How Sourcing Can Use Artificial Intelligence and Blockchain Technologies to Manage Supplier Risk

Dun & Bradstreet
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Managing Third Party Risk via RPA, AI and Blockchain
Discussing Market Challenges

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Agenda

- Introductions
- Challenges Managing Third Party Risk
  - Defining The Maturity Spectrum
  - Use Case Discussion
- What’s Next?
  - How Can RPA & AI Help
Inconsistent Third Party Management Processes Can Be Costly….

<table>
<thead>
<tr>
<th>SECURITY &amp; GDPR</th>
<th>COMPLIANCE</th>
<th>PERFORMANCE</th>
<th>FRAUD</th>
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<tbody>
<tr>
<td>$10B+ loss of value due to data breach that was traced back to a 100-person HVAC vendor&lt;sup&gt;2&lt;/sup&gt;</td>
<td>$7.5M fine in March, 2015 for OFAC violations</td>
<td>$530M paid to settle action by suppliers</td>
<td>$100M fraud by fake supplier</td>
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<td>63% of data breaches linked to a third-party</td>
<td>$1.2B OFAC fines in 2014</td>
<td>1 in 3 US workers is contingent</td>
<td>U.S. Attorney’s Office regularly deals with fake supplier swindles</td>
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**AUDITABILITY:** Fines can be 10x without a **consistent auditable process**
A Typical Process - 30 Steps Across 6 Groups

Stakeholder Groups

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<tr>
<th>Risk</th>
<th>Supplier</th>
<th>Compliance</th>
<th>Procurement</th>
<th>IT</th>
<th>Legal</th>
<th>AP</th>
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<tbody>
<tr>
<td>Company Data &amp; Insurance</td>
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<td>Sanctions Fraud, Reputation</td>
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<td>Data Security &amp; Privacy</td>
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<tr>
<td>OCC &amp; HIPPA</td>
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Provide Data

Background Check

Approve

Contract

Approve

Approve

Approve
Yesterday’s 3P Risk Management Process Are Outdated

- Managed by Emails
- No Audit Trail
- No Management Info
- No Evidence
- No Reminders
- High reliance on self-disclosure

- Typically A Single provider
- Time Consuming Researching
- High False Positives
- Labor Intensive
- No/Limited Analysis
- No/limited master data controls integration

- High reliance on self-disclosure
- Risk View Limited to previous review
- Subjective foundation
- Often transparent to triggers

- High reliance on self-disclosure
- Outdated View
- Silo views
- No/limited master and payment data integration

- High Cost
- Impractical for vast majority of records
- Time Consuming
- Not Fully Auditable

- Static View/ Snap shot in time
- Compliance ‘red flag’ alerts only
- No/limited master data controls integration
DUE DILIGENCE: Manual processes today to search, match, request, assess, vet a range of Supplier Risks – Financial, Operational, Compliance
Manage Frequent Changes Every Minute....

In fact, in the next 60 minutes:

- **64 businesses** will move
- **302 business telephone numbers** will change or be disconnected
- **360 businesses** will have a suit, lien or judgment filed against them
- **159 new businesses** will open their doors
- **3 businesses** will file bankruptcy
- **182 Chief Executive Officer or Owner changes will occur
- **2 companies** will change their names

SOURCE: DUN & BRADSTREET NORTH AMERICA DATABASE. (FIGURES BASED ON 24 HOURS BY 365 DAYS.)
The Move To
Live Entity Management
Discussing The D&B Experience
Marc Goldberg – Global Head Of Sourcing & Procurement
D&B Has Multiple Stakeholders, Processes, Forms & Approvals

D&B DUE DILIGENCE: Manual processes today to search, match, request, assess, vet a range of Supplier Risks – Financial, Operational, Compliance
Current State: Clogged Process

- Supplier Enablement is a “Catch All System” ticketing process. Frustrated with Multiple Task to Onboard / Enable a Vendor
- Stalled Approval Processes after the initial supplier onboard
- Lost Context of the Original Vendor Need. Is the Contract created with the risk needs that was evaluated during the Onboarding Process? Any changes?
- Lack of effective workflow management to drive actions and decisions at key steps in the process
- Phishing Emails from multiple teams
Why Have We Moved To RPA?

**Needs:**

- Achieve Process Efficiencies, Reduces manual efforts, Automate (as much as possible) data acquisition, Financial, Compliance and ongoing Risk assessment
- Need For Continuous Agility in a changing world of compliance
- Effective workflow management to drive actions and decisions at key steps in the process
- Early Screening - Appropriate level of due diligence is performed upfront in the process

**Benefits:**

- Live Entity removes the need for an engagement based workflows / model but integrates a rules driven diligence workflow and process
- Live Entity informs/alerts risk to you through the life of the relationship
- Better Financial Controls & Compliance
- Additional Sourcing/Contracting Efficiencies
- Ensures Accurate Supplier Master Data
Looking To The Future – AI

Main Business Drivers

• Reducing The Cost Of Compliance
• Achieve Close To Real Time Evaluations
• Higher Security

Living In A Real Time World With Confidence

• Constant input from best in class data sources structured & unstructured data (News, Sentiment Extraction & Analysis)
• RFI / RFP process – pre-evaluations with confidence & compliance

Advanced Contract Controls

• Understand vendor risk to structure contracts correctly, update contracts as things change
• Auto assigned with appropriate clauses based upon risk, update clause on risk change
Where Are We Headed?

Automation Maturity Spectrum

**Portals**
- Self-service for third parties

**Workflow**
- Coordinate across multiple stakeholder groups
  - e.g., risk-based routing, task queues, reminders

**RPA**
- Automate repetitive work
  - e.g., Intelligent decision workflows, lookup multiple data sources, create PDF reports

**AI**
- Understand large data sets, real time extraction & analysis
  - e.g., automatic red flags for fraud, reputation, etc.

**Blockchain**
- Coordinate across enterprises
  - e.g., supplier enter data once and share with multiple clients
Questions?
Session information and evaluation how-to’s

Why?
- Your feedback drives SIG Event content
- By signing and submitting your evaluation, you are automatically entered into a prize drawing

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From the App:
1. Select Sessions
2. Select Day
3. Select Session
4. Click on Clipboard Icon
5. Complete and submit evaluation

This was session # 6

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