
Enhancing Third Party Risk Management (TPRM)

Reliance on third parties continues to grow, and companies are becoming increasingly comfortable outsourcing higher-risk business functions. But while you can outsource responsibility for operational activities, you can't outsource accountability for these activities, particularly in the eyes of your customers and risk and compliance stakeholders.

Specialization, offshoring and outsourcing is the reality of business. After all, these help your people to focus on what they do best—executing on your core business objectives. But while leveraging third parties to perform activities on behalf of your organization can increase efficiencies, cut costs, lower operational risk and improve quality across functional areas, it can also create additional risks that your company may not be aware of, nor in a position to accept.

The cost of unaddressed risks can be unpredictable

If your third parties don't have the proper safeguards and controls in place, or appropriate oversight can't be provided, you could be exposed to increased fiscal, operational, regulatory or reputational risk. Many regulators have reported that instances of noncompliance with regulations in outsourced areas are becoming more common, and that companies' "best efforts" to manage third party sourcing risk are no longer good enough. What's more, broken processes—not identifying the risk associated with outsourcing activities, not taking effective action when issues arise, not monitoring remediation activities, etc.—can be more costly than addressing risks up front.

How we can help

To identify and manage these risks without sacrificing the benefits of using third parties, we recommend you implement a robust Third Party Risk Management (TPRM) program.

The TPRM function manages and monitors the sourcing activities and risks associated with using third parties to enable your operations and operational

strategies. It helps companies to identify and engage third parties who can meet their contractual and regulatory requirements, while still helping them meet their financial and operational objectives. It also provides a proven framework for the ongoing, operationalized risk management of critical third party service providers.

At a basic level, an effective TPRM program reduces risk exposure and improves transparency around third party sourcing activities. Whether your company needs to enhance its existing TPRM program or build one from the ground up, PwC professionals can provide a comprehensive suite of services, including:

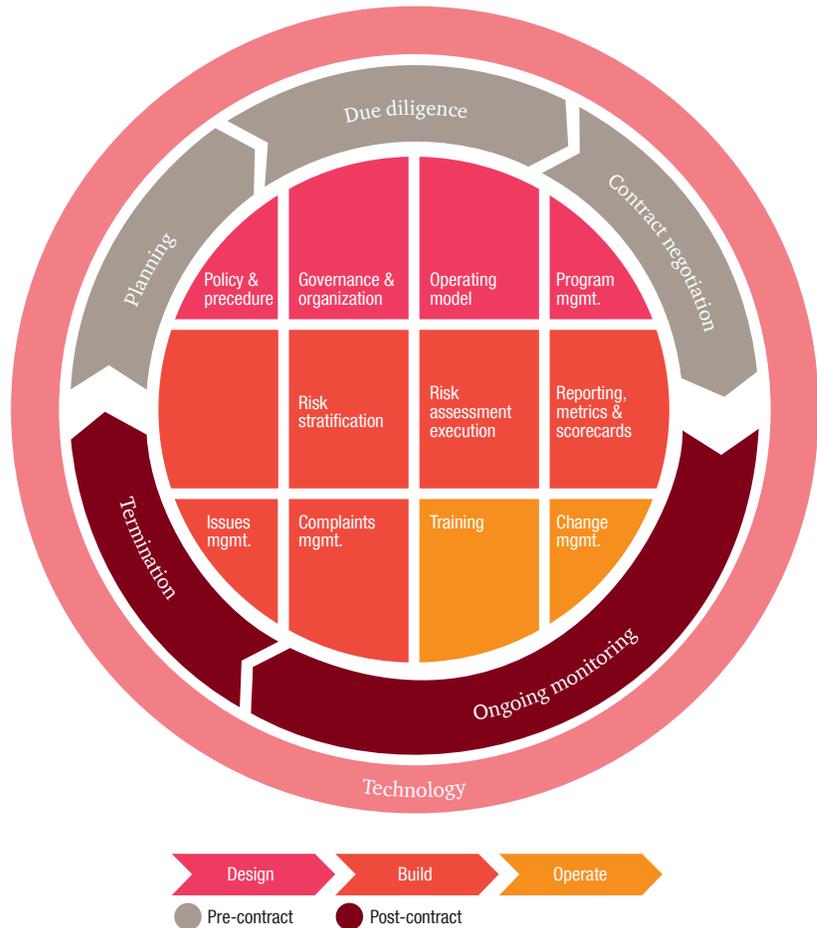
- **Program diagnostic:** Perform an assessment of the current TPRM function, identifying gaps against regulatory guidelines and leading practices.
- **Transformational roadmap:** Provide an end-state blueprint and roadmap to your company's desired state, including expected level of effort and costs.
- **Function build/rebuild:** Design, implement, and manage a new or enhanced TPRM program.
- **Technology enablement:** Integrate processes with new or existing technology platforms.
- **Third party stratification:** Determine the risk of outsourced services and third parties, and assign risk scores that drive appropriate responses by the organization.
- **Third party assessments:** Perform on-site, remote, or self-assessments.
- **Program management:** Outsource or co-source the TPRM program, including planning, execution, remediation, monitoring and reporting.



Our approach

Our approach is simple, yet flexible. We combine audit and compliance skills with sourcing and supply chain experience to provide you with practical, sustainable solutions, not hefty reports.

We'll help you create an ecosystem of trust where you have a clear line of sight between the promises you make and the people who are accountable for delivering them. A tailored TPRM program shows your stakeholders that you're pro-actively meeting your risk and compliance needs in order to boost performance.



Who to call

Our team helps you build commercial advantage from trusted information and reliable processes. For more information, visit www.pwc.com/ca/tprm.

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