

The Challenge of Cybersecurity Due Diligence

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Brand reputation is hard won and easily lost and few would deny its importance. Protecting that reputation from undue third party risk is one of the key drivers behind due diligence reports being a standard tool for compliance officers to identify indications of corruption, fraud or other illicit activity among individuals and entities with whom they have (or expect to have) significant direct business dealings.

Working with third parties always involves a degree of risk that increases as the relationship becomes more complex and the stakes higher.

THE REQUIREMENT FOR CYBER DUE DILIGENCE

In contrast to the well-defined risks associated with anti-bribery and corruption (for example), cyber risk is broader and oftentimes less obvious. While boards and senior executives are trying to understand the risk to their own data and networks and ensure corporate compliance with a range of regulations affecting different industries, assessing the risk from third parties has regularly been ignored by all but the most forward-facing firms. Cybersecurity incidents arising from external or internal attackers can affect the confidentiality, availability and integrity of data, lead to legal and regulatory penalties, and result in significant reputational damage.

Organizations regularly co

and ensuring all of the geographies in which the target organization operates are covered. Some data breaches or attacks will only be covered in specialist press. Others, for example in the case of a disgruntled employee stealing

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