



Managing Third Party Risk During (& After) a Pandemic

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About the Presenter



Linda Tuck Chapman

President, ONTALA Performance Solutions

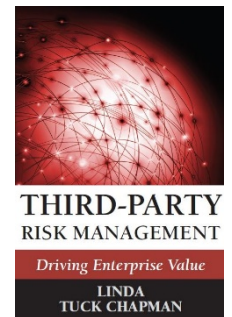
Linda is a leading expert in third-party risk management. As one of the first Chief Procurement Officers and Head Third Party Risk Management in the financial services sector, Linda helped create best practices in strategic sourcing and high-impact third party risk management.

Today Linda leads Ontala Performance Solutions and Third Party Risk Institute. A strategic advisor, relatable educator, and published author, Linda's clients and global network benefit from her experience, expertise and thought leadership.

Linda's best-selling book "Third Party Risk Management: Driving Enterprise Value", in its second edition, is mandatory reading for "Certified Third Party Risk Management Professional (C3PRMP)" program, certified by NASBA for 66 CPE credits and GARP for 20 CPD credits. C3PRMP is available through SIG University. <https://sig.org/university/C3PRMP>

Career Highlights:

- President, Ontala Performance Solutions & CEO, Third Party Risk Institute (current)
- Chief Procurement Officer & Head, Third Party Risk, BMO Financial Group
- President & CEO, Ontario Education Collaborative Marketplace
- Chief Procurement Officer & Head, Third Party Risk, Fifth Third Bank
- VP Procurement & Head, Supplier Risk, Scotiabank Group



<https://amzn.to/2RCPBOY>



About the Presenter



Sam Abadir

Director Industry Solutions, NAVEX Global

Sam Abadir has over twenty years of experience helping companies realize value through improving processes, identifying performance metrics, and understanding risk. Early in Sam's career, he worked directly with financial institutions and manufacturing companies to help them realize institutional value. As a Senior Manager at a Big 4 consulting firm, he focused on improving processes and increasing value for Global 2000 companies.

In the past ten years, Sam has worked with software companies like NAVEX Global to design integrated risk-based solutions, consult with risk industry leaders and help organizations message the benefits of risk management at all levels in an organization. At Lockpath, A NAVEX Global® Company, Sam developed the Lockpath Third Party Risk Framework and eBook, has participated in several Shared Assessments committees, has led over 100 webinars on various topics including third party risk management and been published in over 50 popular governance, risk, and compliance management-based publications.

Agenda

“A pandemic isn’t a black swan or force majeure event, it’s sector-wide business interruptions and global uncertainty, powered by a risk event that few companies planned for.”

-- Linda Tuck Chapman

Linda and Sam will help you:

1. Make sense of third party risk management
2. Understand today’s threat landscape
3. Side-step “avoidable” third party risks
4. Embrace third party management strategies that protect your organization
5. Be prepared for the next serious risk event



Third Party Risk Management

What Is a Third Party?

- How a third party identifies and manages its exposure to risk has a direct correlation to your company's exposure to risks.
- Third party risk management is a risk-based approach to managing third party relationships throughout their lifecycle using risk-adjusted processes and tools.
- Third party risk management is essential for managing your extended enterprise.

All business relationships, excluding those with your customers	
“Vendors”	Typically sourced through a center-led sourcing/procurement process. Paid by Accounts Payable.
“Non-Vendors”	Typically acquired directly by the business line/segment. Financial remuneration, when it exists, is not managed by Accounts Payable.

Source: RMA Third Party Risk Management Roundtable – Steering Committee

Lifecycle Management Model

Effective third party risk management is a programmatic approach to identifying, assessing, managing and monitoring a portfolio of critical third party relationships, calibrated for criticality and exposure to risk.

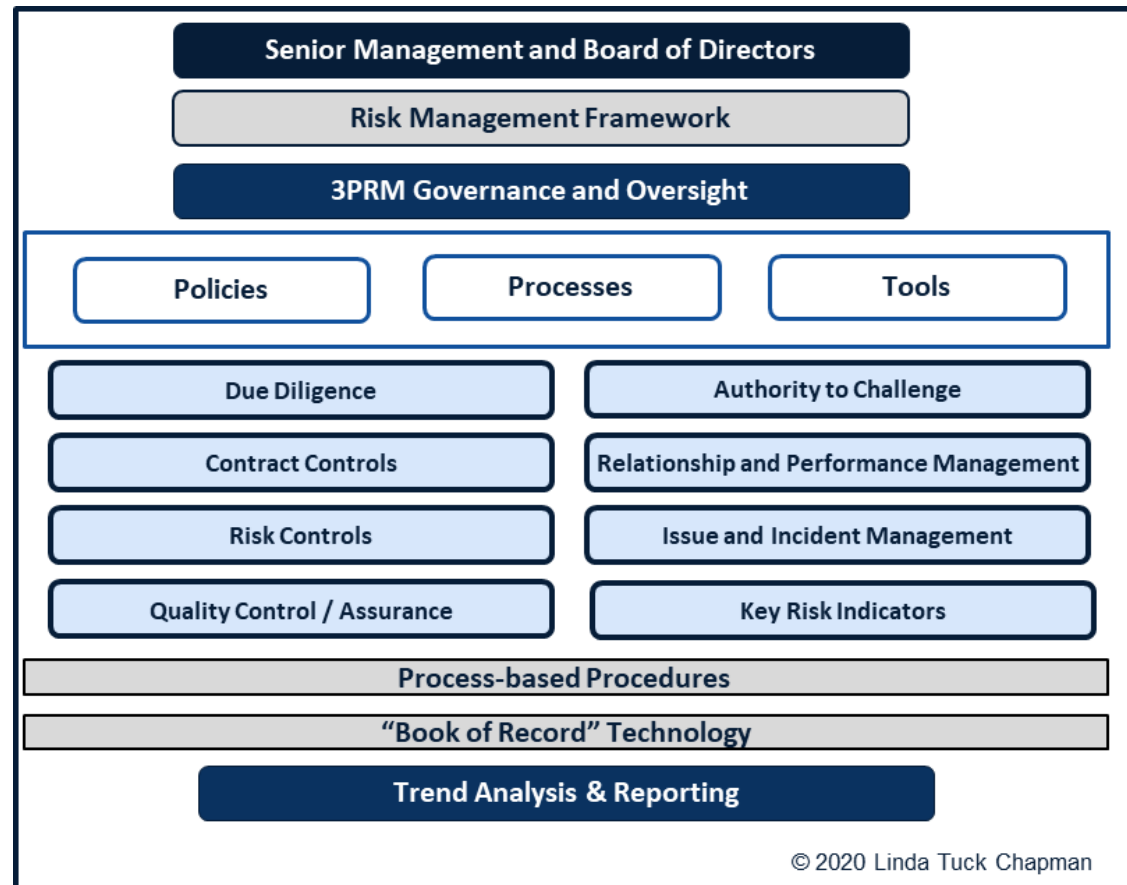
- 🎯 repeatable processes
- 🎯 impartial evaluation
- 🎯 consistent risk treatment
- 🎯 informed decision-making



Governance Framework

Intentional governance enables effective third party oversight, driving risk-informed decision and alignment with the firm's risk appetite and risk culture.

- 🎯 methodologies
- 🎯 controls
- 🎯 metrics
- 🎯 engagement



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Exposure to Third Party Risks and the Threat Landscape



Which Risks Are Hyper-Amplified Now?

1. Anti-Corruption / Anti-Bribery
2. **BUSINESS CONTINUITY**
3. Cloud computing
4. Company officers and corporate viability
5. Compliance (regulatory and legal)
6. **CONTRACT**
7. **CYBER**
8. **FINANCIAL HEALTH**
9. Foreign service-delivery location
10. Geopolitical
11. **HUMAN RESOURCES**
12. Incentive compensation
13. **INFORMATION SECURITY**
14. **INSIDER THREAT**
15. Innovation
16. Insurance
17. Model
18. **PERFORMANCE**
19. **PRIVACY**
20. **PHYSICAL SECURITY**
21. Records
22. Reputation
23. SOX- reportable financial loss
24. **SUPPLY CHAIN**
25. **SUB-CONTRACTOR / 4TH PARTY**
26. Technology
27.industry or service specific



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Managing & Mitigating Third Party Risk



Third Party Portfolio Management Strategies

Categorize your third parties to:

- Understand reliance/criticality
- Identify top-line risks (e.g. cyber, continuity)
- Focus on the highest criticality and risk relationships
- Consider organizational exposure
- Develop portfolio rationalization and depth strategies

Do this today:

- Identify which relationships present the highest risk due to pandemic conditions
 - NPPI, business continuity, financial health, geographic location, etc.





Mitigating Work From Home (WFH) Third Party Risks

Work with your third parties to understand how they are sheltering in place.

- What % of employees are WFH?
- Do they have the technology to WFH?
- What barriers are they facing to meet contractual obligations and SLAs?
- What security protocols have they put in place for WFH employees?
- What % of normal capacity can they deliver?
- How are third parties monitoring WFH for their subcontractors / your material 4th parties?



Managing Third Party Performance

- How important is your contract to the third party?
- How are you monitoring performance against contractually binding SLAs?
- When and how flexible should you be on SLA commitments?
- What strategies and metrics can you put in place to support your customer obligations and third party contractual commitments?

Work together on how to monitor and measure performance, budget, payments, etc.



Monitoring Third Party Financial Health

Historical financial health metrics and data sources probably won't work

- Financial metrics are lagging indicators
- Know which ones are important

Identify which third parties are at highest risk, and which are critical to your ongoing operations and revenue

Consider creative options to support third parties

- Prepayment
- Prepaid credits
- Acquisition
- What are the risks?

Assess your third parties regularly during a pandemic



“Managing third party relationships according to their criticality and risks has never been more important.

The global crisis makes us hyper-aware that trust-worthy relationships are vital. Implementing an effective third party risk management program will bring comfort that your decisions are risk-informed and organization is resilient.”

- Linda Tuck Chapman



Thank You!

