

Grantee Due Diligence and Sanctions Screening for EU Grantmakers

For foundations and other grantmakers in the European Union funding organizations outside it, Paragon produces a documented record of each grantee: who it is, who controls it, and how it was screened. That record supports the grantmaker's own sanctions obligations and the questions its bank and public funders ask before money moves. The grantmaker assigns the risk level and selects the services. Paragon can manage the document collection process with the grantee and reports to the grantmaker. Screening covers EU sanctions alongside the UN, U.S. and UK lists, together with any national designations required by the grantmaker's own Member State.

14 years

SERVING GLOBAL
GRANTMAKERS

100+

COUNTRIES, INCLUDING
HIGHER-RISK JURISDICTIONS

3,000+

NONPROFITS VETTED

WHAT IS COMMON ACROSS THE EU, AND WHAT IS NATIONAL

No single EU rulebook governs grantee due diligence. Obligations come from EU sanctions law, which applies in every Member State, and from national law in the grantmaker's own country.

COMMON TO THE EU

Sanctions, banks and public funders

- EU sanctions bind everyone in the EU, EU nationals anywhere and organizations incorporated in a Member State. Making funds available, directly or indirectly, to or for the benefit of a listed person or entity is prohibited.
- Directive (EU) 2024/1226 requires Member States to criminalize intentional breaches, with liability for organizations, and excludes principled humanitarian assistance. Transposition was due by 20 May 2025; the Commission has opened proceedings against Member States that have not completed it.
- Under European Banking Authority (EBA) guidelines in force since November 2023, banks should understand a nonprofit customer's governance, funding, activities, beneficiaries and geography and, in sanctioned countries, obtain reasonable assurance that an exemption applies.
- EU external action and humanitarian grants extend sanctions checks to partners, subcontractors and recipients of onward funding. People in need who receive humanitarian aid must not be vetted.
- FATF Recommendation 8, revised in 2023, requires countries to have "focused, proportionate and risk-based measures, without unduly disrupting or discouraging legitimate NPO activities."

SET BY EACH MEMBER STATE

National rules

- National sanctions and terrorist designations, in Member States that maintain them, applied in addition to the EU lists
- Foundation law, registration and supervision
- Tax treatment of grants and of gifts to the grantmaker
- Penalties and enforcement for sanctions breaches, set when each Member State transposes Directive (EU) 2024/1226
- National development agencies' conditions for the NGOs they fund

Paragon's work addresses the sanctions and screening elements of both layers. Tax treatment and foundation law remain with the grantmaker and its counsel.

WHERE THIS FITS IN THE FATF'S GOOD PRACTICES

In the FATF's 2023 Best Practices paper on nonprofits, vetting partners falls under partner relationships, one of four headings for a nonprofit's own governance. Paragon's reviews of a grantee's governance, integrity, finances and sanctions exposure all serve that heading.

For organizations re-granting public funds

EU external action grants extend sanctions checks to subcontractors and recipients of financial support to third parties, and EU humanitarian grants apply the same rule to partners and contractors. Some national development agencies also require partners to screen their own sub-grantees. A Paragon report on each sub-grantee documents that screening for the funder's audit.

MATCHING REVIEW TO RISK LEVEL

FATF Recommendation 8 asks countries for measures proportionate to risk. The signals below draw on the risk factors the European Banking Authority sets for banks with nonprofit customers (EBA/GL/2023/03), applied to grantees. They are indicators, not a regulatory test, and the table pairs Paragon services with each level.

RISK LEVEL Low COMMON SIGNALS - Established grantee with documented governance and externally audited accounts - Existing relationship with the grantmaker - Operations outside conflict zones, countries under EU sanctions measures and the EU list of high-risk third countries CORE SERVICES Anti-Terrorist Financing Screening (Tier 1). Details on the organization and its leadership, requested directly from the grantee and screened against sanctions and terrorism lists, including the EU's. ADDITIONAL SERVICES Nonprofit Validation and Rapid Validation & Screening, only where the grantmaker requires a no-contact initial review. Neither replaces Tier 1 or Tier 2.	RISK LEVEL Medium COMMON SIGNALS - Limited track record, or no external audit - Country with elevated corruption or governance risk - Grantee works through implementing partners, subgrantees or other intermediaries CORE SERVICES Anti-Terrorist Financing Screening (Tier 1) as the base. Higher-Risk Anti-Terrorist Financing Screening (Tier 2) is available where other signals, such as the country of operation, point to a higher risk level; whether to apply it is the grantmaker's decision. ADDITIONAL SERVICES Politically Exposed Person Screening, as a separate engagement alongside either Tier 1 or Tier 2 where leadership may have political exposure. Financial Health & Controls Screen where governance or financial controls are uncertain. Nonprofit Validation and Rapid Validation & Screening, only where the grantmaker requires a no-contact initial review. Neither replaces Tier 1 or Tier 2.	RISK LEVEL High COMMON SIGNALS - Newly created grantee, or unclear control and ownership - Conflict zone, country under EU sanctions measures, or country on the EU list of high-risk third countries - Reliance on cash or informal transfers - Adverse media, political exposure, or concerns about corruption or governance CORE SERVICES Higher-Risk Anti-Terrorist Financing Screening (Tier 2). Documents requested directly from the grantee, national sanctions lists for the country of registration, adverse media, the grantee's own partner and subgrantee policies, and bank-issued account documentation. Integrity Review (Tier 3) where corruption or governance concerns are present. ADDITIONAL SERVICES Integrity Due Diligence (Tier 4) for a red flag that needs further documentation. Politically Exposed Person Screening, as a separate engagement alongside Tier 2. Financial Health & Controls Screen for financial indicators and controls. Country Risk Report or Foreign Country Requirements Review for the operating environment.
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WHAT EACH SERVICE INCLUDES

For most grants, EU grantmakers will rely on Tier 1 or Tier 2, the two core screening services, in which Paragon works with each grantee directly. Escalation and supporting services, including no-contact reviews, are described under *Other services* below.

Tier 1 · Anti-Terrorist Financing Screening

PARAGON CONTACTS THE GRANTEE DIRECTLY

- Information on the organization, leadership, governing body, founders, beneficial owners, controlling entities and individuals, and declared banks
- Every name screened, every potential match investigated and its resolution recorded
- EU and U.S. country-based sanctions programs flagged for countries of activity

Tier 2 · Higher-Risk Anti-Terrorist Financing Screening

PARAGON CONTACTS THE GRANTEE DIRECTLY

- Everything in Tier 1
- National sanctions lists for the country of registration; coverage for a given country is available on request
- Adverse media for terrorism-related and financial-crime exposure
- Review of the grantee's partner, vendor and subgrantee policies
- Bank-issued account status documentation, where provided

EU and national sanctions

APPLIES TO TIER 1 AND TIER 2

For EU grantmakers, the EU's consolidated list of financial sanctions, including the EU terrorist list, is screened alongside the international lists, together with any national designations required by the grantmaker's own Member State. Screening extends to beneficial owners and controlling entities; onward transfers are covered by Tier 2's partner policy review and, on request, by screening those parties. Each report also includes an EU sanctions section for the grantee's country of registration and each country of activity, linking any EU restrictive measures and noting any humanitarian exemption.

Lists covered

APPLIES TO TIER 1 AND TIER 2

EU AND NATIONAL DESIGNATIONS

- EU consolidated list of financial sanctions
- EU terrorist list (Common Position 2001/931/CFSP)
- National sanctions and terrorist designations required by the grantmaker's Member State, where it maintains its own list

INTERNATIONAL LISTS

- United Nations Security Council Consolidated List
- U.S. Treasury OFAC, including Sectoral Sanctions Identifications
- UK Sanctions List (FCDO)
- U.S. Terrorist Exclusion List
- Law enforcement sources: FBI and INTERPOL

OTHER SERVICES

Tier 3 and Tier 4 build on Tier 1 and Tier 2. The other services can be added on an ad hoc basis.

Tier 3 · Integrity Review

AVAILABLE ON REQUEST

For concerns about corruption, fraud, political exposure, governance gaps or material vendors

- Adds PEP and reputational adverse media screening across the organization, leadership, banks and vendors, and reviews governance, procurement and conflict-of-interest policies

Tier 4 • Integrity Due Diligence

AVAILABLE ON REQUEST

For a red flag that needs further documentation, such as conflicting records or allegations of corruption or terrorist financing

- Adds corroboration through official records, ownership mapping, and litigation and regulatory searches

Politically Exposed Person Screening

AS A STANDALONE SERVICE

- Identifies senior officials, political leaders, state enterprise executives and their close associates among the grantee's leadership
- Special-interest categories including corruption, financial crime, organized crime, terrorism and trafficking
- Each result reviewed by an analyst before it is reported

Financial Health & Controls Screen

DOCUMENT-BASED

- Checklist review of three years of financial statements, audit findings, internal controls, reserves and funding concentration
- Flags indicators for follow-up; not a financial opinion

NO-CONTACT SERVICES

No direct engagement with the grantee

Nonprofit Validation and Rapid Validation & Screening

NO-CONTACT ALTERNATIVE

- Nonprofit Validation: legal registration, entity type, current standing and stated public benefit purpose
- Rapid Validation & Screening adds a web-based review with adverse media and national sanctions screening of the organization, reported as risk flags, within four to seven business days

SCOPE OF PARAGON'S ROLE

WHAT'S COVERED	Paragon's work covers risk-based due diligence and screening: anti-terrorist financing, sanctions, politically exposed persons, adverse media and financial health. It does not include tax compliance in any Member State, safeguarding assessments, or screening of the individuals a grantee's programs serve.
GRANTMAKER'S ROLE	Risk levels, and how this work fits a grantmaker's obligations under EU and national law and any funding agreement, remain with the grantmaker and its counsel. The pairings above show which services can support each level; they are not a determination of what any grant requires.
LIMITS OF SCREENING	Screening surfaces facts and flags risks. It does not certify compliance or guarantee the absence of risk.
FEES	Paragon charges flat fees, quoted and invoiced in U.S. dollars, with no subscription fees.

Data handling. Paragon Philanthropy Inc. acts as data controller for the information it collects about grantee organizations and the individuals who lead or control them. Collection is limited to what the review requires, drawn from the grantee and from official sanctions lists and public sources. Personal data is shared only with the grantmaking client that commissioned the review, processed only by processors under written data processing agreements, and retained as long as needed to complete the service and support the client's regulatory requirements. Paragon completes clients' data protection questionnaires on request. Privacy policy: paragonphilanthropy.com/privacy-policy.

Disclaimer. This overview is general information about Paragon's services and does not constitute legal, tax or accounting advice. Its descriptions of EU rules reflect publicly available sources as of October 2026 and may change. Each grantmaker remains responsible for its own obligations under EU law, the law of its Member State, applicable sanctions and any funding agreement, and should consult qualified counsel in its Member State. Paragon's services do not determine or certify compliance with any of these.