



2022 BEST PRACTICES WORKSHOP

Third Party Risk Management



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Audience Question #1

How would you describe the level of maturity/sophistication of your company's Third-Party Risk Management (TPRM) program?

- A. No program developed
- B. Beginning/infancy phase
- C. Effective/optimized
- D. Industry standard

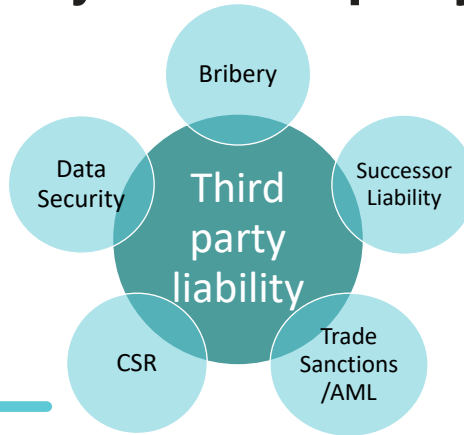
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What are your third-party risks?



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Which third parties should you worry about?

Consider:

- Subcontractors
- Government touchpoints
- Lobbyists/Consultants
- Agents
- Acquisitions/Joint Ventures
 - Payees v. outsourced providers
 - Customers

What makes one third party riskier than another?

- Geographic locations
- Touch points with the government
- Value to your business (spend, ease of replacement,. Potential loss of business continuity)
- New/veteran company
- Access to your data systems
- Size of the company/compliance structure
- Reputation/Brand

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Audience Question #2

Who has responsibility for your company's TPRM program?

- A. Legal/Compliance/Risk
- B. Procurement
- C. Finance
- D. IT
- E. Operations
- F. Hybrid

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Responsibility for Third Party Risk Management

- What is the role of compliance in TPRM?
- What does an effective program look like?
- What are effective strategies for engagement across the company?
- Any pitfalls to be aware of?

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How do you find all of your company's third parties?

Who is involved in identifying your third parties to focus on?

- Cross functional team
- Legal/Compliance
- Procurement/Supply Chain/Misc. purchases by companies outside of Procurement
- Sales Teams
- Government Relations/Management
- Development/M&A
- Risk Management
- IT

Where do you look?

- SAP – customers/vendors by country or spend
- List of lobbyist
- IT: who has access to your data
- Who oversees international sales agents

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Prioritize third parties to focus on (risk rank)

How is risk ranking performed?

- Create thresholds based on points considered (slide 4)
- What steps are taken for each level of risk?

Low Risk	Medium Risk	High Risk
Nothing at this time	Include contract provisions	Include contract provisions and policy
	Agree to relevant policies	OFAC screening
		Determine if red flag review or certification is required

Example of High Risk Third Parties:

- Deals over \$50M
- All joint ventures
- Any agents who communicate with government officials on company's behalf
- Any third parties who are in certain countries or do business with certain countries
- All vendors over \$1M annual spend

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Due Diligence Process

What are the triggers for due diligence?

- High spend, high risk country, government contacts

What is included in due diligence procedures?

- Screening against Sanctioned Lists
- Screening using third party screening tool – more robust information
- Third party vendor review

What questions to ask/what do you need to know about your third parties?

- Depends on the risk
- Beneficial ownership
- Details of their compliance program

When do you dig deeper?

- When your gut tells you to.

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Audience Question #3

How would you describe the level at which you use technology/ automation to manage third parties?

- A. We don't, it's all done manually
- B. Some processes are automated, but not others
- C. Full automated

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Leveraging Technology and Automation

How are you currently leveraging technology in your TPRM program?

What processes are automated?

- Supplier management – contract terms/certifications
- Screening tools - continuous screening

What software is your company using to manage third parties and how can you use that to screen?

How do you make this “built in rather than bolt on”?

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Mitigation Strategies

What are effective mitigation strategies to consider?

- Certifications
 - Do vendors sign third party certifications?

Communications and training

- What type of training is provided to vendors? Required versus optional
- Communications from management/ Tone at the Top

Termination of specific individuals

Contract terms

Policies and procedures

- Supplier Code of Conduct
- Anti-Bribery and Corruption Policy
- M&A Due Diligence Policy

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Monitoring

How frequently are third parties monitored?

What are effective monitoring techniques?

How is technology leveraged?

Other evolving best practices to be aware of

- Ongoing evaluation of changing requirements
- What geographic risks should be considered?
 - China forced labor act
 - Region-specific pandemic-based restrictions
 - State privacy regulations, e.g. General Data Protection Regulation (GDPR, European Union), General Data Protection Law (LGPD, Brazil), etc.

Annual certifications
Continuous screenings
Supplier Summit
Business Reviews
Scorecards

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Offboarding and/or Termination of Vendor

- Exit strategy
- Offboarding checklist, i.e. access rights, return of proprietary information/personal information/customer logs/equipment
- Planned vs. unplanned
- Contractual considerations
- Business continued/continuity
- Communication/Reputational considerations
- Regulatory reporting obligation

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