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...’
Overall objective:
Appropriate management of risks which could have a material impact on Nestlé’s business
Risk management history

• 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.
Key steps:
• Priorities: define plans, responsible, due dates;
• Mandatory actions to reduce high risk exposure (red zone).
• Objective: high threats must be mitigated adequately
Number of assessments performed (YTD in 2009)

<table>
<thead>
<tr>
<th>Assessment Type</th>
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<tbody>
<tr>
<td>Top-Down</td>
<td>43</td>
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<tr>
<td>I&amp;R</td>
<td>21</td>
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<tr>
<td>Supply Chain</td>
<td>16</td>
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<tr>
<td>Safety</td>
<td>10</td>
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<tr>
<td>Legal</td>
<td>5</td>
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<tr>
<td>Other</td>
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<tr>
<td>Grand Total</td>
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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.