

FOCI Risk Case Study

THE CHALLENGE

Foreign Ownership, Control and Influence (FOCI) risk indicators can appear in a range of sources, including direct and ultimate ownership interests disclosed in corporate records and stock exchange filings and joint ventures, partnerships or investments announced in press releases and news reports. Ownership interests change over time, as do a supplier's foreign influence risk driven by market exposure to high-risk jurisdictions due to global economic and geopolitical trends.

THE SOLUTION

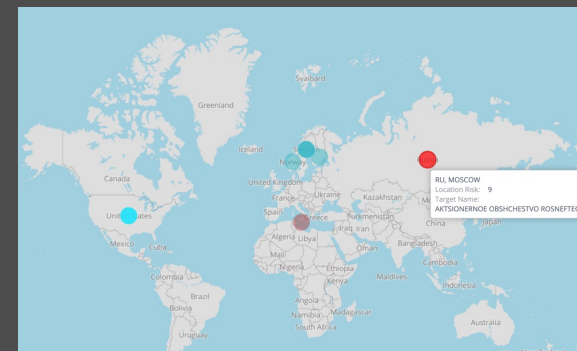
Exiger's DDIQ collects FOCI risk indicators from structured and unstructured data sources, which inform a supplier's overall risk assessment.

In January 2022, DDIQ identified a significant ownership change for a Customer Supplier: a Russian state-owned entity, had in late 2021 acquired a 10.9% ownership interest in this Supplier, according to corporate records databases.

Findings are included in enhanced due diligence reports produced by Exiger on the Supplier, which detailed the Supplier's other recent exposure to Russia.

- In December 2021, it was reported that the Supplier is auditing a site owned by a Russian technology company, in Russia's exclave region of Kaliningrad that the Supplier could use to build telecom base stations. The Russian government stated that it will extend certain telecoms operators' licenses beyond 2023 for LTE networks on the condition that the companies start building networks using only Russian equipment.
- In 2020, the Supplier sold 25,000 5G base stations to Tele2, a wholly owned subsidiary of a Russian state-owned telecommunications company. In 2019, the Supplier reached a five-year deal to upgrade Tele2's network, including the deployment of 50,000 5G-ready base stations across Russia.

Taken together, these findings drove a High FOCI risk rating for the Supplier using Exiger's risk model, which contributed to the company's High overall risk rating which should escalate the company for review.



THE IMPACT

Uncovering and understanding the extent of the Supplier's FOCI risk allows the Customer to assess an emerging business risk from a large company that might not otherwise raise a red flag. In this case, understanding the recently acquired direct ownership interest by a Russian state-owned company in conjunction with the Supplier's recent efforts to expand its networking equipment business in Russia is especially significant given the imminent threat of a Russian invasion of Ukraine and the potential consequences for businesses operating in Russia and/or dealing with Russian state-owned enterprises.