## Third-Party Risk

## Essentials for managing regulatory compliance and reputational risk

organization and can have a devastating impact on your company's reputation and long-term financial sustainability. While a critical consideration at any time, third-party risks have

Third parties pose serious ethics and compliance risks to your

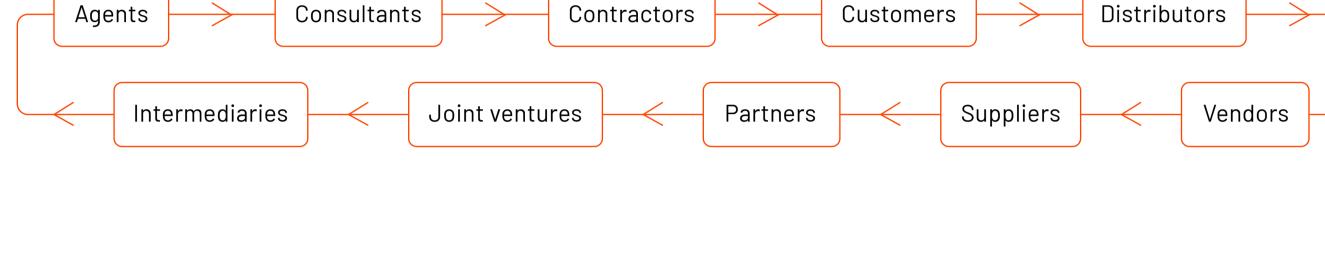
recently increased due to the rapidly changing business environment where organizations are being asked to onboard new vendors and suppliers quickly without the resources to undertake the appropriate levels of due diligence. Below are the seven crucial factors your board needs to know about

third-party risk.

90% of enforcement matters between 1978 and 2023 identified a third-party intermediary Source: White & Case Global Compliance Risk Benchmarking Survey, 2023

Agents

WHAT IS A THIRD PARTY?



# Any employee can be held personally liable

# Your board needs to know the risks that third parties pose to both your business and your

### people, and provide oversight to ensure an appropriate process is in place to manage these risks. Any employee, including your board and senior management, can be held personally liable for corrupt behaviour enabled by your third parties.

## CHARGES AGAINST INDIVIDUALS IN FCPA\* ACTIONS of board members would be prepared to mislead external parties to improve their career progression or to receive remuneration Source: EY Global Integrity Report, 2022

in bonuses forcibly returned by former executives of an infrastructure firm after a SEC ruling 2017 2018 2019 Source: Debevoise & Plimpton, 2020 \*Foreign Corrupt Practices Act Source: Debevoise & Plimpton, 2022

# regulations impacting your business.

MAJOR COMPLIANCE REGULATIONS ARE BEING INTRODUCED AND UPDATED WITH STIFFER PENALTIES

O2 Regulations governing third-party risk are increasing

2002 1993 1977 USA USA France Foreign Corrupt Practices Act Law Sapin I Sarbanes Oxley

Your board needs to know that your organization can be held liable for the actions of your third

leadership understands the importance of acting now to stay compliant with all current and future

parties from a growing number of anti-corruption regulations. Ensure your board and senior

(FCPA)



### IS INCREASING... ARE GROWING LARGER

Source: Stanford Law School, 2022

2021

hand out multiple fines for the same infringement.

**ENFORCEMENT ACTION** 

reports filed in 2021

by the DOJ and SEC

FCPA-related enforcement

Source: Stanford Law School, 2022

actions in 2022

03 Enforcement on third-party regulations is increasing

2022

\$360m

Your board needs to know that not only is legislation being enforced more often, but the size of fines

is growing too. Global regulators are now working more closely together to enforce regulations and

...AND TOTAL CORPORATE SANCTIONS



Number of

actions

enforcement

1-7

8-14

O4 Corruption in business is happening on your doorstep

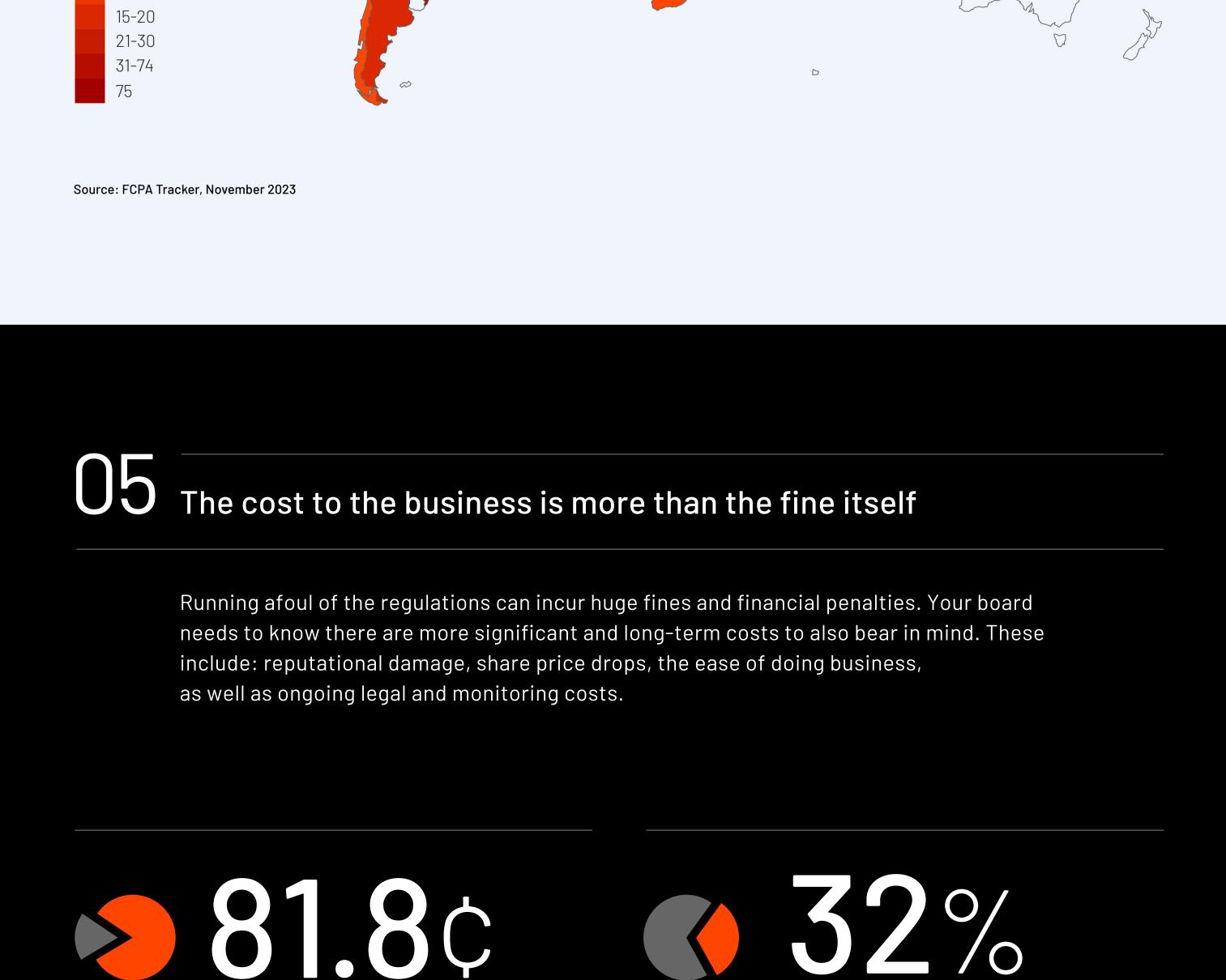
chances of an infraction ending up in the courts.

COUNTRIES OF ALLEGED MISCONDUCT IN FCPA-RELATED ENFORCEMENT ACTIONS

Your board needs to know that corruption is not something that only happens in far off regions.

In many cases, the organizations responsible are much closer to home. As legislation is more

widely implemented, enforcement policies and cross-border cooperation greatly multiply the



average estimated loss of market

in financial misrepresentation

Source: Ethical Systems, 2020

39 months \$58.5m

capitalization for companies caught

average cost to the employer

over the lifetime of an

FCPA investigation

Source: Fisher Phillips, 2023

50%

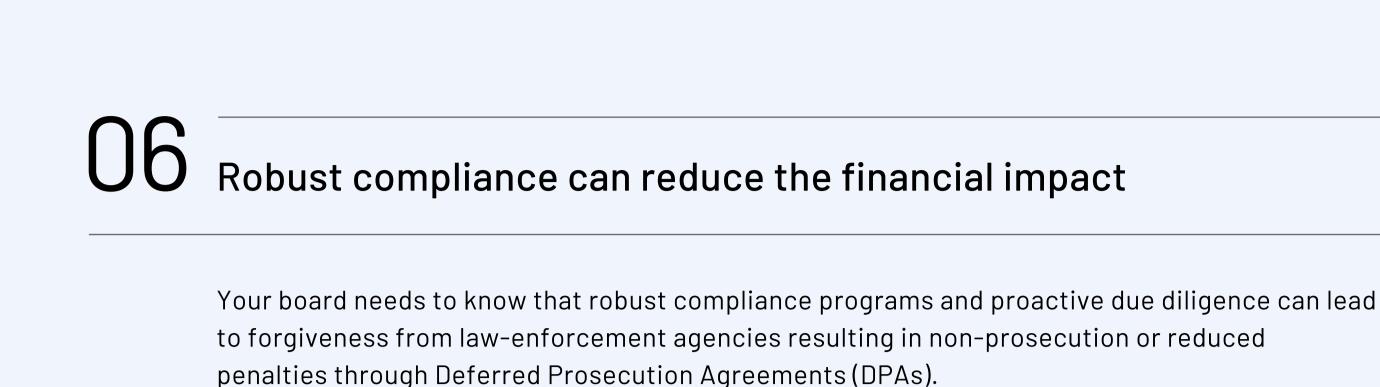
DPA discount received by Airbus

as a result of 'full cooperation' in

their 2020 settlement

on UK & French financial penalties,

Source: Slaughter and May, 2020



Undertake appropriate

third party due diligence

Cooperate with

any investigations

average length of an

FCPA investigation

Source: Fisher Phillips, 2023

of every dollar of share value loss can be

by imposed corruption fines

Source: Journal of Business Ethics, 2018

\$1.5m

an FCPA investigation

Source: Fisher Phillips, 2023

average monthly cost to an

employer in connection with

**HOW DO YOU EARN A DPA DISCOUNT?** 

Have a robust compliance

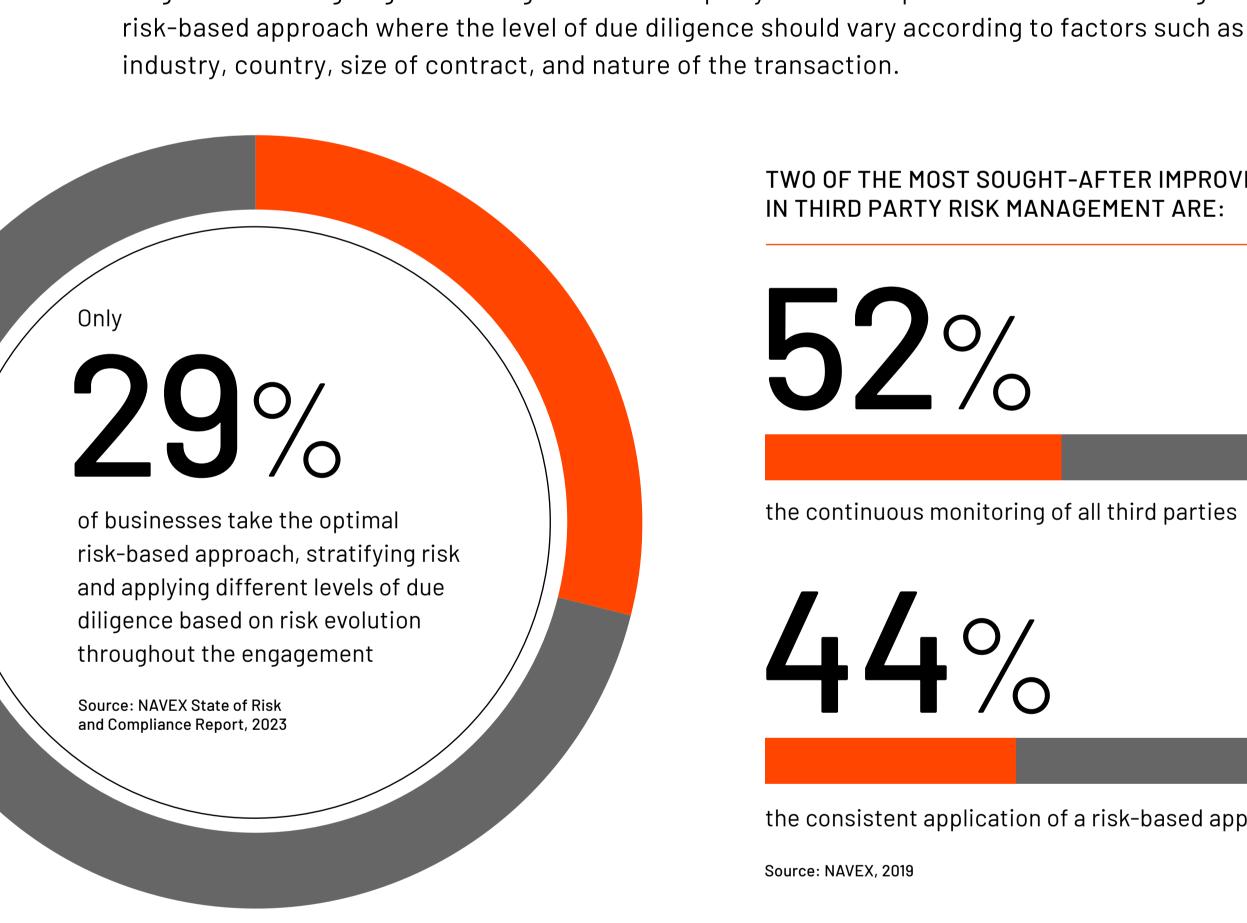
program in place

Self-report possible

corrupt activity

attributed to reputational damage caused

Regulators expect a risk-based approach to be taken



Ensures organizations Varies based on industry, Increases or decreases Creates an ongoing cycle country, size of contract, and their third parties are depending on flags raised of third-party monitoring and nature of the and review committed to ethical and

third-party due diligence by using automation and Al to screen and continously monitor third parties to help protect your

Learn more about reducing

your third-party risk now ////

transaction



**N**/VEX®

NAVEX's RiskRate provides a risk-based approach to

people, your organization's reputation and your bottom line.

WHAT IS A RISK-BASED APPROACH TO THIRD-PARTY DUE DILLIGENCE?

Your board needs to know that regulators expect you to undertake the appropriate level of due diligence and on-going monitoring of each third-party relationship. This is known as taking a TWO OF THE MOST SOUGHT-AFTER IMPROVEMENTS IN THIRD PARTY RISK MANAGEMENT ARE: the continuous monitoring of all third parties the consistent application of a risk-based approach

Source: FCPA, 2020

lawful business practices

in good faith