

DATE: 18/07/2024

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CATEGORY / SUBCATEGORY: Anti-corruption and anti-bribery



Case study

The cost of bribery: benefits today, consequences tomorrow

Background

This case takes place in a country with a context characterized by high natural resource wealth, particularly oil and gas, which account for a large portion of exports and revenues. However, it also faces significant challenges such as poverty, inequality, and corruption, according to international indicators.

The energy sector is led by **a state-owned entity responsible for fuels and energy, which holds a monopoly over exploration** and concentrates activities such as production, transportation, and commercialization of hydrocarbons. It also acts as a regulator and mandatory partner for foreign companies. Due to its level of influence, it has been repeatedly associated with potential improper practices.

Overview

In this context, an international company in the energy sector, with operations across multiple countries and local presence through a subsidiary, must comply with international regulations. These rules prohibit offering improper benefits to public officials to obtain or retain business.

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The company, headquartered in Houston, was charged by a securities regulatory authority with violating anti-bribery regulations, as well as obligations related to books, records, and internal controls under international anti-corruption laws.

The investigation revealed that between 2008 and 2014, the company made commission payments to **a state-owned energy entity that held a monopoly over hydrocarbon exploration**, acting as an intermediary despite concerns about its involvement in corruption with public officials. The company failed to conduct proper due diligence and lacked a formal contract.

The intermediary lacked technical expertise, did not participate in technical meetings, and relied on personal connections to improperly influence decisions.

In 2008, executives approved a retroactive agreement with an entity linked to the intermediary after payments of USD 688,000, helping retain contracts and secure new ones.

Between 2011 and 2012, the intermediary transferred USD 555,000 to a public official.

Additionally, the company entered into three more agreements with the same intermediary, paying approximately USD 5.5 million between 2008 and 2014, during which it secured additional contracts.

The company settled with the regulator without admitting or denying wrongdoing and was recognized for its cooperation, including providing internal audit results.

As a result, it paid a civil penalty of USD 3 million plus approximately USD 5 million in interest and restitution.

Reflection

Companies may face **finest of up to USD 2 million for violating anti-bribery regulations**, as well as civil penalties, exclusion from public contracts, or loss of licenses.

in prison. Penalties may be doubled based on benefits gained or damages caused, along with additional sanctions for accounting violations.

These practices not only have economic consequences but also damage reputation and trust, while contributing to broader issues such as inequality and injustice.

In 2022, there was an increase in the financial impact of such cases, with investigations resulting in over USD 100 million in combined penalties.



Conclusion

- Who is responsible?
- What consequences does a company face when engaging in bribery?
- What ethical dilemmas does an employee face when witnessing or being pressured to participate in corruption?