

Risk Management @ Nestlé



Risk management at company level
Taking responsibility for product safety

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Nestlé at a glance: Key figures

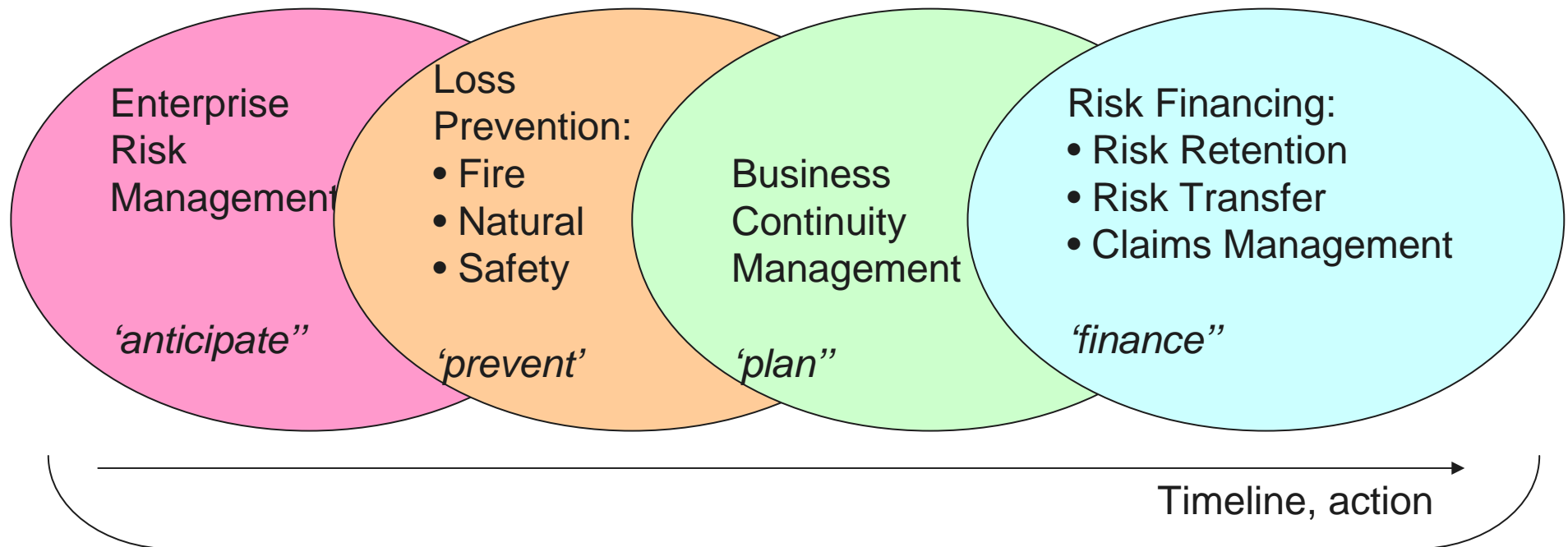


- CHF 109.9bn sales in 2008
- Over 283,000 employees
- 456 factories
- Operations in 84 countries

Risk management at Nestlé

'... risks are not obvious but their effects are, hence the need for Best practice to avoid failure...'

Risk management process covers



Overall objective:

Appropriate management of risks which could have a material impact on Nestlé's business

- Formally created in 2001 to coordinate activities related to risk management in SH&E, Quality, Security, Treasury, Compliance, Operations, IT, etc.
 - Risk Management reporting to Finance & Control;
 - Progress regularly presented to and approved by general management
-
- ➔ 2006 Mandatory application:
 - Geographical organisation (Zones);
 - Globally Managed Businesses;
 - Global consolidation
 - ➔ *2009 Extension:*
 - *Geographical organisation (Regions/Markets)*

Since 2001: Enterprise Risk management



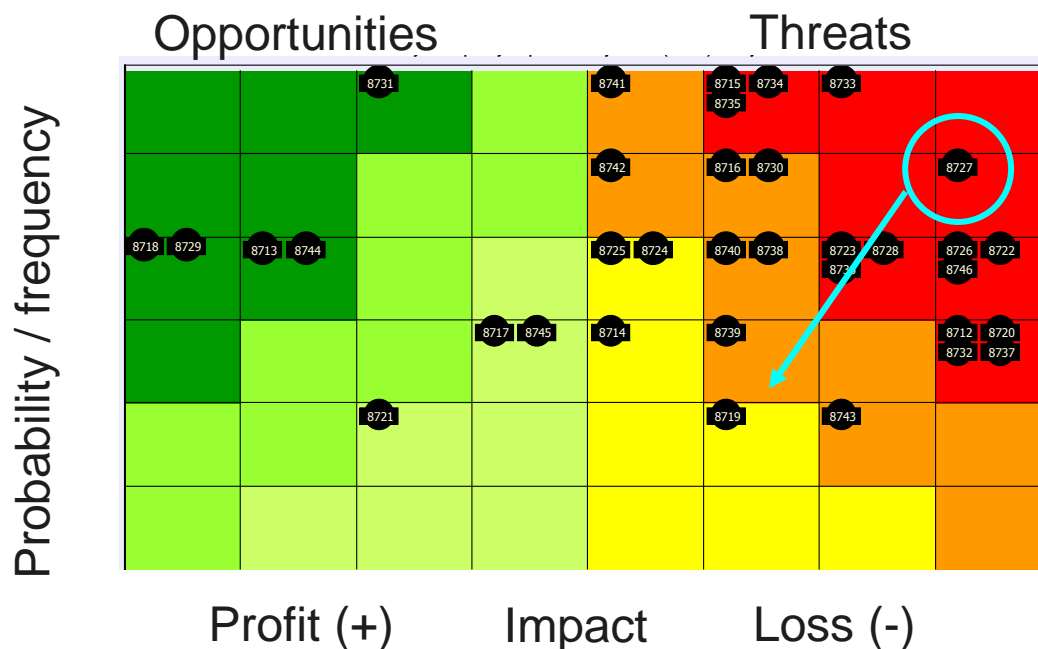
- Self-assessment;
- Simple and flexible;
- Multi-functional team;
- Risk owned by line management.



Risk identification & quantification: A simple way to present outcome

Key steps:

- Priorities: define plans, responsible, due dates;
- Mandatory actions to reduce high risk exposure (red zone).
- Objective: high threats must be mitigated adequately



Risk assessments

Current status – 08 October 2009



Number of assessments performed (YTD in 2009)

Assessment Type	Done
Top-Down	43
I&R	21
Supply Chain	16
Safety	10
Legal	5
Other	12
Grand Total	107

Key outcomes:

- Provide cross-functional support;
- Offer customized risk assessment;
- Deliver immediate solutions.

- *Top-Down risk assessments:*
Corporate, Zone, GMB, Market NiM, Business
- *I&R project risk assessments:*
Beverages, Confectionery, Dairy, Food, Nespresso, Nutrition, Professional
- *Supply chain risk assessments:*
Culinary / Confectionery / Ice-Cream / Coffee & Mixes / Nesquik & Other Beverages (Z-EUR SC) and Dolce Gusto (world wide), Key Suppliers, Logistics
- *Safety risk assessments (HAZOP):*
EGRON Safety, Air Bags Filters, Extruders, Hydrostats, Coffee Machines
- *Legal assessments:*
GMBs, key Markets & Regions
- *Other risk assessments:*
Shared Services, Utility Supply, Captive Insurance, Projects (IT, Corporate)

Conclusions



Risk management process:

- I. Highlights most relevant (cross)-business risks;
- II. Support cross-fertilization between different businesses;
- III. Provides relevant information for management change (info for handover);
- IV. Helps to focus only on relevant risks; lean management (avoiding that management puts too much resources on managing low / medium risks);
- V. Functional support helps keeping process efficient & pragmatic.