

Risk Assessment - Current Status -

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THE CONSULTING GROUP AG

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SINGAPORE/JAKARTA/MANILA/KUALA LUMPUR

Agenda

- The 'Schädeli' Story
- Risk Management in FMCG
- ERM - Added value to business ?
- Lessons learned since 2001

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The 'Schädeli' story



SAM Sensory and Marketing
international



Nestlé

1986

1991

1998

2001

2015



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Department
of Economic Affairs DEA
Agroscope Liebefeld-Posieux
Research Station ALP



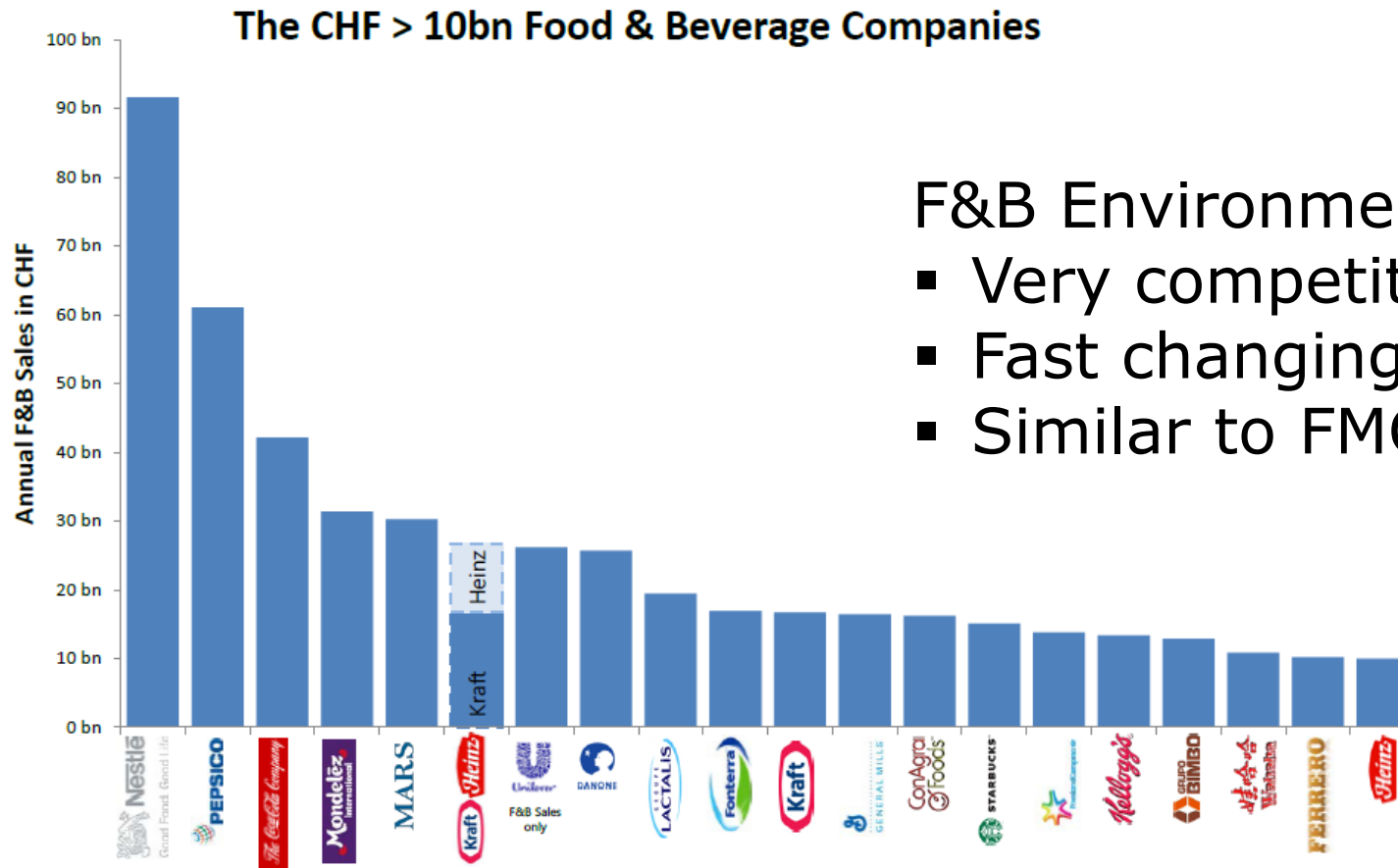
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TCG

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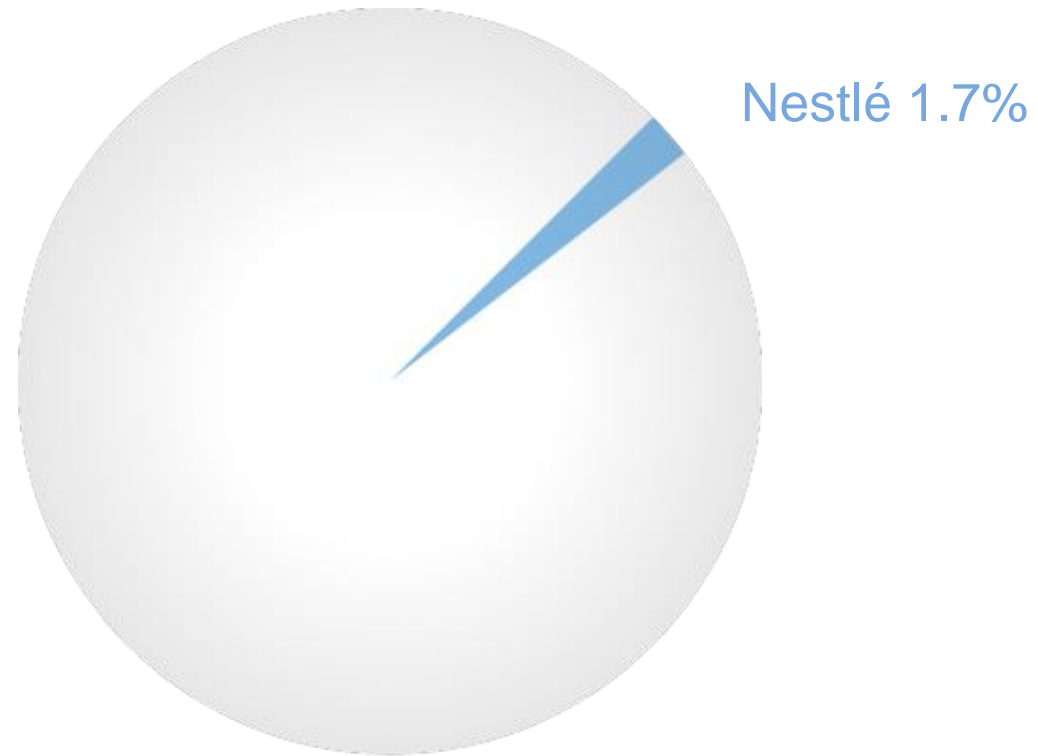
Competition in F&B



- F&B Environment:
- Very competitive
 - Fast changing
 - Similar to FMCG...

F&B Market Share

Nestlé is the world's largest F&B company but is still only 1.7% of the market



The 20 largest food companies account for less than 9% of the world market

Your most important mission

Is to avoid...

Disasters



Avian flu



Listeria in local cheese



Financial distress

Your most important mission

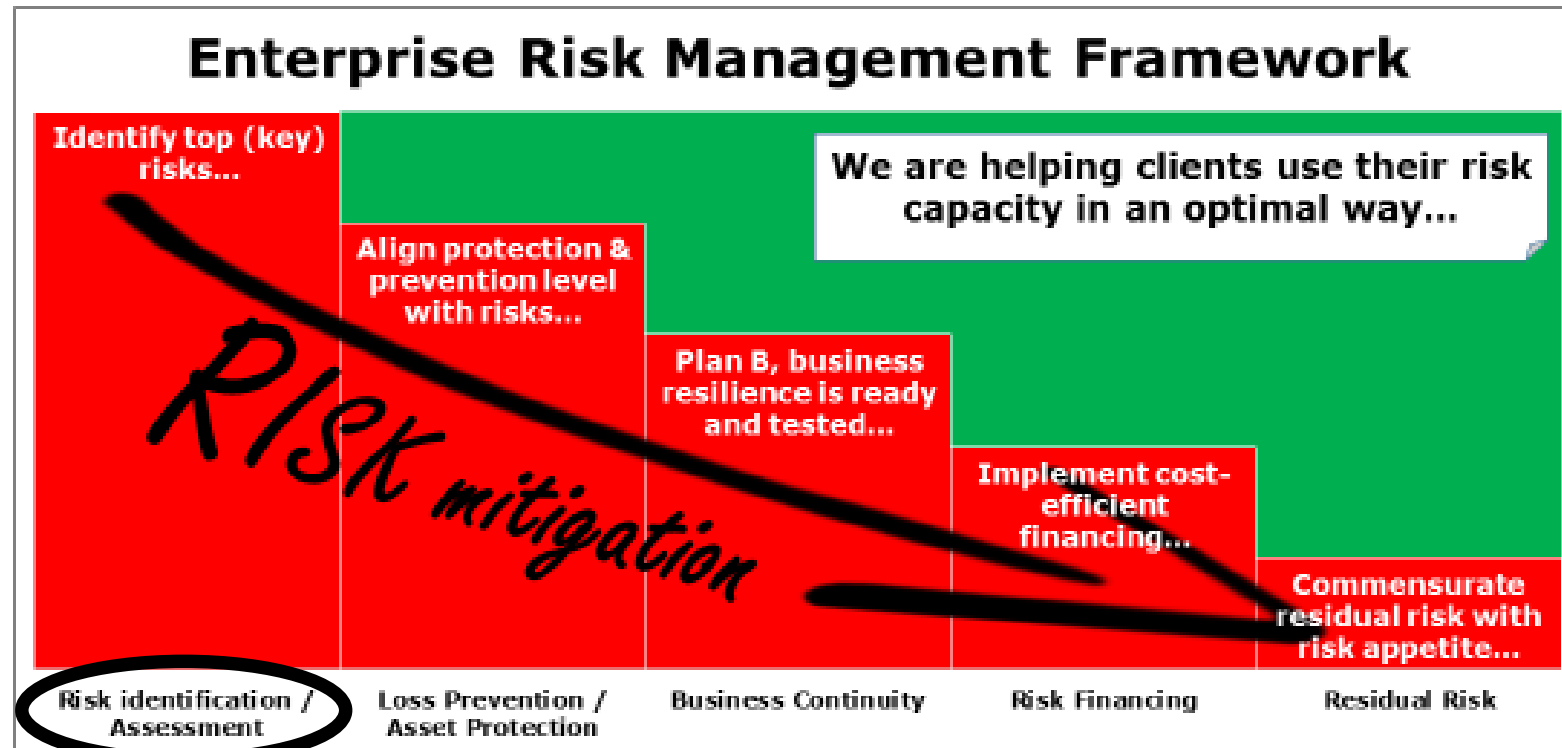
...which will impact your
objectives / reputation or
damage your *assets*...

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Our vision...

...is to assist you in achieving your objectives and protect your assets.



2017 @ The Consulting Group AG (TCG)

Facilitated Workshop

A Brief Introduction

- ✓ Self-assessment process;
- ✓ Simple and flexible;
- ✓ Multi-functional team;
- ✓ Unexpected / unplanned deviation;
- ✓ Risks owned by line management.



Aligned with ISO 31000 / COSO: IC framework can use the same methodology for the risk-based approach to assess processes.

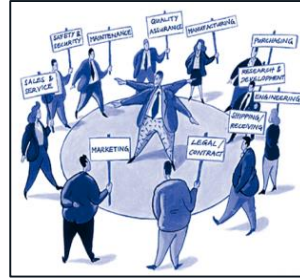
Risk Assessment Process (1/6)



1. Goal

Enables management to raise risk awareness, to anticipate risks early and to make sound business decisions.

Risk Assessment Process (2/6)



2. Objective

Identifying & quantifying risks in a transparent manner.

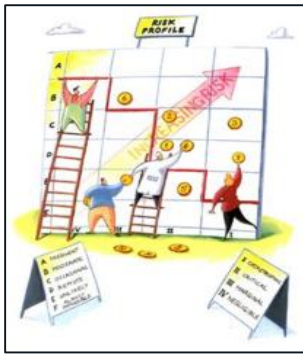
Risk Assessment Process (3/6)



3. Identification

Simple self-assessment process involving a multi-functional team. This process is part of good business management practices.

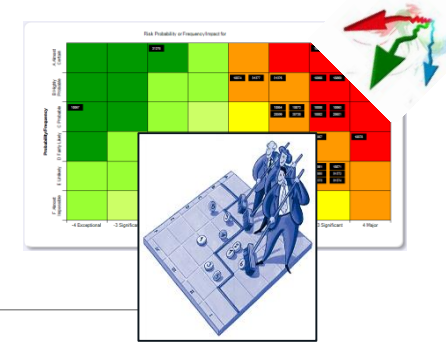
Risk Assessment Process (4/6)



4. Quantification

The overall exposure is defined by the potential impact on the business and the likelihood of occurrence of each identified event.

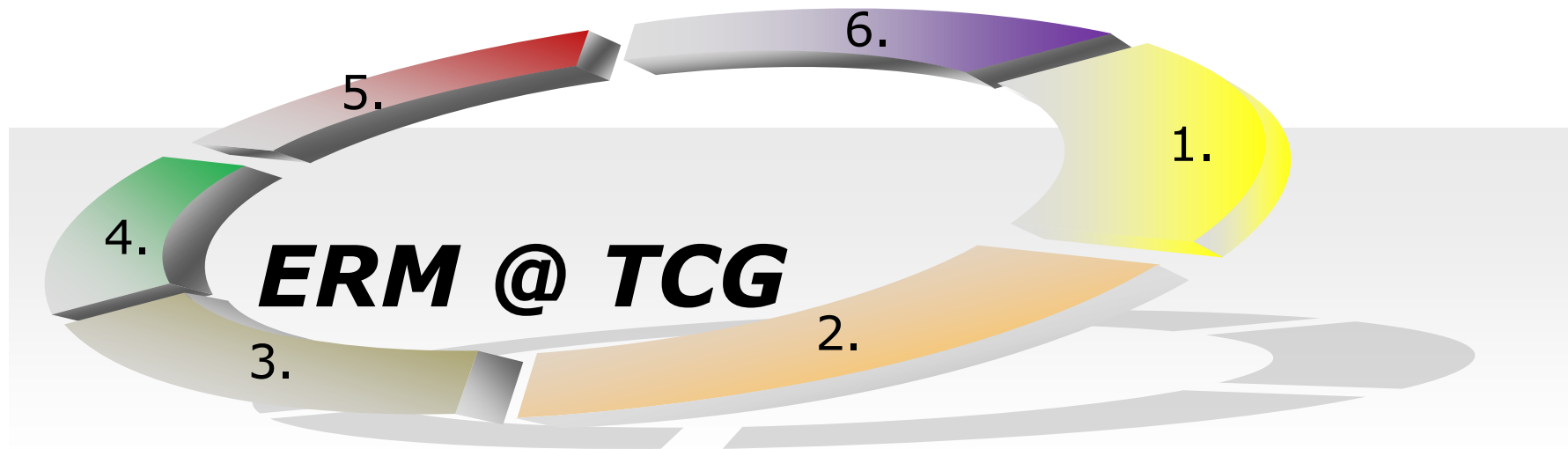
Risk Assessment Process (5/6)



5. Treatment/Mitigation

Mitigation actions shall be defined for the risks which are above the risk appetite level.

Risk Assessment Process (6/6)



6. Monitoring

Implementation of mitigation actions are reviewed periodically and the findings reported to management.

Dual risk assessment approach

Top-Down



Global Risks as seen by
General Management

Bottom-Up



Individual Business
Risk Assessment

Pro's & Con's of dual approach

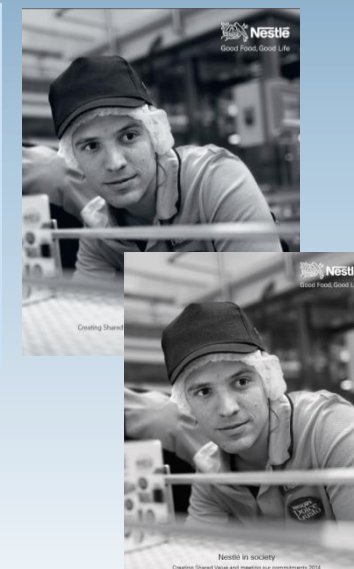
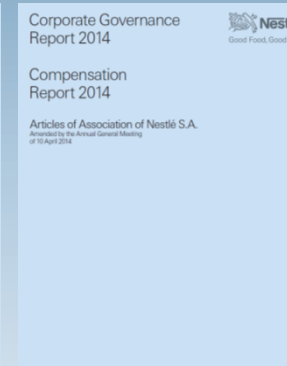
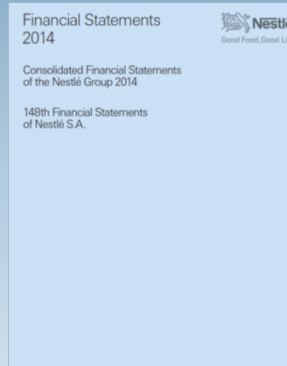
- General Management gets a good understanding about the most relevant risks in the organization;
- Risk awareness can be strengthen and aligned;
- But, difficult to monitor progress if not managed centrally...
- And, no common understanding if risk appetite not well defined...

Agenda

- Introduction – Who is TCG ?
- Risk Management in FMCG
- ERM - Added value to business ?
- **Lessons learned since 2001**

A 15 years' risk outlook...

Today, you will find the word 'risk' 359x in 6 reports



- Is the world more insecure ?
 - Or transparent ?
 - Or regulated ?
 - Or eventually all of this together...?

**Example
Nestlé**

Risk Management 2001

- Process to identify and quantify risks
 - ✓ 3 – 4 days
 - ✓ 10 – 20 participants
 - ✓ Very detailed information
 - ✓ Risk catalogue & risk profile

😊 Transparency...

😞 Complicated...

😞 Time intensive...

Risk Management 2008

- Process to identify and quantify risks
 - ✓ 2 – 3 hours
 - ✓ 5 - 10 participants
 - ✓ Most relevant information
 - ✓ Risk catalogue & opportunity / risk profile

😊 Limited time...

😊 Business & project...

😊 Transparency & increased awareness...

Risk Management 2013 (1)

- Process to identify and quantify risks
 - ✓ 2 – 3 hours
 - ✓ All line managers
 - ✓ Information related to strategic planning
 - ✓ Risk catalogue & (opportunity) / risk profile

☺ Time remains limited...

☺ Strategic planning, business & project related...

☺ Continues to create transparency & increased awareness...

Risk Management 2013 (2)

- Assess country / corporate functions risks (strategic planning)
- Present top 30 risks to general management
- Top 7 risks of general management identified and integrated
- Open questions:
 - ✓ Do we take enough risks ?
 - ✓ How do we monitor the implementation in the markets ?
 - ✓ Did we define our risk appetite, is it consistently applied ?
 - ✓ How do we communicate the risk culture (taking) within the organization ?

Conclusion

10 'golden' rules

1. It's not about an additional reporting (!), it's about taking better (proactive) decisions;
2. Compliance is just a nice side-effect;
3. If you can, start small and expand once it has proven valuable;
4. Adapt to the context (don't 'force' a process in an existing organization);
5. People change, be flexible and adapt if necessary;
6. Don't let others imposing you their tools / systems;
7. Try to engage with all relevant stakeholders (QA, Safety, Compliance, IC, etc.);
8. 'Steal' with pride, do not re-invent the wheels;
9. It's only a guess, not a scientific approach, therefore...
10. Keep it simple...!

