

SPEAKER INTERVIEW: BUILDING A SUSTAINABLE SUPPLY CHAIN

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**OIL & GAS
SUPPLY CHAIN
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Q. First, a bit of background: why is the Oil & Gas Supply Chain Compliance meeting relevant to your work?

Assent provides solutions that help companies manage different types of risk — and a few of those are very relevant to oil and gas. There's market access risk — that's materials, design, certifications of a product, etc. Then there's vendor risk and business continuity risk, which is relevant because of all the trade compliance issues. And then there's brand risk — reputational risk, fines, penalties, anti-bribery, anti-corruption and modern slavery.

Q. Why is sustainability, corporate social responsibility and human rights compliance important in oil and gas?

The challenge is that natural gas extraction and the nature of trade itself puts oil and gas corporations into relationships with higher risk organizations. In order to address that, they have to put very robust compliance programs in place. They have to look at geographical locations, and the specific risks associated with certain suppliers, or the types of products that are being shipped there, or the types of governments (which is where news and adverse media issues come in). And they have to do it at a global scale. It's really challenging — there are so many different locations, where such large companies are subject to so many different regulatory regimes, which all have different motivations. Say for example you're a drill rig company that needs to do business in Russia to compete, but you also want to do business in the U.S. and Mexico. If the U.S. is issuing sanctions, you've got a problem — and there's the same problem from the other side.

Q. Where do you think companies fall short in doing this currently?

It's about access to information — being able to profile individual suppliers. Companies do a great job at looking at customers and transactional behavior. But they run into challenges when they start looking at the supply chain. The suppliers of materials and components can create the same risks, but they haven't been reviewed, vetted and evaluated in the same way that customers or transactions traditionally have been. We see that investigations by regulators are starting with suppliers, finding instances of non-compliance and tracing it back up the chain to the oil and gas company. So if they find the cement guy who's using forced labor, or the materials supplier who's cheating on duties and tariffs or trading with a sanctioned party, then the non-compliance at the top is tied back to them.

Q. What do you see as being the big trends in supply chain compliance over the coming year?

I think there's going to be a significant movement to profile suppliers. Say you take an anti-bribery/anti-corruption program, a modern slavery program and a trade compliance program. They each have very different regulations associated with them, but there's common data coming in with all of them. Say you're looking at geographic regions and trying to identify risk. If you're dealing with modern slavery or conflict minerals, you're looking at the same region for both, but with a different lens. This is challenging because, right now, companies are using different systems across different departments, and there's different data that's coming in.

Until they normalize that data into one place, they have no idea that the guy in trade compliance heard the country of origin was Russia, but the guy in corporate social responsibility heard it was Japan or China, and then a third guy heard that it was North Korea. So we have competing data points, not all of which can be true, and no way to confirm the veracity until you bring them all together.

Q. What changes do you think companies need to make to their workflows to stay ahead of the curve?

The biggest thing is investment in IT systems. Centralizing all that data in one place can give you a full profile and automatically check for these inconsistencies. It could be difficult to get buy-in from corporate, as it requires an IT or resource investment. But the new rules and regulations emerging are demanding this – it's not going to be an option, it's going to be a case of when it happens. See, for example, the UK Modern Slavery Act, the French Duty of Vigilance Law, the Australian Modern Slavery Act, U.S. Customs requirements, and the global proliferation of anti-corruption laws. There's a confluence of different events that are demanding this due diligence.

Q. How can companies best prepare for this new regulatory landscape?

It's about strategic planning and scoping. You need to understand which of these rules are impactful to you, and how you are going to find systems and processes to align with to comply with them. Everyone has different elements that drive them. On one hand, you'll have companies that get proactive

and identify ways to take account of this information, and set up due diligence and compliance programs. These the early adopters who take compliance seriously. And then you have the laggard set, who aren't going to change until they get a financial penalty.

Q. So how can you get your company on board if they're not already brought in?

You need to bring knowledge and resources into the organization - that's the number one thing you can do. You also need to be able to articulate what these rules are and what they require. You need to be able to bring your advisors, consultants and professionals, and present your case to the right person - the chief compliance officer, the attorneys in charge of this. The people responsible for the ethics and ethos of the company - those are the people to whom you should be bringing this information.

Q. Give us a sneak peek: what will you be covering at Oil & Gas Supply Chain Compliance 2019, taking place April 24-25 in Houston?

I'll be talking about tying these various compliance silos together. I'll also discuss some best practices companies can leverage - how to harmonize these approaches, and what's happening right now among leaders in the oil and gas space.

Q. What are you most looking forward to about attending this year's meeting?

I thought the caliber of the speakers and the level of the

influencers at last year's meeting were extraordinary, and I'm really excited to see how the topics have evolved for this year's meeting. This year, I'm seeing a larger breadth of discussion on a number of different rules and regulations, which tells me this is really topical, and that this is what these leaders are really paying attention to.

To see the topics being discussed, the full speaker faculty and more, download the full agenda [here](#).

Q. Finally, a question for the leaders out there: why do general counsel and heads of supply chain need to care about supply chain compliance?

The largest increase in rules and regulations globally all seem to have a common theme: transparency. It's about visibility into activities that occur outside the four corners of a company. That's where laws are trending, and that's what the public and regulators are interested in. Being able to add that skill set into the compliance department is critical in continuing to operate, and to being perceived as being ethical and compliant.

Travis Miller is General Counsel at Assent Compliance, the global leader in supply chain data management. An international trade and compliance attorney, Travis specializes in global anti-corruption, anti-bribery; environmental, health and safety; product stewardship; and corporate social responsibility. For more information on managing an effective compliance program in the oil and gas industry, [download Assent's free eBook](#).