

An aerial, high-angle view of a dense city skyline, likely New York City, featuring numerous skyscrapers and buildings. The image is overlaid with a dark, semi-transparent filter. In the top left corner, the word 'INTELLIGO' is written in a light blue, sans-serif font. On the right side, there is a vertical light blue line with two red double-headed arrows pointing towards each other. On the left side, there is a vertical line of small, colorful dots (blue, green, yellow, red) that appears to be part of a data visualization or grid. The overall aesthetic is modern and data-driven.

INTELLIGO

INTELLIGO RISK BAROMETER 2022

Pre-Investment Risk Indicators and Insights

Intelligo's annual Risk Barometer analyzes and identifies the top pre-investment risks disclosed on the background checks we ran in the past year as a reference for future due diligence and analysis. The insights are based on data from thousands of background checks on individuals who were reviewed by Intelligo's background intelligence technology and expert analysts.

Executive Summary

Investment always involves some element of risk. Thus, an accurate assessment of the potential risk is key for any successful investment. The first step in risk assessment is a thorough background check and professional due diligence covering the individuals in whom you are planning to invest.

Intelligo runs thousands of background checks every year, covering hundreds of thousands of data sources and millions of data points in every search. Some of these data points generate an automatic alert, or flag, in our SaaS background intelligence platform. Depending on the level of severity to the frequency and type, flags can offer thought-provoking insights into an individual's character. When assessed en-masse, they provide a snapshot into the state of risk in today's investment industry.

A sample of 3,000 background checks on individuals was examined for this report. All the reports in the sample had at least one risk-indicative flag. Our search yielded 6,327 flags of varying levels. We found that while some of the most concerning flags were limited in number, there was a surprisingly large amount of flags related to 'low-key' risk that could still call into question an individual's suitability as an investment partner.



3,000 6,327

Reports Flags

Intelligo Flags 101

Intelligo's AI-powered background intelligence platform, Clarity, incorporates three levels of risk within its categorization structure. Any item that meets the criteria within one of these levels is said to be 'flagged.' There are various different data points that might generate a flag alert.

Given the variability of investors' thresholds for the severity of actions or events on a background check, not all events are flagged uniformly. Furthermore, the context of an action or event plays a significant role in defining its level of risk. For example, a DWI (Driving While Impaired) has numerous factors to consider, such as: how long ago the offense occurred, whether the charge was a misdemeanor or criminal offense, the verdict, the penalty, whether jail time was served, if the offense was repeated, and so on. Based on the answers to these questions, a DWI could be an alarming red flag or a moderate yellow one.

The levels are divided as follows:

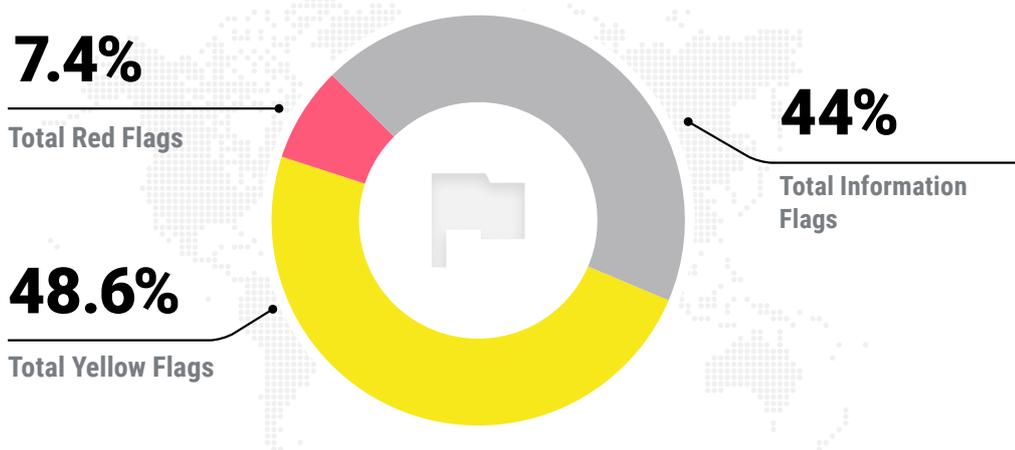
 **Information** - the general purpose of an information flag is to call attention to a certain action or event. It does not pose a high level of risk; however, the action or event is significant enough to warrant one's attention and consideration.

 **Yellow** - the general purpose of a yellow flag is to highlight that a certain action or event poses a moderate level of risk. It is advised to review and consider that information.

 **Red** - the general purpose of a red flag is to highlight that a certain action or event poses a high level of risk. It is strongly advised to review and consider that information.

The breakdown of the flags in our data set into these categories presents the following results.

*Please note that a contingent of custom unique flags were not included in the above categorization and were therefore not accounted for in the analysis.



In the event of repeated items on a background check, each action or event is assigned its own individual flag. For example, if there are multiple DWI cases, each case receives a distinctive flag. The only exception to this is adverse media, where one flag is assigned to the entire group of news articles.

In-Depth Analysis

These outcomes only scratch the surface when it comes to discerning classes of risk and their relevance to pre-investment due diligence. After analyzing the wide variety of flags that are used for Clarity background checks, we grouped them together to demonstrate four categories of risk that one should consider when reviewing the results of a background check. Since Intelligo uses AI and human research analysts to perform background checks, both system-automated and custom analyst flags were included.

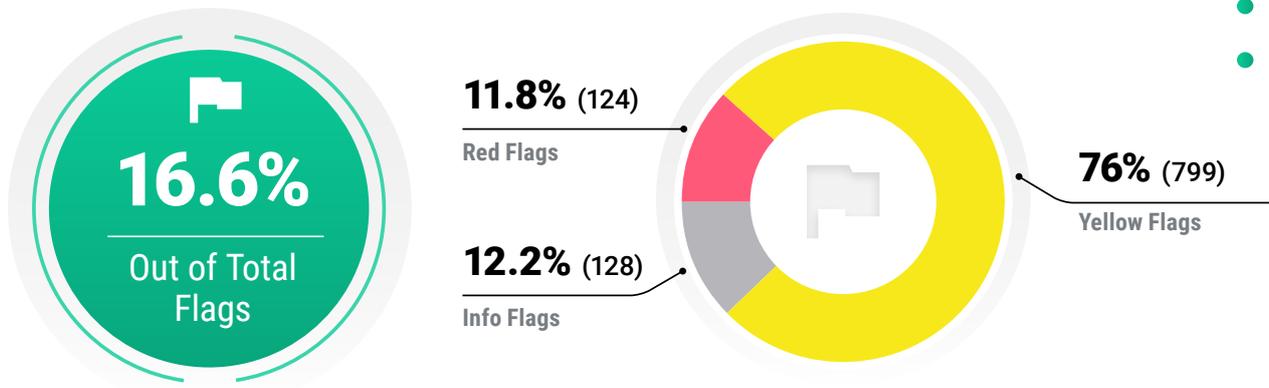
We grouped the risks on this analysis in four different categories:

1. Behavioral Risk
2. Reputational Risk
3. Financial Risk
4. Professional Risk



1. Behavioral Risk

This section consists of adverse actions or events associated with the background-check subject's behavioral conduct.



While behavior in the past certainly cannot predict future actions, it provides a glimpse into an individual's character and can attest to their integrity. Though one could easily write off personal conduct as irrelevant to pre-investment due diligence, it is crucial to know who you are dealing with before moving forward with any business decisions. These are some of the flags included in this category:

Frequently Sued

Flag	Out of Total Reports	Out of Total Flags	Information Flags	Yellow Flags	Red Flags
Frequently Sued <i>The subject was sued many times within a relatively short period of time, or was named as a defendant in a substantial number of cases.</i>	15.09%	8.76%	11.73%	88.09%	0.18%

One of the more prominent flags in this category is "Frequently Sued." This flag appears on approximately 15% of background checks, and most of them were yellow. There are endless motivations for suing an individual and these cases have widespread relevance. However, when an individual has been named a defendant in numerous lawsuits, it raises the question of why this person is being prosecuted time and time again. There could be a perfectly reasonable explanation, or it could be indicative of professional negligence, personal misconduct, irresponsibility, or other related factors.

Substance Abuse

Flag	Out of Total Reports	Out of Total Flags	Information Flags	Yellow Flags	Red Flags
Involved in DWI Case <i>The subject was involved in a DWI-related court case.</i>	1.82%	0.84%	3.77%	64.15%	32.08%
Involved in Substance Abuse Case <i>The subject was involved in a substance abuse-related court case.</i>	2.41%	1.11%	30%	68.57%	1.43%

Substance abuse flags are another notable example of behavioral risk on a background check. In this case, a subject's unethical behavior is characterized by irresponsible self-conduct and disregard for the law. Both classes of flags were mostly yellow, suggesting that the majority of circumstances did not meet the red-level standard, due to various reasons – for example, a case dismissal or because the event took place long ago. However, the presence of red flags in this category, while a minority, substantiates the argument for investing in proper due diligence procedures, as complete transparency is the key to making well-informed decisions.

Unwarranted Behavior

Flag	Out of Total Reports	Out of Total Flags	Information Flags	Yellow Flags	Red Flags
Involved in Discrimination Case <i>The subject was involved in a discrimination-related court case.</i>	0.79%	0.36%	17.39%	78.26%	4.35%
Involved in Assault Case <i>The subject was involved in an assault-related court case.</i>	0.55%	0.25%	0%	56.25%	43.75%
Involved in Harassment Case <i>The subject was involved in a harassment-related court case.</i>	0.52%	0.24%	6.67%	80%	13.33%
Involved in Domestic Violence Case <i>The subject was involved in a domestic violence-related court case.</i>	0.41%	0.19%	0%	91.67%	8.33%
Sex Offender <i>The subject is listed as a registered sex offender.</i>	0.03%	0.02%	0%	0%	100%

“Involvement in” a case does not always indicate wrongdoing on the part of the subject, and the case may even have been dismissed. Still, this flag warrants a second look, as it could indicate an offense that is actually serious.

Other legal charges are similarly indicative of morally questionable behavior. Assault, discrimination, harassment, domestic violence, and sex offenses, in particular, are always highlighted on a background check as they might indicate significant flaws in the character of an individual. This band of flags constitutes approximately 1% of the flags in our data set.

#MeToo Changes the Nature of ‘Risk’

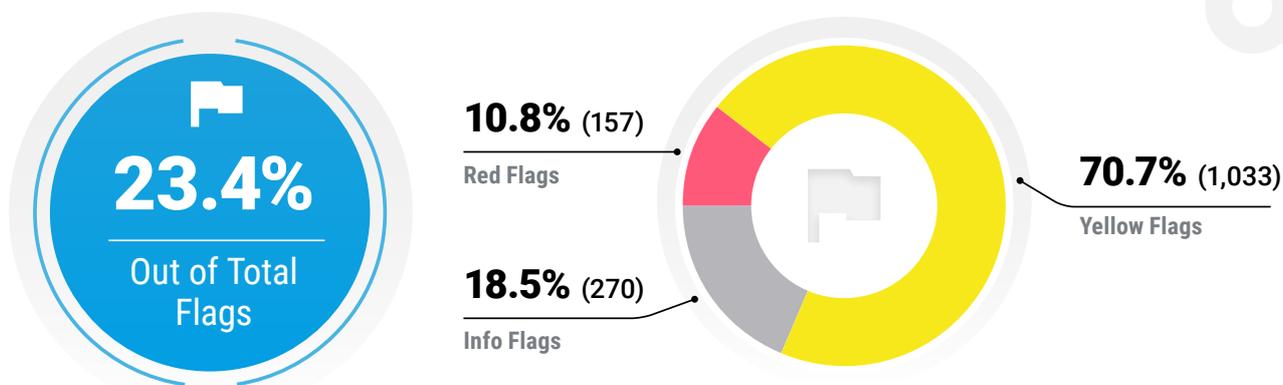
The #MeToo movement has had a profound impact on our collective culture. Many behaviors that once might have been ignored are no longer tolerated. These ethical lapses are an exceedingly damaging reflection on the reputation of the company, which ultimately results in devastating financial losses.

This shift is very significant, explains Dana Rakovsky, Chief Research Officer at Intelligo Group, “We see how, increasingly, investors are approaching allegations of executive moral misconduct with a zero-tolerance stance, ignited in part by the societal pressures and the reputational and economic liabilities associated with a public court case, both in lawsuits and bad PR.”

Intelligo found that amongst reports run in 2021, 3% of the total flags were classified under unethical behavior, such as sexual misconduct, negligence, substance abuse, or racial discrimination. Considering the far-reaching effects of investing with an individual of questionable character, it is becoming glaringly obvious that deep background research has greater value now more than ever.

2. Reputational Risk

This section includes adverse regulatory matters pertaining to the subject, as well as the subject's appearance in adverse media articles.



Reputation is everything, especially when it comes to financial ventures. The commonly held opinion of a person's character provides invaluable insight into the prospect of positive or negative collaboration with them. Furthermore, an investment could be compromised if it is unknowingly placed in the wrong hands. These are some of the flags included in this category:

Adverse Media

Flag	Out of Total Reports	Out of Total Flags	Information Flags	Yellow Flags	Red Flags
Found Adverse Media <i>Adverse media articles related to the subject were found.</i>	43.45%	19.98%	14%	79.98%	6.01%

Where does one look for telltale indications of a good or bad reputation? One example is online sources. Public opinion relies heavily on media portrayal. When people's transgressions are brought to light, adverse news articles provide invaluable insight into a potentially disastrous experience with other businesses and their management teams. The adverse media flag was one of the most prominent, accounting for nearly 20% of the flags and 44% of the reports.

Sanctions

Flag	Out of Total Reports	Out of Total Flags	Information Flags	Yellow Flags	Red Flags
Listed PEP <i>The subject is listed in a PEP database.</i>	1.89%	0.87%	67.27%	27.27%	5.45%
Sanctions Database <i>The subject is listed in a sanctions database.</i>	1.24%	1.37%	4.60%	6.89%	88.51%
Offshore Leaks <i>The subject is listed in an offshore leaks database.</i>	0.82%	0.39%	98.11%	1.88%	0%

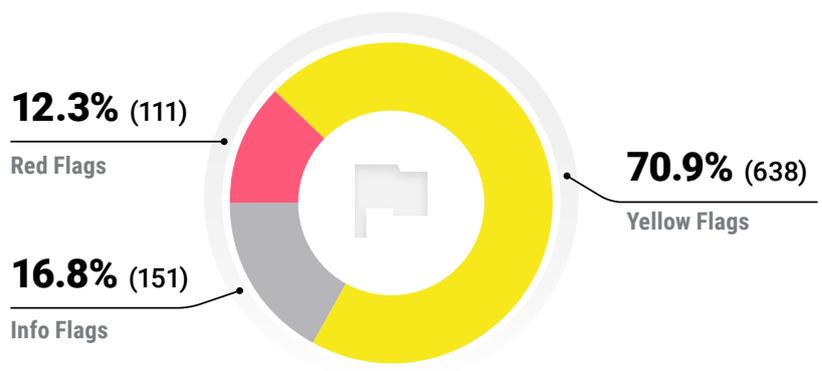
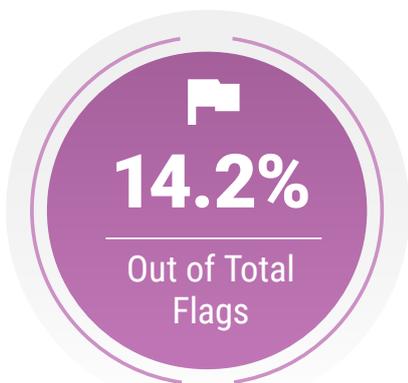
However, headlines are not the only place to look out for reputational risk. Sanctions lists are trustworthy sources that disclose penalties against individuals' disreputable activity. Sanctions lists showcase individuals and entities that have engaged in illegal activities. These lists are compiled by administrative bodies or government authorities, to publicize wrongdoing and prevent the sanctioned individual or entity from engaging in any additional unlawful endeavors. They cover a wide range of fields, including financial, medical, terrorism, human rights violations, and so on. Of the total number of flags, 1.37% account for sanction lists, the majority of which were red. Additional records, such as offshore leaks databases and PEPs, are included and are key sources for assessing reputation.



3. Financial Risk

This section covers monetary actions or events that bring into question the subject's financial management capabilities. The following are some of the flags included in this category:

Flag	Out of Total Reports	Out of Total Flags	Information Flags	Yellow Flags	Red Flags
Bankruptcy Case <i>The subject filed for bankruptcy.</i>	2.85%	1.31%	3.61%	9.64%	86.75%
Pre-Foreclosures <i>The subject received a pre-foreclosure notice on their property.</i>	1.38%	1%	11.11%	85.71%	3.17%
Foreclosures <i>The subject's property was foreclosed.</i>	1.41%	0.90%	0%	36.84%	63.16%
Significant Debt <i>The subject has significant outstanding debt.</i>	3.88%	4.51%	21.05%	78.94%	0%
Atypical Property Transactions <i>The subject has bought and/or sold property in atypical circumstances.</i>	4.19%	4.48%	17.60%	82.39%	0%



An individual's personal financial situation speaks volumes about their business integrity. If one struggles to manage their own fiscal affairs, how can they be trusted with high-stake investment deals? Below are a few examples that highlight this type of risk:

A. Pre-Foreclosure and Foreclosure

Defaulting on a mortgage, or even receiving a pre-foreclosure notice, is flagged on a background check, and usually indicates inability to repay debt. Nearly 2% of flags are made up of pre-foreclosure and foreclosure flags. Foreclosure flags were mainly red, while pre-foreclosure notices were generally yellow.

B. Bankruptcy

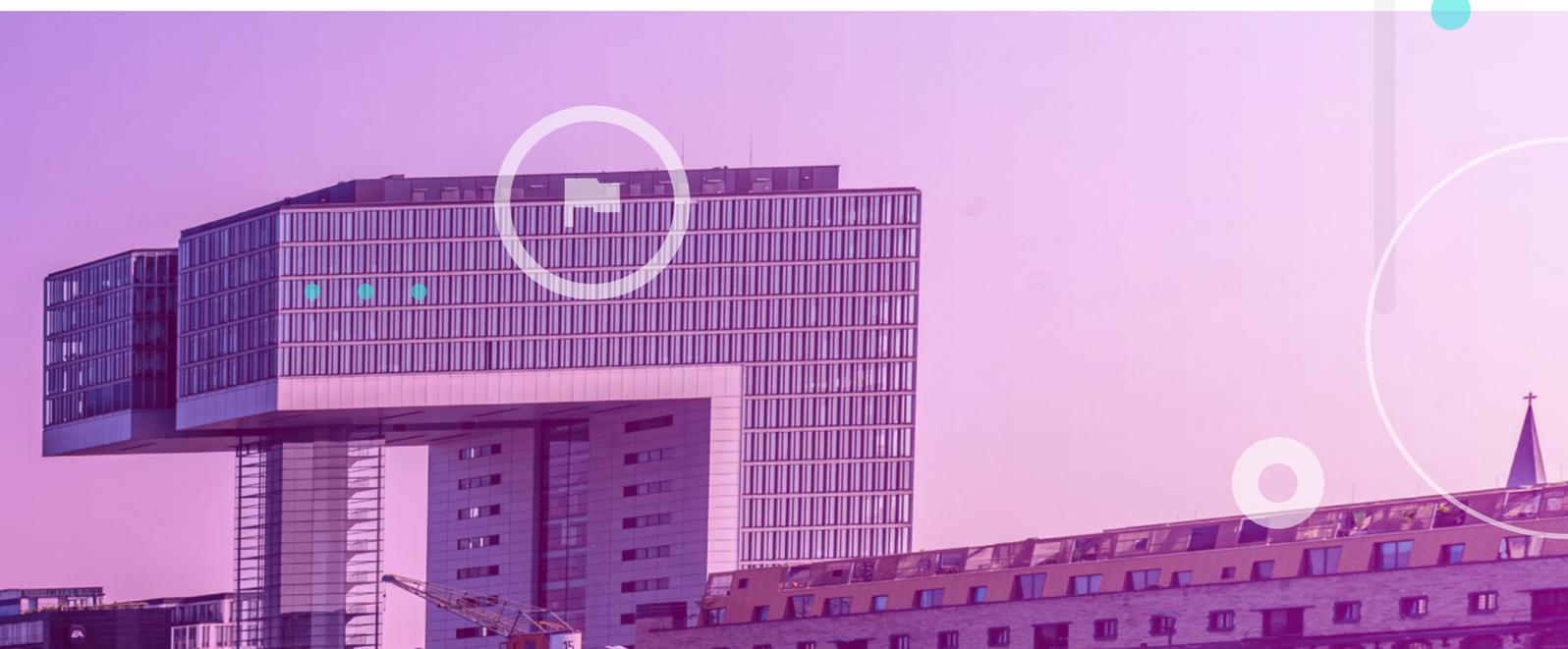
A struggle with unmanageable debt certainly raises questions regarding a person's financial management capabilities. Among flags, 1.31% are bankruptcy-related. As a flag that speaks for itself, bankruptcy flags – unsurprisingly – were mostly red.

C. Significant Debt

Of the total flags in our data set, 4.51% are in this category. Outstanding liabilities are generally a yellow flag and require further consideration of the circumstances, given the multitude of reasons for owing money.

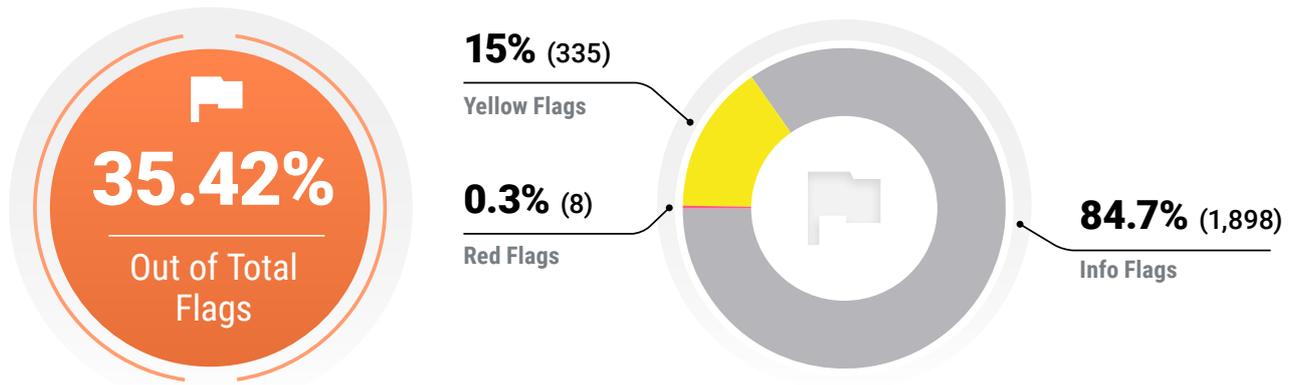
D. Atypical Property Transactions

This seemingly non-alarming event makes up 4.48% of flags. However, the majority of flags were yellow, indicating that these matters call for a closer review. Furthermore, it emphasizes that the subject made a significant personal investment that should be noted when considering whether they are suitable to manage others' investments.



4. Professional Risk

Concealing or falsifying employment or educational history is, unfortunately, a common phenomenon – and one that can put unreliable individuals in a position of power with high-stake investments resting on their questionable judgment. These are some of the flags included in this category:



Job Not on LinkedIn

Flag	Out of Total Reports	Out of Total Flags	Information Flags	Yellow Flags	Red Flags
Job Not on LinkedIn <i>A job was identified that does not appear on the subject's LinkedIn profile.</i>	40.32%	18.54%	94.29%	5.71%	0%

Given that a LinkedIn presence has become a professional essential, one of the most prominent flags on an Intelligo background check is “Job Not on LinkedIn” – when a job was detected by our algorithms through online public records but was not listed on the subject’s LinkedIn profile. This flag was present in nothing less than 40% of the reports.

Omitted positions could easily be explained by the fact that they were a long time ago or are not relevant to one’s current trajectory, which is why the majority of these flags were information-level. However, the nearly 6% of yellow flags reflect more serious reasons, such as masking positions where they were fired or left after some sort of occupational failing on their part.

Job Deleted From LinkedIn

Flag	Out of Total Reports	Out of Total Flags	Information Flags	Yellow Flags	Red Flags
Job Deleted From LinkedIn <i>The subject deleted a job from their LinkedIn profile.</i>	11.96%	5.5%	95.69%	4.31%	0%

More significant than a job that is missing from a LinkedIn profile is one that was deleted. The “Job Deleted From LinkedIn” flag is assigned when our algorithms pick up a discrepancy between historical and current LinkedIn profiles. This flag accounts for 5.5% of the total number of flags. Interestingly, these flags were mainly information-level, indicating that the reasons for a job removal could be similar to that of omitted positions.

Terminated

Flag	Out of Total Reports	Out of Total Flags	Information Flags	Yellow Flags	Red Flags
Terminated From Job <i>The subject was terminated from their position.</i>	0.38%	0.17%	9.09%	18.18%	72.73%

Being let go is a discreet matter that is generally unknown unless disclosed by the subject in an interview or discovered when contacting their former employer. However, it is possible to come upon that knowledge if it is recorded in publicly available online records. Court documents, press releases, official archives and the like are examples of sources where it is possible to read about the series of events that led to a subject’s termination. Although a small percentage of background checks contain this type of flag, the majority of them were red. When it comes to screening potential business colleagues or investment partners, this lack of transparency could ultimately result in inadequate information for decision-making regarding with whom to invest.

Our professional risk analysis proves that executives should be very skeptical of taking information at face value, especially when it comes to self-reported LinkedIn profiles that can be verified only with a dependable background check.



Conclusion

Conducting a background check serves a greater purpose than merely checking all the boxes before moving forward with a business proposal. When it comes to proceeding with an investment opportunity or evaluating a company's management, transparency is key. Being unaware of the full picture could lead to significant financial losses — an outcome that could be avoided if all the facts are known from the start. With the results of our 2021 review, it is clear that background checks are an essential step to take in the due diligence process to truly minimize exposure to risk.



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Get in contact and discover the difference Intelligo Clarity can make to your risk intelligence.

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ABOUT INTELLIGO

Intelligo is the leading risk intelligence company fusing AI and Big Data to digitalize the background check industry, enabling organizations to take secure and informed business decisions. Intelligo's AI-powered solution suite Clarity, allows stakeholders including investors, financial institutions, and corporations to make timely, accurate intelligence-driven decisions, providing a 360° view of a person's or a company's reputation, legal and financial backgrounds, and its broader impact on trust and business risk.

For more information visit:
www.intelligo.ai