

Sistem Manajemen Resiko pada PT. Unilever Indonesia, Tbk*Risk Management System of PT. Unilever Indonesia, Tbk***Rizky Amalia Sinulingga***

School of Business Management, Institut Teknologi Bandung

Abstrak

Unilever adalah perusahaan multinasional yang memproduksi berbagai produk termasuk makanan, minuman, bahan pembersih dan perawatan pribadi. Tugas penting dari Direksi adalah bertanggung jawab untuk mengidentifikasi dan mengevaluasi paparan risiko perusahaan, dan memastikan bahwa risiko potensial dapat dikurangi secara efektif. Manajemen risiko yang efektif sangat penting untuk manajemen bisnis yang baik dan keberhasilan Unilever Indonesia sebagai perusahaan untuk menjalankan hal tersebut bergantung pada kemampuan perusahaan dalam mengidentifikasi dan mengeksploitasi risiko serta peluang utama untuk bisnis. Pengendalian internal dan pemantauan kepatuhan ada di perusahaan untuk meninjau pengaturan risiko strategi. Jaminan dari dalam perusahaan (audit internal dan audit perusahaan) dan jaminan dari pihak luar menjalankan peran penting dalam memastikan bahwa risiko operasional dan risiko pelaksanaan bisnis ditangani dan dikelola dengan baik. Penelitian ini bertujuan untuk menggambarkan matriks risiko bisnis Unilever dalam lingkungan risiko terkini yang berfokus pada pengelolaan risiko. Hasil penelitian menunjukkan bahwa risiko tertinggi yang dihadapi oleh Unilever adalah persaingan yang tinggi karena pesaing memiliki lebih banyak variasi produk yang mengakibatkan penurunan permintaan produk Unilever. Mitigasi harus dilaksanakan untuk mengurangi kerugian. Unilever harus memantau tren pasar eksternal dan mengumpulkan umpan balik dari konsumen, mengimplementasikan fungsi penelitian dan pengembangan untuk menerjemahkan tren, memperbarui ramalan bisnis hasil bisnis secara rutin, arus kas dan menyeimbangkan prioritas investasi, dan juga menerapkan model bisnis fleksibel yang memungkinkan perusahaan untuk mengadaptasi semua portofolio dan menanggapi untuk mengembangkan penawaran baru.

Kata kunci: Manajemen Risiko, Manajemen Risiko Perusahaan, Matriks Risiko**Abstract**

Unilever is a multinational company producing various products including foods, beverages, cleaning agents and personal care. The most important duty of BoD is responsible for identifying and evaluating the company's exposure to risks, and ensuring that potential risks are effectively mitigated. Effective risk management is fundamental for great business management and Unilever Indonesia's success as an organization depends on company ability to identify and exploit the key risks and opportunities for the business. Internal assurance and compliance monitoring are in a place to review the strategy risk setting. Internal independent re-assurance (internal audit and corporate audit) and external re-assurance play a key role in ensuring that operational risks and business execution risks are properly addressed and managed. This research aims to describe the Unilever business risk matrix in the recent risk environment which concerns to manage the risks.

*Corresponding author: rizky.amalia@sbm-itb.ac.id

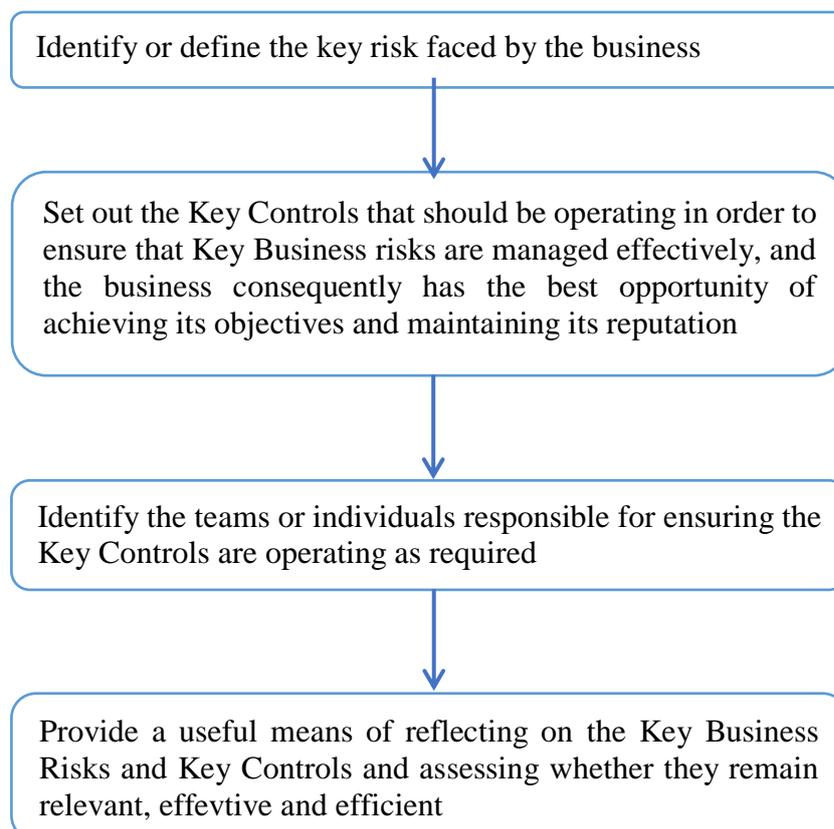
The result shows that the highest risk faced by Unilever is high competition because competitors have more various products which declines the demand of Unilevers' products. The mitigation must be implemented to reduce the loss. Unilever should monitor external market trends and collect feedback from consumer, implement research and development function to translate the trends, regularly update business forecast of business results, cash flows and rebalance investment priorities, and also implements flexible business model that allows the company to adapt all portfolio and respond to develop new offerings.

Keywords: Risk management, enterprise risk management, risk matrix

Introduction

PT. Unilever Indonesia, Tbk was established on 5 December 1933 and now grown as a provider of fast moving consumer goods (FMCG) in Indonesia. The company along with its subsidiaries offers a wide range of home and personal care, detergents, foods, soaps, ice-creams and fruit juice among others. Unilever Indonesia believes that business must be a part of the solution. But to be so, the business will have to change, there is not business as usual anymore. Sustainable, equitable growth is the only acceptable business model. Unilever makes a plan namely Sustainable Living Plan to maintain their position as the market leader in the industry and to avoid the declining level on the product (industry) life. Just like another business, Unilever faced a bundle of risks along with their growth. Unilever must simultaneously reduce costs while increasing differentiation but can get stuck in the middle resulting in no advantage and poor performance. Unilever can avoid all these risks by mitigating their risk with a risk management system.

Internal assurance and compliance monitoring are in place to review the strategy risk setting. Internal independent re-assurance (internal audit and corporate audit) and external re-assurance play a key role in ensuring that operational risks and business execution risks are properly addressed and managed. Unilever already adopts the Enterprise Management System as a part of BoD responsibility and Corporate Risk Management Committee. The key steps Unilever take in managing the risks are as follows :



The control framework for Unilever global operations and Unilever Indonesia is supported by the CoBP, which sets the standards for professionalism and integrity for compliance with the Sarbanes Oxley Act (SOX), particularly section 404 on the Management's Assessment Process. Unilever Indonesia's internal control framework is fully compliant with the principles of the COSO Internal Control Integrated Framework.

The effectiveness of the internal control system is regularly evaluated through several different processes :

- Periodic evaluations by the IAU of all functions within the company to ensure that the internal control activities are effectively in place.
- Monthly control health indicators meetings, which highlight key exceptions in the pre-defined standards of control KPI's
- In compliance with SOX Section 404, management's assessment of the design and effectiveness of financial controls.
- Certified public accountant's control framework and report on the management's assessment.
- Annual assessment of ULI's SOX compliance by an independent external party.

Method

The research methodology used in this study is qualitative method by descriptive approach. Data gathered from secondary data from Annual Report Unilever Indonesia 2010 – 2015. The research aims to describe the Unilever business risk matrix in the recent risk environment and concerned were assigned to manage the risks within their respective streams. The result will be summarizing into conclusion.

1. Risk Identification

The principal risks are outlined below :

A. Treasury Risk

Changes to the relative value of a currency can fluctuate widely and could have a significant impact on business results. Currency rates, if not stable, can also result in significant swings in the prices of the raw materials needed to produce company goods.

B. Brand Preference Risk

Consumer tastes and behaviors are constantly changing. The company must be capable to anticipate and respond to these changes and to continue to differentiate our brands and products. The company is dependent on creating innovative products that meet the needs of our consumers.

C. External Economy Risk

Constantly changing economic conditions may result in reduced consumer demand for our products and may affect one or more countries within a region, or even globally. Government actions, such as fiscal stimulus, changes to taxation, and price controls can impact the growth and profitability of our local operations.

D. Legal and Regulatory Risk

Unilever is subject to local, regional, and global laws and regulations in such diverse areas as product safety, product claims, trademarks, copyright, patents, competition, employee health and safety, the environment, corporate governance, listing and disclosure, employment and taxes. Failure to comply with the applicable regulations could expose Unilever to civil and/or criminal actions leading to damages, fines, and sanctions. These could affect our corporate reputation, and company cost of doing business.

E. Industrial Relations Risk

With constant changes in the labor regulation, Unilever has an obligation to maintain a good relationship with our employees and a labor union. Disruptions to the issue could affect company operations, costs, and reputation.

F. Talent and People Risk

Company ability to attract, develop and retain the right number of appropriately qualified people is critical if Unilever is to compete and grow effectively.

G. Systems and Information Risk

Unilever interacts electronically with customers, suppliers, and consumers in ways which place ever greater dependence on the need for secure and reliable IT systems and infrastructure. A disruption of company IT systems could inhibit company business operations in a number of ways, including hampering company sales, production, and cash flow cycle. Limitation of access to confidential information as well as segregation of duties is also among company highest priorities.

H. Safe and High-Quality Products Risk

Unilever Indonesia's manufacturing process is also exposed to the risk of accidental or malicious contamination of materials or other product defects. These risks can be due to human error, equipment or other factors.

Table 1 Company's Risk last 5 years

No	Main Risk	Type of Risk	2010	2011	2012	2013	2014	2015
1.	Treasury Risk	Financial Risk	v	V	v	V	V	v
2.	Brand Preference Risk	Operational Risk	-	-	-	-	-	v
3.	External Economy Risk	Financial Risk	v	V	v	V	V	v
4.	Legal and Regulatory Risk	Externality Risk	-	-	-	-	-	v
5.	Industrial Relations Risk	Operational Risk	-	-	-	-	-	v
6.	Talent and People Risk	Operational Risk	-	-	-	-	-	v
7.	Systems and Information Risk	Operational Risk	-	-	-	-	-	v
8.	Safe and High Quality Risk	Operational Risk	-	-	-	-	-	v

Table 2 Risk identification

No	Main Risk	Peril	Hazard	Loss	Type of Risk	Risk Owner
----	-----------	-------	--------	------	--------------	------------

1.	Treasury Risk	Fluctuations in currency rates	<ul style="list-style-type: none"> ➤ Low government spending during the year. ➤ The Rupiah continued to depreciate against USD 	Swing in the price of raw material	Financial Risk	Finance and Accounting Division
2.	Brand Preference Risk	The competitors have more differentiated products	Consumer tastes and behaviors are constantly changing	Decreasing customer loyalty that impacts to declining sales	Operational Risk	Customer Development Management Division
3.	External Economy Risk	Reduce consumer demand for company product	<ul style="list-style-type: none"> ➤ Changing economic condition with 4.8% of GDP ➤ Low the power of buyers 	Decrease in sales	Financial Risk	Finance and Accounting Division
4.	Legal and Regulatory Risk	Failure to comply with the applicable regulations	Unilever is subject to local, regional, and global laws and regulations in such diverse areas	Bad company reputation	Externality Risk	Governance and Corporate Affairs
5.	Industrial Relations Risk	Lack of a good relationship with the employee union	Changed in government regulations about employee welfare	Failure in operations, increase cost and a bad reputation	Operational Risk	Human Resources
6.	Talent and People Risk	Lack to maintain employee	Key personnel leave the company	Difficult to manage the business and affect operations and financial results.	Operational Risk	Human Resources
7.	Systems and Information Risk	Disruption IT Systems	<ul style="list-style-type: none"> ➤ Lack of IT personnel ➤ Hacker disruption ➤ Regularly maintain the server 	Hampering sales, production, and cash flow cycle	Operational Risk	Business System, IT and ERP Division
8.	Safe and High-Quality Risk	Accidental or malicious contamination of materials or other product defects	Human error equipment failure or other factors	Bad products reputation	Operational Risk	Quality Assurances and Environment Division

2. Risk Measurement

In the risk measurement, there is 3 steps that must be doing. There are :

a. Measuring Probability and Severity

We evaluate the probability of the event can occur and see the impact of the potential events. There are some criteria to measure probability and severity :

Table 3 Risk Parameter

Probability Parameter		
Criteria	Score	Description
Low	1	Almost never to happen
Unlikely	2	Unlikely to happen
Moderate	3	Possible to happen with low probability
Likely	4	Likely it will happen
High	5	The probability of the event occurred is really high

Severity Parameter			
Criteria	Score	Quantitative Approach	Qualitative Approach
Insignificant	1	Up to 5%	So little impact
Minor	2	>5% to 10%	There is some trace of damage
Moderate	3	>10% to 15%	The impact is visible
Major	4	>15% to 20%	The impact is visible and huge
Catastrophic	5	>20%	The damage is huge and really affecting the company

Table 4 Risk Measurement

No	Peril	Probability	Severity	Probability Rating	Severity Rating	Total Risk
1.	Fluctuative in currency rates	The probability of the event occurred is really high	Up to 5%	5	1	5
2.	The competitors have more differentiated products	The probability of the event occurred is really high	The impact is visible and huge	5	4	20
3.	Reduce consumer demand for company product	The probability of the event occurred is really high	The impact is visible and huge	5	4	20
4.	Failure to comply with the applicable regulations	Possible to happen with low probability	So little impact	3	1	3
5.	Lack of good relationship with employee union	Almost never to happen	There are some trace of damage	1	2	2

6.	Lack to maintain employee	Likely it will happen	So little impact	4	1	4
7.	Distruption IT Systems	Unlikely to happen	The impact is visible	2	3	6
8.	Accidental or malicious contamination of materials or other product defects	Possible to happen with low probability	The damage is huge and really affecting the company	3	5	15
Total Risk						75

1. Currency Rates Risk

Unilever annual report 2015 stated that loss in the foreign exchange net increase significantly, from Rp 198 million to Rp 3.188 million. We can see the data from the financial statements :

Table 5 Foreign Exchange Ratio

(in millions of Rupiah)	2010	2011	2012	2013	2014	2015
<i>Gain / Loss on foreign exchange, net</i>	(10,768)	(831)	2,566	(7,855)	(198)	(3,188)
<i>Net Income</i>	3,386,970	4,164,304	4,839,145	5,352,625	5,738,523	5,864,386
<i>Foreign Exchange Ratio (%)</i>	(0,32%)	(0,02%)	0,05%	(0,15%)	(0,0034%)	(0,054%)

From table 5, we can see that currency risk always happen every year and company can made gain or loss from foreign exchange transaction. Almost every year company suffered loss on foreign exchange. This increasing loss causes by depreciation of Rupiah against USD and low government spending. The damage from this risk make the price from raw materials increasing significantly and so did the cost of production.

The expected rise in USD is because the reduction in money stimulus by US economy had triggered the outflow in foreign capital from emerging markets to the develop countries. Domestic economic events such as lower absorption rate of government spending until the mid of 2015 also contributes to foreign investors' concerns. As a result, capital outflow increased during 2015, in turn creates a pressure on Rupiah exchange rate.

At 2015, rupiah exchange rate reached its lowest point at Rp 14.657 weaken by 10.9% compared to 2014. We analyze the exposure of risk on foreign exchange with foreign exchange ratio to estimate the impact a change in exchange rates has on the net income of a company.

Foreign exchange ratio calculated from gain or loss on foreign echange divided too net income. From the calculation, loss on foreign exchange have a small impact to net income. It means that this risk have severity with insignificant impact for Unilever. Based on historical data, from 2010 until 2015 fluctuative in foreign exchange that affect in volatile price of raw materials always happen every year, so the probability of this risk is high. The exchange rate on 31 December 2015 is Rp 13.795. in the september 2015, rupiah reached a low point of Rp 14.710 per USD.

2. Differentiated Products Risk from Competitors

Indonesia's demographic trends positive continue to drive the rapid expansion of a youthful middle class, which is the target market for the majority of the Company's products. Moreover, the government's insistence that the minimum wage keeps pace with GDP growth and inflation is helping to ensure that consumer purchasing power remains on an upward trend. This reason make market in food and beverage industry has a high competitiveness.

Competitive profile matrix can identify main competitors in the industry. Based on competitive profile matrix, Unilever has reached the highest score on competitive profile matrix with score 3.65. This number meaning that Unilever **has strong position as a market leader** compared with its direct competitor. It's driven from highest marketing and advertising budget.

Figure 1. Competitive Profile Matrix to Determine Position of The Company

Critical Success Factor	Weight	Unilever		Wings Group		P&G		KAO	
		Rating	Weighted Score	Rating	Weighted Score	Rating	Weighted Score	Rating	Weighted Score
Advertising	0.2	4	0.8	3	0.6	3	0.6	3	0.6
Product Quality	0.1	3	0.3	3	0.3	3	0.3	3	0.3
Price Competitiveness	0.1	3	0.3	3	0.3	2	0.2	2	0.2
Management	0.1	4	0.4	3	0.3	3	0.3	3	0.3
Financial Position	0.1	3	0.3	3	0.3	1	0.1	1	0.1
Customer Loyalty	0.1	4	0.4	3	0.3	3	0.3	2	0.2
Global Expansion	0.15	4	0.6	4	0.6	3	0.45	3	0.45
Market Share	0.05	3	0.15	3	0.15	3	0.15	3	0.15
Sales Distribution	0.05	4	0.2	4	0.2	3	0.15	3	0.15
Customer Service	0.05	4	0.2	2	0.1	3	0.15	3	0.15
Sum	1.00		3.65		3.15		2.70		2.60

The impact of the economic slowdown make the Consumer Confidence Index of Bank Indonesia declined 7.7% year on year because shoppers downtrading on household and personal care products rather than their preferred food brands.

Based on the data and explanation, the probability of risk of loss the company's competitiveness is really high and the impact on Unilever is major.

3. Reduce consumer demand for company product

Indonesia's economy grew at a slower pace in 2015, closing at 4.8%. The weakning growth is largely due to several economic events in 2015, which includes changes in global and domestic economic dynamics. Inflation rate indeed remained high at the beginning of 2015. Because of that, the Indonesian people choose to spend less in other needs and it make the decline purchase power in the Unilever product. Annual consumption rate decline year of year. We can see in 2015 consumption rate is 5% lower than 2014.

Consumption (annual variation in %)	2011	2012	2013	2014	2015
		5.1	5.5	5.4	5.2

Based on data above, the probability of risk of declining consumer demand is high and the impact on Unilever is major.

4. Failure to comply with the applicable regulations

The company was involved in some ongoing legal cases in 2010 until 2013 with regards to the operation of the Company. However, the company believes that these legal cases will not have a direct material impact to the business and operation of the company, even if the court's

decision is not in favour of the Company. In 2014 and 2015, the company and subsidiaries were involved in any material legal cases that could influence the condition of the company.

Unilever is committed to comply with the applicable laws and regulations in Indonesia. In specialist areas, the relevant teams at global, regional or local levels are responsible for setting detailed standards and ensuring that all employees are aware of and comply with regulations and laws specific and relevant to their roles. From historical data, from 2010 until 2015, unilever didn't have any failure in compliance government regulations that give a huge affect for company.

Based on data above, the probability of risk of failure to comply with the applicable regulations is moderate and the impact on Unilever is insignificant.

5. Lack of good relationship with employee union

Unilever believes that managing relationship with different groups of stakeholders is a continuing journey. Company stakeholders start with those on the inside company – Unilever Indonesia's employees and regional and global unilever partners. The company's industrial relations are based on goodwill, openness and mutual respect. Unilever management holds regular scheduled bipartite meetings with the Unilever Indonesia trade union, SPKEP – FSPSI, at national, regional and factory level, as well as ad hoc meetings when needed. The rights and responsibilities of the employer, all employees and the union are articulated in the 21 Collective Labour Agreement (21 PKB), which was signed in 2015 and is registered with the Directorate General of Industrial Relations and Workers Social Security of the Ministry of Manpower and Transmigration. The Agreement is reviewed biannually.

Historical data from 2010 until 2015, unilever didn't have any issue about problem with the employee that give a huge affect for company. Based on data above, the probability of risk of lack of good relationship with the employee union is low and the impact on Unilever is minor.

6. Lack to maintain employee

Unilever value a diverse workforce, recognizing that the company benefits from having a mix of people of different gendres, ages, backgrounds and perspectives. This culture of inclusion and equality extends to all aspects of employment, including recruitment, career development, promotion and compensation. Company also provide training facilities for every level of our employees, to ensure that they got the most relevant trainings. Among the proactive measures unilever have taken are introducing flexible working hours, facilities for breastfeeding mothers, and children's daycare during holiday periods.

Unilever approach to compensation is embodied by the Total Reward Strategy, which is designed to ensure high levels of employee engagement, job satisfaction, commitment and performance by ensuring that the best performers and teams are recognized and rewarded commensurately. Unilever believe that company remuneration and incentives, as well as their emphasis on encouraging their people to develop their personal potential in a challenging and stimulating environment, have contributed to maintaining Unilever Indonesia's low staff turnover rate.

In 2010, the number of permanent employees was 4.796 employees. In 2011, the number of permanent employees was 6.043 employees. In 2012, the number of permanent employees was 6.447 employees. In 2013, the number of permanent employees was 6.719 employees. In 2014, the number of permanent employees was 6.654 employees. In 2015, the number of permanent employees was 6.351 employees. In 2014 and 2015, the number of permanent employees was decline because 2% employees at age 45 years was resignation. The early retirement rate is 2% per annum for age 45 – 50 years. Unilever never have issue that company failure to maintain their employee.

Based on data above, the probability of risk of lack to maintain employee is likely and the impact on Unilever is insignificant.

7. Distruption IT Systems

Unilever tend to keep their customer private data as well as their own confidential data. Based on historical data, we can conclude that Unilever can keep their tendency well. Unilever has not been ever face any leaked data. It means Unilever has a very good IT system procedure and safety. The probaility of risk of distruption IT systems is unlikely and the impact on unilever is moderate.

8. Accidental or malicious contamination of materials or other product defects

All the company's product, operating plants and internal systems were certified to ISO 9001 standard and undergo annual interim verifications. In the food and refreshments line the manufacturing operation is certified to ISO 22000 (Food Safety System) standard, while and unilever environmental management system is ISO 14001 (Environmental Management) certified.

Product and manufacturing processes of the company was provided by Unilever Indonesia's Safety and Environmental Assurance Centre (SEAC) to assurance the safety. All new products and new technologies undergo a rigorous independent safety process, and strict safety and health assessments are applied to the entire product innovation process. New products are assessed again immediately prior to launch. In almost all cases, this prevents sub-standard products from reaching the market. However, a product that fails to meet unilever strict safety and quality standards is accidentally released to the market. Such products may have a quality defect or have been exposed to raw materials contamination or the ingredients may have been mislabelled.

From the information above, unilever was good to monitoring production process so the probability this risk will occured is moderate and the impact is catastrophic.

b. Plotting chart

After measure probability and severity from each risks, next step is plotting into risk matrix.

	Low	Unlikely	Moderate	Likely	High
Catastrophic	T	H	VH	VH	VH
Major	T	T	H	VH	VH
Moderate	L	L	T	H	VH
Minor	VL	L	L	T	H
Insignificant	VL	VL	VL	L	T

Risk Matrix						
Severity Rating	5 – Catastrophic			8		
	4 – Significant					2, 3
	3 – Moderate		7			
	2 – Minor	5				
	1 – Insignificant			4	6	1
	1	2	3	4	5	
	Low	Unlikely	Moderate	Likely	High	
Probability Rating						

Implication :

	: Very Low (range 1 – 3)
	: Low (range 4 – 6)
	: Medium (range 7 – 9)
	: High (range 10 – 12)
	: Very High (range 13+)

Risk Level	Very Low	Low	Medium	High	Very High
Total Point	1 – 3	4 - 6	7 – 9	10 – 12	13+

c. Identification the Risk Level

The last step is identification the risk level.

Table 7 Risk Level

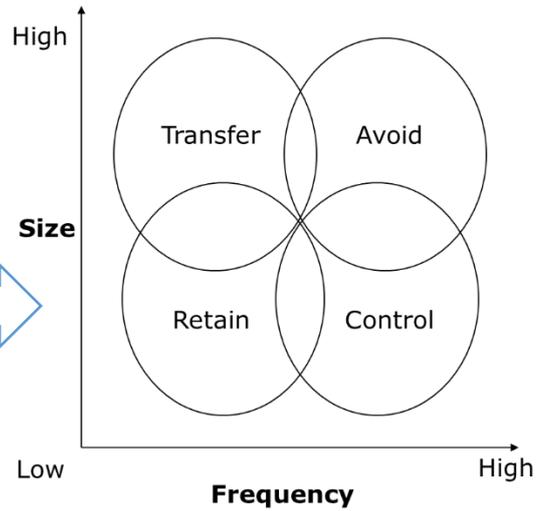
No	Risk	Severity	Probability	Score	Risk Level	Risk Ranking
1.	Fluctuative in currency rates	1	5	5	Medium	5
2.	The competitors have more differentiated products	4	5	20	Very High	1
3.	Reduce consumer demand for company product	4	5	20	Very High	2
4.	Failure to comply with the applicable regulations	1	3	3	Very Low	7
5.	Lack of good relationship with employee union	2	1	2	Very Low	8
6.	Lack to maintain employee	1	4	4	Low	6
7.	Distruption IT Systems	3	2	6	Low	4
8.	Accidental or malicious contamination of materials or other product defects	5	3	15	Very High	3
TOTAL SCORE				75		

Since there are eight major risks in Unilever Indonesia, the calculation for high risk company is $200 = 5 \times 5 \times 8$. From the calculation above, Unilever Indonesia has scored 75. It is indicate that Unilever could be classified as low risk company.

Mitigation is conduct in order to reduce the propability and severity. Each risk is mitigate based on risk categories: very low risk, low risk, medium risk, high risk and very high risk. There are eight risks that affected Unilever Indonesia performance. Those risks will be divided into their handling options. Risk management treatment will be classified base on each of risk size and frequency.

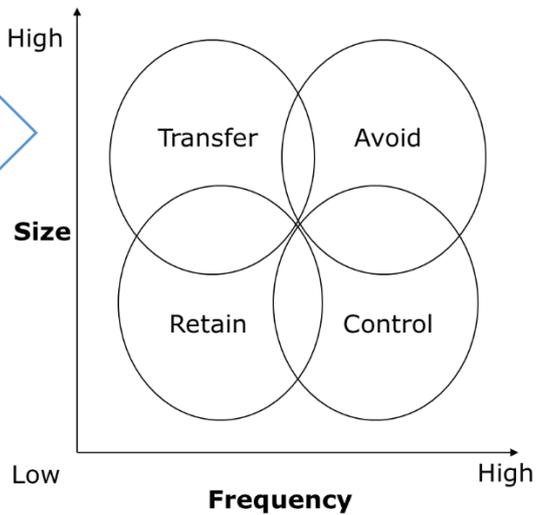
1. Retain

- Failure to comply with the applicable regulations.
- Lack of good relationship with employee union.
- Distruption IT Systems

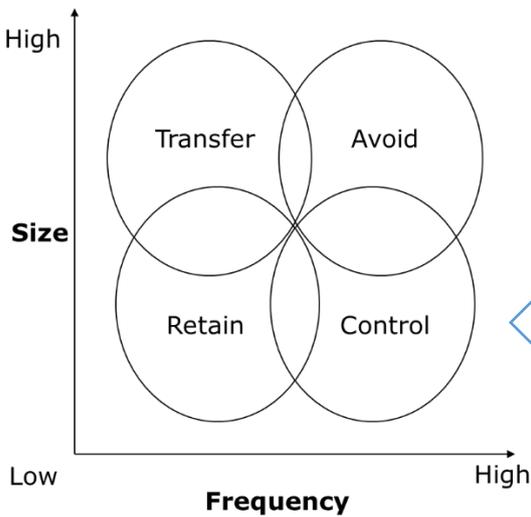


2. Transfer

- Accidental or malicious contamination of materials or other product defects

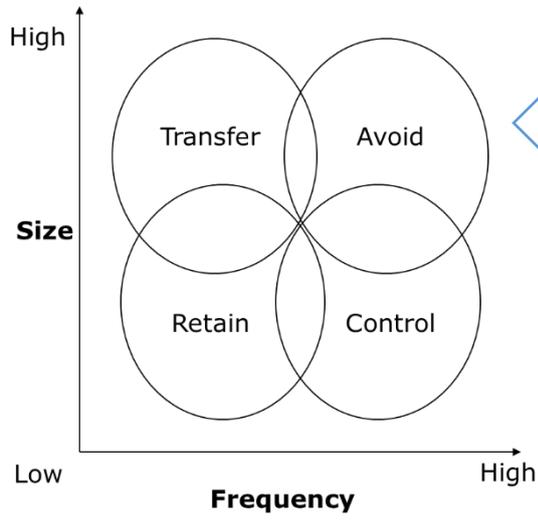


3. Control



- Fluctuative in currency rates
- Lack to maintain employee

4. Avoid



- Reduce consumer demand for company product
- The competitors have more differentiated products

Table 8 Risk Mitigation Strategy

Risk	Risk Description	Probability	Severity	Total Risk	Ranking	Risk Mitigation Strategy	Responsible Party
The competitors have more differentiated products	Consumer tastes and behaviours are constantly changing. Company are dependent on creating innovative products that meet the needs of our consumers.	5	4	20	Very High	<ul style="list-style-type: none"> ➤ Monitor external market trends and collect feedback from consumer ➤ Implemented research and development function to translate the trends 	Customer Development Management Division
Reduce consumer demand for company product	Constantly changing economic conditions may result in reduced consumer demand for our products and may affect one or more countries within a region, or even globally. Government actions, such as fiscal stimulus, changes to taxation, and price controls can impact the growth and profitability of our local operations.	5	4	20	Very High	<ul style="list-style-type: none"> ➤ Unilever regularly update business forecast of business results and cash flows and rebalance investment priorities. ➤ Flexible business model allows company to adapt all portofolio and respond to develop new offerings 	Finance and Accounting Division
Accidental or malicious contamination of materials or other	Manufacturing process is also exposed to the risk of accidental or malicious contamination of materials or other product defects. These risks can be due to human error, equipment or	3	5	15	Very High	<ul style="list-style-type: none"> ➤ Product quality processes verified annually and regularly monitored. ➤ Key suppliers are externally certified and the quality of material 	Cooperate between Director and Corporate Secretary Governance and Corporate

product defects	other factors. This risk will damage company reputation.					<p>received is regularly monitored to ensure rigorous quality standards that company require.</p> <ul style="list-style-type: none"> ➤ If there are incident related the safety of consumers or the quality of products, incident management teams are activated in the affected markets under the direction of unilever product quality, science, and communications experts to ensure timely and effective market place action. 	Affairs and Quality Assurances and Environment Division
Fluctuative in currency rates	Changes to the relative value of a currency can fluctuate widely and could have a significant impact on business results. Currency rates, if not stable, can also result in significant swings in the prices of the raw materials needed to produce company goods.	5	1	5	Medium	<ul style="list-style-type: none"> ➤ Currency exposure are managed within pre-scribed limits and by the use of forward foreign exchange contracts. ➤ Hedge some exposures through the use of foreign currency borrowing or forward exchange contracts. 	Finance and Accounting Division
Distruption IT Systems	Unilever interact electronically with customers, suppliers, and	2	3	6	Low	<ul style="list-style-type: none"> ➤ Backup hardware and core operating data with 	Business systems, IT,

	consumers in ways which place ever greater dependence on the need for secure and reliable IT systems and infrastructure. A disruption IT systems could inhibit company business operations, including hampering company sales, production and cash flow cycle.					<p>seperate contingency systems.</p> <ul style="list-style-type: none"> ➤ Maintain a global system for control and reporting of access to company critical IT Systems. ➤ Monitoring with policies covering the protection business and personal information. ➤ Standardised ways of hosting information on public websites and have systems to monitor compliance. 	and ERP Division
Lack to maintain employee	Company ability to attract, develop, and retain the right number of appropriately qualified people os critical if unilever are to compete and grow effectively.	4	1	4	Low	<ul style="list-style-type: none"> ➤ Implemented resource committees in business. ➤ Implemented integrated management development process with a common set of leadership behaviours, skills and competencies. ➤ Implemented targeted programmes to attract and retain top talent. 	Human Resources Division
Failure to comply with the applicable regulations	Unilever is subject to local, regional, and global laws and regulations in such diverse areas. Failure to comply with the applicable regulations could expose	3	1	3	Very Low	<ul style="list-style-type: none"> ➤ Implemented setting detailed standard with regulations and laws specific ➤ Monitoring and reviewed practices to 	Governance and Corporate Affairs

	Unilever to civil and/or criminal actions leading to damages, fines and sanctions.					provide reasonable assurance	
Lack of good relationship with employee union	Unilever have an obligation to maintain good relationship with our employees and labour union. Distruptions to the issue could affect company operations, costs and reputation.	1	2	2	Very Low	<ul style="list-style-type: none"> ➤ Constantly keep update with the changes in labour regulation and maintain a good communication with labour union. ➤ Keep regular discussion periodically to keep the harmonisation. 	Human Resources Division

Table 9 Control Activities

Risk	Who	When	Where	What	Why	Way
Fluctuative in currency rates	Finance and Accounting Division	For long term. Purchasing raw materials in US Dollar	Domestic regional	Price raw material	As around 55% of Unilever input costs are related to hard currencies	<ul style="list-style-type: none"> ➤ Currency exposure are managed within prescribed limits and by the use of forward foreign exchange contracts. ➤ Hedge some exposures through the use of foreign currency borrowing or forward exchange contracts.
The competitors have more differentia	Customer Development Management Division	Making plan for long term (5 years). Make a innovation	Domestic regional	Undifferentiated products	The Company's products are sold in highly competitive markets. The product price is main caused	<ul style="list-style-type: none"> ➤ Monitor external market trends and collect feedback from consumer ➤ Implemented research and development function to translate the trends

ted products		plan such as diversified new products that fit with customer needed.			tight competition in these markets.	
Reduce consumer demand for company product	Finance and Accounting Division	Making plan for short term (2 years). Make a product for low market segment	Domestic regional	Declining products	The Company's products are sold in highly competitive markets, so Unilever should sustain their position.	<ul style="list-style-type: none"> ➤ Regularly update business forecast of business results and cash flows and rebalance investment priorities. ➤ Flexible business model allows company to adapt all portofolio and respond to develop new offerings
Failure to comply with the applicable regulations	Governance and Corporate Affairs	Monitor regularly the development of government regulations then inform the changes of regulations to all employees	Domestic regional	Government regulations	One of indicators as Good Corporate Governance is compliance in any government regulations.	<ul style="list-style-type: none"> ➤ Implemented setting detailed standard with regulations and laws specific ➤ Monitoring and reviewed practices to provide reasonable assurance
Lack of good relationship with employee union	Human Resources Division	Maintain the communication with employee union three months	Domestic regional	Company relationship with employee union	Because employees is one of stakeholder in the company and then they hold big responsibility run unilever business	<ul style="list-style-type: none"> ➤ Constantly keep update with the changes in labour regulation and maintain a good communication with labour union.

		regularly meeting.				➤ Keep regular discussion periodically to keep the harmonisation.
Lack to maintain employee	Human Resources Division	Maintain the communication with employee, listen their aspiration and give a personal reward for every achievement they got	Domestic regional	Company relationship with employees	Because employees is one of stakeholder in the company and then they hold big responsibility run unilever business	<ul style="list-style-type: none"> ➤ Implemented resource committees in business ➤ Implemented integrated management development process with a common set of leadership behaviours, skills and competencies. ➤ Implemented targeted programmes to attract and retain top talent.
Disruption IT Systems	Business systems, IT, and ERP Division	Monitor and control regularly every month check the maintenance IT System.	Domestic and global regional	Lack in IT System	To keep the confidential data condident	<ul style="list-style-type: none"> ➤ Backed up hardware and core operating data with separate contingency systems ➤ Maintain a global system for control and reporting of access to company critical IT Systems. ➤ Monitoring with policies covering the protection business and personal information ➤ Standardised ways of hosting information on public websites and have systems to monitor compliance
Accidental or malicious contamination	Cooperate between Director and Corporate	Monitor and control regularly every day check the	Domestic regional	Fail product	Because contamination in	➤ Product quality processes verified annually and regularly monitored.

<p>tion of materials or other product defects</p>	<p>Secretary Governance and Corporate Affairs and Quality Assurances and Environment Division</p>	<p>quality of raw materials from supplier. Transfer by insurance</p>			<p>product can affect to customer</p>	<ul style="list-style-type: none"> ➤ Key suppliers are externally certified and the quality of material received is regularly monitored to ensure rigorous quality standards that company require. ➤ If there are incident related the safety of consumers or the quality of products, incident management teams are activated in the affected markets under the direction of unilever product quality, science, and communications experts to ensure timely and effective market place action.
---	---	--	--	--	---------------------------------------	---

Result

The highest risk that unilever faced is high competition because competitors have more differentiated products and declining demand for company product. The highest risk must be avoid by company. The mitigation must be implemented to reduce the loss, these the explanation risk mitigation for the highest risk :

1. The competitors have more differentiated products
 - Monitor external market trends and collect feedback from consumer
 - Implemented research and development function to translate the trends
 2. Reduce consumer demand for company product
 - Regularly update business forecast of business results and cash flows and rebalance investment priorities
- Flexible business model allows company to adapt all portofolio and respond to develop new offering.

References

- PT. Unilever Indonesia, Tbk. (2015) *Annual Report* PT. Unilever Indonesia 2015, Jakarta: Indonesia.
- PT. Unilever Indonesia, Tbk. (2014) *Annual Report* PT. Unilever Indonesia 2014, Jakarta: Indonesia.
- PT. Unilever Indonesia, Tbk. (2013) *Annual Report* PT. Unilever Indonesia 2013, Jakarta: Indonesia.
- PT. Unilever Indonesia, Tbk. (2012) *Annual Report* PT. Unilever Indonesia 2012, Jakarta: Indonesia.
- PT. Unilever Indonesia, Tbk. (2011) *Annual Report* PT. Unilever Indonesia 2011, Jakarta: Indonesia.
- PT. Unilever Indonesia, Tbk. (2010) *Annual Report* PT. Unilever Indonesia 2010, Jakarta: Indonesia.
- Steinberg, Richard M., *et al.* (2004). Enterprise risk management-integrated framework: executive summary & framework. American Institute of Certified Public Accountants (AICPA).