A company’s use of third parties does not diminish the responsibility of its Board.

Types of potential risks incurred by third parties

- **Regulatory volatility**: local laws, taxation, accounting policies, compliance risk
- **Financial risk**: local currency fluctuations; currency hedging, local fiscal crisis impacting money transfers
- **Labour risks**: unrest and strikes affecting supplies; labor shortages
- **Infrastructure risks**: transport, communications and energy which can be impacted by extreme weather, unrest and government policies
- **Communications**: social media, IT issues, government censorship
- **Intellectual property**: weak protection of IP rights; theft of IP by local third party
- **Corruption risk**: local public sector; local business practices

Potential benefits and consequences for the organization

**Potential benefits of getting third party governance right**
- Adequately mitigating third party risk can lead to stronger financial performance for the organization
- Knowledgeably predicting third party risk factors may lead to identifying potential market shifts before they become a threat
- Globally aggregating third party data may lead to easier identification of high risk third party relationships

**Potential consequences of not ensuring governance practices are in place**
- Third party disruptions can lead to delays in delivering your company’s products or services to market
- Poor third party governance may lead to lost market opportunities
- Improper risk mitigation may lead to possible reputational damage and higher operational expenses and waste
Questions for the Board

- Accurate and timely information on third parties around the world in order to identify and address risks?
- The proper due diligence process to evaluate third parties before they are approved?
- The right tools to properly govern third parties activities?
- Risk mitigation plans in place to minimize those risks before they become harmful to the organization?

Questions for Senior Management

- How do we ensure our third parties activities are performed safely and reliably around the world?
- How do we conduct the appropriate level of third party due diligence, risk monitoring and early indication reporting?
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Best practice for enabling third party governance with technology

Functionality

- Due diligence
  - Offers tools to guide enhanced third party evaluation
- Portfolio management
  - Drives value and portfolio optimization from the aggregated view of third party relationships
- Risk management
  - Predicts, analyzes and reviews risk factors for optimal third party performance
- Risk remediation
  - Identifies mitigation options to when acceptable risk thresholds are surpassed
- Performance management
  - An early warning system for third party performance issues

Features

- Integrated view of risk factors affecting the third parties
- Email alert notifications as risk scores surpass specified risk thresholds
- Structured and unstructured data sources used to evaluate risks
- State of the art risk modeling algorithms
- User-friendly mobile app interface for executives on the go

Actions for the Board

- Ensure that your management team has evaluated and addressed gaps in your organization’s third party governance process
- Consider technology solutions to uncover insights about your suppliers and evaluate options for mitigating current and future risks

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