

EUROPEAN LEADERSHIP TO SECURE TRANSITION TO A SUSTAINABLE ECONOMY

By supporting professional risk management practices, the EU will help prepare businesses for a sustainable future. Adaptation to climate change will involve embedding this issue into the business models of organisations. Professional risk management can support this objective with a widely recognised methodology.

EMBEDDING CLIMATE ACTION

State of play and challenges

- The need to act on climate change has been acknowledged through several policy initiatives (e.g. Paris Agreement, EU strategies, Sustainable Finance Action Plan).
- Transition requires the participation of all stakeholders in the economy.



Climate change and environmental damage are together one of 3 new risks to have entered the top 10 risks in the FERMA European Risk Manager Survey 2018. They are especially important for industry and the public sector.



FERMA actions / engagements

- FERMA runs professional training activities to raise the level of knowledge among the risk and insurance community about natural catastrophe and environmental insurance.
- FERMA contributes to the EU efforts to facilitate businesses' adaptation to climate change.



We ask policy-makers to

- Continue to support and drive forward the implementation of the Sustainable Development Goals and Paris Agreement.
- Acknowledge the value of professional risk management to improve resilience in the face of increasing disaster risks.
- Support risk management readiness in all organisations, public and private, and of all sizes, including SMEs.

Over the last EU legislative term, extreme weather events and failure to climate change adaptation climbed to 1st and 2nd position according to the World Economic Forum Global Risks Report.

2014

Fiscal crises in key economies

Structurally high unemployment / underemployment

Water crises

Severe income disparity

Failure of climate change mitigation and adaptation

2019

Extreme weather events

Failure of climate change mitigation & adaptation

Natural disasters

Data fraud or theft

Cyber-attacks

BUILDING LONG-TERM RESILIENCE

State of play and challenges

- The societal demand for corporate transparency is constantly increasing. The EU has been active in introducing non-financial reporting and disclosure requirements in the field of environment, social and governance (ESG).
- Sustainable disclosure is essential to drive sustainable investment, but it needs to be proportionate and practical.
- A list of limited ESG factors should encompass what criteria investors will really use in making their decisions.
- The benefits of transparency and rationale for disclosure need to be clearer to justify the additional workload.



FERMA actions / engagements

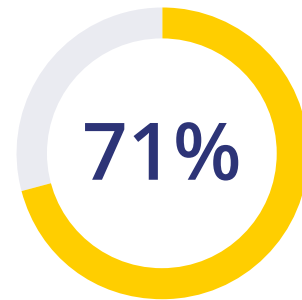
There are mutual benefits to developing relationships between risk management and corporate social responsibility (CSR).

- CSR can benefit from assessment techniques and tools developed by risk management to implement a risk-based approach within CSR.
- Risk management can benefit from the CSR approach to develop a more holistic view on the risks that the organisation is facing.
- FERMA, therefore, builds partnerships with key stakeholders to encourage a broader application of enterprise-wide risk management to ESG-related risks.
- FERMA proposes solutions to integrate the ESG elements into the business models of organisations.



We ask policy-makers to

- Support European businesses to produce data on sustainability that are reliable and comparable.
- Recognise that professional risk management can enhance sustainability and provide a competitive advantage for organisations seeking finance (as the EU promotes investment in sustainable economic activities).
- Avoid a burden for SMEs. Reporting requirements must be proportional.



71% of risk managers have regular or occasional collaboration with CSR / sustainable development functions.