

Proudly presents...

Session 5C

Reputation At Risk

“High Stakes”

Reputational Risk

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Professional Liability



Reputational Risk

“It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently.”

-- Warren Buffett

Reputational Risk

AGENDA

- I. What is Reputational Risk?**
- II. The Seven Drivers of Reputational Risk**
- III. Impacted Parties**
- IV. Why it is important?**
- V. Top 10 Reputation Events in 2010**
- VI. Emerging Sources of Reputational Risk**
- VII. How the Insurance Industry Responded**

What is Reputational Risk

- ***reputational risk*** - The risk that negative publicity regarding an institution's business practices will lead to a loss of revenue or increased litigation¹

1. © 2000-2012 International Risk Management Institute, Inc. (IRMI).

What is Reputational Risk

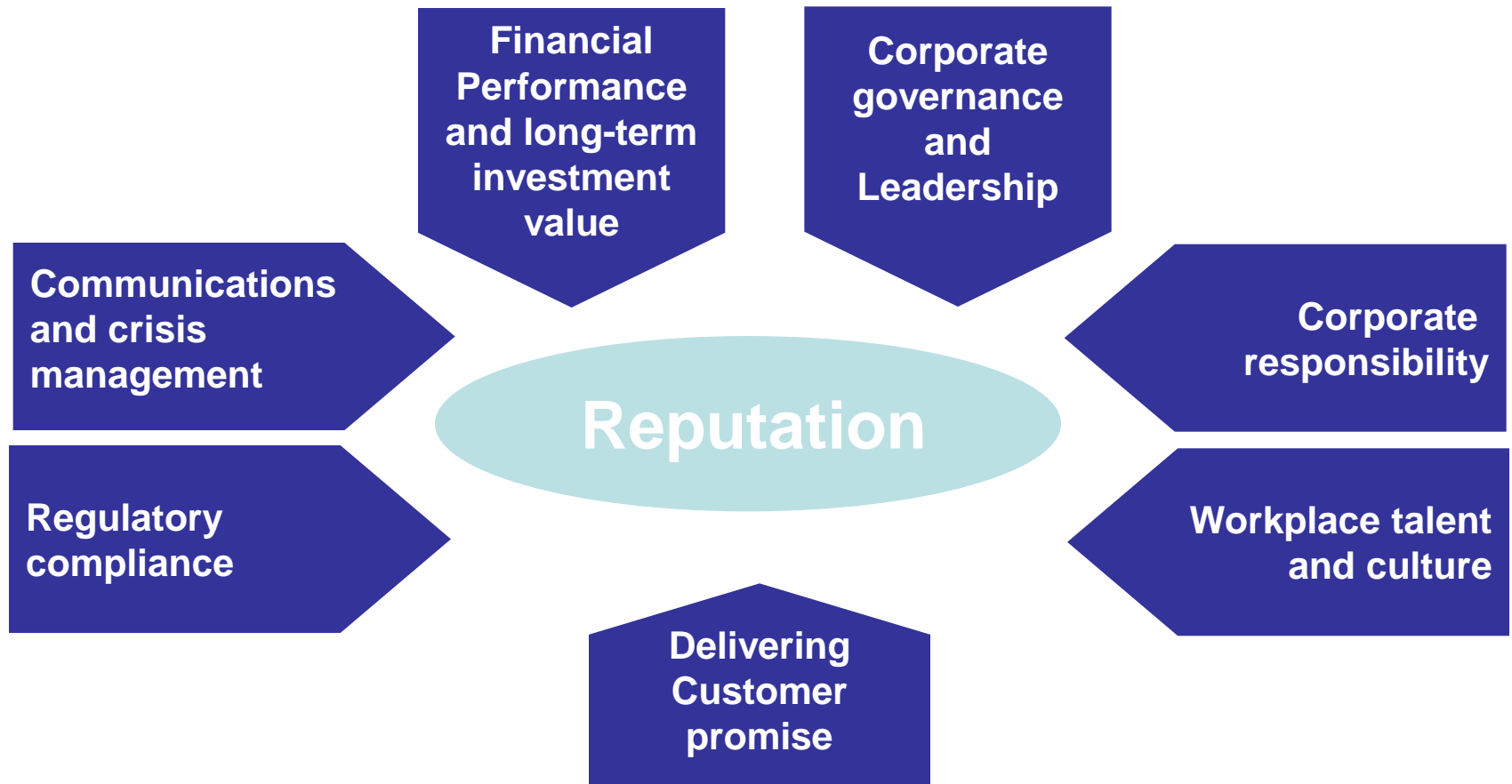
“The key element of reputational risk is the risk of damaging the institution’s trustworthiness in the marketplace – the impact of a specific event that could worsen, or affect negatively, the perception of a company’s reliability, of its services’ quality, its management fairness, or more generally its trustworthiness.

This negative or worsened perception could spread from its own employees and customers, to financial markets, investors, shareholders, counterparties, governments and/or regulators.

Consequently, reputational risk is arguably the worst type of risk a financial institution is exposed to.”

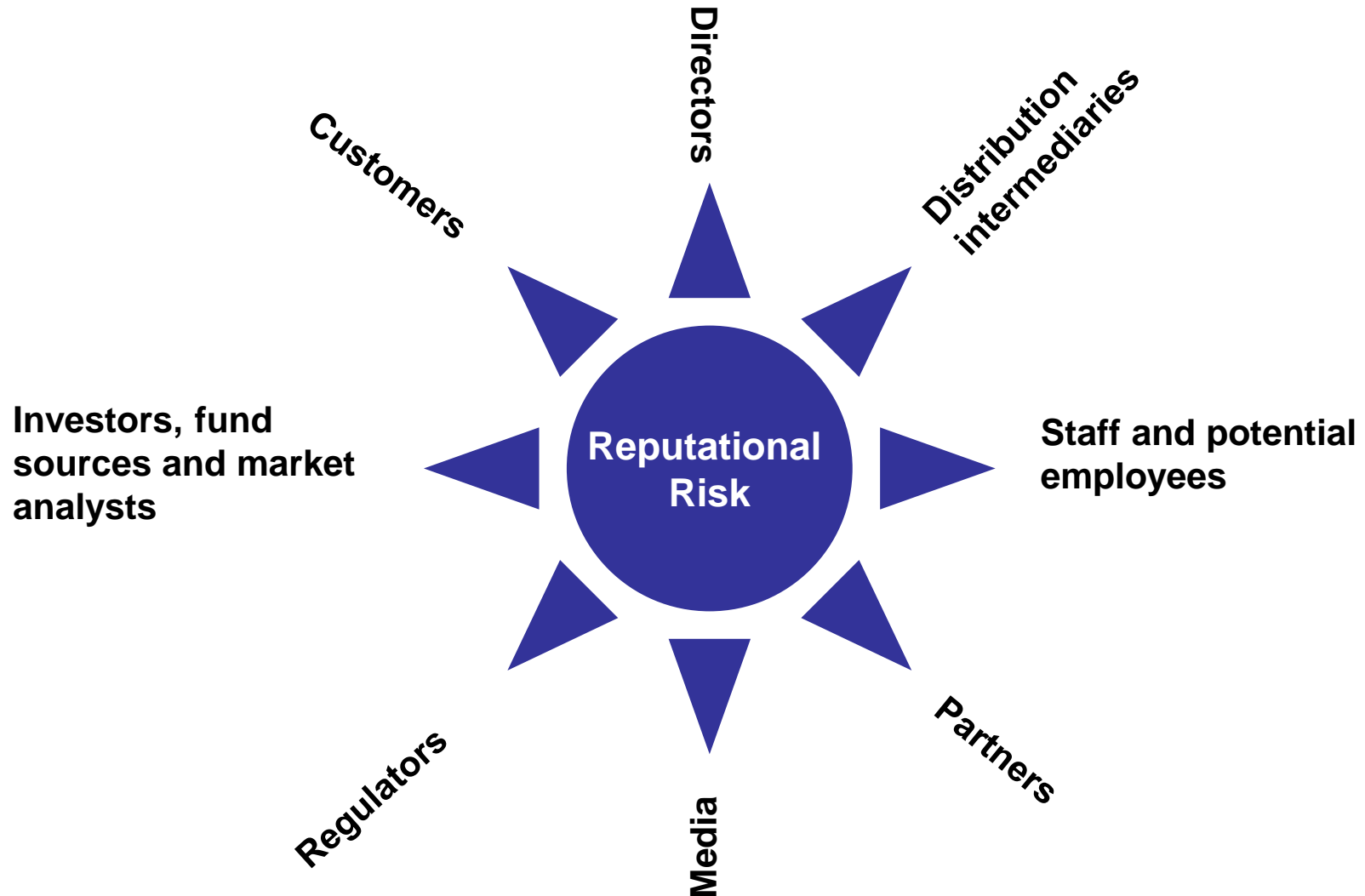
Soprano, Crilliard, Piacenza and Ruspantini, in Measuring operational and reputational risk – A practitioner’s approach, Wiley 2009

The Seven Drivers of Reputational Risk



Rayner, J *Managing Reputational Risk : curbing threats, leveraging opportunities*, Chichester (2003) J Wiley

Impacted Parties



Why is it Important?

- Nearly **70%** of directors surveyed identified **reputational risk** as the most important non-financial risk.

-- Concerns About Risks Confronting Boards: Second Annual Board of Directors

Survey | 2011, EisnerAmper, May 25, 2011

- “In today’s reputation economy, what you stand for matters more than what you produce and sell. People’s willingness to buy, recommend, work for, and invest in a company is driven 60% by their perceptions of the company and only 40% by their perceptions of their products.”

-- Kasper Ulf Nielsen, Reputation Institute’s executive partner

Why is it Important?

- 72% of US consumers say they have avoided purchasing products from companies whose practices they disagree with¹
- 47% of consumers have bought a brand at least monthly that supports a cause; representing a 47% increase since 2010²
 - ✓ 39% increase in “would recommend” cause-related product
 - ✓ 34% increase in “would promote” cause-related product
 - ✓ 9% increase in “would switch” brands if a similar brand supported a good cause

1. 2009 BBMG Conscious Consumer Report

2. Edelman good purpose 2012

Top 10 Reputation Events in 2010

Date	Company	Event	Value Reaction™ [at 30-Dec-10]	
24 Jun	Apple	iPhone4 antenna	-2.4%	-\$5,965m
15 Jan	Johnson & Johnson	Product recalls	-7.7%	-\$13,816m
4 Nov	Rolls-Royce	Engine failure	-9.0%	-\$1,764m
16 Apr	Goldman Sachs	SEC fraud allegations	-12.6%	-\$12,637m
6 Aug	Hewlett-Packard	CEO resignation	-18.5%	-\$20,009m
21 Jan	Toyota	Safety recalls	-20.2%	-\$31,355m
20 Apr	BP	Explosion & oil spill	-29.0%	-\$53,500m
26 Mar	Acino	Product recalls	-49.3%	-\$248m
23 Jan	Foxconn	Suicides	-49.5%	-\$4,097m
26 Apr	Allied Irish	Banking crisis	-80.0%	-\$1,417m

Emerging Sources of Reputational Risk

- Increased Public Scrutiny/Media Coverage
- Increased Use of Social Media
- Globalization of Activist Organizations
- Higher Expectations of Corporate Responsibility
- Increased Transparency Requirements
- Increased Customer Awareness of Rights (privacy etc.)

How the Insurance Industry Responded

- Varies significantly by Carrier
- Policies available to address reputational risk on an all perils approach (via certain carriers)
- Coverage available to address the costs associated with crisis management both pre and post event.
- Partnered with some of the most trusted crisis management firms in the world
- Forms available with a limited number of exclusions
- Low premiums available
- Extensive Coverage (consultation, monitoring, mail, advertising, other communications as recommended by panel experts)

Thank You for Your Attendance and Participation!

Jeanette Lawrence

Assistant Vice President

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“High Stakes”

Preparing For
&
Managing a Crisis

CANADIAN RISK AND INSURANCE MANAGEMENT SOCIETY

John Crean

NATIONAL Public Relations

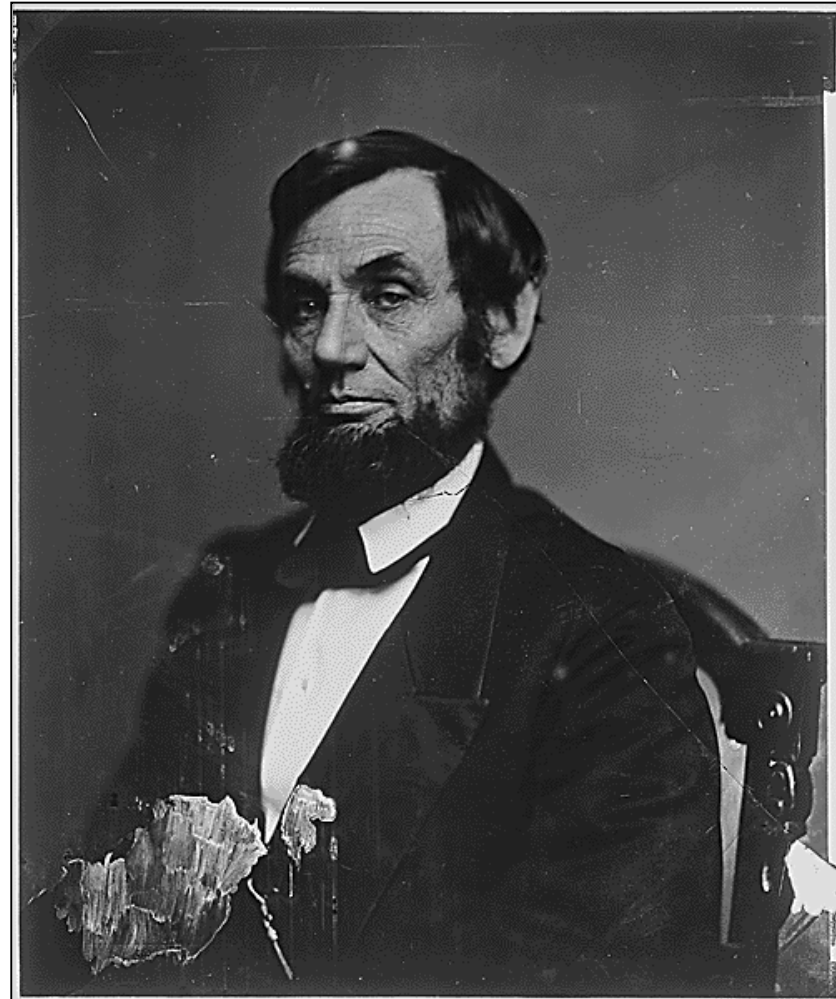
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There cannot be a crisis today;
my schedule is already full



~ Henry Kissinger

- With public sentiment,
nothing can fail.
- Without it,
nothing can succeed.



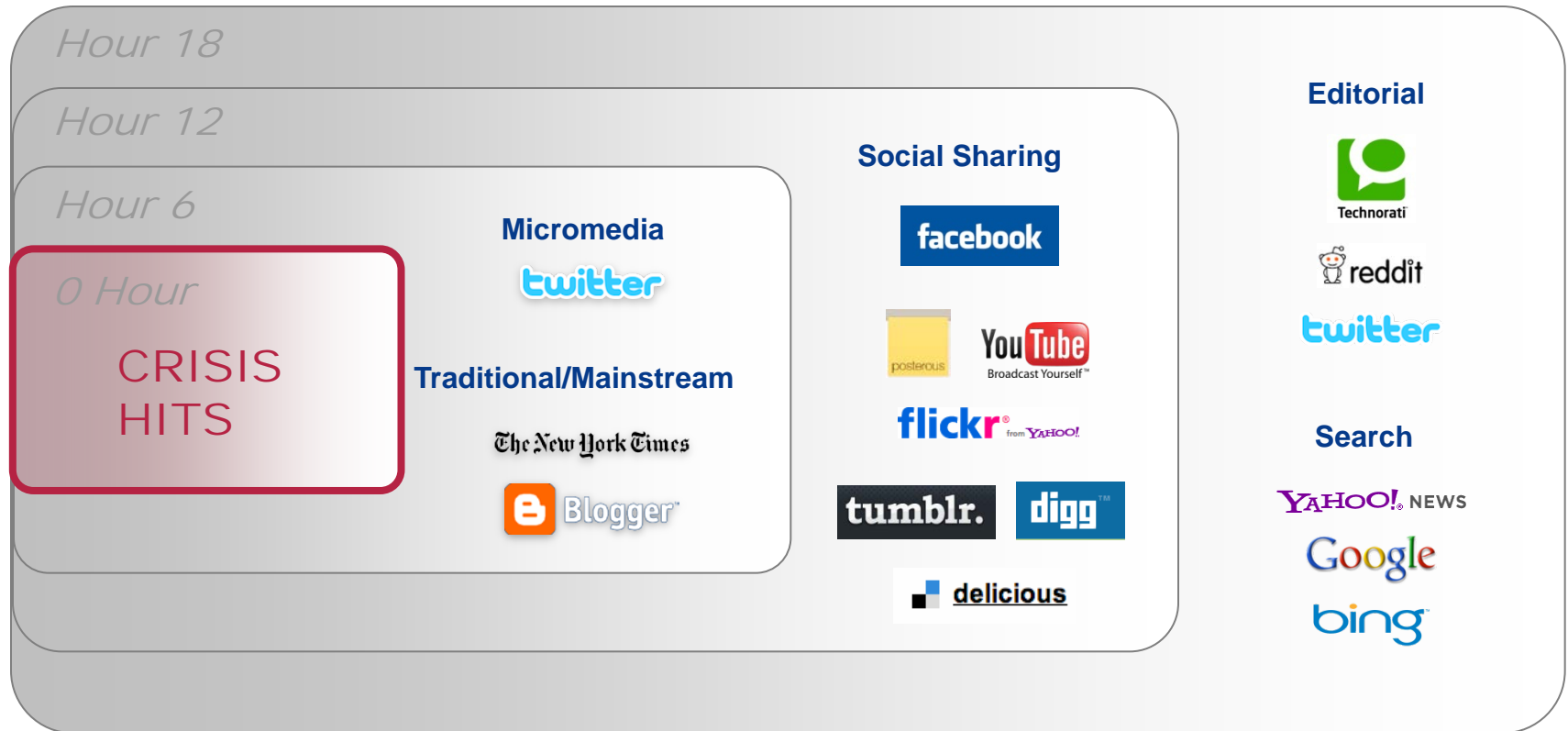






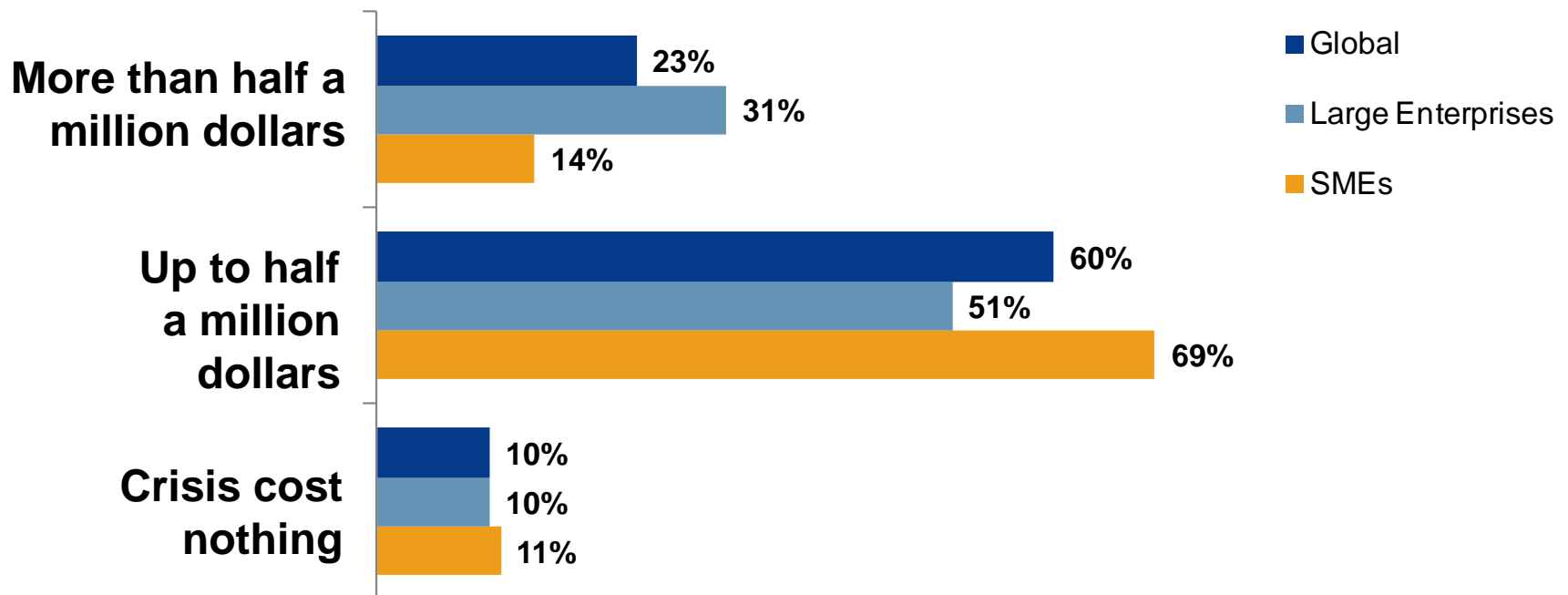


In today's world, events can become crises at warp speed



Cost of experiencing a crisis

Approximately, how much did the crisis cost your company?
(Among those who have experienced a crisis)

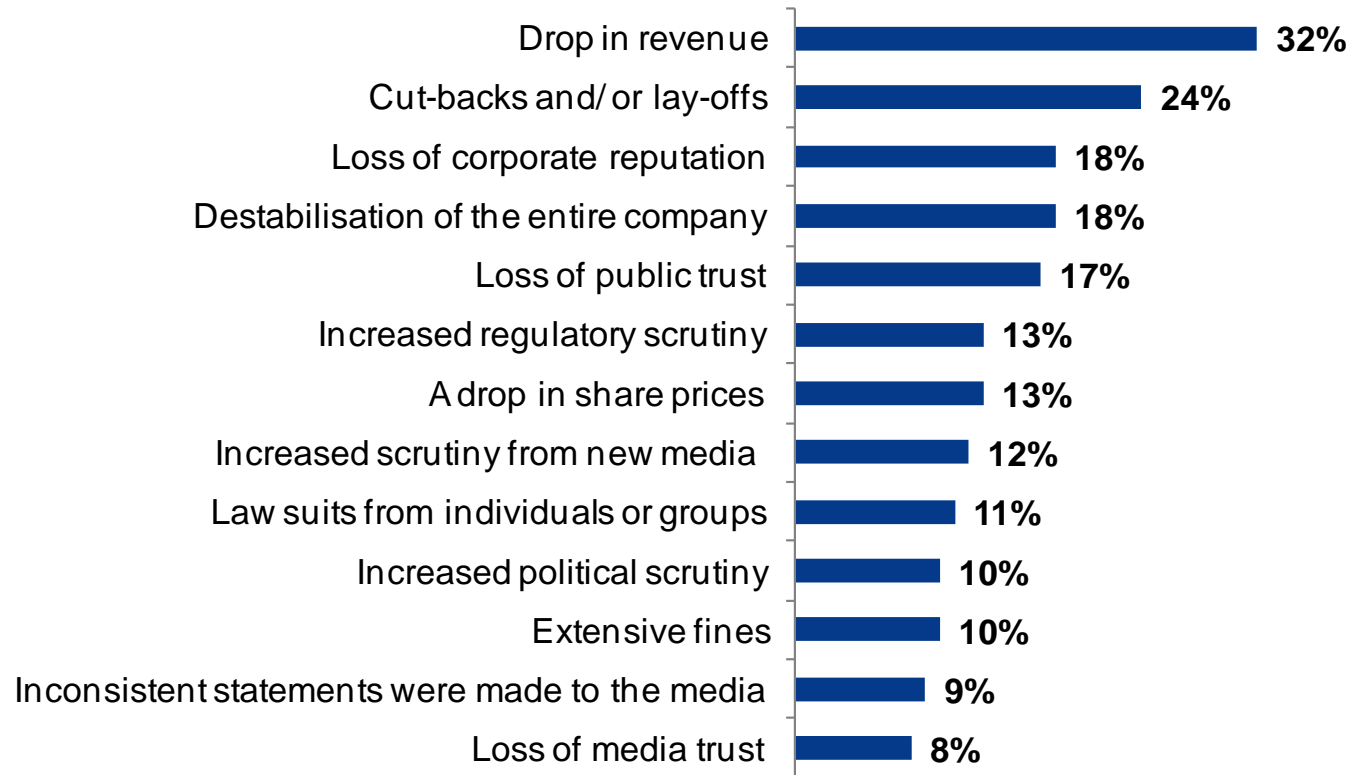


Drop in revenue and cut-backs/lay-offs most common impacts of crisis

You said your company has experienced a crisis.

What was the impact on your company from the crisis?

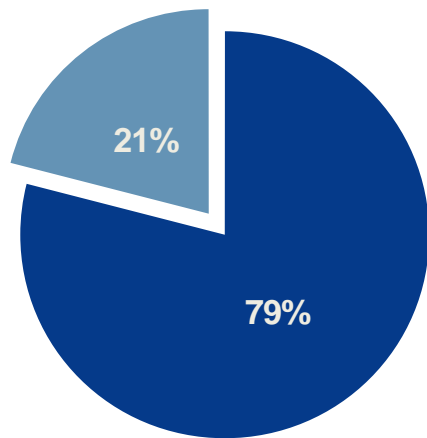
(Amongst those who experienced a crisis)



79% of business decision makers believe they are only 12 months from a potential crisis

How likely do you think it is that your company will experience any of the following potential crisis in the next 6-12 months?

(Top 2 Very + Somewhat likely to experience this type of crisis)

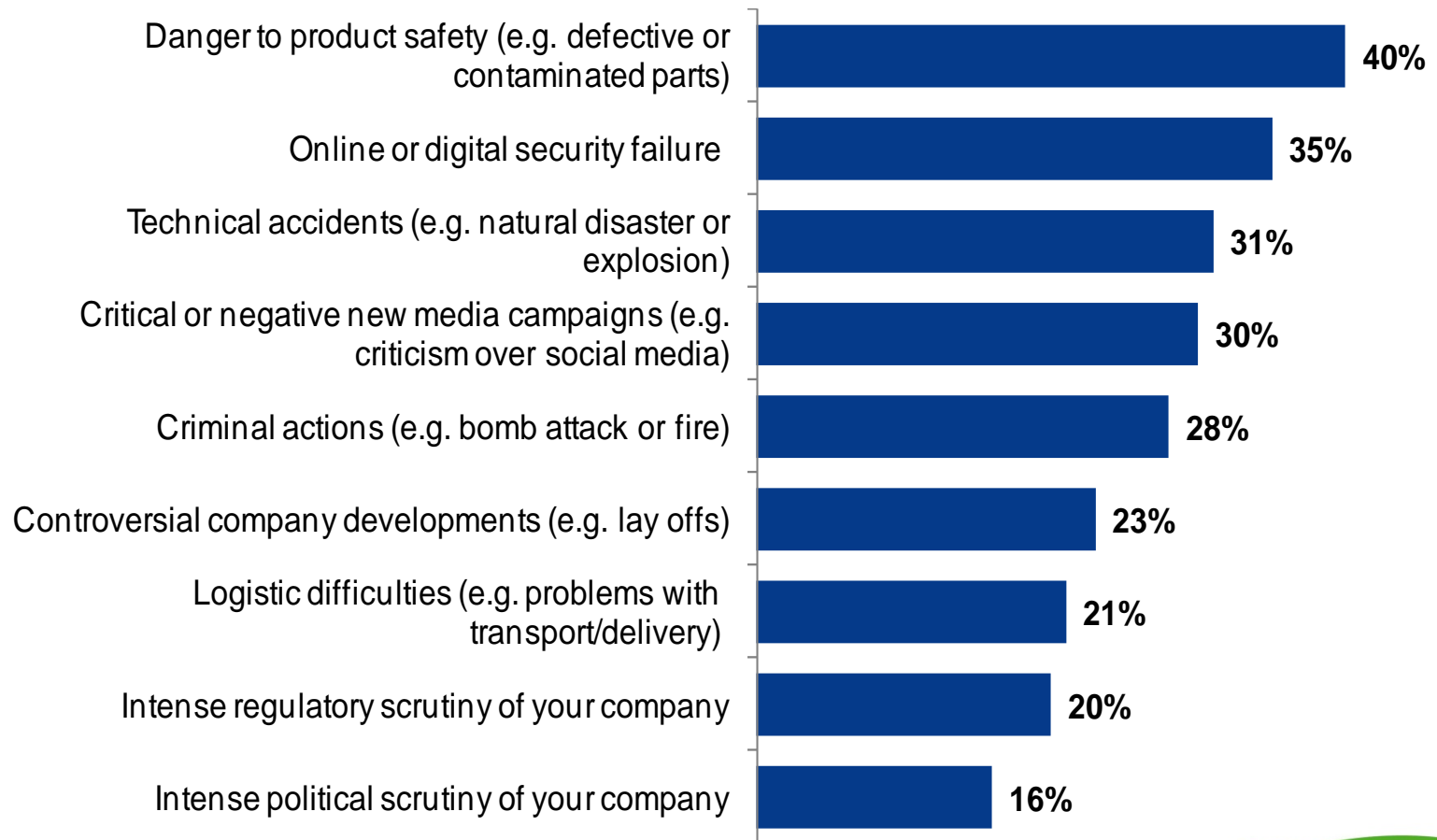


- Likely to experience a potential crisis
- Not likely to experience a potential crisis

	Global
Controversial company developments	50%
Online or digital security failure	47%
Logistic difficulties	47%
Intense regulatory scrutiny of your product or company	45%
Critical or negative new media campaigns	43%
Danger to product safety	42%
Technical accidents	40%
Intense political scrutiny of your product or company	40%
Criminal actions	33%

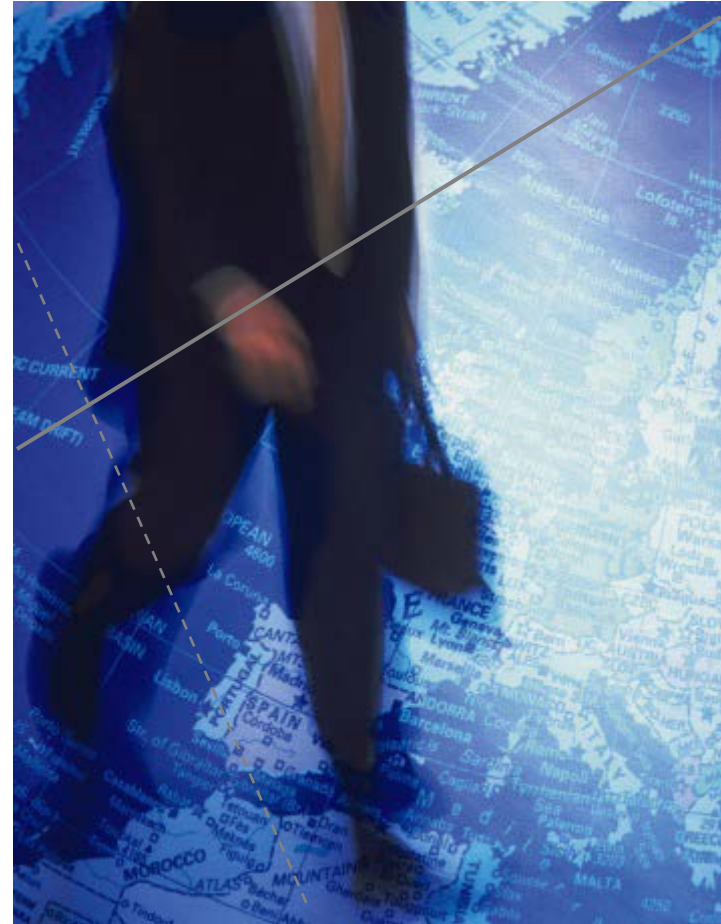
What makes a crisis?

Which of the following potential situations do you think would **impact the reputation of your company most?**



The array of weapons in your arsenal may need updating

- More than a manual – a new mindset
- Preparation is your lifeline
- Monitoring the conversation – how do you know when you're in a crisis?



You need more than a crisis manual on the shelf

An organization needs processes and protocols that are flexible and that can be adjusted to a rapidly changing media environment.



You cannot be too prepared

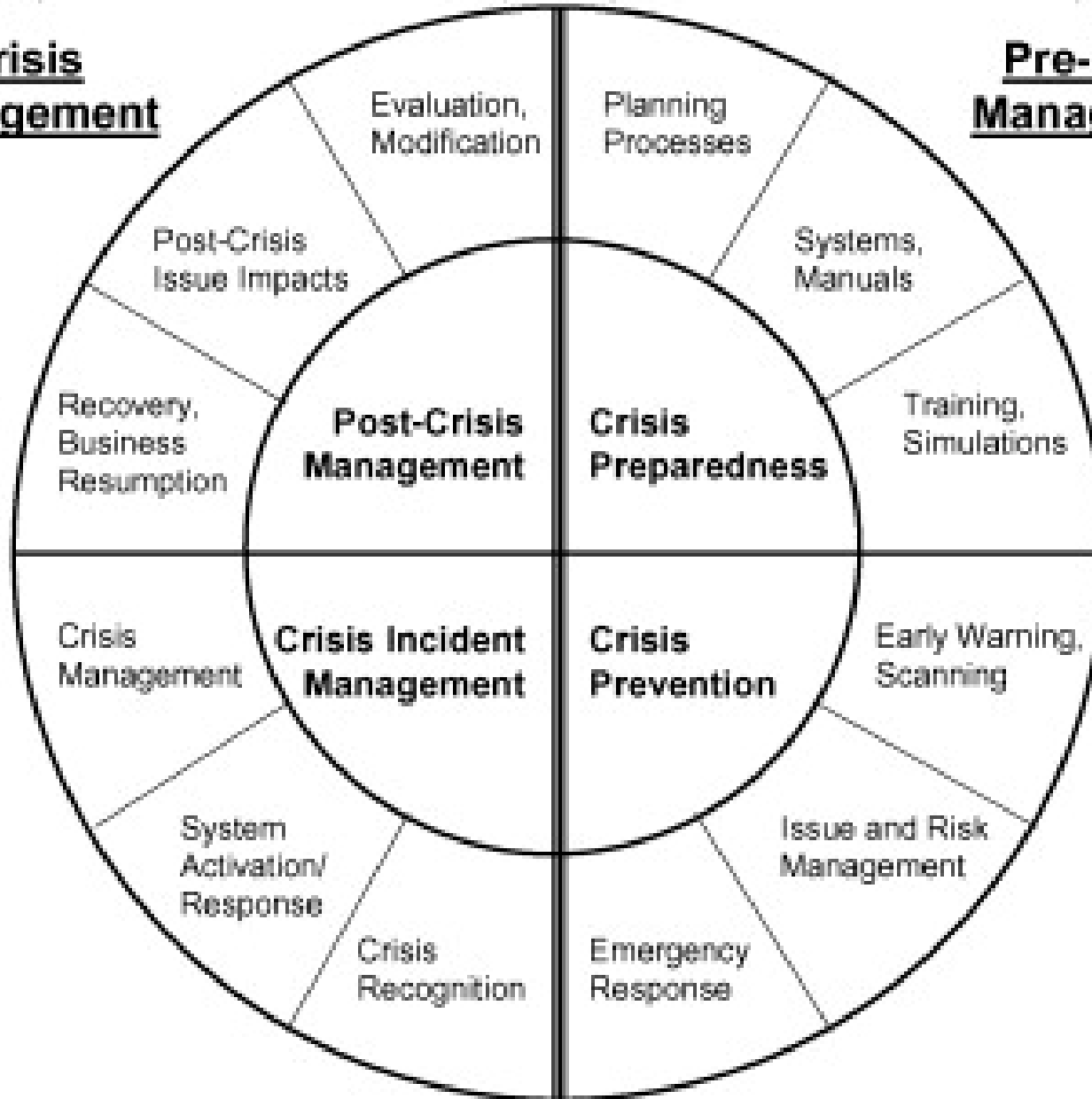
Scenarios need to be:

- anticipated
- materials developed
- and simulations conducted



Crisis Management

Pre-Crisis Management



Eight Maxims to Gain Control of your Reputation

8 Maxims to Gain Control of your Reputation



1. Images speak louder than words
~Show, don't tell

8 Maxims to Gain Control of your Reputation



**"I GREW UP ON A FARM.
I KNOW WHAT IT MEANS
TO HAVE THE LAND
RESTORED."**

Getting a forest started is the critical part of reclaiming the land. For years, at oil sands drilling locations, we started the process by planting grass, and it would take 10 to 20 years for the trees to emerge from the natural seed bank. Recently, drawing on research from the University of Alberta, we learned how to create conditions that allow us to plant aspen, spruce and pine seedlings right away. So now, the forest can re-establish itself in a few years, rather than a few decades.

Finding innovative ways to limit environmental impacts is key to meeting our energy needs responsibly. Take a closer look at capp.ca/oilsands

Scott Brown
ConocoPhillips

A message from Canada's Oil Sands Producers

CAPP
CANADIAN ASSOCIATION
OF PETROLEUM PRODUCERS

The Canadian Association of Petroleum Producers (CAPP) represents member companies that produce approximately 90 per cent of Canada's natural gas and crude oil, including Canada's Oil Sands Producers.

2. Emotion trumps stats
~Seek mutual gains

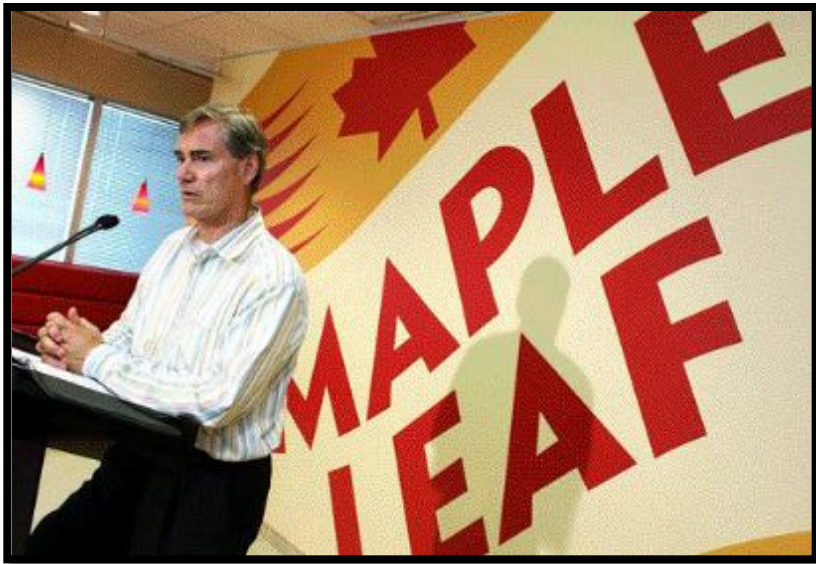
8 Maxims to Gain Control of your Reputation



“I would like my life back”

3. The media is not the adversary
~Seek mutual trust and mutual advantage through dialogue

8 Maxims to Gain Control of your Reputation



4. Mistakes happen
~The media and public
are forgiving.
Say I'm sorry.

8 Maxims to Gain Control of your Reputation



5. Public opinion is fickle
~Monitor, monitor,
monitor.

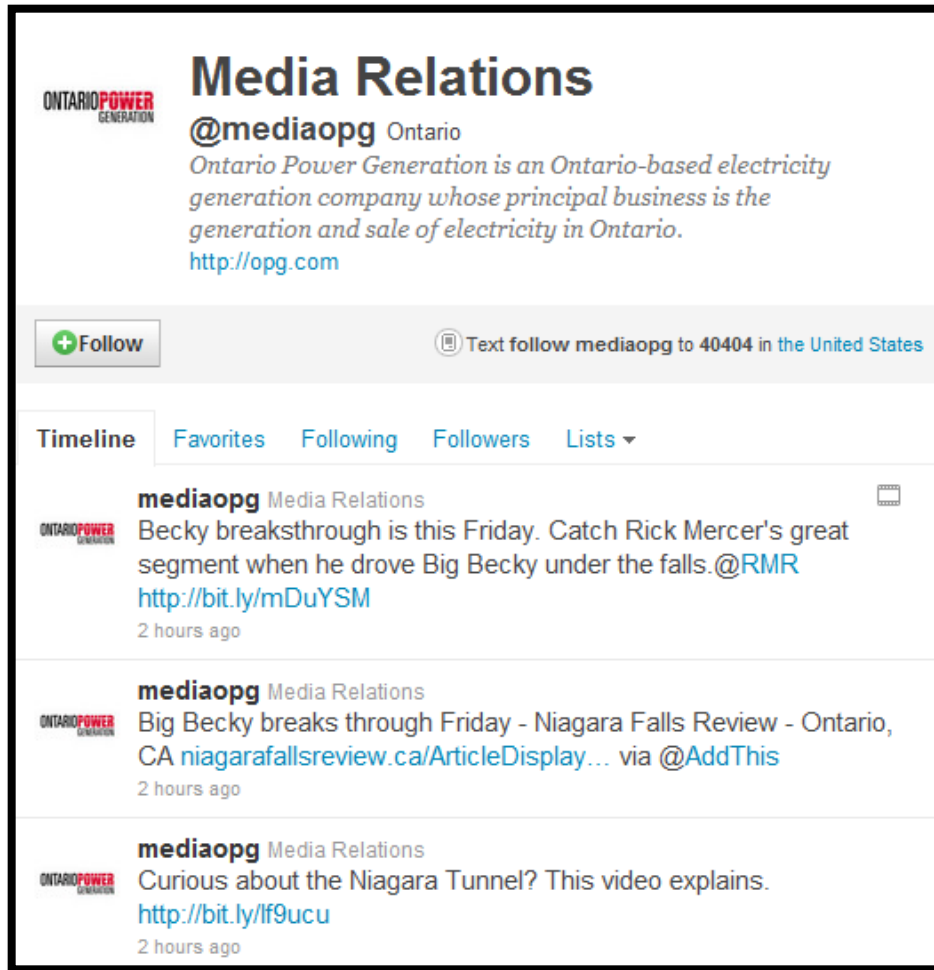
8 Maxims to Gain Control of your Reputation



Press Conference:
Tokyo Electric Power Company
(TEPCO)

6. What did you know and when did you know it?
~Resist the urge to keep secrets.
Transparency can be an ally.

8 Maxims to Gain Control of your Reputation



7. Just because you're not talking, doesn't mean no one else is ~Get engaged in the conversation .

8 Maxims to Gain Control of your Reputation



8. Fast is the new good
~Don't wait for the perfect response or the perfect amount of information.

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Thank You for Your Attendance and Participation!

John Crean

National Managing Partner

NATIONAL Public Relations

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Sofina Foods

Bill Baker

Senior Manager

Risk & Environmental Management



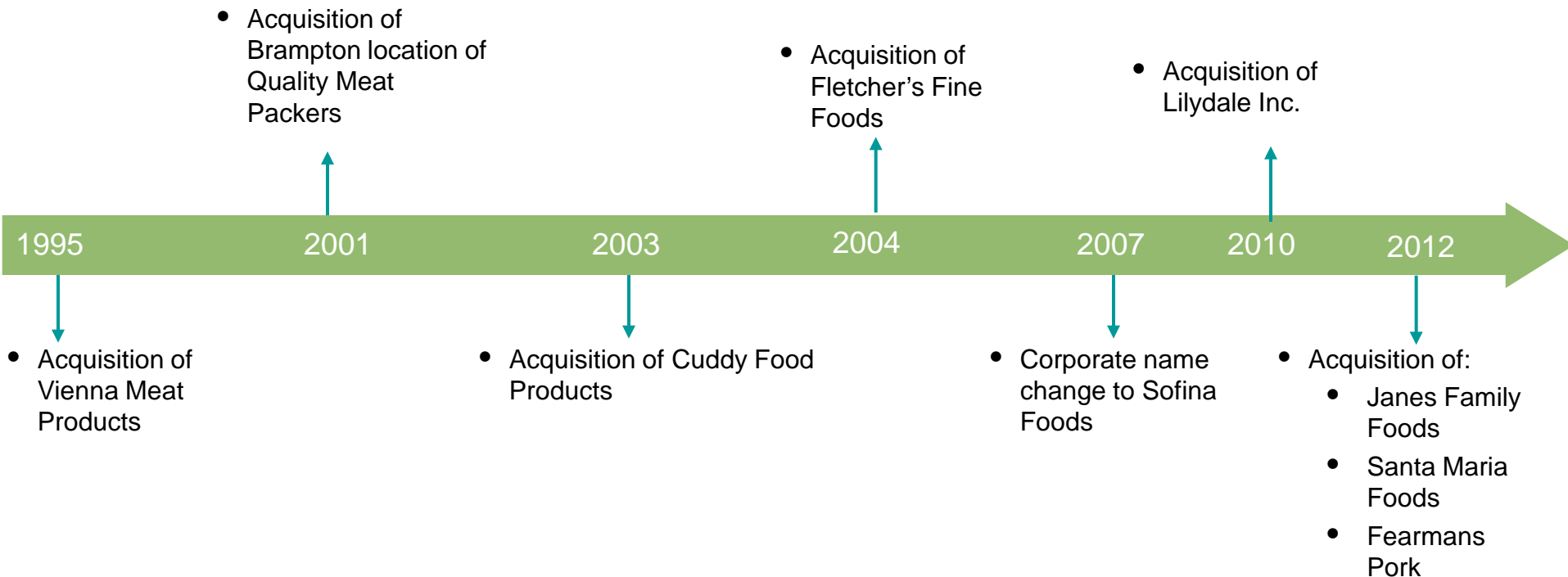
Contents

- Company Overview – Sofina Foods Inc.
- Vision
- History
- Brands
- Food Safety & Reputation

Vision

**To be the most successful
food company in the world.**

Company History & Development



Sofina Overview: Key Brands

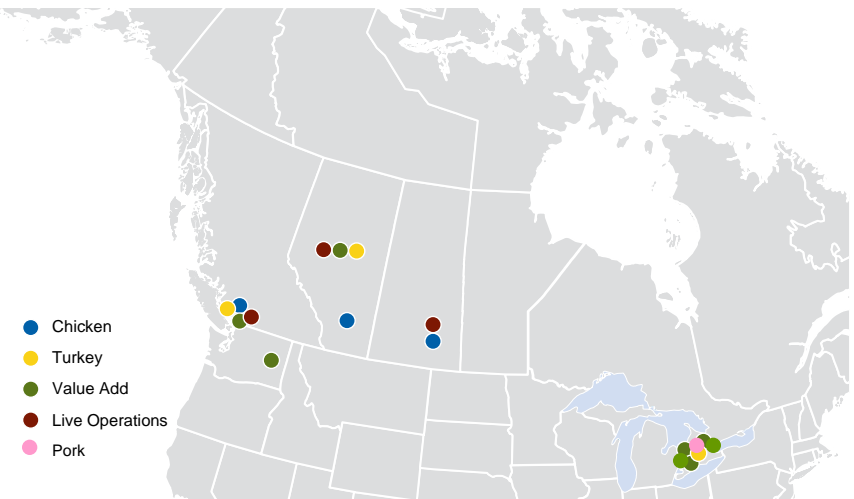
Overview

- Sofina Foods Inc. ("Sofina") is a leading manufacturer of further processed protein products
 - Portfolio includes both branded and private label pork, turkey, chicken, seafood and beef products serving both Retail and Foodservice segments
- Sofina offers retail customers a wide range of nationally branded and private label products in both the premium or popular-priced segment and across the product spectrum including:
 - Pork
 - Chicken
 - Turkey
 - Beef
 - Seafood

Brands and Products



Map of Operations



Impacts to Reputation

- Owner and staff Very proud of brands and products
- Food industry highly regulated – CFIA, FSIS of USDA, FDA etc.

Must be able to prove Safe Quality Food

Sources of Negative Reputation

- Regulatory
- Customers
- Consumers
- Special interest groups

Production of Safe Quality Food is how we protect brand & reputation at the root cause level for food safety issues

Food Safety

- Paramount to Brand
- Perform independent 3rd party audits to British Retail Consortium (BRC) metrics
- RTE products tested during and post production, contact surfaces tested and product held.
- ISO 17025 Accredited Lab
- Quality and Food Safety interdependent

What if...?

A recall or negative incident

- Sofina & its subsidiaries have a predefined recall program and process in place with well defined roles and responsibilities across the breadth and depth of the organization.
- Roles and responsibilities pre-determined
- Communications primes identified, trained, and documented
- Risk transfer opportunities

Brand and Reputation

- Brand Strategy rests with Marketing / Brand Development
- Every employee plays a role in protection of brand, from truck drivers hauling live animals to plant employees on packaging line.
- Vision, Mission, Core Values and Guiding Principles highly supportive of brand “care”
- Continuous training
- Brand and Reputation is everything and can be destroyed in an instant – especially with the speed at which social media operates.
- Consumers have choice and can be much better “informed”

Sofina Foods Inc.

Additional Information



Sofina Overview: Key Brands



- Fletcher's has been established in the Canadian food industry since 1917
- Fletcher's continues to be a leading producer of processed pork, beef and poultry products with customers in the USA, Canada and Japan.



- The Quality Meats brand has been established in Canada since 1931
- With an emphasis on quality pork products, Quality Meats provides a wide range of innovative processed meat products



- The Cuddy brand has a reputation for fine quality Turkey and Chicken products in Canada since 1950
- Cuddy provides a comprehensive selection of raw and processed products to both retail and foodservice customers.



- The Vienna name has been established since 1952
- Vienna has a reputation for fine quality ingredients and traditional processing techniques and offers a broad range of processed pork, beef and poultry products.



- Lilydale is a leading manufacturer of poultry products including fresh chicken and turkey, premium deli and prepared chicken and turkey products
- Originally established in 1940 as the "Alberta Poultry Producers Ltd.", products are marketed under the Lilydale brand and distributed across Canada to major retailers

Sofina Overview: Key Brands



- Janes Family Foods produces the Janes brand of high-quality processed chicken products (such as nuggets, strips, burgers, and fingers) and processed seafood products (such as battered haddock fillets).
- The Janes brand is one of Canada's leading national retail brands in frozen chicken, and the only fish processor in North America to be fully certified by the Marine Stewardship Council for sustainably sourced seafood.



- Santa Maria Foods is Canada's leader in specialty Italian-style deli meat and imported grocery products, with the deli meats sold under the **San Daniele** and **Mastro** brands.
- The company also imports and exclusively distributes some of the best Italian grocery brands within Canada



- Established in 1852, in Ontario, Fearmans Pork operates Canada's oldest pork-processing facility, which is also the largest in the province.
- The Company supplies product to other processors, retailers and food service providers, including chilled pork products, specialty, and counter-ready products.

Thank You for Your Attendance and Participation!

Bill Baker

Senior Manager,

Risk & Environmental Management

Sofina Foods Inc.

780-472-4873



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Reputational Harm

Mathieu Denarnaud

Placing Broker, Crisis Management



Did you know?

- Intangible Assets may represent over 60% of a company's market share
- For every customer who complains, 26 remain silent
- The wronged customer will tell 8-16 people (216-432 lost customers)
- 80% chance of a company losing at least 20% of its value in a reputation crisis every 5 years

Global Risk Management Survey

- According to an Aon's 2011 GRMS Survey *, damage to the reputation of a brand is one of the most important risks facing major corporations from across the world – and is becoming more of a concern

Ranking in 2011	Risk description	Ranking in 2009
1	Economic slowdown	1
2	Regulatory/legislative changes	2
3	Increasing competition	4
4	Damage to reputation/brand	6
5	Business interruption	3

* Aon Global Risk Management carries out a survey where 960 organizations from 58 countries, were asked to rank listed key risks

Key issues

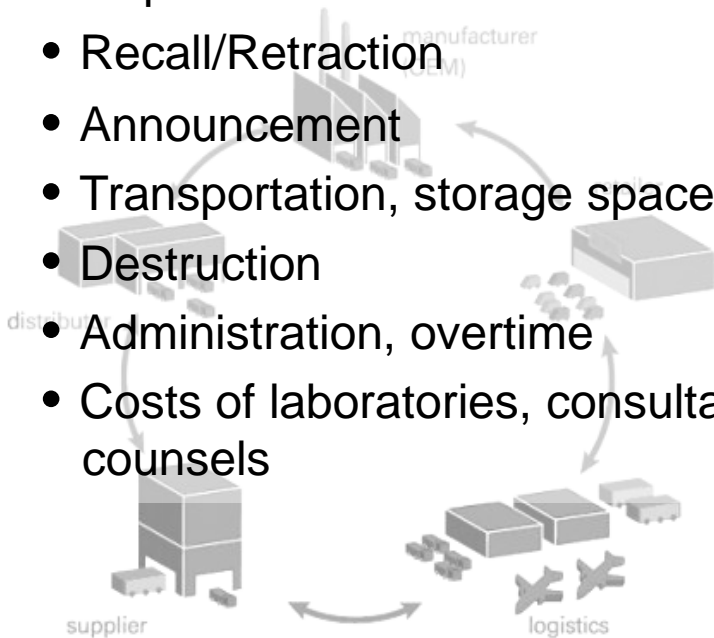
- Reputational event adversely affects
 - Share price
 - Customer loyalty
 - Regulatory scrutiny
 - Ongoing business relationship
 - Supplier confidence

Short- and Long-term Costs



Immediate Costs

- Inspection
- Recall/Retraction
- Announcement
- Transportation, storage space
- Destruction
- Administration, overtime
- Costs of laboratories, consultants, counsels

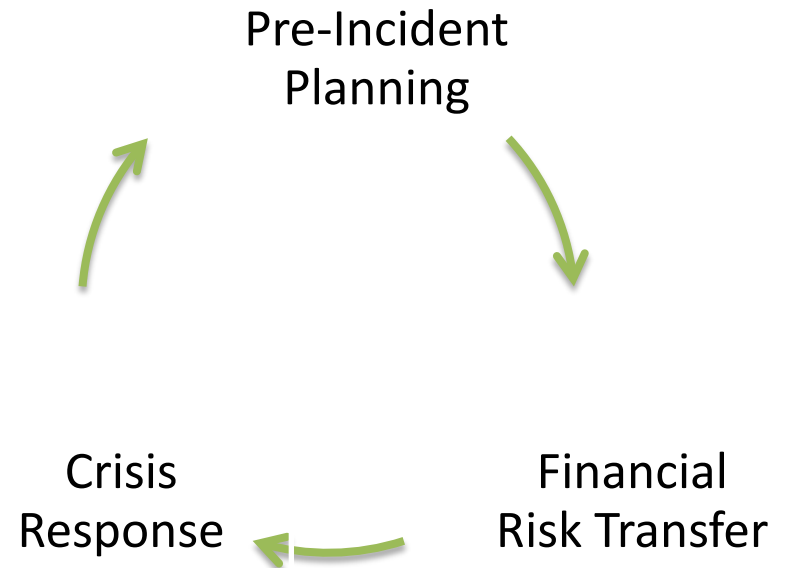


Long-term Costs

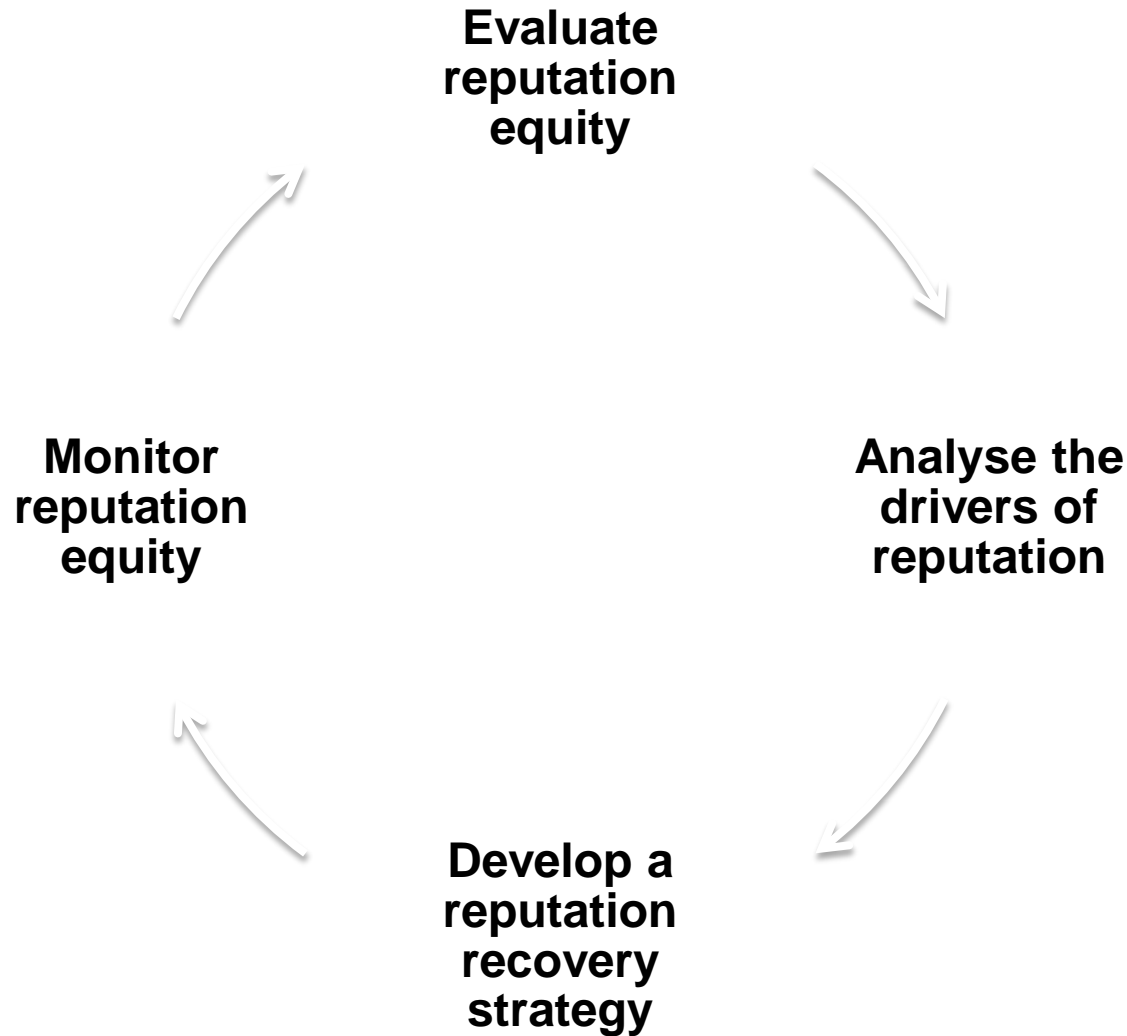
- Drop in sales
 - Loss of profits
 - Loss of consumers' faith
- Loss of production
- Loss of market value
 - Loss of market reputation
 - Loss of major customer/retailer
- Rehabilitation
 - Advertising, sales promotion
 - Resume shelf position
 - Relaunch products to market

Risk Management

- Pre-Incident preparation to minimize Potential and Effects
- Financial Risk Transfer Mechanisms
- Crisis Communication and Management



Evidence based reputation strategy



Risk Transfer

- Assuming the risk
 - Self Insurance

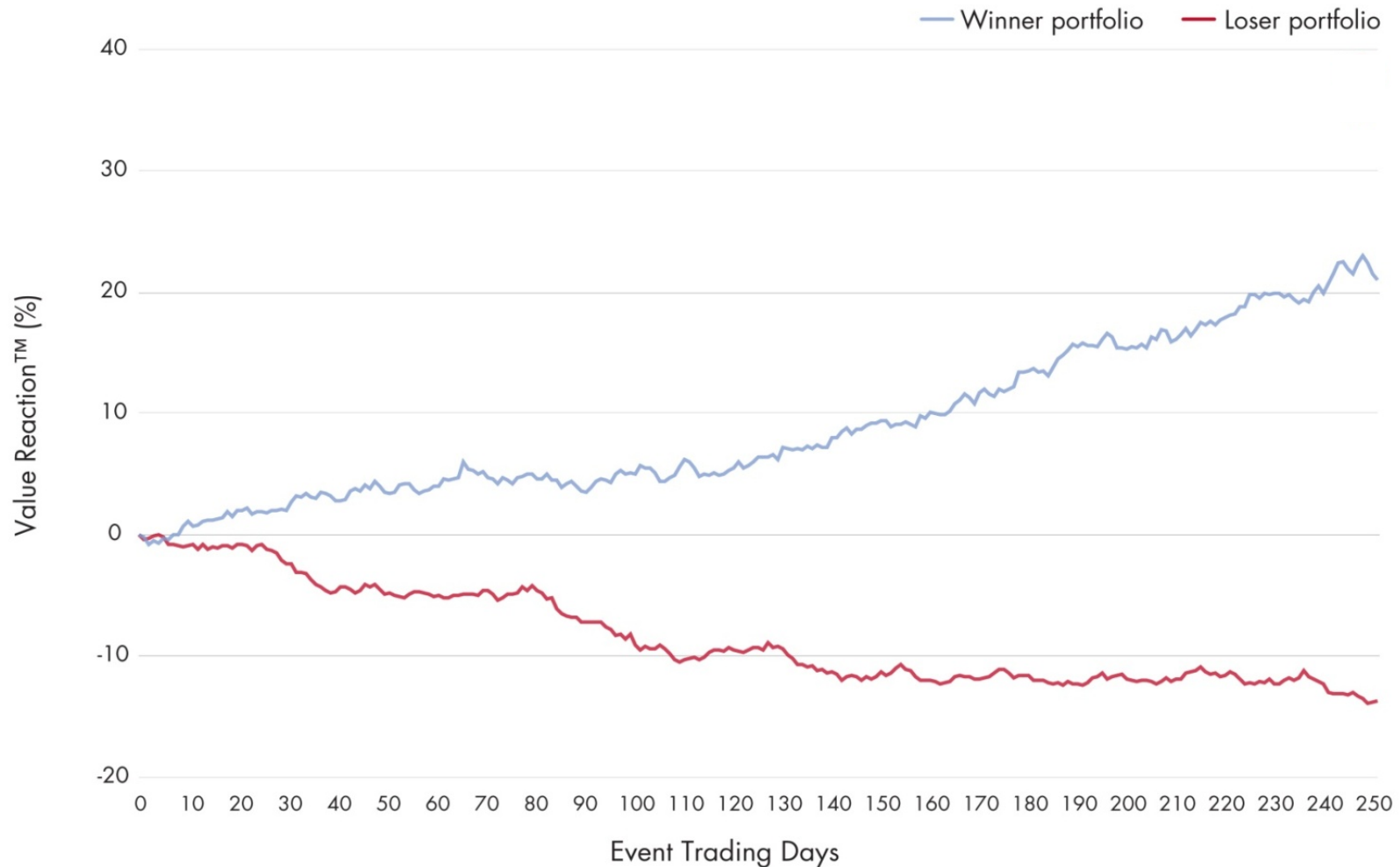
- Transferring to suppliers:
 - Indemnification clause
 - Hold Harmless clause

- Transferring to specialty insurers:
 - Product Recall or Contamination insurance
 - Restaurant Contamination insurance
 - Reputational harm insurance

Incident that cause losses

- **2011 - TEPCO**
 - Nuclear reactors failure after Japanese earthquake
- **2011 – UBS**
 - Rogue trader lost over USD 2 billion
- **2011 - Apple**
 - iPhone4 antenna
- **2011 - Ericsson**
 - Supply chain disruption
- **2010 - Toyota**
 - Marketing of cars that have defects directly affecting the core functioning & safety of cars
- **2010 - BP**
 - Explosion of Deepwater Horizon oil rig and subsequent oil spill
- **2010 - Rolls Royce**
 - Qantas engine explosion: emergency forced landing at Singapore Airport due to engine blow up in mid air
- **2009 - Ribena (Glaxo Smith Kline)**
 - Fined for misleading the public over the vitamin C content of their ready to drink formulation
- **2008 - Lehman Brothers**
 - Global crisis; losses and write downs across major financial institutions
- **2008 - China Milk**
 - Milk powder contaminated with melamine (Cadbury, Heinz, Unilever)
- **2007 - Mattel**
 - Toys recall
- **2000 - Snow Brand Milk Products Co., Ltd.**
 - More than 14,000 people got sick from old milk sold by Snow Brand
- **2000 - Air France**
 - Concorde crash
- **2000 - Bridgestone**
 - Tyre recall
- **1997 - Arnott**
 - Extortion threat to poison Arnott's biscuits
- **1990 - Perrier**
 - Presence of the carcinogen benzene detected in their bottled water
- **1982 - Johnson & Johnson**
 - Extra strength Tylenol brand capsules containing cyanide

The Impact of Reputation Crises on Shareholder Value



Thank You for Your Attendance and Participation!

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Placing Broker

Crisis Management

Aon