



Apply Appropriate Risk Due Diligence for Supplier Engagements by Using the Enhanced Framework for Risk Management in SAP Ariba Supplier Risk
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Session ID #ASUG84105

About the Speakers

Chris Rodriguez

- Solution Manager, SAP Ariba Supplier Risk
- Helps global companies optimize their source-to-settle processes with 20 years experience
- Has piloted naval vessels in the Pacific & Atlantic Oceans and the Gulf of Mexico

Key Outcomes/Objectives

1. Understand Supplier Engagement Risk
2. Learn a best practice process for managing Supplier Engagement Risk
3. See how to apply it using the SAP Ariba Supplier Risk solution

Agenda

- What Is **Supplier Risk**?
- Overview of **Engagement Risk**
- Demonstration of managing Engagement Risk in **SAP Ariba Supplier Risk**

What Is Supplier Risk?

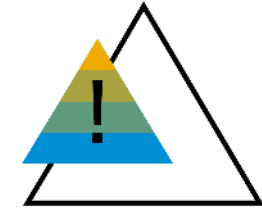
What if you could...



...segment your supply base by risk level and risk categories, based on cognitive processing of large volumes of external data **to know your supply base (KYS)**



...focus on specific risk assessments to measure effectiveness against controls based on inherent risk of the engagement to **drive efficiencies in risk due diligence**

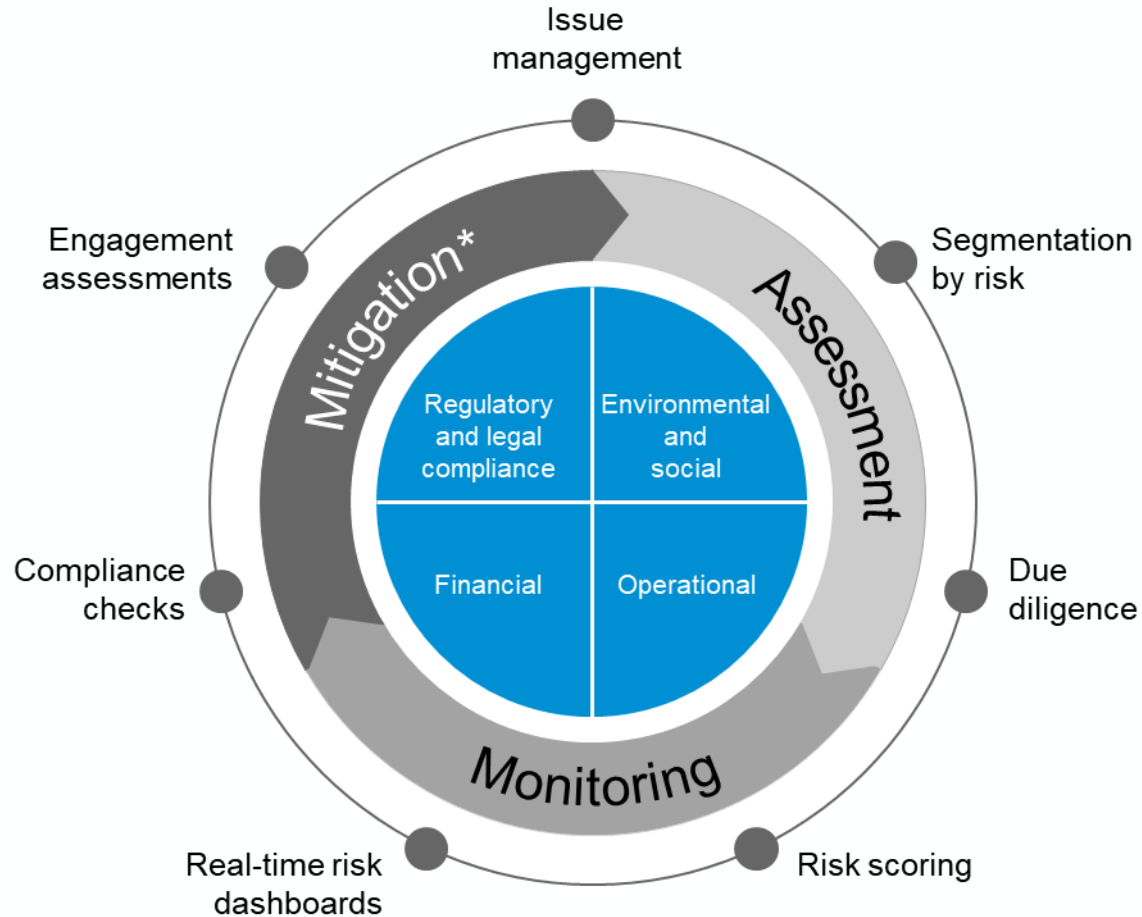


.....establish residual risk and track incidents based on aggregate risk information, **to guide supplier selection, qualification and ongoing monitoring**

Move from reactive crisis management to proactive risk management across all spend categories

What Is Supplier Risk?

Simplify risk management across procurement processes



Resolves barriers to information

Segments your supply base by risk

Embeds risk due diligence into procurement

Enables efficiencies in risk management

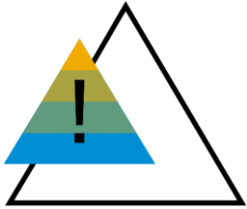
SAP Ariba Supplier Risk Capabilities

Segment your supply base for proactive risk due diligence



Comprehensive risk profile within supplier 360

- One view with all risk content – media incidents, country risk, natural disaster supplier enriched corporate information
- Incident model to calculate risk scores based on company-specific context and external events



Ongoing monitoring

- Proactive monitoring for reputational, compliance, financial, sustainability, and operational risks (~600K data sources)
- Additional 3rd party content provider subscriptions available for additional monitoring in areas such as compliance, forced labor and financial risk
- Personalized alerts based on users' risk role and appetite



Engagement Level Risk Due Diligence

- Risk based due diligence via control based risk assessments
- Drive compliance with third-party risk management (TPRM) requirements in regulated industries



Overview of Engagement Risk

- What is an Engagement Risk Process?
 - An evaluation conducted to understand the potential risk of buying a product/service or outsourcing a service to a third party.
- When do customers conduct these assessments?
 - Before making a sourcing or contracting decision
- How are customers doing this today?
 - Excel spreadsheets, email or hiring a consulting company to manage

Common areas customers evaluate

- Information Security & Data Privacy (GDPR)
- System Security
- Business Continuity
- Regulatory Compliance
- Financial Impact
- Physical Security
- Disaster Recovery

Inherent Risk is the raw/natural risk of an engagement, irrespective of the third party. The risk that exists before any mitigation is performed.

Residual Risk is the remaining risk after all risk controls are evaluated and risks are addressed.

Example: Information Security questions prior to our customer signing agreement

Other Key Definitions

Risk Controls

- Risk controls specify the methods a company uses to evaluate risk in a particular area when considering an engagement with a supplier or third party.
- They outline a company's strategy to identify the risks of working with a supplier or 3rd party and detail how they should select, assesses, and oversee the supplier or third party and minimize risk.
- Each risk control has an owner, a decision maker, and questions that need to be answered to assess the risk.

Control Assessments

- Assessments are associated with risk controls and are a set of questions designed to better understand the risks of working with a supplier or 3rd party in particular area(s), relevant to a control.
- Assessments are evidences provided by internal and external parties to enable risk control review.

Example: A **control** could be related to GDPR, the EU General Data Protection Regulation.

- Ensuring a supplier or 3rd party meets the Buying company's requirements such that they adhere to GDPR regulations. One **assessment** related to GDPR might be sets of questions specific to identifying if the supplier or 3rd party sufficiently meets the requirements for "Encryption in Transit", i.e. they can prove personal and sensitive data is encrypted while in transit to the extent required by GDPR.

Overview of Engagement Risk

Marketing Use Case: Division A of Alpha Firm wants to procure marketing services for a new product in region A



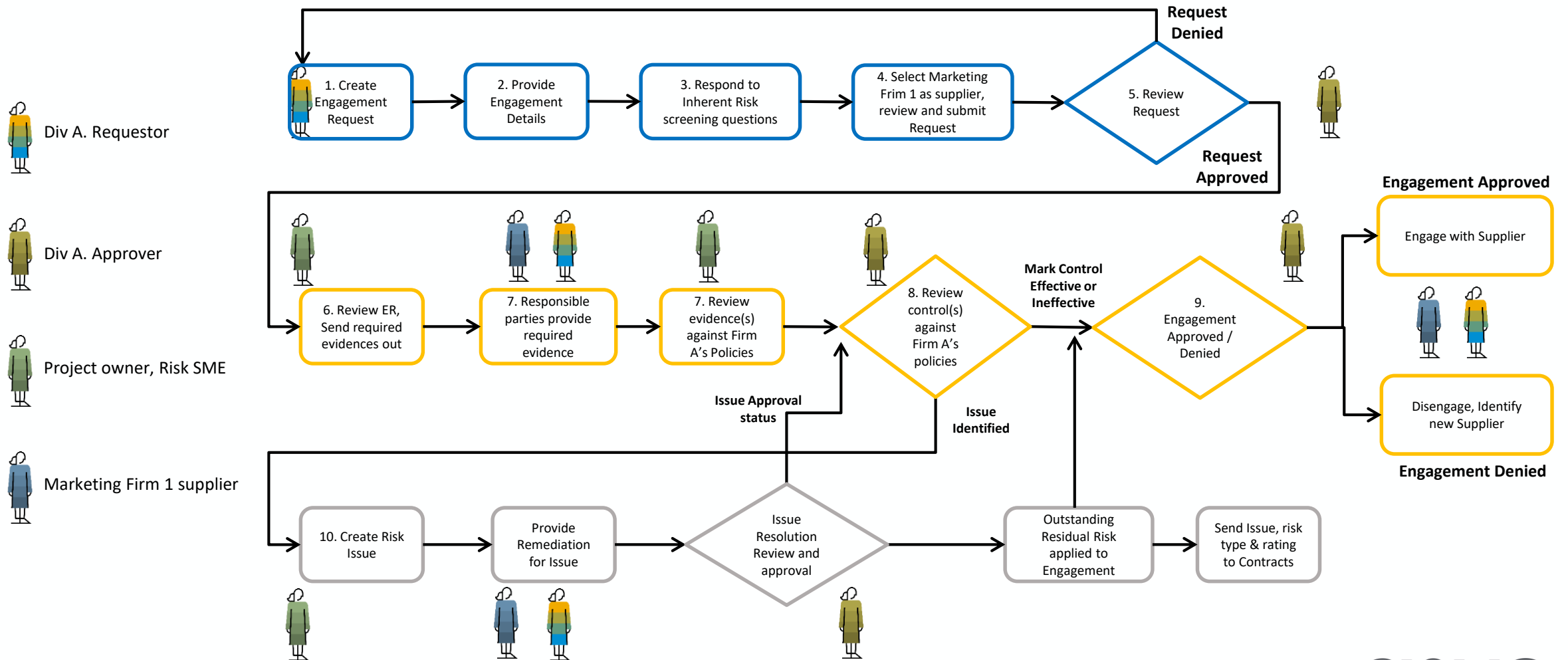
- The division has identified **Marketing Firm 1** as a potential candidate to provide the services.
- Due to the project scope, **Division A** needs to assess their engagement with Marketing Firm 1 for potential risks before any contract with the firm can be signed.

- Based on the engagement details, **the system determines additional risk screening questions.**
- **Inherent risk** of the engagement is calculated based on the responses to these questions.

- In accordance with Alpha Firm's policies and the inherent risk of the engagement, Ariba requires **Division A and Marketing Firm 1 to provide supporting evidences** to analyze the risk
- **Risk experts** from Alpha Firm **review the evidences and provide their decision** on risk controls

Overview of Engagement Risk

SAP Best Practice Process Flow with Controls Framework



The image shows the interior of a grand, ornate theater. The stage is framed by a large, arched, gold-colored decorative structure. A large red curtain hangs across the top of the stage. In the center of the stage, a large white screen displays the text "SAP Ariba Engagement Risk Demonstration". The theater seats are arranged in rows, and the walls are decorated with intricate carvings and murals. Two "EXIT" signs are visible on the side walls.

SAP Ariba
Engagement Risk
Demonstration

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Presentation Materials

Access the slides from 2019 ASUG Annual Conference here:

<http://info.asug.com/2019-ac-slides>

Q&A

For questions after this session, contact us at christopher.rodriguez@sap.com

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