been on Physical Security and Investigations

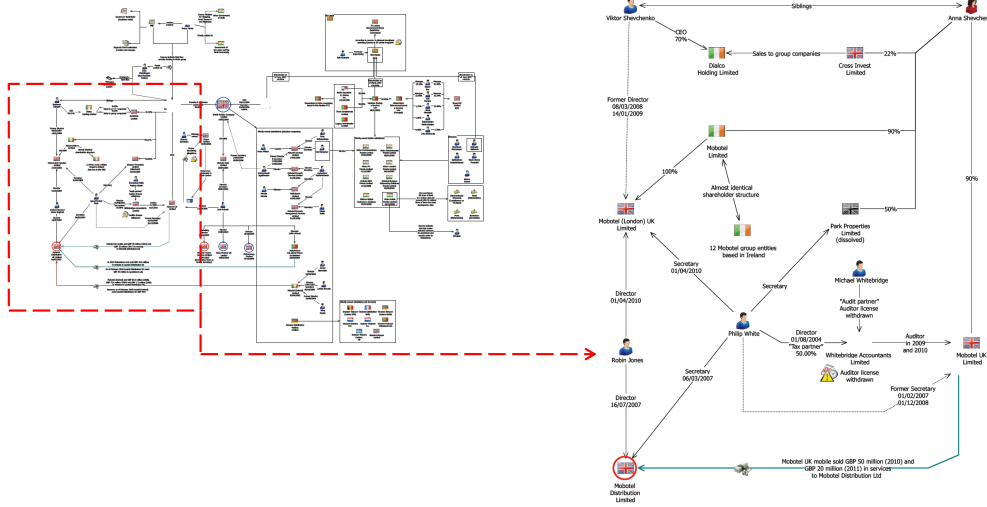
Recent Focus in Risk Management

PREVENT	DETECT	RECOVER
THIRD PARTY SCREENING	Financial Controls	External Investigations
EMPLOYEE SCREENING	Inventory Management	Internal Investigations
SENIOR HIRE SCREENING	Physical Security	External Forensics
Risk Assessments	IT Security	Internal Forensics
PEPS ANALYSIS	IT Countermeasures	External Legal
Employee Training/ Whistleblower	Audit Committee	Internal Legal

Need to expand focus with an emphasis on prevention

The Benefits of Getting it Right at the Outset

Corporate governance, conflicts of interest, management motivations, undisclosed beneficial ownership



Preventative Measures Can Manage Such Risks

With proactive and appropriate measures Western investors can anticipate and address each of the key risks that lie ahead

