

# 10 Major Trends in Third Party Risks & Regulations



Companies rely on third parties and suppliers around the world to deliver their products and services efficiently and effectively. But these third parties are also becoming a company's main exposure to legal, reputational, financial and strategic risk.

Third party risk management has come to a tipping point in the last few years as ten major trends have emerged. Each trend has brought with it new risks which have forced businesses to rethink their approach to due diligence and compliance.

Coupled with incentives for compliance, such as the US Corporate Enforcement Policy which gives firms that self-disclose wrongdoing up to

## 75%

off the recommended fine



**Stricter Anti-bribery & Corruption Legislation**

**Mandatory Human Rights & Environmental Due Diligence Regulations**



## 12%



of German companies polled said these new rules would prompt them to end relationships with third parties in jurisdictions with a risk of ESG abuses (Institute of the German Economy, 2023)

## \$206M

fine by US regulator against a telecommunications company in 2023 over alleged bribery via third parties in Asia and Africa



**Harsher Enforcement Against Third Party Regulatory Failures**

**ESG Has Become a Positive Driver of Companies' Success**



## 71%

of 20-30 year olds in US and UK consider business ethics to be increasingly important (Harris Poll, 2023)

## 2023



Guidelines introduced in 2023 recommend that global banks implement controls to mitigate the "bribery and corruption risk" that comes with engaging third parties



**New Third-party Risks For Banks in Updated Wolfsberg Principles**

**Unprecedented Changes in Global Sanctions**



## 130



more individuals and entities connected to Russia were sanctioned by the US in November 2023

## 29%

of mid-sized businesses in the UK expressed concern that supply chain disruptions could stop them from meeting 2023 revenue targets (BDO)



**Supply Chain Disruption & Rising Bankruptcy Risk**

**A Shift Towards Intelligent Supply Chains**



## 14%

of supply chain professionals are already using AI

## 96%



of the rest plan to use AI (Survey by Freightos, 2023)

## 67%



of executives predict an increase in financial crime next year

## 57%

say third party gatekeepers increase that risk



**More (and More Complex) Financial Crime**

**Reluctance of Companies to Address These Risks With Data & Technology Investment**



## 29%

of executives said their firm's investment into Anti-Bribery and Corruption was below average

## 37%

said their investment in technology was below average (Morgan Lewis survey, 2023)

## These ten trends demonstrate the scale of the challenges facing companies in 2024

Third party risk is clearly rising, yet it has also become more to transparently understand third parties' activities and risks. How should companies respond?

The solution lies in implementing a robust and risk-based due diligence process. Companies need to access a broad range of authoritative data sources to capture the full extent of a given third party's risks. They should leverage technology to quickly screen their current and prospective third parties against these sources, and constantly refresh this monitoring to capture new risks as they develop.

LexisNexis supports companies with a technology solution that surfaces risks from our vast array of data on law, media, companies, Politically-Exposed Persons, sanctions, ESG, and much more.

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