



Third Parties Risks

WHAT IS THIS RISK ABOUT?

Third parties risks refer to risks associated with outsourcing to third-party vendors or service providers. They can include the risk of disruption of customer service; compliance and legal risks; and information security risks as third parties often develop and operate gaming systems, operate retail stores, supply physical scratch cards, perform marketing campaigns or service the drawing machine.

WHY SHOULD YOUR LOTTERY BE CONCERNED?

- Reputational impact: Damage arising from third-party behavior.
- Financial impact: Impact due to financial fraud or exposure created by third-party behavior, as well as failure of financial viability of third-party impacting delivery.
- Operational impact: Breakdown in supply chain due to failure of third parties and disruption in customer service due to third parties
- Legal impact: Breach of regulation or law through third-party action.

HOW TO MINIMISE THIS RISK?

Actions (best practices) presented herein could be implemented to minimise risk and ensure more effective risk management.

Onboarding and due diligence

- Make sure that exchanged sensitive information are kept confidential by third parties.
- Select reliable and mature third parties in the RFP process.
- Assess if outsourcing concerns a critical or important function.
- Identify and assess all the relevant risks of outsourcing.
- Perform due diligence on the prospective service provider.
- Identify and assess conflicts of interest that outsourcing may cause.
- Reserve the termination rights and plan the exit strategy for critical functions.

Ongoing monitoring

- Identify changing scope of relationship and update risk assessment.
- Identify changing business strategy.
- Changing personnel, operations or products.
- Ensure the products and services delivered.

Third parties risk governance

- Maintain an updated list of suppliers and related contracts.
- Manage the risk of critical suppliers.
- Manage the risk of complete dependence on a single supplier.
- Establish contingency plans for when a third-party is deemed below quality or breach of contract.



MAIN QUESTIONS TO KNOW THE STATUS OF YOUR LOTTERY IN RELATION TO THIS RISK	
<i>Questions/Answers</i> <ul style="list-style-type: none"> ▪ <i>YES: It is implemented in your lottery</i> ▪ <i>NO: It is not implemented in your lottery</i> ▪ <i>PARTIALLY: It is partially implemented</i> 	
Do you use non-disclosure agreements (NDA) covering also data protection requirements?	Yes/partially/No
Are legal, compliance, quality, and security requirements included in the RFP and contracting processes?	Yes/partially/No
Do you perform an assessment if the functions are critical for sales/revenue or important for business continuity?	Yes/partially/No
Do you have a risk assessment including operational, reputational, compliance, financial and strategic risks?	Yes/partially/No
Do you perform a due diligence of the third-party using risk-based approach?	Yes/partially/No
Do you perform an assessment of the possible conflicts of interest?	Yes/partially/No
Do you perform a risk assessment of the dependency on the supplier and definition of the provisions for exit strategy in the contract?	Yes/partially/No
Do you perform periodic checks of the scope of the relationship and updated risk assessment in case of significant change of the scope?	Yes/partially/No
Do you perform periodic checks of the changes in the ownership, structure changes and financial status reports etc. published in business registers using risk-based approach?	Yes/partially/No
Do you track changes in your supplier's personnel and operations?	Yes/partially/No
Do you perform periodic checks of required certifications and other compliance requirements?	Yes/partially/No
Do you perform audits for high-risk suppliers based on the risk assessment?	Yes/partially/No
Is there a definition and monitoring of partner performance based on business metrics (KPIs, KRIs and SLAs)?	Yes/partially/No
Do you perform tests and inspections of delivered products and services?	Yes/partially/No
Is there collaboration on risk management with key suppliers and partners?	Yes/partially/No
Do you perform a periodic evaluation of the incidents concerning the supplier, definition and tracking of the correction measures?	Yes/partially/No
Do you have a policy for third party risk management?	Yes/partially/No
Do you have a Code of Conduct for third party?	Yes/partially/No
Is there a designated person/department responsible for the cooperation with the suppliers?	Yes/partially/No
Do you have a regularly updated list of suppliers, detailing services they provide, severity of those services, responsible person, and other details?	Yes/partially/No
Is third-party risk regularly assessed and reported to the management/board?	Yes/partially/No
Is there a strategy to avoid dependence on a single supplier?	Yes/partially/No
Do you have a contingency plan for critical suppliers?	Yes/partially/No