

Press release

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<http://www.ferma-forum.eu>

No more EU corporate governance rules needed now, say European risk managers

The Federation of European Risk Management Associations (FERMA) has told the European Commission that it should start with “implementation and robust enforcement” of existing EU corporate governance rules on risk management, rather than creating new ones now. This comment is contained in FERMA’s response, released today, to the consultative green paper on corporate governance framework produced by Commission staff.

In its submission, FERMA argues that parts of the green paper dealing with board duty on risk management and risk disclosure overlap the EU 8th Company Law Directive which has yet to be fully harmonised. As a result, application of these existing rules may not be equally stringent across the EU. Dealing with this issue should take priority, says FERMA. “Member States’ implementation should be further analysed before the Commission takes any further action to regulate this duty.”

FERMA is specific in opposing any moves to require companies to publish more information on their risk appetite. “FERMA does not support the position to disclose more information about risk appetite, because it may harm companies’ competitive position, will not improve their risk management culture and will not provide more assurance to stakeholders that risks are under control.”

FERMA’s view is that listed companies must already disclose a great deal of risk-related information, for example on finance, health and safety, and environmental protection, and a certain level of confidentiality is essential to protect the business.

Less than a year ago (September 2010), FERMA and the European Confederation of Institutes of Internal Auditing (ECIIA) published *Guidance for Boards and Audit Committees* on the duty of the board and audit committee under the 8th Directive to publish clear information on significant and evolving risks and the way they are managed.

FERMA has repeated to the Commission that it supports the principles of the 8th Directive: that risk management should be used as a real tool for decision-making, not just an additional element of internal control, and that the board should ensure proper oversight of the risk management process and set company-wide risk policy. “This does not necessarily require new regulatory approaches.”

Other FERMA comments on the green paper

- The principles of good corporate governance should apply to all companies, but factors such as size, complexity and risk profile suggest there should be a proportionate approach.
- EU corporate governance measures should be voluntary for unlisted companies. Disclosure requirements should be different for companies that do not raise capital on the stock markets.
- Listed companies should “comply or explain”. Those that do not comply with relevant governance codes should explain the reasons for their divergence.

Notes to journalists

The FERMA-ECIIA guidance paper on the 8th Directive is available at:

http://www.ferma.eu/Portals/2/documents/press_releases/20100921-ecii-ferma-guidance-on-the-8th-eu-company-law-directive.pdf

About FERMA

The Federation of European Risk Management Associations (FERMA) brings together 19 national risk management associations in 17 European countries. FERMA has over 4,000 individual members representing a wide range of business sectors from major industrial and commercial companies to financial institutions and local government organisations. Their members play a crucial role within their companies with respect to the management and treatment of complex risks and insurance issues.

Member associations are from the following countries: Belgium (BELRIM), Czech Republic (ASPAR CZ), Denmark (DARIM), Finland (FinnRiMa), France (AMRAE), Germany (Bfv and DVS), Italy (ANRA), Netherlands (NARIM), Norway (NORIMA) Poland (POLRISK), Portugal (APOGERIS), Russia (RusRisk), Spain (AGERS and IGREa), Sweden (SWERMA), Switzerland (SIRM), Turkey (ERMA) and United Kingdom (AIRMIC).

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