Contract Risk Management

Your organization increasingly works with disparate national and global 3rd parties - suppliers, vendors, contractors, distributors and other partners – in order to deliver the majority of its revenues. Our research across global 1000 companies reveals significant challenges in current contracting processes. Contracts with suppliers and other 3rd parties should directly address the specific risks identified during the due diligence process. Line of business owners should know which clauses address identified risks and which were accepted, rejected or changed in order to adequately manage the 3rd party or take steps to remediate known risks. Companies need to objectively and consistently ensure each contract has the right clauses and controls based on the risks posed by the product and/or service offered. If not, they need to determine what measures and mitigation should be enacted to minimize the risks.

Managing contracts, across hundreds or thousands of 3rd parties is complex:

- Your legal team needs to understand the business use for the product or service when starting contract negotiations. Reliance on default service or product codes alone does not take into account risks identified by the line of business. Attorneys responsible for managing the contractual process may not understand the business and know which questions to ask to ensure appropriate contractual terms or clauses are included.

- Contract Lifecycle Management systems do not provide the level of guidance that contract teams now require to ensure clauses appropriately address known risks. Contract Lifecycle Management systems have helped companies with workflow and version control, but the clause libraries are generic, meaning clauses recommended are “standard”, and have no relationship to actual inherent risk.

- To ensure consistency and objectivity throughout the business, specific clauses, based on areas of risk or regulatory compliance, should be identified as requirements during the sourcing process and included in the contracts.

- Appropriate personnel should be engaged if significant changes are made to required contract clauses and an approved sign-off process followed.

- Contracts with 3rd parties, and visibility into which contracts with which third parties contain specific clauses should be readily accessible. All legal documents associated with the 3rd party (such as Master Service Agreements and related Statements of Work) should be stored with the contract and be readily available. Service Level Agreements and Key Performance Indicators that have been negotiated into contracts should be proactively monitored.

- Appropriate individuals should be alerted to contracts that are soon expiring.
Hipersos Contract Risk Management

Hipersos Contract Risk Management is a fully integrated module of Hipersos 3PM™, the leading software platform for 3rd Party Management. Hipersos Contract Risk Management enables a company’s to better protect its brand, reputation and revenues by providing an automated, risk-centric approach to contract authoring that addresses the gap between the line of business and the legal team. It also provides essential contract controls to remediate identified 3rd parties risks.

- A list of required controls – specific contract clauses – is automatically produced based on the risks identified during the due diligence process.
- Clauses and controls can be merged with the existing master contracts, aligning the contract risk process with a company’s existing contracting process.
- Changes during negotiation are automatically documented, identifying which controls were accepted, modified or omitted and who signed off on them.
- If required clauses are negotiated out of a contract or changed to the point they are deemed insufficient, appropriate control programs are systematically created in Hipersos 3PM™ to proactively mitigate the potential risk caused by inadequate contract controls. These are automatically measured/monitored for 3rd party compliance.
- The effectiveness of contract controls can be scored for specific contracts and aggregated by department, service or lines of business, giving companies visibility into the risk implication of controls and clauses that are modified or omitted. Executives can actively monitor the effectiveness of controls for each contract, or across all contracts and have better visibility into the company’s 3rd party risk.
- Contracts can be attached to a supplier relationship record within Hipersos 3PM, providing an accessible contract repository.
- Hipersos Contract Risk Management gives Financial Services organizations regulated by the Office of the Controller of the Currency (OCC) the ability to consistently measure and monitor the residual risk of critical relationships and designate contracts requiring board review.

Hipersos 3PM

The Hipersos 3PM solution will help you manage the ongoing oversight of and collaboration with your third party relationships, including ongoing risk management, compliance and performance activities.

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