

This checklist aims to support your compliance team by outlining ten important steps towards more effective third party due diligence-with help from LexisNexis. THIRD PARTY

Third parties are typically a company's main exposure to legal, financial, reputational and

strategic risks-and compliance officers are responsible for identifying and managing them.

## **ARE VITAL BUT BRING A COMPLEX** WEB OF RISK In today's globalized business environment, companies rely on third parties and suppliers around

RELATIONSHIPS

the world to successfully deliver their products and

some of the biggest enforcement actions facing companies in recent years.

services. Yet third parties have been responsible for



gatekeepers increase financial crime risk.

57%

67% of companies predict a further

increase in financial crime risk

of companies believe third party

over the next year. Source: Kroll Financial Crime Report 2023.

by carrying out thorough due diligence on all current and prospective third parties.

Companies must overcome

improving visibility over their

officers play a critical role here

supply chain and third party

relationships. Compliance

these heightened risks by

That's why we have developed this 10-step checklist to enable compliance officers to upgrade their third party risk management.

"Engagement of third parties, including

degrees of bribery and corruption legal,

intermediaries, can create varying

regulatory, and reputational risk"

Wolfsberg Principles 2023

But the vast amount of data

as the complexity of financial

and other crimes, makes this

task more difficult than ever.

available on third parties, as well



LexisNexis allows you to upload

spreadsheets with high volumes of

comprehensive content collection.

entities to our platform, then rapidly

assess them for various risks against our

Persons (PEPs)

Apply risk-based due diligence

Understand your third parties' regulatory risks

A due diligence process should follow a risk-based model. This means

making an initial assessment of a third party's risk level, then carrying out

enhanced due diligence if a higher risk of bribery, corruption or human

rights violations is identified. Indicators of risk include a third party's

jurisdiction, sector, reputation, or proximity to Politically-Exposed

As regulatory requirements on companies become more onerous and penalties for non-compliance get stricter, compliance officers must do more to understand whether global regulations and sanctions apply to current or prospective third parties.

lists, and more.

# verdicts-as well as lists of sanctions, blacklists, Interpol watch

Test your suppliers' financial health

happening to a supplier.

The economic downturn of recent years, exacerbated by disruptions like COVID-19 and the climate crisis, have raised the risk of third parties going out of business-which could bring a firm's business operations to a halt. Firms should use company data and other financial records to assess the likelihood of this

LexisNexis lets you screen your third parties against company

challenging.

LexisNexis offers ESG content that enables users to confidently

incorporate an ESG risk assessment into their due diligence research

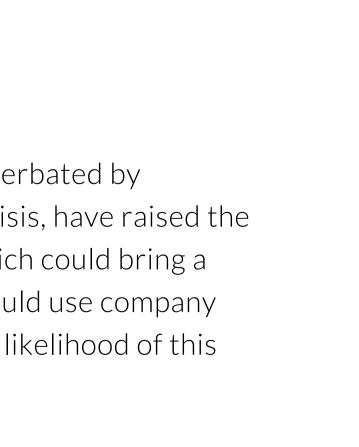
and reporting workflow. Our ESG Ratings display an at-a-glance view of

third parties

data which helps to better understand each company, its

LexisNexis helps you to identify a third party's legal record with

its trove of legal documents, including cases, dockets and



Asia, and North America.

directors, and its beneficial ownership.

## Assess your third parties' ESG records The global spread mandatory human rights and environmental due diligence regulations, as well as growing societal expectations on

a company's ESG profile, covering around 37K+ companies in Europe,

companies to take ESG seriously, require companies to expand

their due diligence operation to capture third parties' ESG records.

Yet the breadth of the term 'ESG' makes an accurate assessment

Set firm expectations of

Companies should not simply rely on their

compliance officers to surface risks about

third parties, but make clear to these firms

standards of compliance. Consider using

service-level agreements or contracts to

that you expect them to meet high

Communicate a clear tone

Compliance officers need the support of

This should be coupled with training and

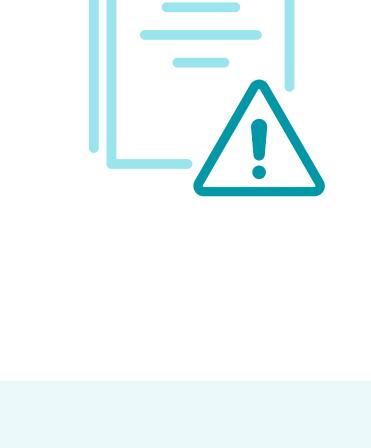
company-wide policies which help all staff

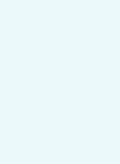
their company's management to convey the

importance of confronting third party risks.

from the top

codify your expectations.





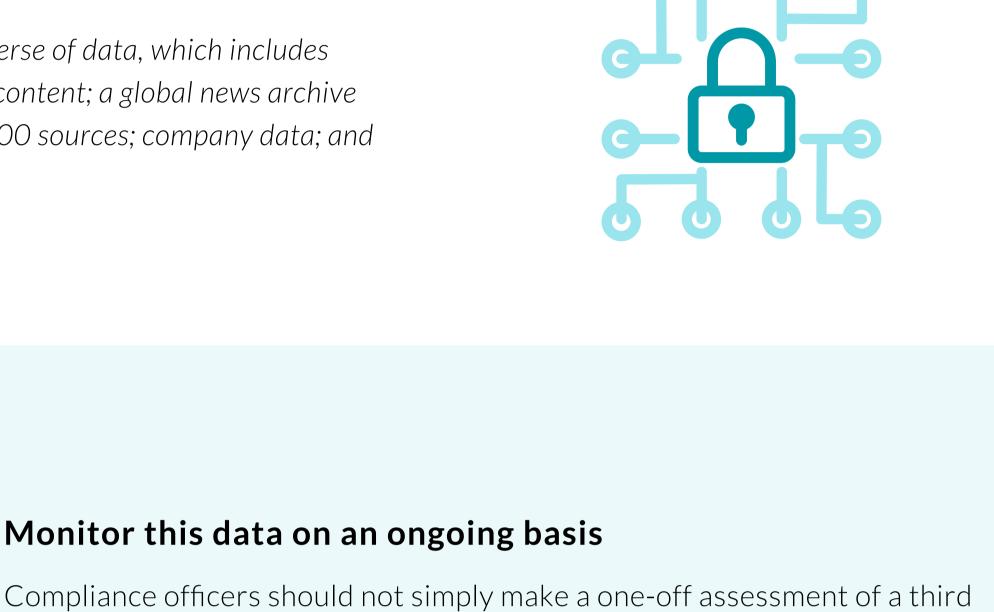
## dealing with third parties to identify potential risks-and feel empowered to report any suspicions.

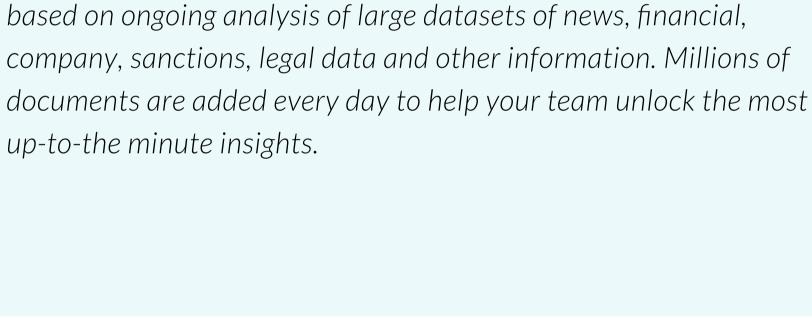
Third party risks are extremely wide-ranging. In the last year alone, third parties have implicated companies in bribery and corruption allegations, environmental damage claims, and sexual harassment suits. Companies need a wide range of trustworthy and accurate data sources to gauge the full extent of this web of risk. LexisNexis has an unrivaled universe of data, which includes reputational, legal and financial content; a global news archive that draws from more than 50,000 sources; company data; and

appropriate) the regulators.

LexisNexis automatically flags any changes in third parties' risk profiles

Onboard a broad range of authoritative data





ESG ratings and news.

can even provide a risk score for a given third party.

Invest in third party risk management

Third party risks are rising, so third party risk

management should be at the top of agenda of

a company's board. This means properly

resourcing compliance teams with the right

level of staffing, excellent data, and leading

third party, cutting compliance budgets is a

financial penalties for compliance failures by a

technology. Given the risk of legal and

and compliance

Leverage technology for better

third party risk management

party's risk level, because these risks are changing constantly. Ongoing

monitoring of all prospective and current third parties is necessary,

including regular reporting on findings to management and (where

Given the variety of data sources needed to surface third party risks, it

monitoring of sources manually. Technology can be brought in to scan

these sources for relevant mentions of a third party. Some platforms

is no longer possible for compliance officers to carry out ongoing

false economy.

Better third party risk management does not only Experts expect this societal pressure to grow as

> bribery and corruption detection and ESG risk assessments. Implementing a better process for third party risk management today will prepare companies for these developments, and set them up for success.

the next generation become employees, investors

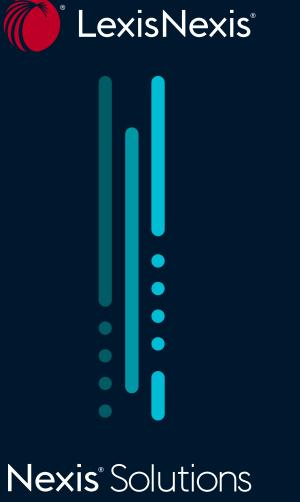


Upgrade your third party risk management LexisNexis<sup>®</sup> The best way for companies to respond to rising third party

LexisNexis helps companies to surface risks with authoritative data from the most relevant sources: LexisNexis.com/DueDiligence | 1-888-466-3947

© 2024 LexisNexis. All rights reserved. US-EDDM-Checklist-ThirdPartyRisk-Compliance 0424

These materials are not intended to provide legal advice for specific circumstances and should not be relied upon in place of professional advice and judgment LexisNexis and the Knowledge Burst logo are registered trademarks of RELX Group Properties Inc., used under license.



LexisNexis uses modern technologies to make your due diligence process more efficient and effective. Our enhanced search function is powered by data science and enrichment, which helps you to arrive more quickly at the most relevant insights into your third parties.

help companies to satisfy their regulatory

obligations by identifying potential red flags.

It also helps them to attract new customers,

employees and investors by demonstrating a

transparent and ethical approach to business.

with LexisNexis

due diligence process.

and customers. Meanwhile, ever-stronger legislation requiring third party due diligence will be introduced in the coming years, both around

risks is to leverage data and technology to strengthen their