



**Conference**  
2009 ARPEL  
**Sustainable Development**  
The role of the Oil and Gas Industry  
in Latin America and the Caribbean

## Corporate Governance and Transparency

In oil business management and its significance for sustainable development.  
Mercedes De Freitas  
Punta del Este, URUGUAY  
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How can corporate ethics translate into institutional systems and mechanisms provide more development opportunities to the region?

↓

How do integrity systems in the oil and gas industry protect the future of Latin America and the Caribbean?

↓

We present a proposal for discussion





This slide includes the logos of Transparency International and Transparencia Venezuela at the top. On the left, a green oval contains the text 'Corporate Governance'. To its right, a definition states: 'All the standards, processes and structures by which companies are conducted and controlled, **require changes and new models** that incorporate the demands for transparency.' Below this, the text 'Analyze if:' is followed by a numbered list of two points. The bottom of the slide features a row of colorful hands.

**Corporate Governance**

All the standards, processes and structures by which companies are conducted and controlled, **require changes and new models** that incorporate the demands for transparency.

Analyze if:

1. Corporate Governance responds to the four primary principles: Transparency, Supervision (sound internal Controls), Responsibility (Commitment), Ethics (Integrity)
2. Our Corporate Governance encourages integrity or is permissive towards *corruption risks*



## Corruption risks?

*Irregular among companies in the region in:*

Corporate  
Governance

- Control systems and accountability
- Decision making mechanisms
- Transparency in management and information of public interest
- Scope of deciding power over state and private companies
- Levels of discretionality
- Level of corporate autonomy and independence from executive branch
- High demands, and administrative and financial stringency
- Protection systems against frauds, privileges, organized crime



A need:

Building management models with transparency and sustainability contents may be complex; however, application of good practices and basic principles is key to the economic efficiency of companies ...

For national  
companies



A **greater**  
obligation for  
their  
responsibility  
towards the  
citizens of their  
countries






But the quality of companies *depends* on the quality of their States

There is a bad perception of corruption in our countries






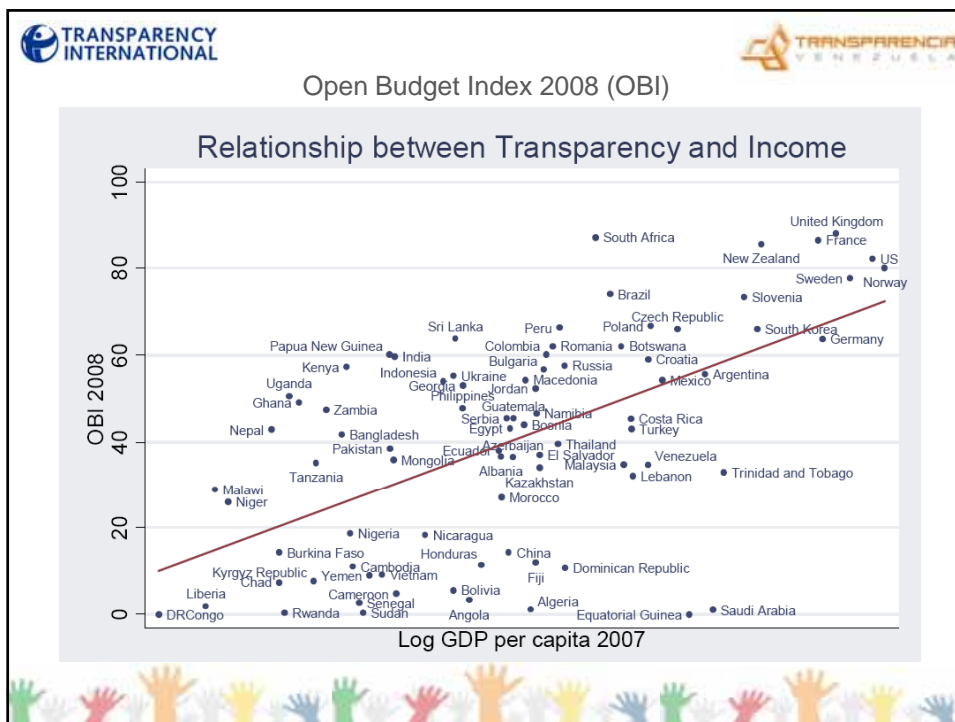
Incentives and corruption risks in the region

Country	PBI 2009*
Chile	6.9
Uruguay	6.9
Costa Rica	5.1
Cuba	4.3
El Salvador	3.9
Colombia	3.8
Trinidad and Tobago	3.6
Mexico	3.6
Peru	3.6
Suriname	3.6
Brazil	3.5
Panama	3.4

Guatemala	3.1
Jamaica	3.1
Dominican Republic	3.0
Bolivia	3.0
Argentina	2.9
Belize	2.9
Honduras	2.6
Guyana	2.6
Nicaragua	2.5
Paraguay	2.4
Ecuador	2.0
Venezuela	1.9
Haiti	1.4

Corruption Perception Index  
Transparency International  
More transparent 10 points





**The OBI 2008 confirms that countries which depend on oil and gas revenues tend to be less transparent.**

Naturaleza de la dependencia a los recursos	Número de países	Puntaje IPA promedio	Países
Minerales (Carbón, cobre, diamantes, oro, platino, plata y/o estaño)	13	44	Botswana, Dem. Rep. del Congo, Ghana *, Indonesia *, Jordania, Kirguistán, Liberia, Mongolia, Namibia, Papua Nueva Guinea, Perú, Sudáfrica, Zambia
Hidrocarburos	21	23	Argelia, Angola, Azerbaiyán, Bolivia, Camerún, Chad, Colombia, Ecuador, Guinea Ecuatorial, Kazajstán, México, Nigeria, Noruega, Rusia, Santo Tomé y Príncipe, Arabia Saudita, Sudán, Trinidad y Tobago, Venezuela, Vietnam, Yemen
<b>General para los países que dependen de los recursos</b>	<b>34</b>	<b>31</b>	




**PROMOTION OF TRANSPARENCY IN REVENUES.**  
2008 Report on transparency in revenues of Oil and Gas Companies\*







*General results of companies*

Group	IOCs and NOCs operating outside their country of origin (in alphabetical order)	NOCs in their territory of origin (in alphabetical order)
High	BG Group, BHP Billiton, Nexen*, Petro-Canada*, Shell, StatoilHydro*, Talisman Energy*, Petrobras*	China National Offshore Oil Corporation (CNOOC), Oil and Natural Gas Corporation Ltd. (ONGC), Petróleos Mexicanos (Pemex)*, Petrobras*, PetroChina, Sinopec, StatoilHydro*
Medium	BP, Chevron, Conoco-Phillips, Eni, Hess, Marathon Oil, Repsol YPF, Total*, Woodside	Gazprom, KazMunaiGaz (KMG), National Iranian Oil Company, Nigerian National Petroleum Company (NNPC), Petronas*, Qatar Petroleum*, Rosneft, Sonatrach
Low	China National Offshore Oil Corporation (CNOOC), China National Petroleum Corporation (CNPC), Devon Energy, Exxon-Mobil, INPEX, Kuwait Petroleum Corporation, Lukoil, Oil and Natural Gas Corporation Ltd. (ONGC), Petronas*	China National Petroleum Corporation (CNPC), GEPetrol, Kuwait Petroleum Corporation, Pertamina*, Petróleos de Venezuela (PDVSA), Saudi Aramco, Société Nationale des Pétroles du Congo (SNPC), Sonangol

\* Indicates that the company used the opportunity to review its data.



**Conclusions**




TRANSPARENCY in profits is not common practice in the oil and gas industry

**GREAT VARIETY.** Leading IOCs and NOCs show that transparency in revenues is possible and that proactive efforts make a difference. Within a country, different companies act differently. Even in restrictive environments


**GOOD PRACTICES** in transparency begin at home. If regulations in the countries of origin are stringent, companies tend to submit reports in the countries where they operate. However, the behavior of NOCs in and outside their territories of origin is different, and they act with certain independence from their headquarters.



**REGULATORY APPROACHES:** Systematic impacts. Two kinds: international regulations and self-regulatory systems

**DISSEMINATION** of information is currently being hindered due to the complex formats to be disseminated, obtained and interpreted

In Venezuela all companies studied point to the existence of clauses that restrict the publication of information.







Unlike the 1970s, governments have created rules designed to lessen the impact of productive activity on the environment, integrating environmental protection systems to economic and social processes.

The inter-relation among social, economic and environmental factors is considered essential to improve the quality of life, both for **today's** and for **future** citizens.

**Sustainable Development\*** It is not a matter of choosing between man and environment

\*Coined in 1987 by the World Commission on Environment and Development in its document "Our Common Future."







**Laws having a bearing on public policies, projects and programs**


- To contribute to the preservation of the natural wealth of the region
- To contribute to the management of protected areas
- Clean production
- Urban planning criteria considering the environmental variable entails improving the quality of life in cities
- Search for a harmonious relation between environmental, economic and social aspects
- Fair trade - trade that helps open innovative commercial channels, where the relation between the parties is oriented towards the achievement of sustainable development, respecting the idiosyncrasy of peoples, their culture, traditions and basic human rights.

**Examples**



Has it been enough?




Global warming, climate change, natural disasters, environmental disasters:

↓

Require *changes and new ways* which incorporate the demands for transparency

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The impact of extractive companies places them in a special position: they should urgently make decisions to minimize risks





These changes and decisions on energy, sustainability, new investments, technologies to be used, agreements and contracts, allies and collaborators, and other elements that may affect the ecological balance.

Must be taken with innovative tools and processes of transparency



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### How do we achieve this?

It must be a vision, but also policies, procedures, management program

**Sustainable governance**

- Organization and responsibilities
- Business relations
- Human resources
- Training
- Denouncing anomalies and seeking orientation
- Communication
- Internal controls and auditing
- Monitoring and review

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TRANSPARENCIA VENEZUELA

### We have several tools to achieve them

1. Inter-American Convention against Corruption (1996)
2. UN Convention Against Corruption (2004)
3. EITI
4. Transparency International: Corporate principles to fight against bribery; 2. Promotion of Revenue Transparency Study (PRT) ; 3. Sectoral integrity agreements
5. PWYP: incorporating the civil society organizations to the surveillance of extractive companies
6. Laws on access to public information
7. Global Compact, UN



<b>Argentina</b>	<b>Guyana</b>
<b>Bahamas</b>	<b>Haiti</b>
<b>Barbados</b>	<b>Honduras</b>
<b>Belize</b>	<b>Jamaica</b>
<b>Bolivia</b>	<b>Mexico</b>
<b>Brazil</b>	<b>Nicaragua</b>
<b>Canada</b>	<b>Panama</b>
<b>Chile</b>	<b>Paraguay</b>
<b>Colombia</b>	<b>Peru</b>
<b>Costa Rica</b>	<b>Dominican Republic</b>
<b>Ecuador</b>	<b>Suriname</b>
<b>El Salvador</b>	<b>Trinidad and Tobago</b>
<b>United States</b>	<b>Uruguay</b>
<b>Guatemala</b>	<b>Venezuela</b>



28 countries in Latin America are committed to CICC




UNCAC		
Country	Signed	Ratified
Argentina	10-Dec-03	28-Aug-06
Bolivia	09-Dec-05	05-Dec-05
Brazil	09-Dec-03	15-Jun-05
Chile	11-Dec-03	13-Sep-06
Colombia	10-Dec-03	27-Oct-06
Costa Rica	10-Dec-07	21-Mar-07
Cuba	09-Dec-05	09-Feb-07
El Salvador	10-Dec-03	01-Jul-04
Guatemala	09-Dec-03	03-Nov-06
Haiti	10-Dec-03	
Honduras	17-May-04	23-May-05
Mexico	09-Dec-03	20-Jul-04
Nicaragua	10-Dec-03	15-Feb-06
Panama	10-Dec-03	23-Sep-05
Paraguay	09-Dec-03	01-Jun-05



18 countries in Latin America are committed to UNCAC








OECD	
Mexico	1994
Chile	Candidate country
Brazil	Candidate country



3 countries in Latin America  
Commitment to OECD








An example: the design of anti-bribery programs and practices should consider all statutory offenses

International rules may direct the development of effective sustainable governance rules.

UNCAN punishes as offenses:

1. *Bribery of national public officials*
2. *Bribery of foreign public officials and officials of public international organizations*
3. *Embezzlement, misappropriation or other diversion of property by a public official*
4. *Trading in influence*
5. *Abuse of functions*
6. *Illicit enrichment*
7. *Bribery in the private sector*
8. *Embezzlement of property in the private sector*
9. *Laundering of proceeds of crime*
10. *Concealment*
11. *Obstruction of justice*
12. *Liability of legal persons*
13. *Participation and attempt (as accomplice, assistant or instigator)*
14. *Knowledge, intent and purpose as elements of an offence*





EITI	
Peru	2007
Petrobras	
Pemex	

1 candidate country  
 2 companies in Latin America  
 Commitment to EITI

**12 Principles** adopted at the Lancaster House Conference in June 2003, from which a process for compliance was designed

These tools may help:

Reduce corruption risks


Improve quality of corporate results

↓

- Avoid abuses
- Minimize offense opportunities
- Fraud risks
- Risk of reducing impunity
- Protection against organized crime
- Protect corporate reputation

↓

- Increase in revenues and profits
- Environmental responsibility
- Reduce industry's environmental impact
- Responsibility towards employees, community, country, region and the planet
- Responsibility
- Improve its positioning and image
- Corruption makes business more expensive






Sustainable governance: an individual and collective decision

Latin America has to move forward urgently



- Regional strategy
- Collective learning
- Local implementation

**Arpel 2009: Regional Agenda**

To take the opportunity to assume the commitment to and leadership in transparency.

Companies assembled here, with the support of Arpel, assume the coordination of an international cooperation effort to move forward with clear objectives to *sustainable governance*



**International cooperation in:**

1. Training
2. Exchange of experiences
3. Open case list
4. Exchange of information
5. Analysis of information on corruption
6. Sustainability indicators and decision impact

**Local actions**

- Sustainable governance system
- Risk analysis for each process
- Creating the body to guarantee enforcement of policies, standards and procedures
- Whistle-blower protection system
- Consequences of non-compliance





Transparency International is  
prepared to provide support in this  
process

And you help us attain our vision: *a world  
free of corruption*



Thank you!

