



FERMA™

Federation of European
Risk Management Associations

Contribution to the Swedish Presidency agenda Strengthening competitiveness at EU level

January 2023

★ ★ ★ ★ ★
45⁺
★ ★ ★ ★ ★
YEARS

As the single
recognised voice
of European
risk managers



21
COUNTRIES



22
MEMBER
ASSOCIATIONS



5000
RISK MANAGERS
IN EUROPE



FERMA STRIVES FOR A WORLD WHERE RISK MANAGEMENT IS EMBEDDED IN THE BUSINESS MODEL AND CULTURE OF ORGANISATIONS.

As the representative body for the risk profession at European level, FERMA takes an active interest in the various implications of the resilience and competitiveness agendas and looks forward to engaging with the Swedish Presidency during its tenure at the helm of the Council of the EU across the first half of 2023.

Current geopolitical threats have pushed for more vigorous European defence and security policies, but they have also reinforced the will to develop Europe's industrial sector and assert European competitiveness on a global scale. More than ever, public institutions rely on private sector companies and communities to help advance their objectives.

As risk managers, our role is to coordinate awareness and action across corporate functions so that organisations can confidently face the transition towards a more sustainable and more digital society. We wish to support EU policy makers in boosting competitiveness and facilitating the green transition, hence our interest in aligning our priorities with those of the new Presidency.

FERMA also provides a unique platform for policymakers to exchange views with the risk and insurance community through its events and webinars. At FERMA Talks 2021, European Commission Vice-President Maroš Šefčovič delivered a keynote speech, so too did a representative from the Slovenian Presidency of the Council of the EU. At FERMA Forum 2022, VP Šefčovič, EIOPA Chairperson Petra Hielkema, and a handful of speakers from the EU Institutions presented at an event gathering over 1500 risk professionals.

PROFILE OF THE EUROPEAN RISK MANAGER



Come from a large organisation



Make use of innovative technologies such as data visualisation, process automation or artificial intelligence in their activities



Are in the industrial sector



Formally present to the Board of Directors or top management several times a year



Are involved in the reviewing process of strategic risks



Have a role in ESG

INTRODUCTION

“The Swedish Presidency will strive to ensure that the ambition of strengthened European competitiveness is the guiding principle” – Swedish presidency programme (SOURCE)

The Swedish Presidency occurs at the confluence of several challenges including inflation, an energy crisis and war, as well as amid the various impacts of the green and digital transitions. In this context, cooperation between public and private sectors is fundamental.

Risk management is a versatile discipline supporting companies to tackle risks and uncover opportunities. In uncertain environments, risk managers help companies to deliver on their strategies in terms of risk-assessment, innovation, and crisis management. This in turn contributes to developing companies’ competitiveness and responsible business conduct.

It is therefore FERMA’s view that in today’s environment, risk leadership is more important than ever. In this short paper, FERMA describes the contribution of enterprise risk management to the Swedish Presidency agenda for both fostering European competitiveness and facilitating the green and energy transitions. FERMA speaks on behalf of an international network of 22 risk management associations in 21 European countries representing about 5000 risk professionals.

The risk management perspective on competitiveness and the green transition

For risk managers, digital and ESG-related developments directly impact the risks and opportunities facing their organisations. This means that risk management as a strategic function can help shape the tactical alignment of European enterprises to these objectives. It does this in several ways:

1. Supporting companies’ decision-making processes about due diligence, reporting standards, responsible investments, and responsible business conduct.
2. Risk management is consubstantially about helping to increase companies’ digital competitiveness by preventing cyber risks and encouraging technological innovation.

“

Enterprise risk management is the bedrock, it enables companies to remain resilient and in business. Risk leadership is our compass to achieving what we want for our greener and more digital planet

Dirk Wegener
President of FERMA

Risk managers are the eyes and the ears of European enterprises, scanning the horizon to anticipate challenges and opportunities for their organisations. This fundamental aspect of risk management informs the priorities for FERMA’s advocacy work by identifying the areas of major strategic importance for European businesses.

Key issues for enterprise risk managers

The key issues for risk managers today relate to the competitiveness and resilience of companies impacted by:

- **Increasing influence of ESG considerations in policy**
- **Cyber threats**
- **Geopolitical uncertainty**
- **Non-resilient supply chains**

The current unstable context presents additional risks for businesses in terms of geopolitical uncertainty contributing to lack of resilience in the supply chain. Risk managers guarantee that companies are well-equipped to face these new challenges, through risk mitigation and prevention. But they also support companies in finding new opportunities to develop their corporate strategies and achieve key milestones which align with EU-level priorities.

COMPETITIVENESS OF THE EU

“ The Presidency will mark the 30th anniversary of the launch of the internal market, with a view to attempting to establish a path for how EU competitiveness can be strengthened in the years to come. The need to develop the possibilities for strengthened competitiveness and an accelerated digital and green transition in the digital and services sectors will play an important part in this regard. ” (SOURCE)

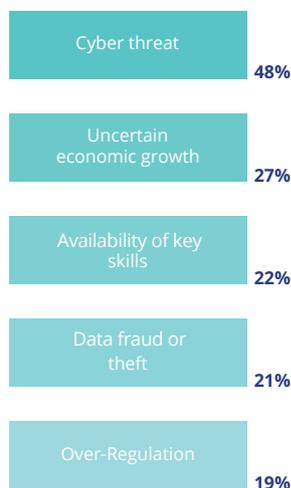
STATE OF PLAY AND CHALLENGES

Focusing on the digital transition, the need for companies to assert themselves as technologically innovative is crucial to ensuring Europe’s competitiveness. Risk management can help support businesses navigate the risks and possibilities of digitalisation.

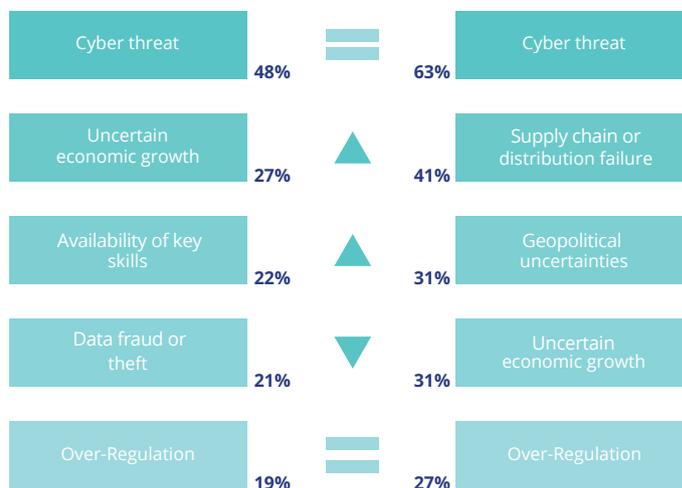
At FERMA, we strive to ensure that risk managers are well equipped to help companies face mounting cyber risks. As digitalisation becomes more central to strategies of organisations, so too does cybersecurity. It is FERMA’s view that a more holistic approach to cybersecurity, based on the fundamentals of Enterprise Risk Management (broadly, the identification, evaluation, mitigation, and transfer of risks) would help the EU be more cyber resilient and secure and strengthen their resilience when the insurance market fails to do so.

As the Swedish Presidency marks the 30th anniversary of the launch of the internal market, we are committed to strengthen the EU’s competitiveness by contributing our risk management expertise to the Swedish Presidency’s objective of advancing the negotiations on the Cyber Resilience Act (CRA). It is FERMA’s assessment that the CRA will help increase the level of cybersecurity in products in the EU but that it must also be supported with a holistic approach to cyber resilience based on the fundamentals of an Enterprise Risk Management approach.

Top risks 2020



Top risks 2022



FERMA European Risk Manager Report 2022 [\[SOURCE\]](#)

Cyber threats continue to preoccupy companies across Europe. While cybersecurity is a pre-requisite, there will be some risks for which companies choose to purchase insurance. At the same time, some big insurance companies believe cyber risks may be ‘uninsurable’. Companies without some form of cyber protection – be it through high cybersecurity standards, or a cyber insurance product – will face vulnerabilities in the event of a cyber-attack. It is FERMA’s view that the cyber insurance protection gap – namely the mismatch between the increasing demand for, and lack of supply, of cyber insurance – should be on policymakers’ radars, especially during the Swedish Presidency.

Further to the point of the cyber insurance protection gap, FERMA also sees a thematic link to Solvency II, which will still be on the radar of the Swedish Presidency.

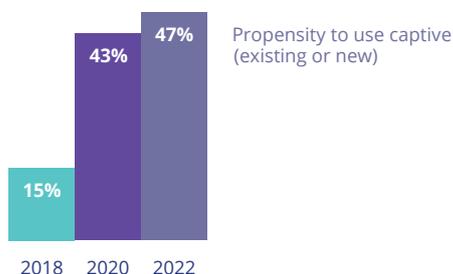
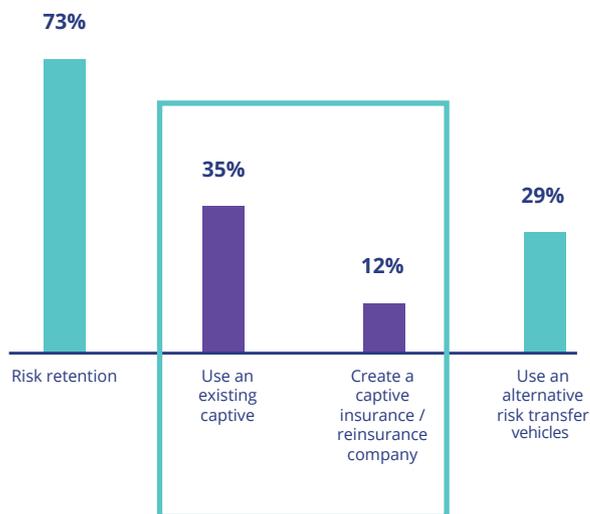
In recent years, companies have been ‘forced’ to explore alternatives to commercial insurers to find coverage for risks like cyber. Captive (re)insurance provides one such alternative. These are efficient risk management tools for businesses and are also a part of a vibrant and competitive European insurance market.



Making the EU more attractive for captives would contribute to reinforcing the resilience of the European economy by giving companies more opportunity to take risk in a structured way, mitigate market cycles and improve approaches to risk. Captives are legitimate risk management tools and fully regulated insurance companies under Solvency II. It is important their regulatory status is recognised in their tax treatment also.

THE RISE OF CAPTIVES CONFIRMED

Over the next 2 years, what will be the strategy with regard to risks which are difficult to place on the insurance market ?



We ask policy-makers to

- Foster a holistic risk management approach to cyber resilience by building on the strong cybersecurity-by-design principle of the CRA and complementing it with an overall approach to cyber resilience.
- Ensure that the cyber protection gap – the mismatch between the growing demand for and (lack of) supply of cyber insurance – is on the Swedish Presidency's radar in the context of cybersecurity and overall resilience of the economy.
- Aim for a final text on Solvency 2 that would put the regulatory requirements for captives on a basis that is truly proportional to their risk-profile. Captives should be designated as low-risk profile undertakings by default. This would grant European enterprises more risk management options and so reduce volatility. Furthermore, captives' status as regulated financial services should be reflected in their tax treatment, ensuring this is consistent across EU legislation.

OUR CONTRIBUTION

- FERMA recently launched a Cyber Insurance Project with (re)insurers, brokers, and businesses. Its aim is to analyse current cyber challenges and provide impactful solutions (in identification & prevention, underwriting, coverage, and claims) that will strengthen digital competitiveness.
- FERMA's views on the CRA [\(SOURCE\)](#)
- AMRAE, *Lumière sur la Cyberassurance, édition 2022*, [\(SOURCE\)](#)
- FERMA is working on a project to shed light upon cyber insurance (Project LUCY) at European level. The aim is to produce, for the first time, representative, comparable data on the cyber insurance market in 12 European countries. *Keyfindings* : The volume of premiums paid (regarding cyber risks) by all companies increased by 44.4% between 2021 and 2022, while the underwritten capacities fell by 32%. [\(SOURCE\)](#) This is a worrying trend given that it is resulting in big companies leaving the cyber insurance market.

SUSTAINABILITY AND GREEN TRANSITION

“Rising inflation levels, interest rates and energy prices have left companies and citizens struggling. While decisive action has been taken, it is imperative that we stay firm in transition to the green economy and safeguard the basis of our economic model for long-term growth.” - (SOURCE)

STATE OF PLAY AND CHALLENGES

The EU has set a target to cut greenhouse gas emissions by at least 55% by 2030 with an aim to become climate neutral by 2050. Private companies have a big part to play, and risk managers' role is to facilitate the adaptation process. FERMA is committed to assisting the Swedish Presidency in its objective to accelerate the green transition.

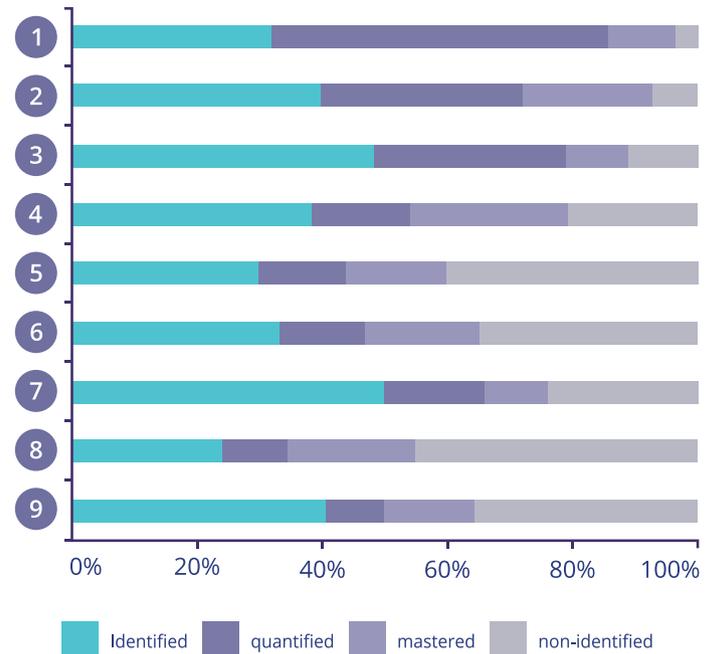
At the same time, it should be acknowledged that the green transition implies, in the near-term at least, some growing pains. For risk managers, these growing pains will manifest in three key areas, all of which should be high up on the Swedish Presidency's agenda in the area of the green transition:

1. Value chain due diligence
2. The insurance protection gap
3. Critical raw materials and supply/value chain issues

FERMA has been working with its members extensively on the Corporate Sustainability Due Diligence Directive (CSDDD), which elaborates how companies can identify, mitigate, and end adverse impacts of their activities. At the core of this proposal is a risk management approach to value chain due diligence. However, it is our belief that the Directive could be even more risk-based than it is currently.

Risk managers in certain countries (e.g., France) have dealt with supply chain due diligence for a while now, whereas in others (e.g. Germany) there are new requirements as of this year. Risk managers offer their support by guiding companies through prioritisation of action and proportionality (based on severity and likelihood of incident).

IDENTIFIED RISKS OF CLIMATE CHANGE ON YOUR COMPANY'S ACTIVITY



1. Increase in the cost of energy raw materials
2. Duty to adapt to regulatory requirements
3. Change in consumer demands
4. Downgrade of extra-financial rating
5. Prohibition of marketing certain offers
6. Competition from a new technology
7. Difficulty attracting talent
8. Difficulty attracting finances
9. Loss of trust from clients and consumers

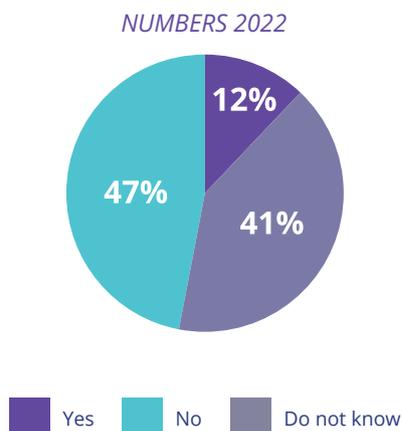
From AMRAE's climate commitment barometer [\[SOURCE\]](#)



Encouraging companies to innovate and invest in greener and more sustainable products is a way to advance the climate agenda. But financing this adaptation is key risk managers call for increased support from insurers who have shown to be risk averse in the context of the green transition. Corporate insurance buyers require more insurance coverage for the risks required to innovate. FERMA has highlighted concerns faced by risk managers to the insurance industry on various occasions, namely through its published white paper. (See contributions below) FERMA will also continue to push this message in the context of the EU Climate Resilience Dialogue, which we believe should also be on the Swedish Presidency's radar.

FERMA looks forward to discussions on the EU Critical Raw Materials Act, which will begin under the Swedish Presidency. In order to ensure this is an important step towards reducing vulnerability and ensuring that the EU remains a world leader in the green transition, risk managers of large multinational organisations with complex supply chains could provide some valuable insights to policymakers.

ARE YOU SATISFIED WITH THE WAY INSURERS SUPPORT YOU TO TACKLE CLIMATE RISKS?



From AMRAE's climate commitment barometer
[SOURCE]

We ask policy-makers to

- Consider a risk-based approach in the CSDD in terms of conducting the value chain due diligence, FERMA also believes a stronger focus should be attributed to the concept of prioritisation.
- Pay closer attention to the climate protection gap and ensure the outcome of the Climate Resilience Dialogue sets the agenda for the next Commission.

OUR CONTRIBUTION

- **Guide to using a risk-based approach** : In the context of the proposed directive on CSDD, FERMA released a two-pager on a risk-based approach to value chain due diligence. [SOURCE]
- **White Paper 'Insuring the transition: The issues confronting risk managers'** : FERMA's paper highlights the current issues in the insurance market around insuring the green transition. [SOURCE]
- **ESG embedding: are you ready?** : FERMA released a joint publication with ECHIA (representatives of internal auditors) and ecoDA (representatives of boards of directors). The paper focuses on the important role of collaboration between the three professions (risk managers, internal auditors, boards of directors) to foster companies' corporate sustainability. [SOURCE]
- FERMA is contributing to a multi-stakeholder group under the auspices of the European Commission, known as the Climate Resilience Dialogue, which is a forum for discussion between insurers, businesses, and consumers about the climate protection gap. FERMA's role is to offer risk-based insights and solutions on protection gaps and the green transition.



The role of risk managers is to support top management in highlighting sustainability topics at strategic levels. It is also to have an enterprise-wide perspective to address these emerging new topics through consolidated processes and strategic discussions.

Valentina Paduano

FERMA Board Member & Chair of Sustainability Committee



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