

Control of critical and financial risks, anticipation of crisis situations

4

Strategy

- Making risk management a key area of competence serving an entrepreneurial approach.
- Making risk assessment and risk management routine, in order to allow a controlled approach to taking business risks.
- Managing policy on the insurance of catastrophic risk.
- Managing crisis communication with adapted policies and tools

Risk management in Solvay : 10 categories

1. Markets and growth strategic risk
2. Supply chain risks and risk attached to production units
3. Regulatory, political, and legal risk
4. Corporate governance and risks attached to internal procedures
5. Financial risk
6. Product risk
7. Risk to people
8. Environmental risk
9. Information and IT risk
10. Reputational risk

A general overview of risk types and of how Solvay manages them can be found in the Annual Report, accessible on solvay.com

Nano-materials: new applications and control of the associated risks

There is a network enabling a cross-fertilization of ideas between all of the Business Units and Competence Centers that are involved in studying micro- and nano-materials. Combining these areas of expertise opens up the possibility of new applications that are sustainable for the company and for society. In the context of product-assessment policy, the experts in health and environmental questions are undertaking investigations to anticipate possible adverse effects.

Solvay participates also in research and discussions relating to nanotechnologies by being associated with studies on determining parameters regarding health and environmental impact. These investigations are in various countries (the Record study in France, Nanocare in Germany and Belspo as the Belgian branch of the European S2Nano project); also in various workgroups within ECETOC(*) and CEFIC(**). This includes the setting of guidelines for the assessment of the potential impacts of nano-materials.

(*) ECETOC = European Centre for Ecotoxicology & Toxicology of Chemicals
(**) CEFIC = European Chemical Industry Council

Risk management is now an integral part of our policy, applied routinely when deciding on strategy, on strategic business decisions and on activities of a more-everyday nature. For this purpose, Solvay makes use of a model comprising 10 categories of risks. The aim is to identify, quantify, assess and manage risks related to existing activities, and to anticipate effects on our portfolio of activities. Our Risk Management Competence Centre, attached to the Financial Management, uses this to decide on strategies, develop appropriate tools and provide back-up for a more systematic management of risks.

As part of this approach, each of the Strategic Business Units carried out a comprehensive analysis of its own critical risks in 2007, looking especially at those that could be considered strategic. This management of risks has facilitated the realization of major investment projects.

The process has also been used to assess critical risks associated with new applications of chemical and plastics specialties, particularly in the field of human health or for the micro- and nano-materials previously described.

The risks are covered by insurance arrangements where such a solution is the best from a business perspective. This is, of course, the case where such cover is mandatory. New possibilities for insurance cover are constantly being analyzed.

In the pharmaceutical area, insuring against public liability risks is difficult given the wide range of possible outcomes. The answer is to insure those risks for which this is mandatory, and to identify when insurance represents the best solution from an economic viewpoint.

At the end of 2007, the Group's provisions for health, safety and the environment amounted to 417 million EUR (422 million at end-2006). Provisions cover in particular the risks and charges associated with mineral extraction to obtain our raw materials (limestone, salt, fluor spar, barium-strontium, etc.), the growing restrictions relating to disposal or treatment of waste products and, more generally, the risks resulting from the present – or past - management of our manufacturing manufacturing sites.

There is a specific policy, including appropriate resources, to anticipate and prepare for crisis situations, and this includes provision for crisis-related communication



Solvay is a member of the Global Business Coalition (GBC) against AIDS, and takes this into account particularly when considering its investment projects in countries where this risk is significant.

Effective anticipation and management of crisis situations

A crisis is defined as "any unexpected and serious situation, either internal or external, directly or indirectly involving the Group, and requiring immediate decisions and action".

The crisis-management systems have four objectives:

- being prepared, through management principles, alerts and protective measures, for the emergence of crisis situations;
- preparing teams to respond rapidly and effectively, by providing them with a crisis-management plan, methods and procedures that are clear and can be understood by everyone;
- maintaining (tele)communication equipment that will be reliable in any crisis situation, and carrying out regular training and awareness-raising measures;
- ensuring that it is possible at all times to draw instantly on the necessary abilities and skills, in terms of both individuals and collectively.

The requirement is for each management unit to be able to manage the situation at its own level as autonomously as possible, right from the start; learn from the experience; and improve its procedures and arrangements for the future. Each management unit and each site has its own organizational arrangements depending on its own specific features and regulatory restrictions, and will thus act in accordance with a "subsidiarity" principle.

With regard to crisis communication, a Group policy applies to all the management units, requiring that SECOM, an international alert procedure, be applied. This lays down general principles serving to establish common methods of acting and requirements throughout the Group. The procedure relates to management of communication for any type of crisis that could involve the Group's activities, reputation, staff or customers.

Risk management in relation to a human pandemic of avian flu

Avian Influenza Risk working groups have been established at various levels of the Group (Regions and SBUs), coordinated by a central Solvay Global Pandemic Preparedness Project Team. The coordinating body includes representatives from Solvay's three Sectors and the relevant Competence Centres.

The World Health Organization considers that the risk of a worldwide pandemic of human flu originating from the H5N1 avian flu cannot be discounted. The Project Team's task is to prepare Solvay for this eventuality, anticipate the real consequences (in terms of illnesses, absenteeism, site safety and security, supplies, production, repatriation of families, deliveries, logistical and information support), and coordinate the action taken by each of the Group's management entity in this area. A budget has been allocated to obtain the necessary means of protection, and ways of proceeding have been suggested to each management unit, so that they can establish practical health protection of an appropriate scale, together with a plan for business continuity.



Reference tools on crisis management are at the disposal of communicators to help them to prepare the management of a crisis situation:

- Crisis-communication procedure.
- Crisis-communication Toolkit.
- 12 essential reflex actions in the event of a crisis.
- Crisis SECOM alert process.
- Crisis "passport" (manual for the first moments management of the situation).
- Intranet site for crisis management and communication.
- Database Sisyphe of basic information essential to have in the event of a crisis.



Targets for 2012

- Assessing, for each new business opportunity, the critical risks in the 10 categories.
- Making risk management a routine procedure in the 10 risk categories.
- Making each manager aware of the main risks within that person's area of responsibility, and of the risk-control measures taken.
- Ensuring that Solvay is a company recognized for its expertise in risk management.