Third Party Management

Best Practices for All Organizations

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Introduction

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Agenda

- Third Parties
- Risks
- Vendor Management Program Development
- Best Practices
- Q&A

Define Third Party

Entities or persons that work on behalf of an organization, but are not employees. Includes vendors, suppliers and service providers;

- Consultants
- Clients
- Partners
- Service Providers
- Subcontractors
- Vendors
- Suppliers

Define Third Party Risk Management

- Third Party Risk Management is a process for identifying, assessing, monitoring and remediating risks created when hiring a third party to provide goods or services to your organization.
  - Provided Services
  - Business Impact
- By 2020, 75% of Fortune Global 500 companies will treat vendor risk management as a board-level initiative to mitigate brand and reputation risk. *(Gartner)*
- Downstream Liability - companies are held accountable for their vendor's failings.

Define Third Party Risk Management

Vendor Risk Management

- Risk are generally associated with the logical or information supply chain
- Compliance / security / privacy

Supplier Risk Management

- Physical supply chain – tangible commodities of services or manufactured goods
- Quality / timeliness / availability

Third Party Risk Management

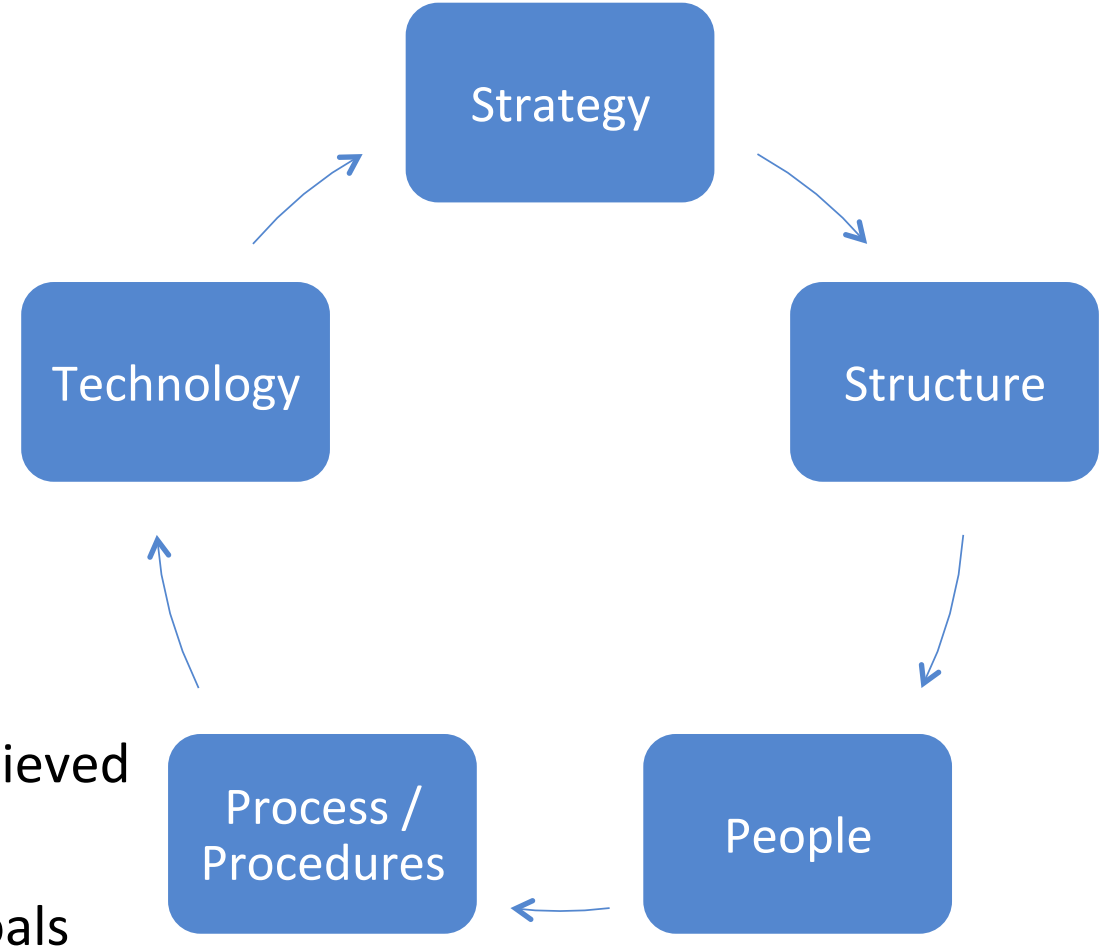
- Financial
- Reputation
- Business Resiliency

What are the Risks

- Third Parties are popular targets for cyber attacks
- The regulatory environment is becoming more complex
- Third Parties are being viewed as strategic business partners which introduce additional risks such as:
  - Financial
  - Regulatory
  - Reputation / Brand Risk
  - Workforce
  - Business Interruptions
- On average, more than 60% of an enterprise's IT budget is spent on products and external services. (Gartner)
- 63% of all data breaches can be attributed to a third party. (Soha Systems)

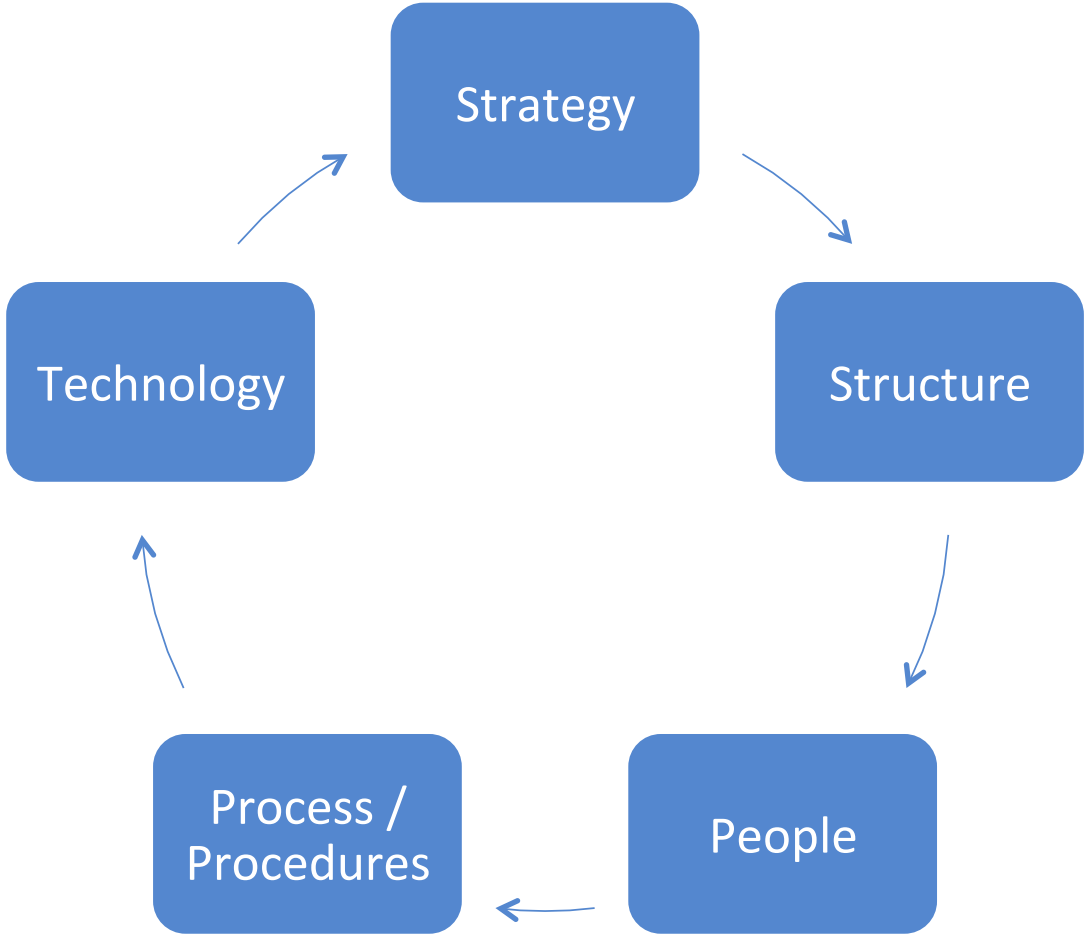
Creating a Vendor Management Program

- Strategy
  - Who, What & How
- Structure
  - Organizational Structure
  - Responsibilities
- People (Who)
  - Program / Process / Procedures
- Process / Procedures (How)
  - How will the goals of the program be achieved
- Technology (What)
  - What tools will be used to achieve the goals



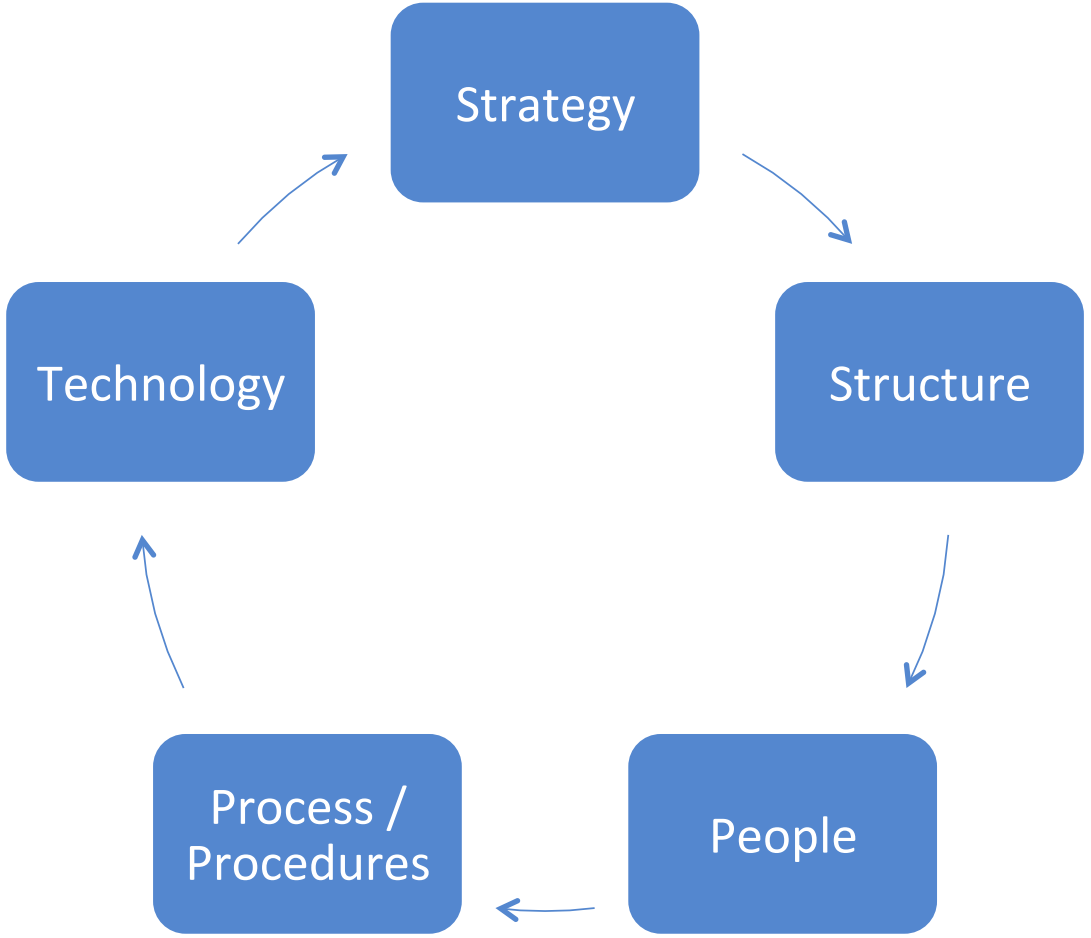
Creating a Vendor Management Program

- Strategy (Executive)
  - Executive Sponsorship
  - Know the Business
  - Program Goals and Objectives
  - Funding
  - Program Governance and Oversight
    - Scope
    - Policies / Documentation
    - Structure
    - Operations
    - Metrics
    - Review and Improvements



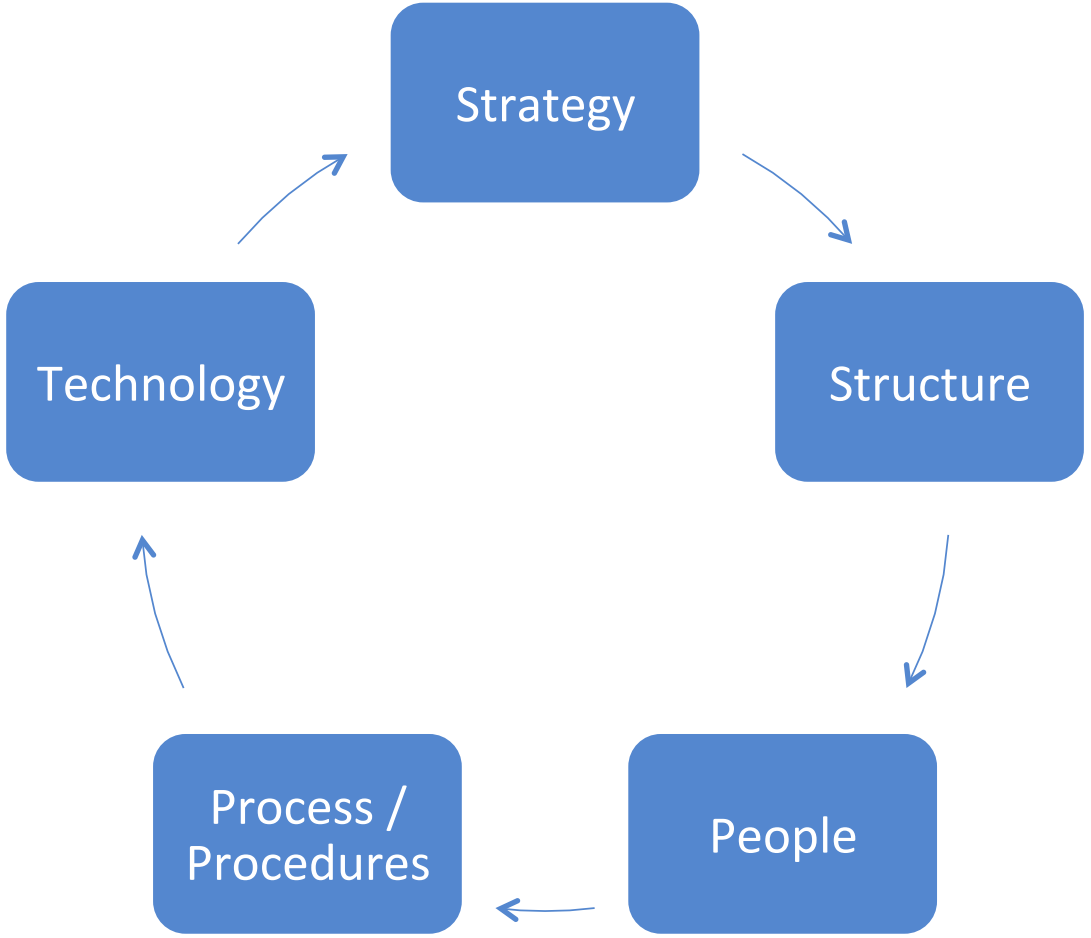
Creating a Vendor Management Program

- Structure (Team & Program)
  - Organizational
    - Executive Sponsor
    - Steering Committee
    - Program Operations
  - Operational
    - Program Alignment to Strategy and Business Goals
    - Program Components



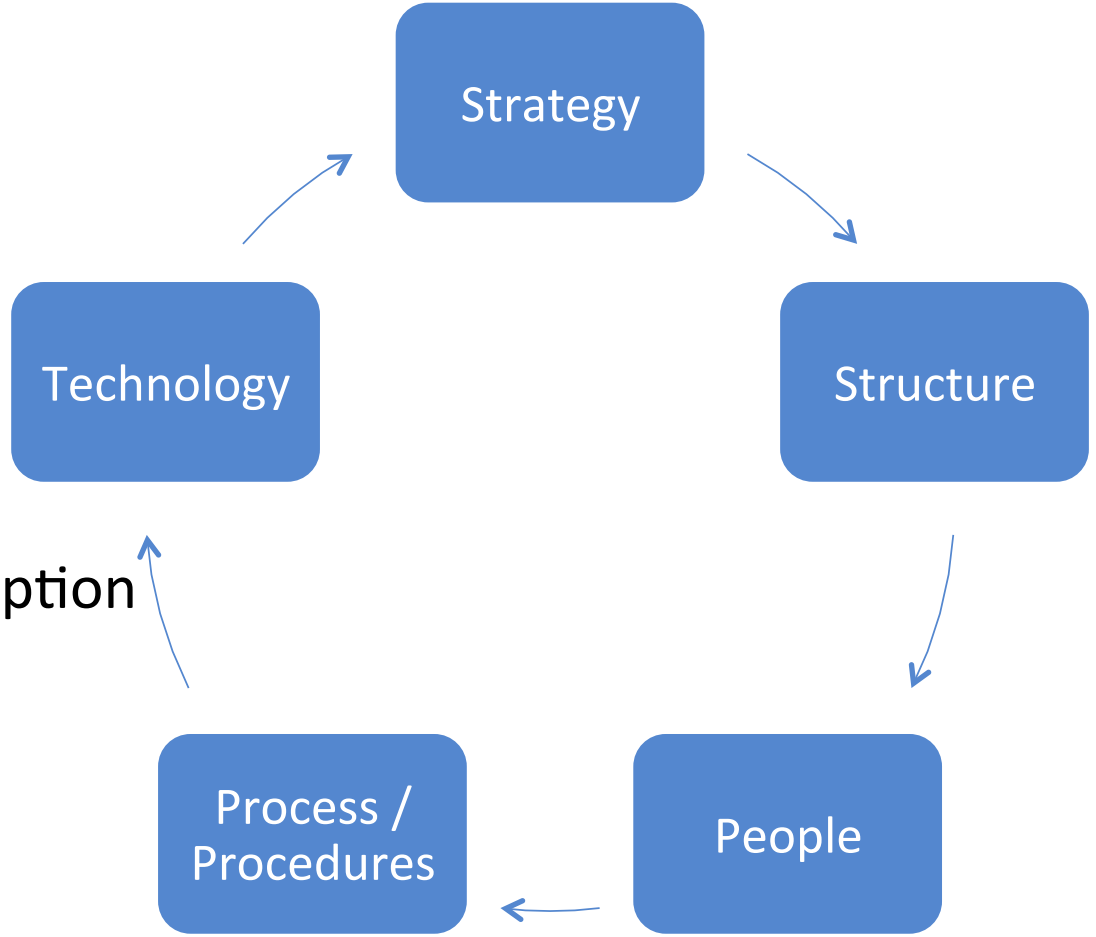
Creating a Vendor Management Program

- People (Who)
  - Program Responsibilities
  - Process Responsibilities
  - Procedure Responsibilities



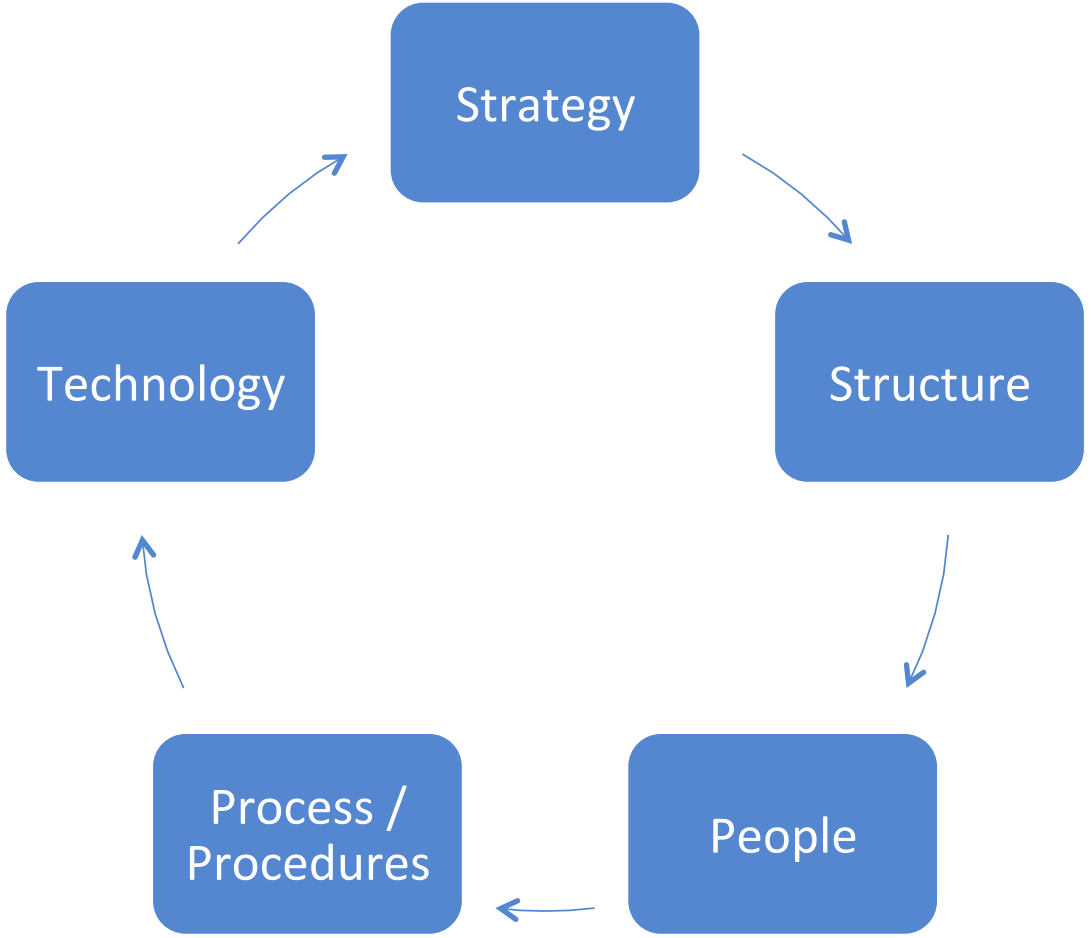
Creating a Vendor Management Program

- Process / Procedures (How)
  - Inventory
  - Vendor Classification
  - Communication Plan
  - Assessment (survey / onsite)
  - Decision Making Process
    - Authority / Risk Acceptance / Exception
  - Systems / Application Integration
  - Incident Resolution
  - Remediation
  - Metrics



Creating a Vendor Management Program

- Technology (What)
  - Vendor Inventory
  - Data Storage
  - Risk Analysis
  - Document Retention
  - Assessment workflow
- Solutions are still evolving
- Should address Bimodal IT delivery concepts (both stability and agility)



Third Party Risk Management Best Practices

- Documented policy, process, procedure and workflows
- Establish a comprehensive TPRM governance and reporting process
- Frameworks
- Collaboration
- Contract Management / Monitoring
- Consistent and Objective Vendor Assessment
- Exception Management
- Remediation Management
- Product Integration
- Include fourth-party relationships

Questions and Answers