A complex network diagram with numerous nodes and connecting lines, filling the background of the slide.

*Third-Party ABC & Reputational  
Risk Management in Oil & Gas*

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A complex network diagram with numerous nodes and connecting lines, filling the background of the slide.

**Industry Challenges**

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## Industry Challenges



*In Oil & Gas, third party risk management (“TPRM”) is not one phenomenon; It is an intricate and complex set of risks that demand a holistic view of your business, commercial, compliance, and reputational risks. This complexity leads to two often competing forces, comprehensiveness and cost.*

### TPRM at a Glance

- Economic Disruption Risk – The 2014 precipitous decline in commodity prices highlighted the need for enhanced measures of supply chain, and commercial, sustainability. Not only vendors and suppliers were affected, large oil companies were at risk. Funding, hedges, and resources were all in jeopardy.
- FCPA/ABC Risk – The top 10 FCPA fines through 2017 have all involved bribery originated by companies and channeled through third parties including consultants, agents and joint venture partners.
- Meeting Global Standards
  - The November 2012 DOJ and SEC Resource Guide to the U.S. Foreign Corrupt Practices Act describing third party management principles.
  - ISO 37001
  - The UK Bribery Act Guidance
- Global Regulatory Shifts
  - Increasing pressure on emerging markets
  - U.S. withdrawal From Oil & Gas Anti-Corruption Treaty
  - Latin American wave of reform and corruption legislation

## Industry Challenges



*Common models for managing a TPRM are especially challenging in Oil & Gas. Principally, the industry has been subject to limitations in infrastructure in emerging markets, local regulatory standards, governance, diligence, trusted data sources, forensic accounting, and public records. Also, over the last four years, the extractive sector has accounted for approximately 30% of the on-going FCPA-related investigations.*

### Challenges in Emerging and Local Markets

- Cultural differences
- Access to technology
- Consistent registration and reporting
- Legal framework
- SOEs

### Challenges in TPRM Tools and Mechanisms

- Disparate and voluminous data sources
- Too reliant on manual processes
- A lack of standard procedures
- Due diligence is too costly


### Challenges in Regulatory Enforcement


- Self-reporting and cooperation clearly incentivized in FCPA, through sentencing leniency, but proactive efforts are not as clearly linked to positive outcomes
- Complex global framework – Commonality of facilitation payments in South Asia and Africa as an example



# Creating a Comprehensive Control Environment

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Changing The Paradigm 



- Culture
- Governance
- Policies & Procedures
- Third Party Risk Assessment
- Payment & Expenses
- Diligence

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## Changing The Paradigm



### Demonstrating Best Practices in a Dynamic Fashion

- **Proportionate Procedures**
- **Top-Level Commitment**
- **Risk Assessment**
- **Due Diligence**
- **Communication and Training**
- **Monitoring**

- Greater access to technology
- AI driven risk identification
- Growing volumes of open source data

Diligence

Commercial Relationship

- Predictive analytics to identify aberrant patterns
  - Dynamic risk assessment based upon live expense and payment data

Culture & Training

Policies & Procedures

- Increased standardization
- Online training and automated updates
- Communications monitoring

- Management and workflow
  - Reinforcement of policy through technology
    - Control lapse monitoring

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## Technology Enablement in a TPRM Strategy

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# Q&A