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April 7, 2020

Vendor Business Continuity, Disaster Recovery and Pandemic Planning

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Session Agenda

What is **Business Continuity, Disaster Recovery and Pandemic Planning – Business Continuity Management**

How they all fit together

Effective Pandemic Planning

Risk-Based Approach

Regulatory Expectations

Best practices to takeaway

Business Continuity Management (BCM)

✓BCM is an umbrella term that encompasses business continuity, disaster recovery and pandemic planning.

✓A vendor's BCM program should align with its strategic goals and objectives. Management should consider a vendor's role within and impact on the overall industry when it develops a BCM program.

✓Requires management to have processes in place to oversee and implement resilience, continuity and response capabilities to safeguard employees, customers, products and services.

✓Resilience incorporates proactive measures to mitigate disruptive events and evaluate an organization's recovery capabilities.

What Is Business Continuity and Disaster Recovery?

- ✓ **Business continuity** allows you to ensure that key operations, products and services continue to be delivered either in full or at a predetermined, and accepted, level of availability.
  - ✓ **Disaster recovery** is a subset of business continuity and outlines the process and procedures to follow at the immediate onset of an incident up to and including the resumption of normal operations.
- ✓ You do this for your own organization, but you should also be aware of what your vendor does.

What Is Pandemic Planning?

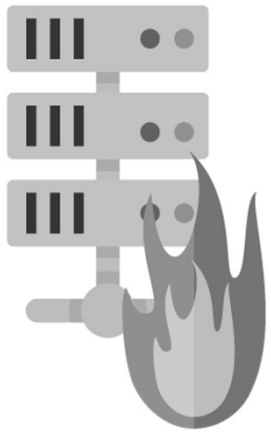
- ✓ Preparing for a pandemic event by planning, exercising, revising and translating actions as part of a response
- ✓ **A pandemic plan** is an active document which lists the strategies, procedures, preventative measures as well as any corresponding implementation guidelines an organization will take should a global health crisis occur
- ✓ Your vendor's pandemic plan will tell you how they plan to continue operating and providing business services during unprecedented events

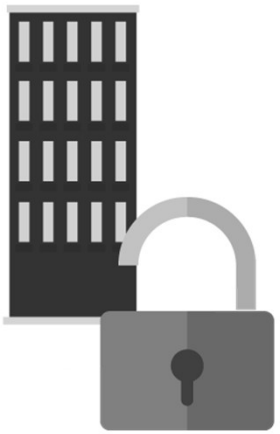
Monitoring Vendor Pandemic Planning

- ✓ Reviewing vendor pandemic plans and cybersecurity measures
- ✓ Reviewing your own BIA
- ✓ Referring to regulatory guidance
- ✓ Communicating your plans and expectations to your vendors
- ✓ Testing your plan ***and your vendor's plan*** frequently

Real-Life Scenarios Will Happen

It's Just A Matter of Time





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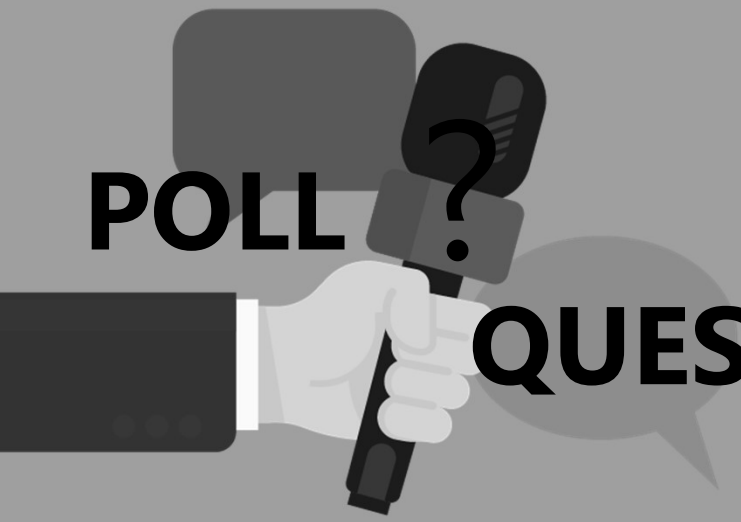
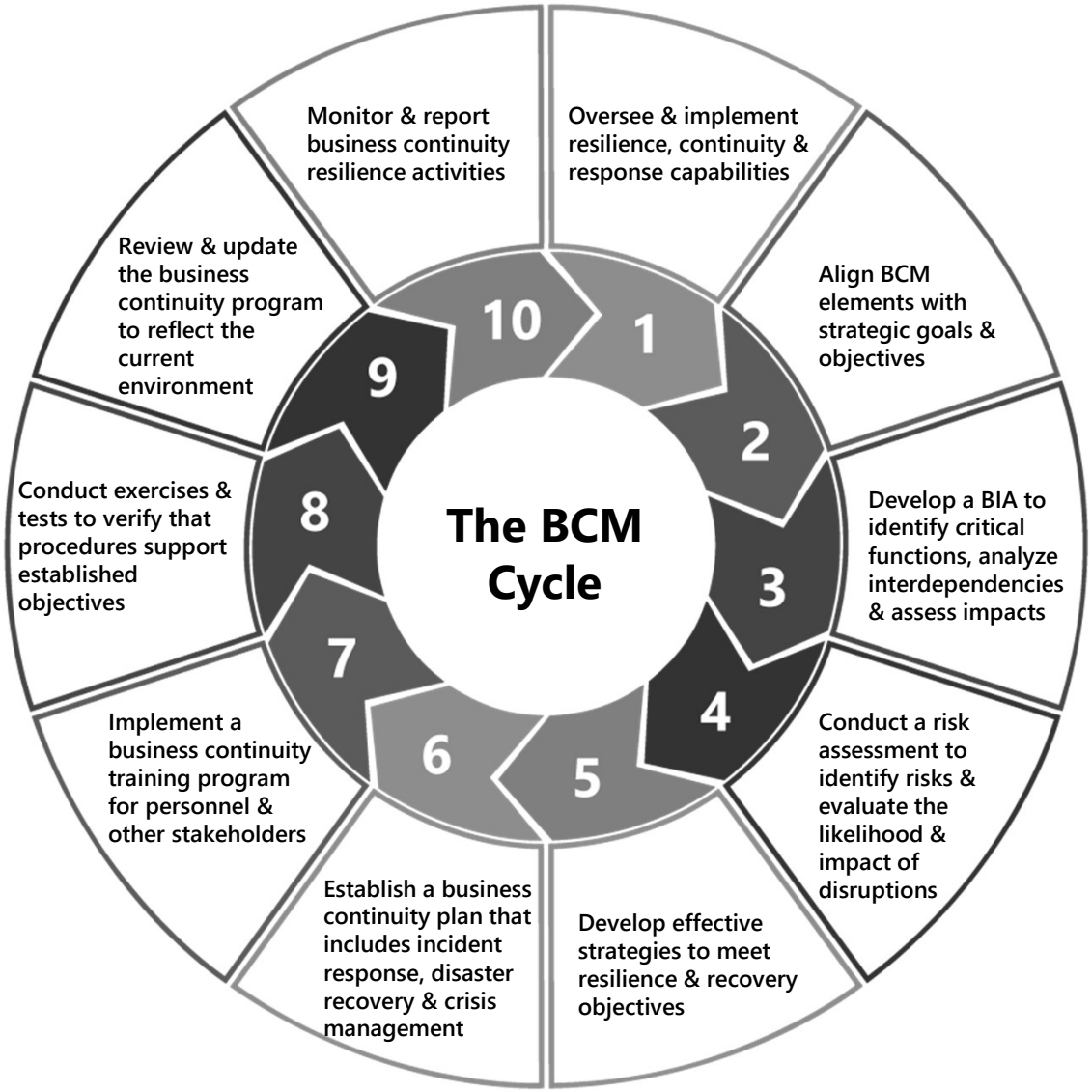


Do you feel your pandemic plans were adequate and prepared you for the current pandemic?

a. Yes – we are in good shape
b. No – we were not prepared
c. Maybe – it seems we were somewhat prepared
d. Not sure


The BCM Cycle
1
Oversee & implement resilience, continuity & response capabilities
2
Align BCM elements with strategic goals & objectives
3
Develop a BIA to identify critical functions, analyze interdependencies & assess impacts
4
Conduct a risk assessment to identify risks & evaluate the likelihood & impact of disruptions
5
Develop effective strategies to meet resilience & recovery objectives
6
Establish a business continuity plan that includes incident response, disaster recovery & crisis management
7
Implement a business continuity training program for personnel & other stakeholders
8
Conduct exercises & tests to verify that procedures support established objectives
9
Review & update the business continuity program to reflect the current environment
10
Monitor & report business continuity resilience activities

Vendor Board Oversight

- ✓ The board and senior management govern business continuity, disaster recovery and pandemic planning through defining responsibilities and accountability and by allocating adequate resources to business continuity.
- ✓ Ensure your vendor's plans include board oversight.
- ✓ Three major responsibilities of the board include:
  - Aligning business continuity, disaster recovery and pandemic planning with the organization's business strategy and risk appetite
  - Understanding the risks and adopting policies and plans to manage events
  - Reviewing the operating results and performance through management reporting, testing and auditing

Vendor Senior Management Oversight

- ✓ Ensure senior management is engaged in business continuity, disaster recovery and pandemic planning.

- ✓ The major responsibilities of senior management include:
  - Designing and implementing a business continuity exercise strategy
  - Establishing measurable goals against which business continuity performance is assessed, such as levels of preparedness and resilience targets
  - Validating that personnel understand their business continuity roles and responsibilities
  - Confirming that exercises, tests and training are comprehensive and consistent with the organization's strategy and resolving identified weaknesses
  - Updating strategies and plans to reflect the current business conditions and operating environment

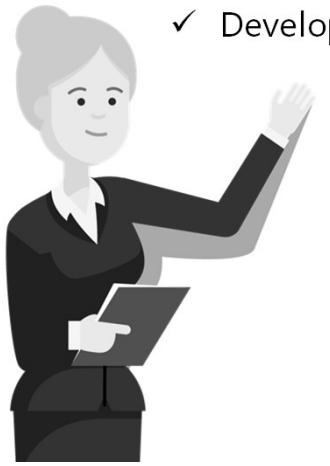
Audit & Examinations:

What the Regulators Expect

The board and senior management should engage internal audit or independent personnel to review and validate the design and operating effectiveness of the BCM program.

- Examiners will want:
  - ✓ An analysis and review of your third party's business continuity, disaster recovery and pandemic plans
  - ✓ Documentation available

- Examiners will review for the following:
  - ✓ Alignment of BCM elements with the vendor's strategic goals and objectives
  - ✓ Board oversight
  - ✓ Management assignment of BCM-related responsibilities
  - ✓ Development of BCM strategies



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Do you review your critical third parties' business continuity, disaster recovery and pandemic plans on a regular recurring basis?

a. Yes
b. No
c. Not sure
d. Not applicable

Vendor Risk Management & BCM

- ✓ BCM is risk-based!
- ✓ BCM requires a business impact analysis and focuses on operational risk factors.
- ✓ BCM involves managing the possibility of an event that jeopardizes critical systems.
- ✓ What are your vendors doing?

What Is a Business Impact Analysis (BIA)?

An analysis to determine if your organization can operate effectively while the vendor is unavailable.

- ✓ Management should develop a BIA.
- ✓ Review if there is updated regulatory guidance or when significant change occurs within your organization or the vendors.
- ✓ It's all about the risk.

Ask yourself:

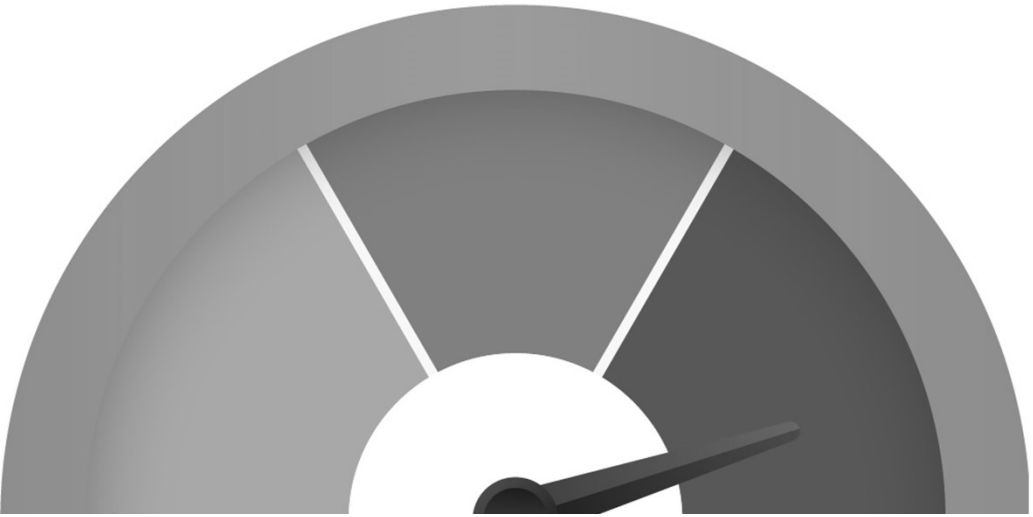
1. Would a sudden loss of this vendor cause a material disruption to my organization?
2. Would that sudden loss of this vendor impact our customers?
3. Would the time to recover be greater than one business day or greater than what your business continuity plan calls for as a recovery time?

Why It's Important

Would your third party survive in the face of disruption?

If <u>your</u> BIA shows that your organization cannot operate effectively while a vendor is unavailable, your third-party risk management program should include:

- Thoroughly evaluating the vendor's business continuity, disaster recovery and pandemic plans
- Understanding the procedures they have in place to handle a business impacting event



This allows you to:

- Be aware of possible downtimes and what could affect your operations or reputation
- Plan accordingly with your own BC/DR plans

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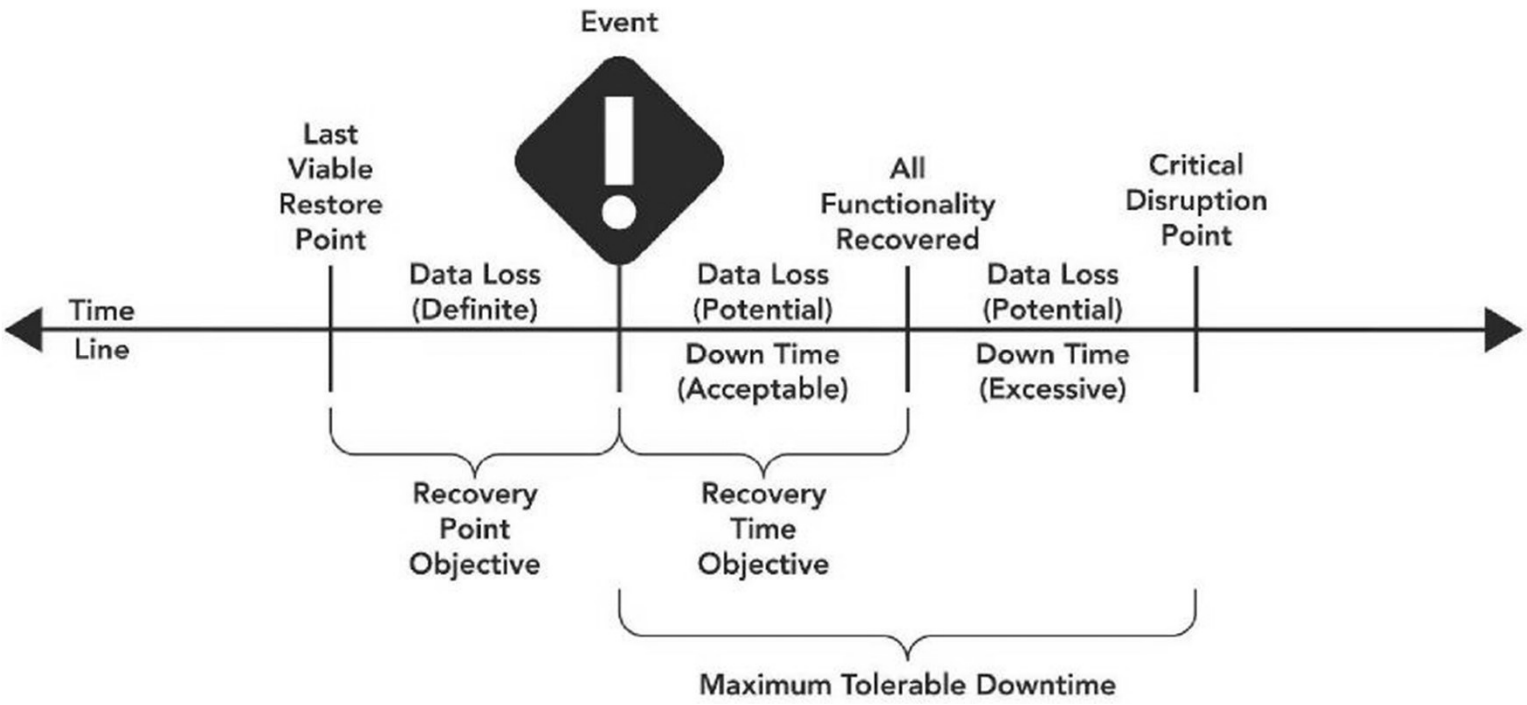
What the BIA Should Include

- ✓ Must include critical business functions, including support activities systems, and interrelationships may be analyzed in several ways.
- ✓ Workflows, interviews, organizational charts, network diagrams/topologies, data flow diagrams, succession plans or delegations of authority for key personnel may help management identify business processes and hierarchies.
- ✓ Management must conduct an interdependency analysis which should identify single points of failure in close geographic proximity.

Business Continuity / Disaster Recovery Terminology

- ✓ **Business Impact Analysis (BIA)**
- ✓ **Recovery Time Objective (RTO)**
- ✓ **Recovery Point Objective (RPO)**
- ✓ **Maximum Tolerable Downtime (MTD)**

Impact of Disruption



Reviewing the Vendor's Business Continuity Plans

Your vendor's business continuity plans and their preparedness should meet or exceed your own plans.

Review these key areas of those plans to provide assurance that your vendor is prepared for a disruption:

- ✓ Testing procedures
- ✓ Copies of the plan are held off-site in secure locations and available
- ✓ Plan is reviewed, tested and updated regularly
- ✓ Senior management and board approval
- ✓ SLAs and contractual obligations
- ✓ Failover and backup locations
- ✓ Personnel loss and planning
- ✓ Relocations plans
- ✓ Remote access availability
- ✓ Facility loss contingencies
- ✓ Pandemic contingencies
- ✓ Breach/disruption notification procedures

Reviewing the Vendor's Disaster Recovery Plans

Look at these key areas when reviewing the vendor's disaster recovery plans:

- Dedicated team and individuals
- Testing and updates
- Notification process
- Pandemic plan
- Backup procedures
- Personnel recovery to normal operations
- Business impact analysis
- Senior management/board approval and involvement

Reviewing the Vendor's Pandemic Plans

Look at these key areas when reviewing the vendor's pandemic plan:

Preventative programs

- Communicate with critical vendors, monitor outbreaks, educate employees

Document strategies

- Consistent with the CDC

Framework of facilities, systems and procedures

- How to sustain operations

Test programs

- Confirm the plan is effective

Oversight programs

- Reviews and updates

Do you ask where your vendor's BCM program reports to in their organization?

a. Yes
b. No
c. Not sure
d. Not applicable

Vendor BCM Stresses Resilience

Determine you vendor's resiliency by asking for the following:

- ✓ Evidence of physical resilience
- ✓ SOC Type II reports and independent audits to determine cyber resilience
- ✓ Data backup and replication strategies being used
- ✓ A pandemic plan covering the loss of personnel
- ✓ Your vendor's change management policy and program
- ✓ Event management plans
- ✓ Facilities and Infrastructure
  - Data Center Recovery Alternatives
  - Branch Relocation
  - Electrical power redundancy
  - Telecommunications redundancy plans

Ensure Vendors Exercise and Test

Full-Scale Exercise

Limited-Scale Exercise

Tabletop Exercises

Tests

- Industry Exercises and Resilience
- Third-Party Service Provider Testing
- Post Exercise and Post Test Actions

Protection Inside Vendor Contracts

Protect yourself with your contract.

Within your contracts, ensure that they provide:

- ✓ Accessibility to the vendor's BCM, P&P and Program
- ✓ Independent testing requirements
- ✓ Frequency and availability of test results
- ✓ Recovery times
- ✓ Backup responsibilities
- ✓ Cyber resilience
- ✓ Management of third party/outsourced business continuity
- ✓ Breach/disruption notification

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Best Practices to Takeaway

- ✓ Assess risk early and be thorough
- ✓ Have clear guidelines on what must be done at each stage of the relationship (and be sure pandemic plans are being considered)
- ✓ Contractually commit the vendor to test
- ✓ Record anticipated results, assess any vulnerabilities, thoroughly document
- ✓ Ensure plans include contingencies or mass absenteeism following disease control guidelines
- ✓ Check that relocation plans are clear
- ✓ Real-life problems do happen – we're in it now
- ✓ Clear expectations and notification requirements

Question & Answer

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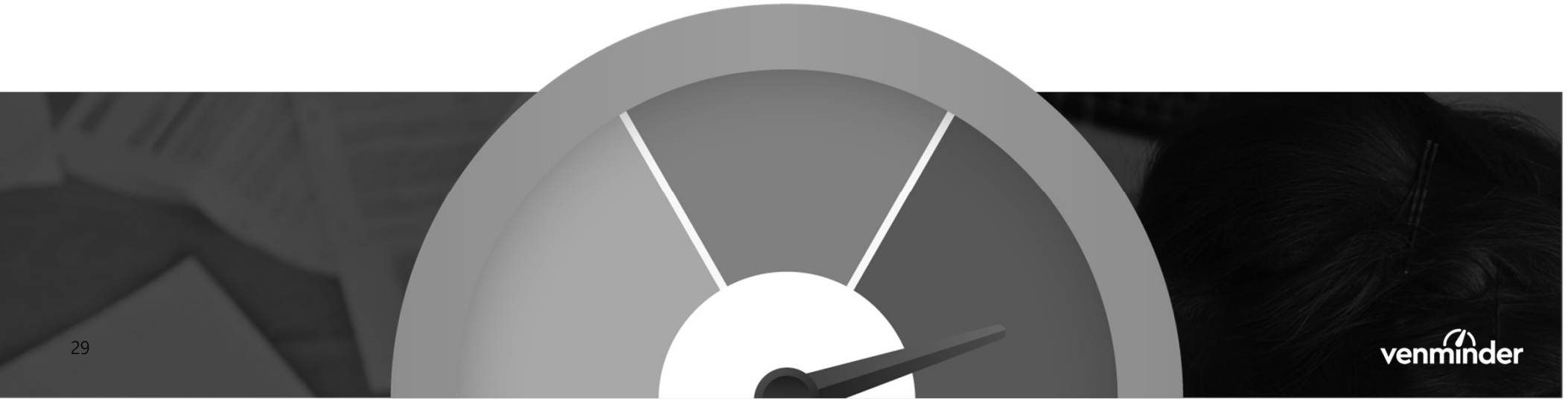

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