Taking on the right risks

Managing your risks in a volatile and uncertain climate

Having the right risk management procedures in place helps prevent nasty surprises
Effective Risk Management

Introduction

Oil and gas prices have fluctuated wildly over the last year. Despite the price cycles, energy companies know that they have to focus on the medium to long term situation when it comes to achieving growth and making sound investment decisions. While making these important investments, companies also have to focus on controlling costs, improving controls and managing risks.

Risk management is viewed as an internally focused activity, designed to ensure that employees follow the company’s policies and procedures. Risk management is often seen as a wise investment that helps ensure the company is being properly managed.

There’s five aspects of how risk may impact your business.

- From crisis to opportunity
- Being smart about the risks you take
- Building a risk-aware culture for success
- Who’s responsible for risk management?
- Linking risk and performance management

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>From crisis to opportunity</td>
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</tr>
<tr>
<td>1. Acknowledge the crisis</td>
<td>1. Decide what sort of risks you want to take</td>
<td>1. Envisage your ideal organisational culture</td>
<td>1. Focus on personal accountability</td>
<td>1. Identify what you really need to know</td>
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<td>2. Communicate</td>
<td>2. Be selective</td>
<td>2. Assess your exciting culture against that ideal</td>
<td>2. Hold your business units accountable</td>
<td>2. Choose the measures that matter most</td>
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<td>3. Take control</td>
<td>3. Embed your attitude to risk in your culture</td>
<td>3. Plot your position</td>
<td>3. Lead from the front</td>
<td>3. Turn your data into actionable information</td>
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<td>4. Use the pain for future gain</td>
<td>4. Empower your people</td>
<td>4. Identify and prioritise the gaps</td>
<td>4. Re-focus your risk management function</td>
<td>4. Create a risk informed organisation</td>
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<td>5. Close the gaps</td>
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## Case in point

<table>
<thead>
<tr>
<th>Client</th>
<th>Joint Venture between a Fortune 500 Global Oil Major and another Oil Company</th>
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</thead>
<tbody>
<tr>
<td>Project</td>
<td>Provide an independent view on the risks of a joint venture between both companies</td>
</tr>
</tbody>
</table>
| PwC role                | The project was initially performed over a two year period, with up to 60 consultants working across the various business operations. The project then continued into its third year where other areas of business operations was covered. PwC assessed the processes, controls and associated financial risks around a number of their key business operations including:  
  - Financial and non-financial risks  
  - Policy review – gap analysis relative to best practice  
  - Procurement process – efficiency of process and control weaknesses review  
  - Trading operations – financial exposures surrounding counterparty selection  
  - M&A and capital project evaluation – commerciality and controls review  
  - License compliance and risks in financial terms with non-compliance with regulations  
  - Operation of offshore companies and financial exposures  
  - Oil and products volumes and accounting controls and losses  
  - Review of Internal Audit effectiveness  
  - Fraud risk management  
  - Social investments  
  - Supply Chain Re-engineering project  
  - Capital Value Process (CVP) implementation |
| Success                 | The benefits the client obtained from the work was an understanding, based on quantified data, of the control weaknesses, risks and financial exposures they faced across the various business operations. In addition we provided gap analysis and recommendations as to how processes and controls could be improved to mitigate the risks.  
  We also coached management on the risk management tools and techniques which helped with implementation of the client’s risk management process. |
PwC’s role

PwC works to solve complex business issues – locally and globally. Our team draw upon skills in risk, regulation, people, operations and technology to capture opportunities, navigate risk and deliver lasting change across business networks.

We have advised many Energy companies on how to embed accountability for risk management in their operating divisions and reduce their risk management costs. We can help you in the following areas:

• Governance advisory and Board improvement
• Management oversight and controls optimisation
• Risk and compliance solutions
• Internal audit services

To have a deeper conversation, about how this subject may affect your business, please contact:

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