# Third-Party Risk Toolkit

An executive and operational toolkit for governing supplier, vendor, cloud, outsourcing and fourth-party risk across the relationship lifecycle.

| IDENTIFY | TIER | ASSESS | CONTRACT | MONITOR | EXIT |
|---|---|---|---|---|---|
| **Dependencies** | Criticality | Evidence | Obligations | Change | Continuity |

**EXECUTIVE PURPOSE**

Move third-party risk beyond procurement questionnaires toward a lifecycle capability that identifies consequential dependencies, applies proportionate assurance and prepares the enterprise for supplier failure.

YAKAMICHI PERSPECTIVE

**A supplier becomes an enterprise risk when its failure, compromise or behavior can materially change your ability to operate.**

# Contents & Lifecycle Model


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**LIFECYCLE PRINCIPLE**

The depth of third-party governance should follow consequence. Critical providers require stronger evidence, monitoring, resilience planning and exit preparation than low-impact vendors.

# Third-Party Risk Mandate & Governance

Third-party risk management coordinates business ownership, procurement, security, privacy, legal, resilience, finance and risk so external dependencies are understood before they become crises.

| ROLE | ACCOUNTABILITY |
|---|---|
| **Business Owner** | Outcome, criticality, performance and residual risk |
| **Procurement** | Commercial process and supplier records |
| **Security / Privacy** | Cyber, data and control assurance |
| **Legal** | Contract rights, obligations and liability |
| **Resilience / Operations** | Continuity, substitution and recovery |
| **Enterprise Risk** | Framework, aggregation, escalation and reporting |

- Maintain one authoritative inventory of material third parties.
- Assign a business owner for every consequential relationship.
- Tier suppliers before determining assessment depth.
- Escalate residual risk to the authority empowered to accept it.
- Reassess when services, access, ownership or threat conditions materially change.

**GOVERNANCE TEST**

If no internal leader can explain what happens when a critical supplier fails tomorrow, ownership is incomplete.

# Inventory, Criticality & Risk Tiering

Spend alone is a poor proxy for risk. Tiering should consider business consequence, data, access, substitutability, concentration and regulatory importance.

| FACTOR | TIERING QUESTION |
|---|---|
| **Service criticality** | What business outcome stops if the provider fails? |
| **Data** | What sensitive or regulated information is accessed or processed? |
| **Access** | Does the provider hold privileged, remote or production access? |
| **Substitutability** | How quickly can the service be replaced? |
| **Concentration** | Do several critical services share this provider or platform? |
| **Regulatory / contractual** | Does the relationship create material obligations? |

## Illustrative Tiers

**Tier 1 — Critical** Failure or compromise could create material enterprise consequence.

**Tier 2 — High** Significant operational, data or security exposure; alternatives exist but transition is meaningful.

**Tier 3 — Moderate** Limited enterprise consequence with manageable dependency.

**Tier 4 — Low** Commodity or low-impact relationship with minimal sensitive access.

**TIERING PRINCIPLE**

Tier the service relationship, not merely the legal entity. One provider may supply both a low-risk commodity service and a mission-critical platform.

# Due Diligence & Evidence-Based Assessment

| AREA | EVIDENCE EXAMPLES |
|---|---|
| **Governance** | Policies, ownership, risk process and independent assurance |
| **Security** | Control reports, certifications, testing and remediation |
| **Resilience** | Business continuity, recovery evidence and exercise results |
| **Financial** | Viability, ownership and material financial stress indicators |
| **Legal / compliance** | Licenses, litigation, regulatory posture and contractual compliance |
| **Operations** | Service capacity, locations, staffing and dependency model |

## Assessment Discipline

- Ask questions proportionate to the risk tier.
- Prefer evidence over self-attestation for critical controls.
- Record exceptions and compensating controls.
- Separate missing evidence from evidence of control failure.
- Time-limit approvals where material gaps remain.
- Reassess after major incidents, ownership changes or service expansion.

**DUE-DILIGENCE PRINCIPLE**

A 300-question form is not stronger assurance if nobody validates the consequential answers.

# Cybersecurity, Privacy & Data Risk

| DOMAIN | KEY CONTROL QUESTIONS |
|---|---|
| **Identity / access** | How is privileged and customer access controlled and reviewed? |
| **Data protection** | Where is data stored, encrypted, retained and deleted? |
| **Security operations** | How are threats detected, investigated and contained? |
| **Vulnerability management** | How are material weaknesses identified and remediated? |
| **Privacy** | What personal data is processed and under which obligations? |
| **Incident response** | How quickly will the provider notify and cooperate? |
| **Subprocessors** | Who else receives data or critical access? |

## Higher-Risk Conditions

- Persistent privileged access into production environments.
- Sensitive data used outside the contracted purpose.
- Unclear provider rights to retain or train on customer data.
- Material unresolved security findings.
- Weak incident-notification commitments.
- Critical service depends on ungoverned subprocessors.

**DATA PRINCIPLE**

The enterprise remains accountable for understanding where consequential data goes, who can access it and what happens to it when the relationship ends.

# Operational Resilience & Concentration Risk

A supplier may meet security requirements and still represent unacceptable operational concentration. Resilience assessment should test whether the enterprise can continue when the dependency is unavailable.

| AREA | RESILIENCE QUESTION |
|---|---|
| **Recovery** | What recovery capability has the supplier demonstrated? |
| **Capacity** | Can the provider support demand during a regional or sector-wide event? |
| **Geography** | Are critical operations concentrated in one region or facility? |
| **Technology** | Do several suppliers depend on the same cloud, network or software? |
| **People** | Are critical services dependent on scarce individuals? |
| **Substitution** | How long would replacement or insourcing realistically take? |

## Concentration Views

- Critical services by cloud provider.
- Critical suppliers by geography.
- Multiple vendors sharing a key software/platform dependency.
- Revenue or operations dependent on one external provider.
- Critical suppliers relying on the same fourth party.
- Single-provider dependencies without tested alternatives.

**CONCENTRATION PRINCIPLE**

Vendor diversity can be an illusion when different suppliers sit on the same underlying infrastructure.

# Contracts, Rights & Risk Treatment

| CONTRACT AREA | RISK OBJECTIVE |
|---|---|
| **Security / privacy** | Define minimum control and data obligations |
| **Incident notice** | Set notification and cooperation expectations |
| **Audit / assurance** | Preserve appropriate evidence and review rights |
| **Subcontracting** | Control material changes to subprocessors |
| **Resilience** | Define continuity, recovery and service commitments |
| **Data return / deletion** | Ensure controlled termination and evidence |
| **Exit assistance** | Support transition for critical services |
| **Liability / insurance** | Align commercial remedies with material exposure |

## Risk Treatment Options

**Mitigate** Provider or enterprise implements additional controls.

**Transfer** Use insurance or contractual allocation where appropriate.

**Avoid** Do not enter or continue the relationship.

**Accept** Authorized owner consciously accepts documented residual risk.

**Substitute** Move to an alternative provider or internal capability.

**CONTRACT PRINCIPLE**

A contract is a risk-control instrument only when the enterprise can exercise the rights it negotiated.

# Continuous Monitoring & Change Events

Risk changes after onboarding. Monitoring should focus on signals that can alter criticality, control confidence, financial viability or continuity.

| SIGNAL | POTENTIAL ACTION |
|---|---|
| **Security incident** | Impact review, containment coordination and reassessment |
| **Ownership / acquisition** | Review control, jurisdiction and concentration changes |
| **Financial deterioration** | Increase monitoring and prepare alternatives |
| **Service degradation** | Escalate operational resilience and recovery |
| **Regulatory action** | Assess compliance and contractual implications |
| **Material subprocessor change** | Review new dependency and data flow |
| **Scope expansion** | Re-tier and reassess the relationship |

## Monitoring Cadence

- Tier 1: continuous signals plus formal periodic review.
- Tier 2: scheduled review and event-driven reassessment.
- Tier 3: proportionate periodic confirmation.
- Tier 4: lightweight lifecycle and change controls.

**MONITORING PRINCIPLE**

Do not collect alerts without ownership. Every meaningful signal needs a threshold, an accountable reviewer and a possible action.

# Fourth-Party, Cloud & Supply-Chain Dependencies

| DEPENDENCY | GOVERNANCE QUESTION |
|---|---|
| **Cloud infrastructure** | Which critical providers share the same cloud or region? |
| **Subprocessors** | Which downstream providers handle sensitive data or critical operations? |
| **Software components** | Could one common technology weakness affect several suppliers? |
| **Telecommunications** | Are critical providers dependent on common carriers or routes? |
| **Managed services** | Who holds administrative access across multiple environments? |
| **Geography** | Could one event affect several tiers of the supply chain? |

## Practical Fourth-Party Scope

- Map downstream dependencies where failure could create material consequence.
- Prioritize concentration rather than attempting an infinite supplier tree.
- Require critical providers to govern their own consequential subcontractors.
- Include downstream failure in continuity and scenario exercises.
- Track material changes to critical fourth-party dependencies.

**FOURTH-PARTY PRINCIPLE**

Visibility should follow consequence. The goal is not to know every subcontractor; it is to know the dependencies that can materially surprise the enterprise.

# Exit, Incident Response & Executive Reporting

| CAPABILITY | REQUIREMENT |
|---|---|
| **Exit trigger** | Define conditions that require transition or termination |
| **Data** | Return, portability, deletion and evidence |
| **Access** | Revoke credentials, connections and physical access |
| **Transition** | Knowledge transfer, records, configuration and service migration |
| **Incident coordination** | Contacts, evidence, communications and recovery responsibilities |
| **Executive reporting** | Critical exposure, residual risk, concentration and overdue actions |

## Executive Metrics

- Critical suppliers without current assurance.
- Critical suppliers outside risk appetite.
- Material concentration exposures.
- Overdue high-risk remediation.
- Critical suppliers without viable exit/continuity plans.
- Material supplier incidents and recovery performance.
- Relationships operating under expired exceptions.

**EXIT PRINCIPLE**

The first time an organization designs an exit plan should not be after trust has collapsed or the supplier has failed.

# 180-Day Third-Party Risk Program

| WINDOW | PRIORITY | DELIVERABLES |
|---|---|---|
| **0–30 Days** | Governance & inventory | Sponsor, ownership, supplier inventory and initial criticality |
| **31–60 Days** | Tiering & due diligence | Risk tiers, evidence standards and critical-provider reviews |
| **61–90 Days** | Contracts & gaps | Minimum clauses, exception process and remediation plans |
| **91–120 Days** | Resilience & concentration | Dependency maps, continuity tests and concentration view |
| **121–150 Days** | Monitoring & incidents | Change signals, escalation thresholds and supplier incident workflow |
| **151–180 Days** | Exit & reporting | Critical exit plans, executive dashboard and assurance calendar |

## Day-180 Outcomes

- Critical third parties are identified and owned.
- Assessment depth follows risk tier.
- Material control gaps have explicit treatment.
- Critical concentration is visible to executives.
- Supplier incidents have coordinated response procedures.
- Critical relationships have continuity and exit strategies.
- Executive reporting focuses on exposure and decisions.

**PROGRAM PRINCIPLE**

Start with the providers capable of causing the largest enterprise consequence. Perfect coverage of low-risk vendors is not a substitute for control of critical dependencies.

APPENDIX A

# Third-Party Criticality & Tiering Record

| FIELD | RECORD |
|---|---|
| **Provider / service** | _____ |
| **Business owner** | _____ |
| **Critical service supported** | _____ |
| **Sensitive data** | None / Internal / Confidential / Regulated |
| **Access** | None / User / Privileged / Production |
| **Maximum tolerable outage** | _____ |
| **Substitutability** | Easy / Moderate / Difficult / No near-term alternative |
| **Concentration** | Shared platform / geography / fourth party |
| **Tier** | 1 / 2 / 3 / 4 |
| **Rationale** | _____ |

APPENDIX B

# Evidence-Based Due Diligence Sheet

| DOMAIN | EVIDENCE | STATUS | GAP / ACTION |
|---|---|---|---|
| **Security** | _____ | Pass / Gap / N/A | _____ |
| **Privacy** | _____ | Pass / Gap / N/A | _____ |
| **Resilience** | _____ | Pass / Gap / N/A | _____ |
| **Financial** | _____ | Pass / Gap / N/A | _____ |
| **Legal / compliance** | _____ | Pass / Gap / N/A | _____ |
| **Subprocessors** | _____ | Pass / Gap / N/A | _____ |

APPENDIX C

# Critical Contract Control Checklist

- ☐ Security obligations defined
- ☐ Data use and location addressed
- ☐ Incident notification and cooperation defined
- ☐ Audit/assurance rights appropriate to risk
- ☐ Material subprocessors governed
- ☐ Continuity/recovery expectations defined
- ☐ Data return/deletion obligations included
- ☐ Exit assistance addressed
- ☐ Access termination requirements defined
- ☐ Liability/insurance reviewed against exposure

APPENDIX D

# Third-Party Monitoring & Escalation Register

| SIGNAL | THRESHOLD | OWNER | ACTION | STATUS |
|---|---|---|---|---|
| Security event | _____ | _____ | _____ | _____ |
| Financial stress | _____ | _____ | _____ | _____ |
| Service degradation | _____ | _____ | _____ | _____ |
| Ownership change | _____ | _____ | _____ | _____ |
| Regulatory action | _____ | _____ | _____ | _____ |
| Subprocessor change | _____ | _____ | _____ | _____ |

APPENDIX E

# Critical Supplier Exit Plan

| FIELD | PLAN |
|---|---|
| Exit triggers | _____ |
| Alternative provider / workaround | _____ |
| Transition lead time | _____ |
| Data export / portability | _____ |
| Access revocation | _____ |
| Knowledge / configuration transfer | _____ |
| Customer / regulator implications | _____ |
| Supplier assistance required | _____ |
| Exercise / validation date | _____ |

APPENDIX F

# Third-Party Risk Maturity Model & Executive Checklist

| LEVEL | CHARACTERISTICS | EXECUTIVE MEANING |
|---|---|---|
| **1 — Reactive** | Fragmented vendor lists, questionnaire-led assurance | Critical dependencies may be hidden |
| **2 — Developing** | Tiering and due diligence established; uneven lifecycle controls | Material visibility improving |
| **3 — Managed** | Evidence, monitoring, resilience, concentration and exit integrated | Repeatable risk governance |
| **4 — Adaptive** | Continuous intelligence, scenario testing and portfolio optimization | Third-party risk informs strategy |

## Executive Checklist

- ☐ Authoritative third-party inventory exists
- ☐ Critical relationships have business owners
- ☐ Risk tiering reflects consequence
- ☐ Critical due diligence uses evidence
- ☐ Cyber/privacy/data controls are assessed
- ☐ Concentration and fourth-party risk are visible
- ☐ Contracts contain proportionate control rights
- ☐ Monitoring has escalation thresholds
- ☐ Critical suppliers have exit/continuity plans
- ☐ Executive dashboard highlights residual risk and decisions

# Yakamichi Perspective

**Third-party risk is ultimately dependency intelligence. Organizations gain resilience when they know which external relationships matter most, what evidence supports trust and what they will do when that trust or capability changes.**

## REQUEST A CONFIDENTIAL CONSULTATION

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