

# Third-party risk management

Forensic & Integrity Services

Sanctions & Business Intelligence response

May 2022



**EY**

Building a better  
working world

# Companies are looking for expedited support to review third-party exposure based on Russia-related sanctions

## Emerging sanctions environment

- ▶ Most comprehensive program of sanctions ever levied against a major power
- ▶ 30+ jurisdictions involved (*USA, EU, Canada, UK, Switzerland, Japan, Australia, Taiwan*)
- ▶ Sanction types:
  - ▶ Individuals (politicians, officials and oligarchs)
  - ▶ Banks and financial services
  - ▶ Companies
  - ▶ Other measures (sports, culture, music, technology)
- ▶ India, China, Pakistan, Saudi Arabia and UAE absent from the list of countries to impose sanctions
- ▶ Sanctions growing/evolving based on observed impact

## Client support need

- ▶ In a rapidly changing environment, the challenge is to rapidly and reliably identify sanction risk within a large population of targets, present the output of that analysis in a digestible format, and to refresh quickly and on demand.
- ▶ Based on the volume of targets, *Tier 1, 2 and 3* relationship mapping would be difficult, if not impossible, to uncover quickly.
- ▶ The identification and monitoring of sanction risk is likely to require months, if not years, of sustained effort.
- ▶ There is heightened regulatory, reputational and financial risk to companies that do not address sanction risk.
- ▶ All the above points demand a streamlined and sustainable solution.

# Our risk-based approach to assessing sanctions can deliver actionable results on an expedited basis

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## **Match to public data records to eliminate false-positive outcomes**

We leverage our access to over 170 publicly available primary data sources to identify a validated matching of the client's supplier, customer, third-party, etc. universe to publicly available data sources and mitigate false positives throughout the process.

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## **Expedite ownership relationship mapping and screen for sanction risk**

We use data and analytics engines to simultaneously identify the corporate ownership structure, the officers and directors managing the entity, and the firms and individuals with ownership interest. We assess the sanctions risk and develop a relationship map highlighting those subject to sanction concerns. This approach will allow clients to make more informed decisions, prioritize resources and focus on known risks.

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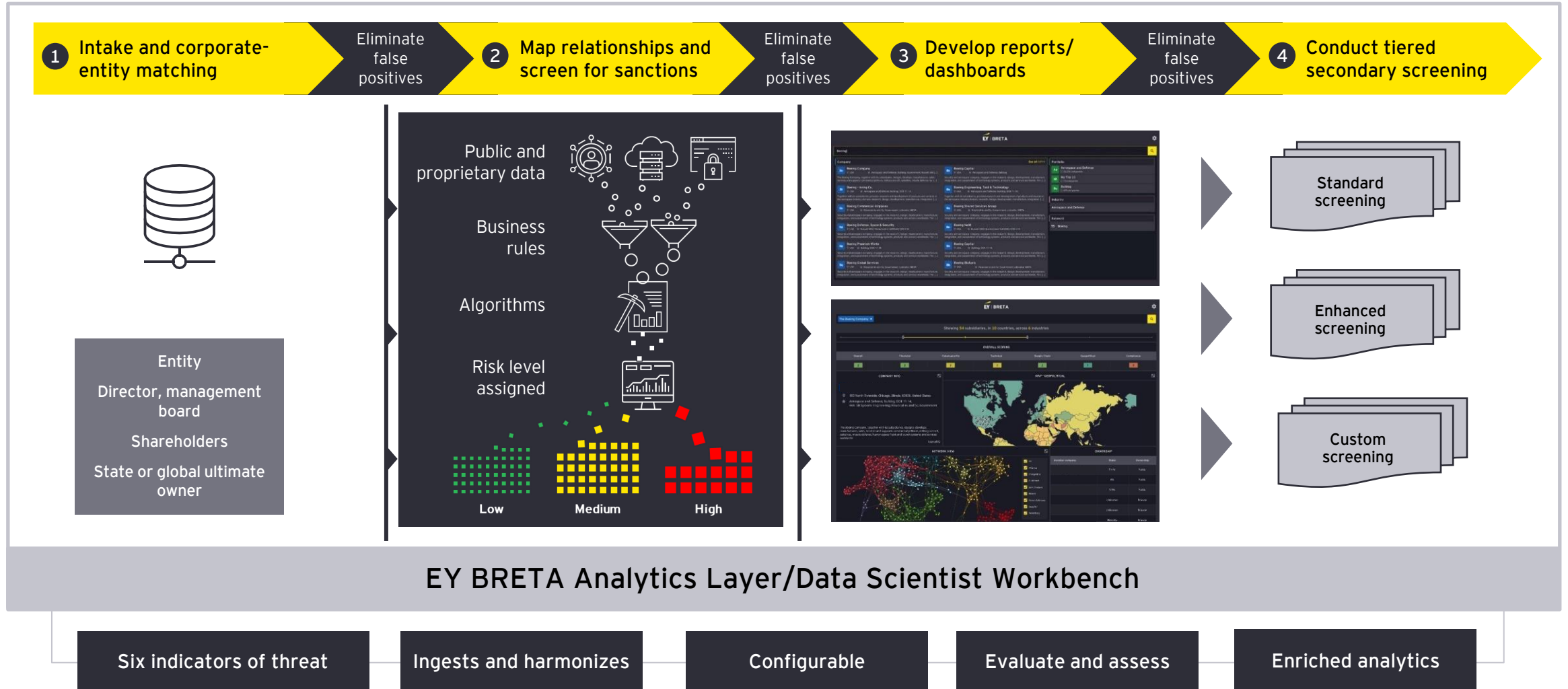
## **Leverage business intelligence to further validate potential risk**

We consult hundreds of compliance, legal, and other databases leveraging in-country and local language sources to further eliminate false positives, to validate relationships as to identify the specific risks associated with each third-party intermediary and consolidate all critical findings in easy-to-digest reports.



- ▶ 250 dedicated investigative researchers across 10 regional research hubs covering 40 languages and 150 countries
- ▶ Leverage in-country and industry-specific teams to conduct more in-depth intelligence and context for elimination of false positives
- ▶ Proficient in hundreds of global and in-country public and proprietary databases records
- ▶ Providing both broad understanding and detailed intelligence related to a targeted subject

# Ingesting large amounts of data to quickly and effectively identify sanction risk, allowing clients to prioritize and mitigate associated risks ...






# ... and defining the right data sources according to your risk profile needs



## Information categories

- ▶ Corporate information
- ▶ Individual information
- ▶ Social media, blogs, forums
- ▶ Compliance and watch lists
- ▶ Financial information
- ▶ Litigation and court judgments
- ▶ Regulatory filings and enforcement actions
- ▶ Media reports
- ▶ Data aggregators
- ▶ Ranking and report card indices

### Key:

-  Open sources available online
-  Proprietary databases and tools to which EY subscribes
-  Sources leveraged through in-country searches

## Information sources

Online corporate registries and commercial company databases 	Social media aggregators 	Credit reporting agencies and financial databases 	Physical corporate registries 
Company websites and published financials 	Criminal and civil court websites 	Litigation databases 	Physical court records and indexes 
Exchanges, regulatory bodies and indices provided by international organizations 	Blogs, forums and social media covering common sites and industry-specific sites 	International press, financial news, and industry- and region-specific media databases 	Local press not available online 
Deep web search engines and archived and cached web pages 	Subject-matter and industry information aggregators 	Compliance and sanctions databases 	Reputational inquiries, site visits and interviews 

## Potential risk categories

- ▶ Conflicts of interest/ undisclosed relationships
- ▶ Intellectual property theft, trade secret, occupational and other fraud
- ▶ Corruption, bribery and money laundering
- ▶ Terrorism, drug trafficking and organized crime
- ▶ Brand protection
- ▶ Criminal and civil litigation
- ▶ Government interaction
- ▶ Government sanctioned and debarred persons/entities
- ▶ Regulatory noncompliance
- ▶ Financial irregularities, bankruptcy and insolvency
- ▶ Cybersecurity/data privacy
- ▶ Antitrust, cartel and monopoly
- ▶ Environment, sustainability and social responsibility
- ▶ Geopolitical risk

# Three case studies

## Fortune 250 multinational life sciences company

### Client background

- ▶ Generic and branded pharmaceutical products with >\$25b in annual revenue serving patients in more than 165 countries

### Issue it is facing

- ▶ Urgent need to identify, mitigate and monitor sanctions risk

### Our approach and results

- ▶ Leveraging our access to over 170 global and local data sources and in-country native language-speaking business intelligence professionals:
  - ▶ Identified sanctioned entities and individuals
  - ▶ Mapped ownership relationships and the services they provide
  - ▶ Report details to company for mitigation of risk
  - ▶ Actively monitor and alert changes to scope and nature of sanctions to identify new entities or individuals or newly assigned sanctions

## Fortune 100 multinational conglomerate

### Client background

- ▶ Serving public and commercial markets ranging from aerospace to safety and productivity solutions with >\$30b in annual revenue and operations 70+ countries

### Issue it is facing

- ▶ Sanctions compliance workflow process was largely manual and difficult to adapt, inhibiting agile evaluation of sanctions restrictions on third-party relationships

### Our approach and results

- ▶ Developed a custom automated sanctions compliance workflow authorization, data collection, and repository solution with modules for analytics, metric reporting and entity tracking
- ▶ Capabilities include case management functionality such as approval tracking, request triage and the ability to track assessments of third-party interactions
- ▶ Data is intuitively displayed within case management screens for rapid analysis and KPI reporting

## Fortune 50 multinational conglomerate

### Client background

- ▶ Serving public and commercial markets ranging from renewable energy to health care solutions with >\$75b in annual revenue with operations in more than 70 countries

### Issue it is facing

- ▶ Immediate and ongoing need to perform comprehensive sanctions screening and investigative due diligence on business partners around the globe for onboarding and ongoing monitoring

### Our approach and results

- ▶ Utilizing our global network of intelligence and forensics professionals EY provides customized due diligence services on those business partners providing insight into the following:
  - ▶ Global sanctions screening and enforcement actions
  - ▶ Establishment information, stakeholders and operational footprint
  - ▶ Government touch points
  - ▶ Civil and criminal litigation analysis and other adverse information reported in media and the public domain

# Ernst & Young LLP team

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