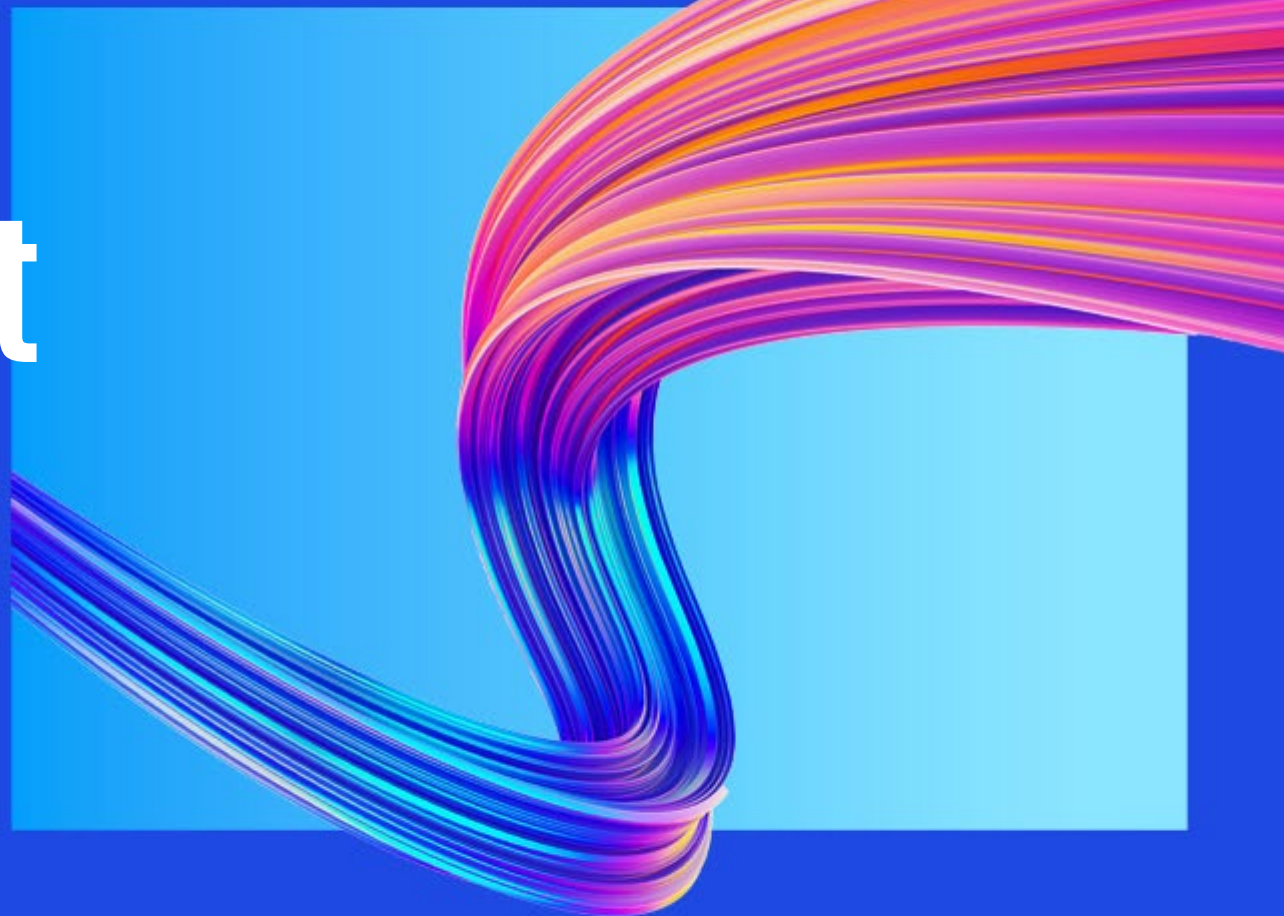




Powered Procurement – Risk

Embedding Supplier Risk with
KPMG Powered Procurement

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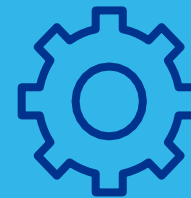
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Why is managing supplier risk both important and challenging?

In the world of procurement, where managing ongoing global supply chain disruptions and ESG reporting are top priorities, robust supplier risk management is more important than ever.

Organisations rely on an interconnected ecosystem of suppliers and partners but these also present risks. Mistakes can result in reputational damage, disruption, delay, and financial penalties. This has been accentuated by the pandemic, which gave rise to a new breed of third party risks and rapidly increased the availability of supplier risk tools.

Businesses need the reassurance and resilience that only a strong supplier risk management system can bring. The nature of the challenge is changing rapidly due to several factors in combination:



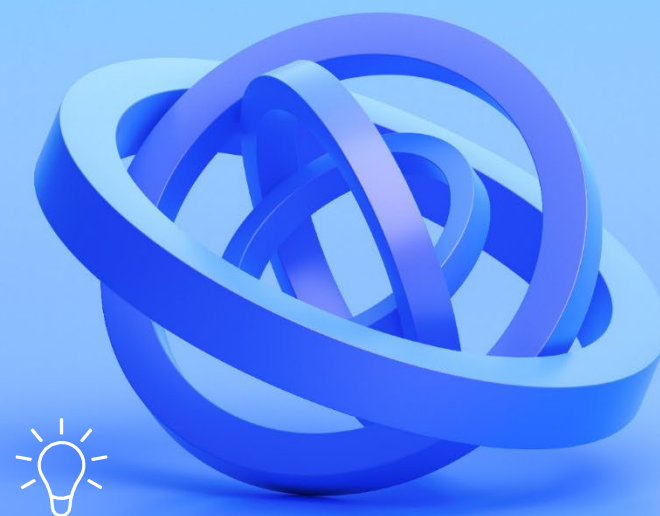
Increased exposure to digital risks with remote working and more technologies integrated into the supply chain than ever before



Increased ESG & other regulatory landscape and stakeholder expectations enforcing supplier risk processes along with heavy financial costs associated with non compliance



Desire for insightful, real time risk reporting of supplier risks and coverage of critical risk areas such as cybersecurity and ESG to align with organisations' long term business objectives



Regulators across the globe are increasing standards for supplier risk management and demand accurate reporting from organisations to demonstrate compliance.

Businesses in regulated sectors cannot afford to cut any corners. In the UK, the financial services regulator, the Prudential Regulation Authority (PRA), published an enhanced set of requirements (Policy and Supervisory Statements on Outsourcing and Third Party Risk Management) in March 2021

A platform that can automate end to end supplier risk processes & reporting is ever more important, but organisations face a challenging environment with a growing abundance of siloed risk technologies that do not achieve compliance. New solutions are needed that we can deliver through a combination of our established and proven KPMG Powered approach with SAP Ariba Risk.

Automate your supplier risk management with Powered Procurement Risk

Regulatory mandated supplier risk management, along with heavy fines and reputational damage for non compliance, has led to organisations' investing heavily in highly manual and inconsistent risk processes and technologies which don't deliver the desired results.

As a consequence, organisations face a real challenge to navigate a complex ecosystem of supplier risk technologies, and struggle to meet regulatory and industry standards for risk management of critical areas such as IT, Cyber and ESG.

A transparent strategy for onboarding, managing, and monitoring suppliers and risk reporting is vital. In regulated sectors, it is a non negotiable matter of compliance; in other sectors, it is equally essential for risk mitigation, reputation, and revenue protection. Procurement and risk functions need a unified and effective approach to modernise end to end supplier procurement & risk processes.

KPMG Powered have modernised Procurement and supplier risk through its integrated offering: **Powered Procurement Risk**:

A uniquely powerful combination of KPMG's proven functional transformation solution (Powered Enterprise) with Ariba's globally leading risk solution to automate and embed leading practice supplier risk processes into the entire Procurement lifecycle.

Powered Procurement Risk can allow:

- **Automation** of industry leading regulatory standard supplier risk mitigation & reporting
- **Seamless integration of Procurement & supplier risk** allowing processes to run in parallel
- **Integration with third party data feeds**
- **Pre designed multi risk level due diligence**
- **Continuous improvement & risk evolution** services with a scalable risk model

The Powered Risk Framework digitised in our Risk platform enables:

- 'Appropriate and proportionate' proactive due diligence
- Risk standards cascaded to contractual requirements
- Concentration & geopolitical risk coverage & reporting
- Fourth party assessments for better understanding of risk landscape

Automate ESG assessment with Powered Procurement Risk embedded with ESG

Stakeholders and consumers are increasingly focusing their decisions on organisations' ESG credentials and investors are favouring businesses with robust ESG frameworks.

In addition, with Governments across the global implementing ESG regulations, such as CSDDD, this drives the requirement for businesses to assess their purchasing processes, particularly when contracting with small and medium sized enterprises (SMEs).

Investors and government regulations mandates increased transparency in areas such as diversity, equal pay, carbon emissions and modern slavery. This makes organisations' ESG efforts and reporting crucial to long term value creation and sustainable finance.

ESG risk events can be influenced by the structure of ecosystems and supply chain networks. Supply chain visibility is essential to the success of sustainability transformation. Technology and robust end to end procurement processes are the foundation of achieving visibility of ESG risk across the supply chain.

KPMG's Powered Methodology integrated with ESG and TPRM Risk process along with Ariba's globally leading Risk solution helps to automate ESG assessment & monitoring and integrate data across Source to Pay.

The Powered Risk Framework digitised in our SAP Ariba Risk platform enables:

- Risk due diligence based on supplier's country and commodity of goods/services
- TPRM integrated risk scoring model for automated risk scoring aligned to your organisation's risk appetite for critical areas such as ESG risk
- Automation & process efficiencies with industry leading TRPM process for onboarding, supplier risk monitoring and risk reporting
- Optional integrations with market leading third party data management tools such as D&B, EcoVadis, Rapid Ratings & Bureau van Dijk
- Integration with third party data feeds such as World Economic Forum and Semantic vision which uses AI to analyse billions of online news sources
- Collaborate with supplier using SAP Business Network to assess and manage ESG Risk
- Comprehensive 360 degree view across each supplier profile, including ongoing activities, and up to date risk profile

An accelerated transformation driven by our leading technology

Tech enabled supplier risk management and real time monitoring is vital to meet the ever changing and increasingly tightening regulations including ESG regulations and cost of non compliance. KPMG Powered Procurement Risk solution is our best practice Powered approach, brought to life with SAP Ariba Risk. Taking the knowledge and expertise in Procurement and Supplier Risk, we ensure the process, reports and controls meet the highest regulatory standards and streamline compliance as part of a holistic Procurement. It's not just the system but the processes it enables and integrates that supports effective, strategic and compliant Procurement.

What is Powered Enterprise?

Powered Enterprise is KPMG's outcome driven functional transformation solution that combines deep functional knowledge, proven delivery capability and cloud technology to drive **sustainable change, rising performance and lasting value**. It brings the capability to:

- **Transform** the way you run your business
- Build **agile functions** that evolve as you grow
- Help your people **adopt** and **embrace change**
- **Exploit new technologies** for value and performance
- **Drive future success** with continuous leading practice
- Optimise service delivery and use of data for **competitive advantage**

What is SAP Ariba Risk?

SAP Ariba Risk is part of Ariba's wider S2P suite a cloud based solution that can transform the way your organisation does Procurement. By automating supplier risk management as part of end to end Procurement, it provides a modern, streamlined approach to managing your suppliers all within a globally leading platform.

SAP Ariba Risk in the SAP ecosystem covers a wide range of important ESG topics in a comprehensive and deep risk model. This is supplemented from an ESG perspective by a deep risk insights platform that collects, integrates and models data from over 650+ feeds, including news and social media monitoring in nine languages.

It has the benefit of accessing SAP Business Network, which is the largest supplier network among the S2P platforms. It also offers Interactive dashboards that integrate operational governance & KPI reporting allows for opportunities to introduce efficiencies & operational excellence.

How does that work?

Powered Procurement Risk more than the sum of the parts

KPMG's Powered Procurement Risk offering combines an industry leading technology solution with pre defined TPRM Processes to enable clients to transform their supply chain management accelerating delivery and enabling clients to maximise the value of their technology investment.

The key benefits of the solution are:

- Sustainable approach to regulatory compliance, operating effectiveness, and effective risk management
- Cost efficient delivery and reduced delivery risk; the solution is 80% pre configured with 20% configuration for client requirements
- Seamless integration between functional capability requirements and enabling technologies

80%

pre configured
solution

20%

configuration for
client requirements

Powered Procurement Risk has clearly defined processes and assets that meet regulatory expectations and bring a best practice approach:

- Service level assessments and third party management processes
- Action and mitigation plans
- Controls and escalation process

- Offboarding and termination process
- Overarching governance and support model post go live

These processes can be supported using pre defined assets that are maintained in line with the most globally stringent regulators. This includes:

- Inherent Risk Questionnaires (IRQ)
- Third Party Questionnaires (TPQs)
- Residual Risk Scoring Methodology
- Reports & Dashboards
- Tailored Training Material
- Key Performance Indicators (KPIs) & contractual requirements

A pre configured cloud solution, embedded with years of KPMG leading practice and enhanced with automation, Powered Procurement Risk can help you to transform your third party risk processes into a digital and scalable end to end process. Supporting you in compliance, and risk mitigation.

With the ability to embed your organisation's internal objectives using Key Performance Indicators and MI Reporting, our platform can enable your organisation to move towards a smarter and more strategic approach to third party management.

KPMG professionals understand the human factors involved in business transformation. We can help inspire and empower your people to embrace change, as you align your transformation with industry disruption. As

part of our wider offering, full training is provided to staff during implementation. This includes active promotion of knowledge sharing and transfer from our experienced team members, as well as full training to all relevant stakeholders during the implementation. This not only enables your organisation to actively manage and own platform and supplier risk processes but also derive greater insight and value from the transformation post go live. We will develop training materials to cover assets and processes that can be continually maintained, reviewed, and updated as required, based on both feedback from engagements and changes to the industry and external regulations



Working with KPMG ensures you have access to the most developed and advanced technology, processes and implementation experts within TPRM & Procurement to ensure your organisation will have confidence in the solution and processes implemented.

With you all the way

It doesn't need to end with implementation. KPMG TPRM and Managed Services are on hand to provide support and guidance on a long term basis far beyond system go live.

This falls into two distinct areas:

01

Managed services (processes)

We operate your agreed end to end processes for pre and post contract due diligence and risk assessments of third parties. We incorporate leading technologies and data sources with best practice processes delivered by risk domain experts. Our global model ensures we can support you in managing your suppliers anywhere across the world

02

Managed services (system) Our flexible managed services offering gives you access to the best experience and knowledge, and reduces risk around system upgrades, enabling you to focus on continuing to evolve and improve your business offerings

Accelerating your compliance with Powered Procurement – Risk

The nature of third party interactions is changing as the business environment becomes ever more complex and inter connected. The regulatory stakes are rising too. New solutions are needed that bring resilience and peace of mind.

By combining KPMG's Powered Enterprise solution The culmination of sustained investment, decades of leading practice experience and ongoing collaboration with clients and industry partners with SAP Ariba Risk, the result is a truly comprehensive suite of TPRM capabilities embedded with ESG configured in the cloud.

Simplified workflows accurately identify, monitor, manage and mitigate third party risks and allow integration of supplier risk with Procurement to support you achieve compliance without the long lead times. All the support you for ongoing evolution and innovation as requirements or market dynamics change is available as part of the KPMG Powered Procurement Suite of Solutions.

This means you can embrace transformation as a positive state rather than a disruptive event. With a supplier risk solution that is agile and adaptable for the future, you're ready for whatever challenge comes next.

Our global TPRM and Procurement capabilities

To find out more about Powered Enterprise | Procurement and the impact it can have on your business visit: kpmg.com/uk/poweredprocurement.

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