

Part III: A challenging environment

Between 2016 and 2018, multiple events disrupted European political and economic environments as well as the technological or social level.

With external threats in the spotlight, the risk manager is at the intersection between risks and opportunities more than ever.



- Top 5 risks in 2018**
- Cyber threats ▲
 - Uncertain economic growth ▼
 - Geopolitical uncertainty ▼
 - Over-regulation =
 - Changing consumer behaviour ▲

- Top 5 risks in 2016**
- Economic conditions
 - Business continuity disruption
 - Political, country instability
 - Non-compliance with regulation and legislation
 - Competition

3 new risks have entered the top 10:

- Speed of technological change
- Availability of key skills
- Climate change and environmental damage

Aligning these results with those of the *The 21st PwC CEOs Survey*³ which gathers the opinions of 1,293 CEOs around the world, shows that risk managers and CEOs share a common

increasing worry about broader technological changes and social developments, geopolitical uncertainty, and climate change.

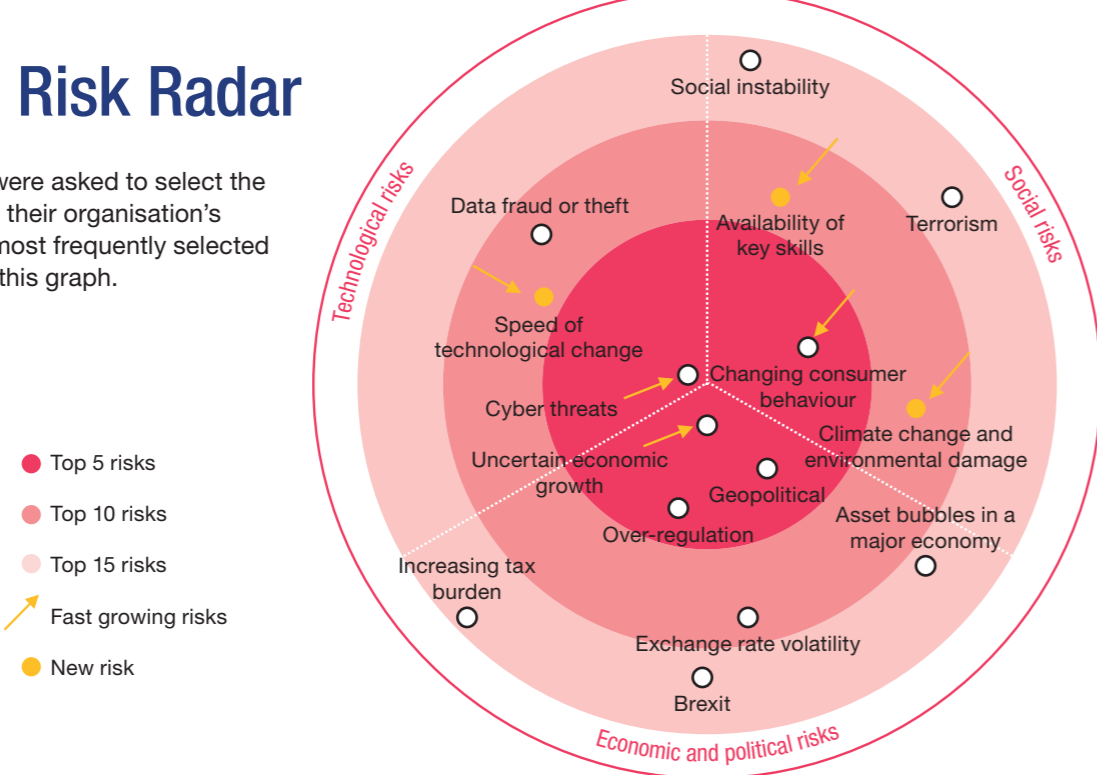
Focus on Cyber threats

The risk of cyber-attacks increased to the first level of concern for risk managers in 2018. It rose 6 ranks from 2016 with 37% of the risk managers thinking it is the most critical threat for their organisation's growth prospects

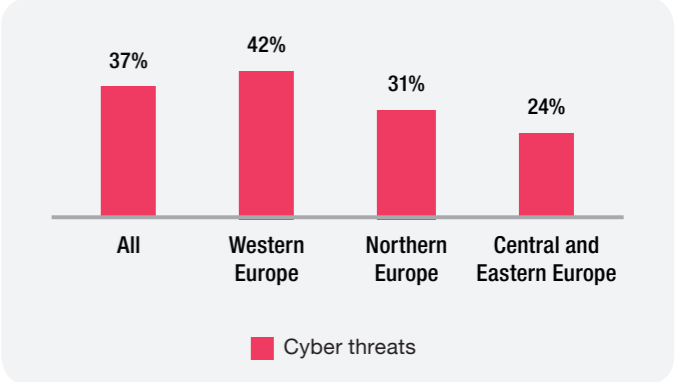
If the 2016 FERMA Survey showed us that digital risks, especially cyber risks and data protection, had become a top priority for risk managers, 2018 confirmed the importance of cyber threats. Data fraud / theft remain in the top 10 this year, while risks from the speed of technological change appear for the first time.

The 2018 Risk Radar

This year, respondents were asked to select the 3 most critical threats to their organisation's growth prospects. The most frequently selected risks are represented in this graph.



Sector of activity	Cyber threats ranking
Industry	3
Financial services	2
Services	1
Public sector	2



Western European countries show the greatest concern.

³ 21th CEOs Survey: <https://www.pwc.com/gx/en/ceo-survey/2018/pwc-ceo-survey-report-2018.pdf>



FERMA / ECIIA report: At the junction of corporate governance & cybersecurity:

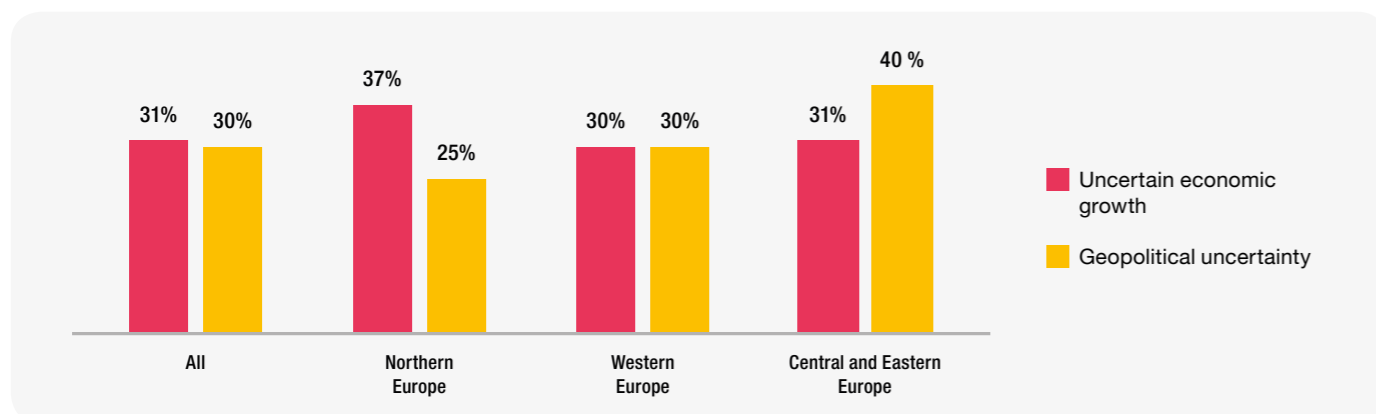
FERMA and the European internal auditors' organisation ECIIA have published a new edition of their guidance for corporate governance and cyber security. The report offers European companies a cyber-governance model and the latest edition includes a case study showing the model in operation.



Source: <https://www.ferma.eu/update-ferma-eciia-cyber-risk-governance-report>

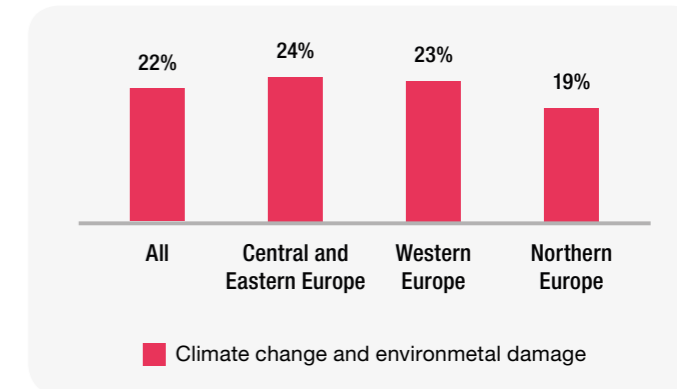
Focus on economic and geopolitical risks

Sector of activity	Uncertain economic growth ranking	Geopolitical uncertainty ranking
Industry	4	2
Financial services	3	6
Services	5	4
Public sector	1	8



Focus on the environmental challenge – a fast growing concern

Environmental risk is becoming one of top concerns for European risk managers, a trend also reflected by the Global Risks Report 2018 from the World Economic Forum⁴.



Sector of activity	Climate change and environmental damage ranking
Industry	5
Financial services	11
Services	9
Public sector	5

The destructiveness of natural disasters is rising. It is widely linked to climate change. In addition to managing the financial risk caused by natural catastrophes, risk managers can play a role in building sustainability within their organisations. The European Non-Financial Reporting Directive and corporate social responsibility requirements are among the drivers of this trend. The FERMA Survey highlights a need for risk managers to collaborate closely with the CSR department, which is currently only a second rank partner.



During the past few years, risk managers have gained a real influence within organisations, especially by closely collaborating with other functions.

First stage of development of an ERM framework within an organisation is the identification and assessment of operational and strategic risks at short / medium term. Once the organisation has gained sufficient maturity it would work on the longer term or more intangible risks like the CSR ones.

There are mutual benefits to developing relationships between risk management and CSR.

CSR can benefit from risk 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.

The requirements for the disclosure of non-financial information represent a real asset to achieve this objective by implementing risk-oriented reporting. »

Lene Ritz, Head of Risk Management, Energinet

⁴ <https://www.weforum.org/reports/the-global-risks-report-2018>