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Sporting Sponsors Need Rigorous Compliance To Contain Risk

By Samuel Rubinfeld



A policeman stands in front of FIFA headquarters on Wednesday in Zurich.

Getty Images

The corruption scandal surrounding world soccer governing body FIFA has the potential to tarnish sponsors of the organization, whose payments are now under intense scrutiny.

To reduce this risk in the future, compliance experts say, companies seeking sponsorships of major sporting events or organizations need to conduct due diligence on a variety of factors before committing to a deal.

Sports have been a wellspring of scandal over the years, from steroids in baseball, doping in cycling, match fixing in cricket, domestic violence by football players and bribery surrounding the Olympic

Games. FIFA, which the U.S. alleged as being corrupted to its core [by its chief principals](#) for decades, brought sports risk into a new light.

“It took the notoriety of the FIFA scandal to reinstall in people the fact that sponsorships require due diligence screening of the organization, design and implementation of appropriate controls to ensure that money is spent for legitimate purposes, and auditing of the expenditure to confirm the spending for preparer purposes,” said Mike Volkov, who leads a boutique law firm focusing on compliance, in an email.

Sponsors don’t control the situation on the ground, and their reputations can be on the line regardless of their level of input on decisions made surrounding the sports event, or by the body itself, experts said. Despite the additional risk, compliance experts say companies should apply the same approach to sports as they do in other spheres, beginning with a strong internal program.

“A company that has a strong, resilient internal program is much more equipped to spot these problems before they become a big issue,” said Andrea Bonime-Blanc, chief executive of GEC Risk Advisory and the author of “The Reputation Risk Handbook.”

She suggested a company seeking to sponsor a sporting event or a body should conduct three tiers of risk assessment, starting with any third-parties involved, conducting due diligence on them. Then, she said, a company should assess the country risk, and lastly, the reputation risk associated with the entity or event it seeks to sponsor.

“It’s a multi-tiered evaluation,” said Ms. Bonime-Blanc.

Transparency International, an anti-corruption group, said a sponsoring firm should do the same kind of due diligence it would with any company in its supply chain.

Robin Hodess, group director of advocacy and research at Transparency International, said in an email she would, at the very least, expect the sponsor to ensure that the organization it’s sponsoring has a zero-tolerance policy for bribery, as well as an anti-corruption program that it regularly communicates with staff.

“Given that their reputation is linked to that of the company they are sponsoring, this would be all the more important,” said Ms. Hodess.

So far, overall perceptions of the FIFA sponsors haven’t changed, according to a poll [released this week](#) by YouGov BrandIndex.

But companies can’t rely on a sports body, or the event it holds, to take the fall amid scandal, one expert said.

“Resilient organizations are going to be much more equipped to eliminate the risk or mitigate it effectively,” said Ms. Bonime-Blanc.

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