IPACS Benchmark Guidelines

Updated 2 September 2022, version 2

IPACS Benchmark E10 – The organisation has procedures for assessing third parties (protection against external risks), such as clients, service providers, intermediaries, subcontractors, etc.

Definitions

- Third party risk – the potential risk to organisations from all reputational and legal perspectives, including their supply chain and other outside parties that provide products and/or services and may have privileged access (for example, risks relating to one of the organisation's major sponsors or suppliers)

Introduction to this benchmark and its significance

- By assessing third party risks effectively, an organisation can mitigate external risks that could affect its reputation, regulatory compliance, finances, human rights obligations, IT security, strategic objectives and other areas
- As sports organisations often have a significant public profile, association with third parties that fail to meet high standards in a particular field can lead to significant reputational harm
- Public, media, governments and other stakeholders rightly have high expectations of sports organisation and how they conduct business

Commentary on the action to be taken

- The organisation should have a defined process for carrying out due diligence on third parties, such as sponsors, service providers, intermediaries and contractors; this process should be adapted to each third party, according to its specific risk profile, and can be performed using different means, ranging from simple open-source searches to in-depth investigations, or self-assessment questionnaires sent to the third parties, as appropriate
- The organisation should set contractual requirements for third parties (e.g. in procurement and in sponsorship agreements) to meet relevant international good practice standards on topics including environmental sustainability, supply chain, labour rights, health and safety and others
- The organisation should consider third party risks systematically as part of its risk management process
- The organisation should involve independent individuals in the third party due diligence process, such as members of the audit committee or external specialists
- The organisation should actively decline to work with third parties that fail to meet appropriate standards; when appropriate, the organisation can give third parties the opportunity to adapt their procedures to comply with relevant standards before terminating a contractual relationship
- The organisation should carry out regular educational work with internal and external stakeholders about third party risks
- See also Recommendations B1 (Code of Ethics), B9 (zero tolerance), B10 (anti-corruption Code), C8 (conflicts of interest), E2 (audit committee), E3 (accounting controls), E4 (risk assessment) and E6 (open tendering)

Investment requirement – some investment is required to conduct appropriate due diligence checks on third parties; on occasions there may be opportunity costs for choosing not to work with a potential third party which might pose an unacceptable risk

Guidance according to stage of organisation

Early stage

- The organisation has appropriate rules in place about third party risks, such as in the Code of Ethics, anti-corruption Code, procurement policy, conflict of interests policy and supplier code
- The organisation carries out due diligence on third parties when they are judged to be high risk

Developing

- The organisation has a defined process for carrying out due diligence on third parties, such as sponsors, service providers, intermediaries and subcontractors
- The organisation sets contractual requirements for third parties (e.g. in procurement and in sponsorship agreements) to meet relevant international good practice standards on topics including environmental sustainability, anti-corruption, supply chain, labour rights, health, safety, security and others
- The organisation considers third party risks systematically as part of its risk management process
- The organisation has independent individuals involved in the third party due diligence process, such as members of the audit committee
- The organisation actively declines to work with third parties that fail to meet appropriate standards

Advanced

- The organisation has established and formalised a Know Your Customer (KYC) / Know Your Vendor (KYV) process and procedure for the evaluation of third-party risks. Internal expertise is developed for the management of higher risk areas, and deviations to the process are appropriately escalated and approved
- The organisation commissions external specialists to assist with due diligence checks on third parties
- The organisation provides due diligence to major stakeholders, such as event organisers, for their suppliers
- The organisation carries out regular educational work with internal and external stakeholders about third party risks, at least annually

Good practice examples

Overall standard among International Federations:
- Not included directly in the ASOIF study

Selected references
- SIGGS Principle 1 (Integrity), Indicator 6 - How does your organisation manage risks?; Roadmap – Risk Management
- IOC Supplier Code 2022
- PwC Know Your Customer Reference Guide (2016)
- Geeraert, A. (2018). Sports Governance Observer 2018. An assessment of good governance in five international sports federations. Aarhus: Play the Game / Danish Institute for Sports Studies, p.11-15:
    - Principle 33: The organisation employs open tenders for major commercial and procurement contracts.