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

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 and commercial vulnerability. Not only vendors and suppliers were affected, but all oil companies were at risk.
- 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
  - 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

Changing The Paradigm

Culture
Governance
Policies & Procedures
Third Party Risk
Assessment
Payment & Expenses
Diligence
Changing The Paradigm

Demonstrating Best Practices in a Dynamic Fashion
- Proportionate Procedures
- Top-Level Commitment
- Risk Assessment
- Due Diligence
- Communication and Training
- Monitoring

Technology Enablement in a TPRM Strategy

Empowering Compliance

Senior Management Engagement
- Incorporating Key Business Risks
- Cost Efficiency
- Cost of Non-compliance

Program & Governance
- Controls Testing
- Risk-Based Analysis and Partnership
- Early Insight

Due Diligence
- Determining Risk Profile
- Monitoring Changes in Risk
- Not at the End, at the Start

Payments & Expenses
- Transaction Monitoring
- Compliance Robotics
- Profiling
- Statistical Analytics Across Revenue & Expenses
Q&A