

## **Awareness of Standard & Poor's inclusion of enterprise risk analysis in corporate ratings varies among consumer products executives**

*Most are unsure how their Enterprise Risk Management (ERM) practices will be rated*

Standard and Poor's (S&P) will now apply enterprise risk analysis to corporate credit ratings, initially focusing on two areas: risk management culture and strategic risk management.

Most consumer products executives surveyed are either not sure how their company's ERM practices will be rated (47 percent) or chose not to give an opinion on how their company's practices might rate (20 percent). Only 24 percent agree that their companies' ERM practices will be highly rated by the rating agency. Nine percent disagree, or do not think that they will be highly rated by S&P.

ERM is becoming one of the top priorities at 33 percent of these consumer products firms but is not a top priority for 15 percent. Most are either not sure where it lies on the priority list (32 percent) or chose not to respond (20 percent). Among respondents, strategic risk management is always (45 percent) or usually (24 percent) considered important in strategic/corporate decision making. Seven percent reported that it is only sometimes important, 6 percent reported they were not sure and 18 percent did not respond.

Only 37 percent of consumer products senior executives believe that their organization is prepared for these new rating requirements and thirteen percent consider their organization under prepared. A large number (32 percent) are not sure of their company's preparedness and 18 percent chose not to report this information.

When looking at communicating business standards throughout the organization, several consumer products companies reported using more than one method. Most (70 percent) reported using a global code of conduct to communicate business standards; 19 percent have contractual terms and conditions to control standards; and 4 percent have a supplemental code. Only 6 percent have no formal communication of conduct or standards and 17 percent did not report how their organization communicates business conduct standards.

A large number of consumer products senior executives (41 percent) believe their own company's ERM practices are helping their organization to be more successful; only 11 percent disagree. The rest are either not sure (28 percent) or chose not to respond (20 percent).

One third of executives surveyed believe that that if run better, their ERM program could help their organization be even more successful (32 percent). Only 13 percent disagree with this statement. Most are either not sure (35 percent) or chose not to respond (20 percent).

PricewaterhouseCoopers' Consumer Products Barometer is a quarterly panel of top executives in 54 large, consumer products businesses in the United States. Interviews were conducted between November 12, 2008 and February 10, 2009.

Profile of Consumer Product Barometer demographics:

- Average number of employees ..... 10,468
- Average revenues ..... \$6.47 billion
- Average enterprise revenues ..... \$14.51 billion
- Average market capitalization ..... \$10.21 billion

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