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# Security Takes Center Stage

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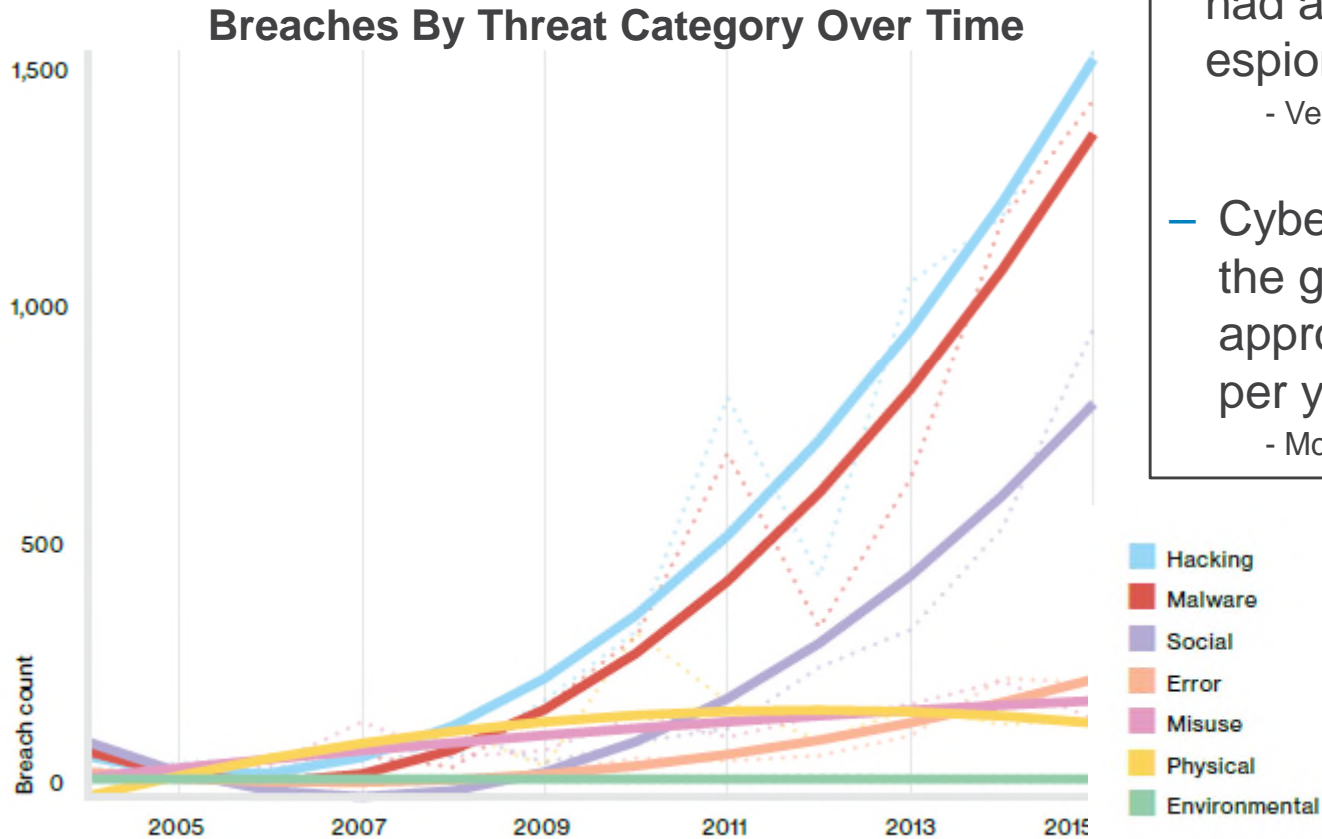
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June 7, 2016

**The Age of Disruption**

HOW EMERGING TECHNOLOGIES AND CYBERSECURITY ARE TRANSFORMING SOURCING

# Cyber Attacks Are Increasing in Cost and Frequency



- 89% of breaches in 2015 had a financial or espionage motive.  
- Verizon 2016 Data Breach Report
- Cybercrime already costs the global economy approximately \$445 billion per year.  
- McAfee; CSIS (2014)

\*Source: Verizon 2016 Data Breach Report

# Cyber Threats Continue to Grow and Evolve

- The cyber threat has expanded significantly over the past decade, evolving from exploitation to disruption to destruction to manipulation.
- Hackers have targeted consumer and employee information, trade secrets, business confidential and market sensitive information, third-party data and even industrial controls.
- Malicious cyber actors have employed a variety of tools to infiltrate computer networks and evade detection:
  - Socially engineered emails;
  - Exploitation of programming errors; and
  - Networking compromised systems.
- Actors include nation states, criminals and “hacktivists.” Even white hat “security researchers” have substantially harmed business reputations.

# Cybersecurity Has Become a National Priority



Federal Role	Primary Federal Agencies
National defense	Defense Department (NSA)
Law enforcement	Justice Department, FBI, Secret Service
Critical infrastructure	Department of Homeland Security
Standard setting	Department of Commerce (NIST)
Consumer protection	FTC
Sector-specific regulation	Dep't of Health and Human Services, Energy Dep't, CFPB, FDA, NHTSA, etc.

# Regulatory Scrutiny of Cybersecurity Is Intensifying

- Key issues receiving regulatory attention include:
  - Vendor management;
  - Leadership and oversight by senior management and the board of directors;
  - Adoption of effective risk-management processes;
  - Adoption and implementation of appropriate cybersecurity plans; and
  - Maintenance of reasonable security measures.
- Regulators are expanding their reach to cover emerging technologies, including the Internet of Things.

# Cybersecurity Is a Priority Issue in Sourcing

- Regulatory focus on cybersecurity in sourcing
- Managing cyber risk through contract
- Opportunities and pitfalls for sourcing professionals
- Key upcoming issues:
  - Privacy Shield
  - General Data Protection Regulation
  - Insurance
  - Regulatory convergence/divergence

# QUESTIONS

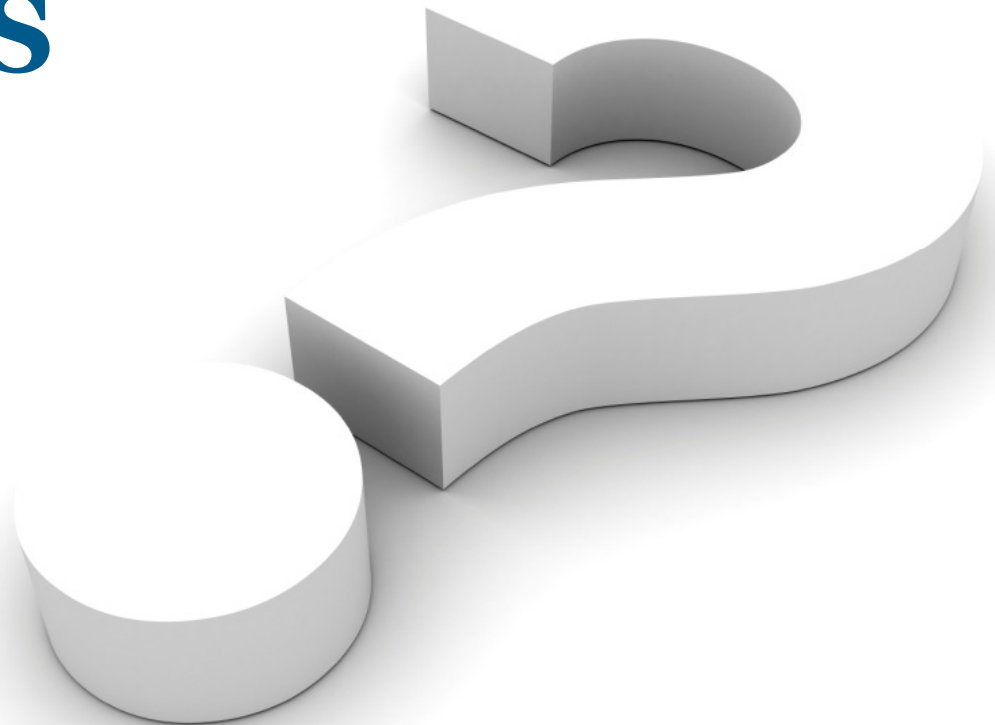
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