



THE ROADMAP TO STRATEGIC RISK MANAGEMENT

FERMA WHITE PAPER

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with the support of



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Foreword

In an era marked by unprecedented, interconnected global challenges, Strategic Risk Management is becoming an indispensable discipline to support organisations as they navigate this complex and uncertain environment.

In an ever-evolving business landscape, shaped by rapid technological advancements, geopolitical shifts, and unpredictable market forces, the need for a robust strategic risk management framework has never been more evident.

Strategic Risk Management not only offers protection against potential threats, it can be a catalyst for innovation, growth, and resilience. It is a proactive approach that replaces traditional risk mitigation strategies, embracing uncertainty as an integral part of the strategic planning process.

The theme of the 2023 FERMA Seminar was very much of the moment. We began the Seminar by hearing the testimony of two CEOs who confirmed the need to shift towards strategic risk management. CEOs have resilience at the top of their agenda, they said, and they need the support of Risk Managers and CROs to achieve it.

During the CRO panel, we learned that some CROs have become the to-go-person within their organisation as they bring added value to their Board and CEO in risk-based decision making. But even in these very mature organisations, there are still challenges.

The key learnings, that we discussed during the various workshops, were:

- Quantifying risks will help identify those which are strategic for top management to base decisions on;
- Regular reports to the CEO are important, but the content of these must focus on the key risks which need top management attention;
- Strategic risk management requires CROs and Risk Managers to be integrated into the business and understand the company's strategy.

Strategic risk management is not a one-size-fits-all endeavour. It requires a nuanced understanding of an organisation's unique risk profile, culture, and strategic objectives. The ERM maturity test that most of us performed before the Seminar showed where we all are on this journey and what gaps need to be filled, according to our organisations' individual priorities. Quantification is still an area for improvement for many organisations, notably in the areas of cyber and ESG risk. But we returned home with good tools to help with risk quantification, and also other areas that risk professionals might want to further develop.

The Seminar prompted many important questions for us to think about over the coming months. And - we hope - has given you answers to some of them. What skills do Risk Managers need to develop? How will data analytics support us? Artificial Intelligence and ERM ... risk or opportunity? How to best integrate Risk Management and ESG? How can insurance better support risk mitigation and resilience? And, of course, how do we instil risk governance and culture - the key enablers for us to play our part in the strategic decision-making, growth ambitions and overall competitiveness of our companies.

Once more, I would like to thank the members of the Seminar Committee. Without their engagement and hard work over the course of 2023, we would never have been able to put on such a successful event. Thank you also to our moderators, and speakers, who ensured the discussions were of the highest quality. And finally, a big thank you to our Strategic Partners who made the organisation of the Seminar possible.

I hope that, like me, you will enjoy reading the white paper presenting the results of the ERM maturity test and the key take-aways from the Seminar which will help us all to move along the roadmap to strategic risk management. Thank you to Marsh for their collaboration on this publication.

FERMA will continue to work on supporting our members on their journey to embedding Strategic Risk Management. Keep an eye on the FERMA website for further insights and tools.

Laurence Eeckman

FERMA Board member and Chair of the 2023 Seminar Committee

Section 1

The emerging risk landscape

The theme of the 2023 FERMA Seminar was the “Roadmap to Strategic Risk Management”. FERMA, with the support of Marsh, developed an Enterprise Risk Management (ERM) maturity test aimed at gaining some insights from the participating risk managers in terms of how Risk Management is supporting organisations faced with a fast-challenging external environment. Needless to say, the past three years have been characterised by continued challenges, including the COVID-19 pandemic, geopolitical shocks, supply-chain and logistics disruptions to supply-chain and logistics disruptions to the post-pandemic economic revival, and the increasing frequency and severity of climate-related events. The interconnectedness of risks is now the norm.

In this context, understanding and strengthening companies’ resilience in the face of the emerging risks is crucial. With a series of rules and regulations on the horizon in Europe, including the EU taxonomy, the Corporate Sustainability Reporting Directive, and the Corporate Sustainability Due Diligence Directive, Risk Managers are acutely aware of the need for them to have sustainability strategy, reporting and monitoring in their focus.

Added to this rapidly changing risk picture, advancements in technology bring both opportunities and risks. With artificial intelligence (AI) now at the fingertips of individuals and companies, there are huge opportunities to be leveraged but new challenges, including societal risks, to be considered, understood and managed.

The ERM maturity test aimed at benchmarking the existing risk management practices. It was structured around the following six dimensions:

- Risk Governance and Culture
- Risk Management Integration with Strategy
- Risk Management Integration with Sustainability
- Risk Management Process
- Risk Monitoring and Support Tools
- Risk Reporting

To capture the characteristics of risk management practices, 15 questions across the above six dimensions were developed, with possible answers structured around five maturity levels: not developed; formalised; implemented; integrated; and optimised. To further understand participants' perspectives in a forward-looking manner, questions regarding short-term and long-term planned investments, as well as upcoming challenges were included.

The FERMA 2023 Seminar provided a deep dive into some key themes across these six dimensions along the roadmap to implementing strategic risk management.

Activities included:

- Discussion panels with CEOs and Risk Managers to capture views on how Risk Management is contributing to decision-making; and
- Workshops aimed at sharing and gathering views on how to enhance Risk Management integration within strategy through the following deep-dives: effective communication for Board-level engagement; strategic scenario planning; the transition from risk-centric to objective-centric risk management approaches; risk management skills of today and tomorrow; three lines of defence models to support new strategic perspectives; quantitative approaches and use of data to better understand risks.

The following pages present an overview summary of the ERM maturity test results as well as the main highlights from the FERMA Seminar workshops and discussions, and some key areas to address moving forward.

Section 2

ERM Maturity Level: Current Status

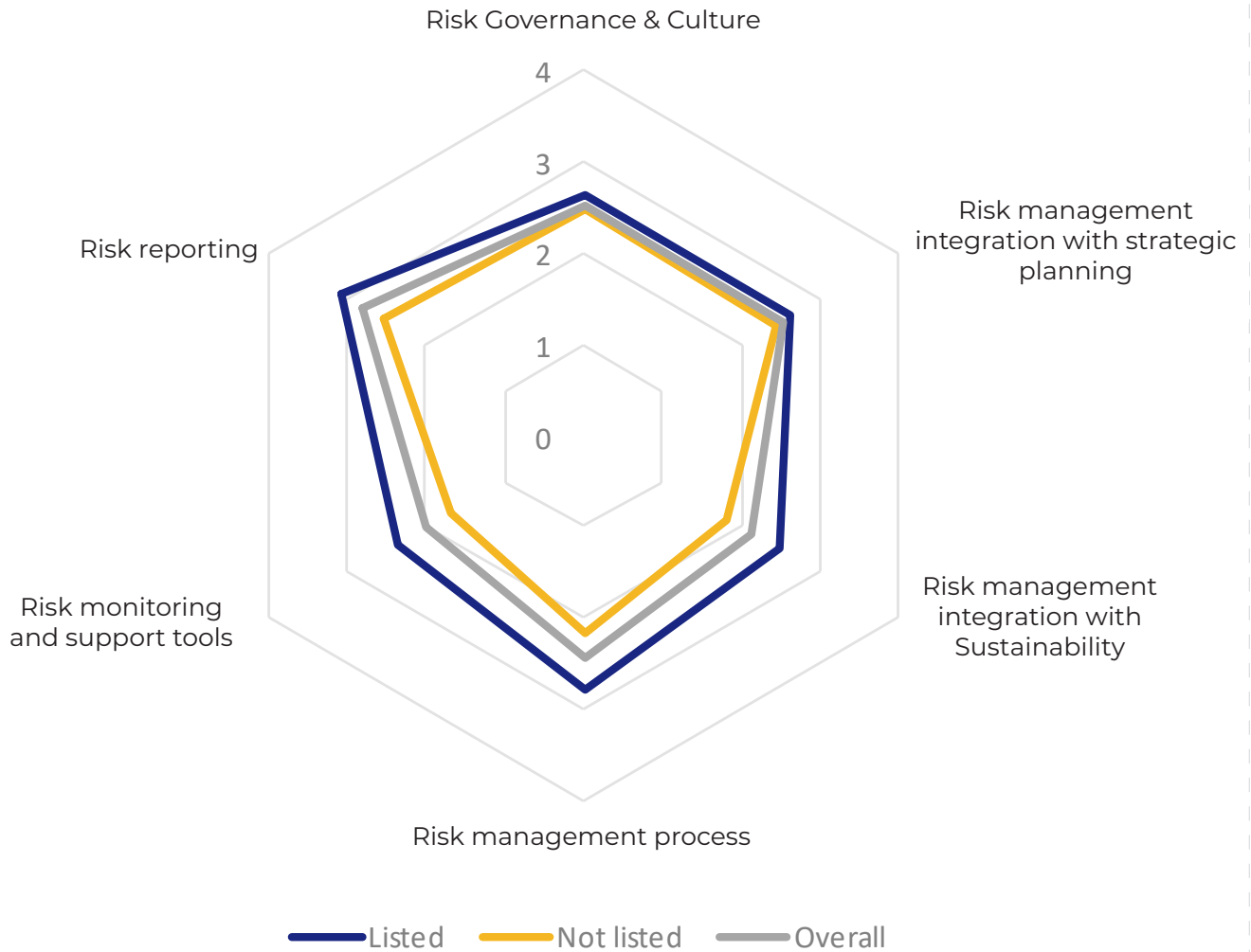
In this test, 135 participants, across a range of industry sectors, company size and company type provided their views on the Enterprise Risk Management (ERM) maturity level of their organisation.



The test was not aimed at providing an exhaustive view of the ERM maturity level of organisations, but rather was intended to gain perspectives from participants and elaborate insights on items to be further addressed. The below illustration describes the characteristics of mature risk management practices:

- Risk Governance & Culture**
 - The Board plays an active role in Risk Management
 - The Risk Manager contributes to strategic decision making
 - Risk culture is embedded in day-do-day operations
- RM integration with strategic planning**
 - Consideration of risks that go beyond planning horizon
 - Risk Management embedded in strategic planning and budgeting
 - Comprehensive Risk Appetite Framework
- RM integration with sustainability**
 - ERM frameworks embed ESG risks, which inform sustainability strategy
 - Robust ESG identification and evaluation techniques
 - Evolution of ESG best practices and regulatory requirements arcaptured
- Risk Management process**
 - Comprehensive assessments are in place
 - Quantitative approaches are adopted to measure and prioritise risks
 - Controls and action plans address both existing and emerging exposures
- Risk monitoring and support tools**
 - Risk monitoring mechanisms in place also suitable to capture data/ information in real time.
 - RMIS/ GRC facilitate/ optimise risk management activities
- Risk Reporting**
 - Risks communicated internally at all levels with adequate frequency. Effective and integrated external risk reporting informs both mandatory and voluntary disclosures

2.1 Aggregated results overview



0 - Not developed; 1 - Formalised; 2 - Implemented; 3 - Integrated; 4 - Optimised

At an aggregated level, the most mature ERM components are “Risk Reporting” and “Risk Management process”. Meanwhile, the areas that need major improvement relate to “Risk Management integration with Sustainability” and “Risk Monitoring and Support Tools”.

Generally, it can be observed from the sample that listed companies have higher maturity scores than unlisted companies, except for the “Risk Governance & Culture” and “Risk Management Integration with Strategic Planning” components where scores are broadly similar. This evidence might suggest that the perceived value of Risk Management goes beyond the best practices that are generally required for listed companies from a Corporate Governance perspective.

The split by question further shows that the most mature areas relate to: “Internal Risk Reporting”, “Risk Assessment Process” and “Risk Management organisation”. Risk Reporting

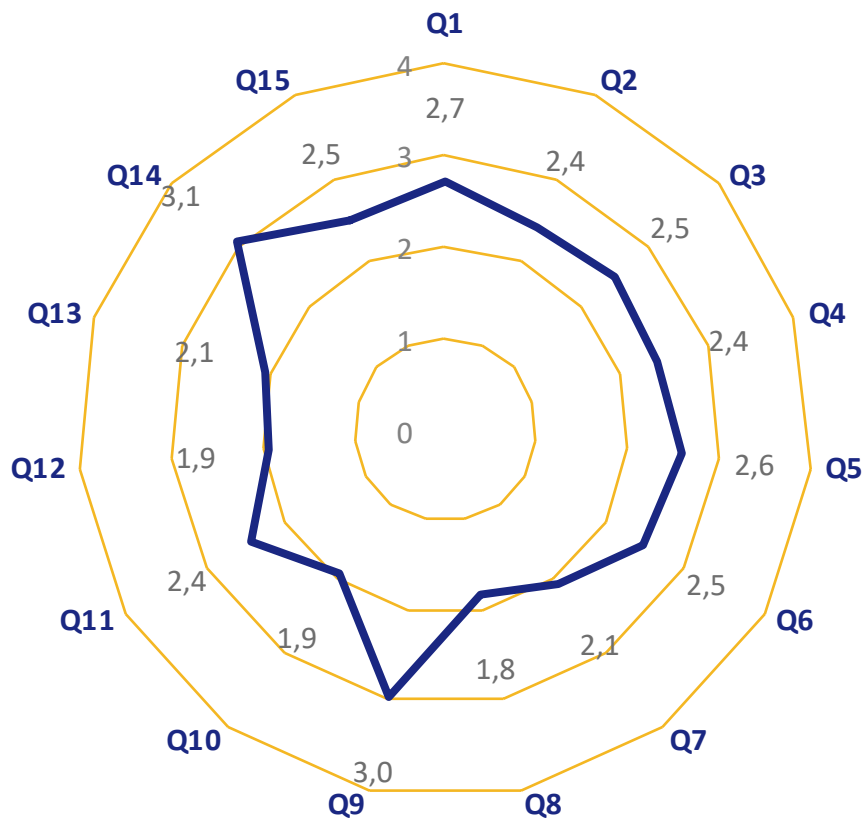
emerged as one of the most mature components during the discussion panel with the CEOs. The importance of having relevant, straightforward and focused risk reports to facilitate the use of risk management analysis for decision-making was heavily underlined.

The major areas to be improved are “EU Regulation Readiness”, “Risk Quantification” and “Data and Tools for Risk Management”. This finding was confirmed in the discussions in dedicated workshops and sessions at the Seminar on these topics.

Analysis of the responses reveals some score variability according to the size of the company, with larger companies performing better in areas related to “Climate Risk Analysis”, “EU Regulation” and “Data and Tools for Risk Monitoring”, possibly suggesting that they have more structured teams and efforts dedicated to these activities.

Figure 2: Aggregated results - distribution by question

- Q1 – Risk Management Organization
- Q2 – Involvement of Risk Manager
- Q3 – Risk Culture Enhancement
- Q4 – Risk Appetite
- Q5 – Integration of RM in decision-making processes
- Q6 – Integration between RM and Sustainability
- Q7 – Climate risk and opportunity analysis
- Q8 – RM preparedness in the light of EU regulation
- Q9 – Risk Assessment approach
- Q10 – Risk Quantification
- Q11 – Risk Treatment and improvement
- Q12 – Data and tools for risk monitoring
- Q13 – Risk Management Information Systems
- Q14 – Internal Risk Reporting
- Q15 – External Risk Reporting



0 - Not developed; 1 - Formalised; 2 - Implemented; 3 - Integrated; 4 - Optimised

2.2 Risk Governance and Culture

The responses received showed that one-third of Chief Risk Officers (CROs) report directly to their CEO, while 28% report to other C-suite roles, such as the CFO. This indicates that CROs have good access to decision-making. It is, however, important to delve deeper into the specific contributions and involvement of Risk Managers within the organisation, beyond simply considering the organisational structure.

A large number of the Risk Managers of the companies in the sample (44%) are involved in Board of Directors meetings (BoD) and Management meetings to present risk assessment results or risk management activities. It seems, however, that only 22% of the participants are involved at both Management and Board of Directors level when key decisions regarding the company strategy are discussed.

In terms of risk culture, there is a wide variety of answers across the five-maturity levels. While 33% of respondents declare that risk culture is embedded in the organisation's processes and a quarter of respondents have in place periodic training on risk, as well as mechanisms for sharing key risks across the organisation, a further 17% of respondents said that there is a high variability in terms of the application of risk management principles across the organisation, driven by individuals' awareness regarding risks.

During the CEO Panel at the Seminar, speakers stressed that Risk Managers play a fundamental role in strengthening risk culture, beyond developing and consolidating the process. Risk Managers should actively assist managers in expanding their perspective to include long-term horizons and in preparing the company for potential crises.

Figure 3: Risk Management Organization

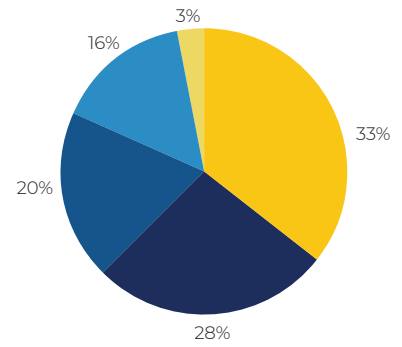


Figure 4: CRO/ Risk Manager Involvement

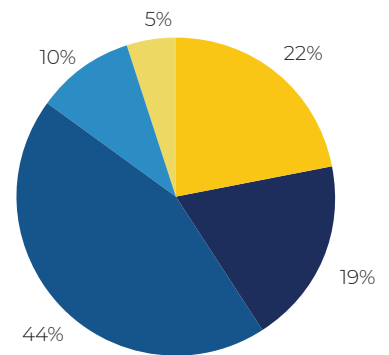
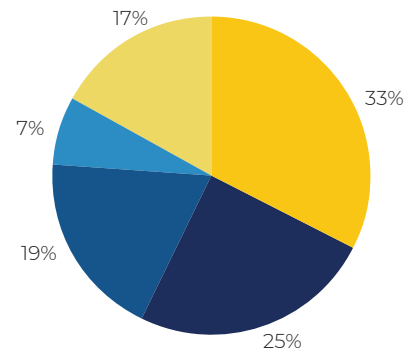


Figure 5: Risk Culture



- Optimised
- Integrated
- Implemented
- Formalised
- Not developed

Three Lines Model¹

¹"The IAA's Three Lines Model", The Institute of Internal Auditors (2020)

Highlights from the Workshop: “Applying the Three Lines Model to Support the Strategic Perspective”

- Further Rise of risk culture - while the second and third line of defence functions have achieved a lot in developing a risk culture across the organisation, companies need a “risk educated” first line, embedding conscious consideration of risk into decision making, to further build resilience capabilities.
- Align all stakeholders in the three lines and the governing bodies on a clear risk governance and operating model - characteristics of risks should be taken into account. An example of a framework developed by Robert S. Kaplan and Anette Mikes was put forward; this approach clusters risks into preventable risks, strategy risks and external (non-preventable) risks, providing principles for risk governance and an operating model for each.
- Align communication to the Board with Senior Executives’ and Directors’ key concerns - considering the above mentioned framework, (i) for preventable risks the Board needs to understand whether the appetite has been adequately cascaded in the organisation and to supervise the effectiveness of the processes and governance in place; (ii) for strategy risks, the Board should seek for objective-centric approaches focusing on critical risks and their management to ensure the achievement of company’s targets; (iii) for external (non-preventable) risks, the Board should understand how Management is building its capabilities to respond to events.

2.3 Risk Management integration with Strategy

Two elements were considered to get a glimpse into the role of risk management in the decision-making process:

- “Risk Appetite” – almost 40% of participants said that their organisations have comprehensive risk appetite frameworks with qualitative and quantitative indicators. As with the “Risk Culture” component, however, a variability in scores is observed, with almost 20% of participants affirming that no appetite has been defined across the organisation. It is important to recognise that risk appetite is typically already embedded in company decisions even if this is not formalised. By establishing a clear and transparent stance on the acceptable level of risk, accompanied by measurable indicators, organisations can effectively guide the definition of action plans and prioritisation of investments.

- “Strategic Planning” – just over one-third, 36% of participants say that the ERM function informs on risks in the budgeting and strategic plan time horizons. And 21% of respondents also consider risks that go beyond the strategic planning horizon, the latter being relevant especially for some emerging risks, such as climate risks, for which the more severe effects may be observed in longer term but which require investments that should be planned in the short-term. Parallels can be drawn with the question on the involvement of Risk Management in decision-making, implying that risk analysis of strategic plans does not always lead to adjustments in strategy based on emerging risk profiles.

During the CEO Panel, the significance of integrating strategic decisions, encompassing both short and long-term considerations, was strongly emphasised. This includes, for example, decisions on the selection of strategic partners, assessing risks in merger and acquisition activities, and in general managing risks in day-to-day operations.

Figure 6: Risk Appetite

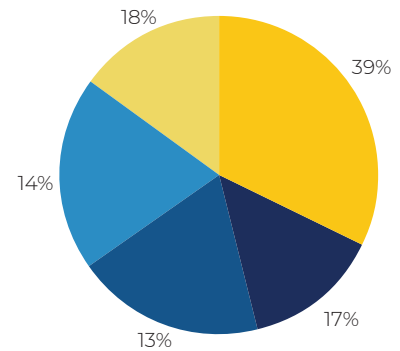
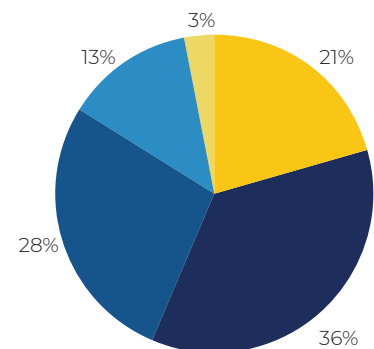


Figure 7: Strategic Planning



Highlights from the workshop “Be prepared, not surprised: How strategic scenario planning can boost resilience”

Short and medium-term disruptions are likely to persist, meaning that embedding scenario planning becomes essential to boosting preparedness and resilience. A five-step systematic approach has been proposed:

- Scenario development through identification of key themes for future, e.g. regulation, geopolitics
- Mapping and prioritisation of threats and opportunities across the whole value chain
- Impact assessment through financing modelling and stress-testing
- Response plan development aimed at proactive and timely response to trigger events
- Embedded governance to ensure that clear roles and responsibilities have been defined for all relevant foresight activities.

Highlights from the workshop “From risk-centric to objective-centric risk management”

An alternative to traditional risk management approaches is the “Objective-Centric Risk & Uncertainty Management” (OCRUM) approach, whose goals consist in switching:

- from “weak first-line” to “strong first-line” risk management
- from “risk-centric” to “objective-centric” ERM and internal audit
- from “supply-driven” to “demand-driven” ERM and internal audit

The core elements underline that the decision on acceptability of risks and uncertainty status is linked to the assessment of objectives, having a final output that stresses “mission critical” objectives and the confidence that they will be achieved.

2.4 Risk Management integration with Sustainability

Three elements were analysed to assess maturity:

- ESG risk integration within ERM, in the light of continuous effort over the past five years;
- Approaches to analysing climate-related risks and opportunities according to their characteristics and relevance within the overall ESG bundle;
- A forward-looking perspective in terms of risk management readiness to support the upcoming EU regulation requirements across three elements:
 1. identify, analyse and report ESG-related risks with a double materiality approach;
 2. comply with the Do No Significant Harm (DNSH) principle applied for EU Taxonomy² ;
 3. analyse ESG- related risks in the Supply Chain as required by the upcoming Corporate Sustainability Due Diligence Directive³ (CSDDD).

Many participants said that ESG risks are an important part of their ERM frameworks and that there is close collaboration with other stakeholders to identify and assess these risks. Just under a third (29%) said that ESG risks are an integral part of ERM Frameworks, while 33% said that risk and sustainability designated internal stakeholders are closely collaborating to identify and analyse ESG-related risks. Just 1/5 of participants, however, believed that ESG risk assessment results are then integrated with both Strategy and Sustainability processes.

Figure 8: ESG Risk integration within ERM

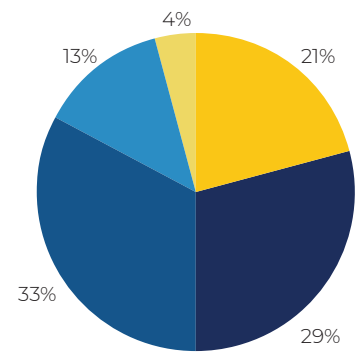


Figure 9: Climate Risk and Opportunity Analysis

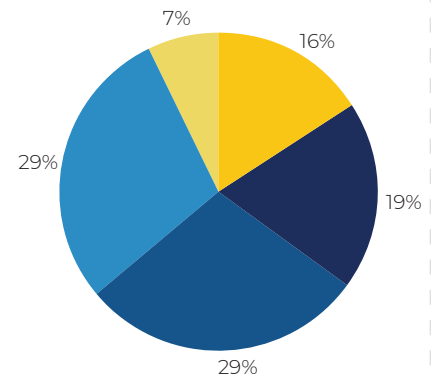
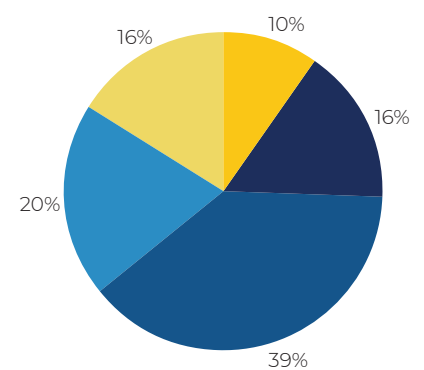


Figure 10: EU regulation readiness



- Optimised
- Integrated
- Implemented
- Formalised
- Not developed

When it comes to climate-risk assessments, just 19% deploy quantitative forward-looking scenario-analysis approaches as required by available best practices, such as the Taskforce for Climate-related Financial Disclosures (TCFD). Only 29% of the respondents use first qualitative TCFD approaches and the same proportion of respondents said that climate-related risks are partially captured within their corporate risk profile considering only the short-term time horizon.

With respect to the recently issued Taskforce on Nature-related Financial Disclosure Framework⁴, only 16% of participants said they had begun the process of adoption. The Seminar workshops also highlighted the critical importance of analysing climate-related risks. Participants stressed the relevance of developing the required skills and tools across the organisation to face these emerging risks.

In the light of the onset of new rules from the EU, the analysis of ESG-related risks and opportunities through robust approaches will be key to future sustainability strategies and in disclosure to stakeholders. The Maturity Test showed that 39% of Participants have begun to prepare for “double materiality” analysis, while 16% have embedded DNSH principles in their analysis of physical climate-related risks in the context of aligning activities to EU taxonomy and only 10% are developing approaches to analyse ESG-related risks in their supply chain to work towards compliance with the aims of the CSDDD.

² For more details see EU Taxonomy for sustainable activities, European Commission

³ For more details see Corporate Sustainability Due Diligence, European Commission

⁴ For more details see Taskforce for nature-related financial disclosures

⁵ To be noted that potentially, a lower response score is driven by a still limited applicability of EU taxonomy to a wider set of sectors

Highlights from the plenary session on the Corporate Sustainability Reporting Directive (CSRD)

Some challenges for Risk Management and Sustainability in the transition to CSRD:

- Double materiality: combine views on the impact on company (“outside-in”) and the impact on society and environment (“inside-out”);
- Time Horizons: in addition to the short-term and medium-term view, incorporate risk and opportunity evaluation for the long-term risks;
- Quantification: determine the financial impact of both risks and opportunities in the short, medium and long-term horizons;
- Inherent vs residual view of risks: need to mix both views, net and gross of existing controls and mitigations;
- Value Chain: understanding of the risk and opportunities considering the whole value chain;
- External stakeholders: further engage stakeholders in a double materiality perspective.

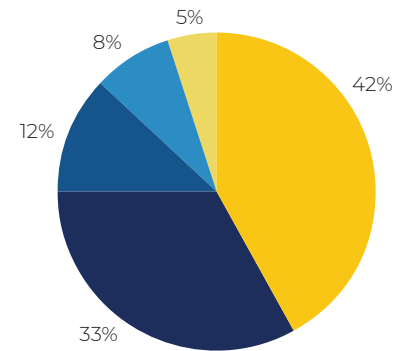
Risk Management strengths to be leveraged in the implementation of CSRD:

- Cross-cutting involvement of stakeholders and knowledge of company processes;
- Defined financial thresholds within the risk assessment process as indicators of acceptability of risk levels, relevant for identifying material topics;
- Qualitative impact evaluation metrics (e.g. business interruption, reputation) that can further contribute to materiality analysis;
- Experience (working with sustainability departments) on climate-related risk and opportunity analysis and disclosure within the context of CDP (Carbon Disclosure Project).

2.5 Risk Management process

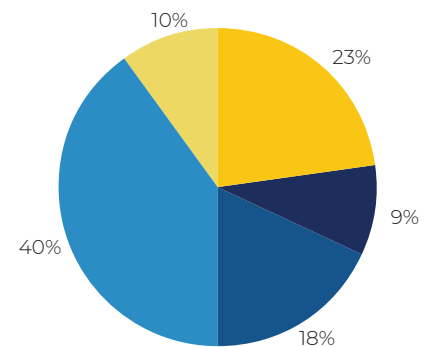
The Risk Management process emerges as one of the most mature components, especially in terms of the “Risk Assessment process”. Three-quarters of participants said they have comprehensive annual risk-assessment processes with dedicated sub-frameworks that require specific analysis on certain risk categories (e.g. financial, IT, health and safety) and more frequent monitoring on key exposures. And 42% of the respondents said that they also capture emerging risks in this analysis.

Figure 11: Risk Assessment process



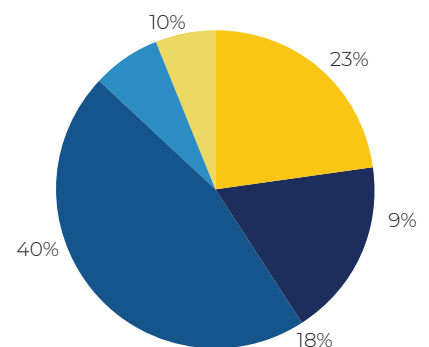
As previously highlighted with respect to climate-related risks, there are potential issues regarding the limited use of quantitative approaches for risk evaluation with only 23% of participants saying that all risks are quantified and the correlations among them considered. The largest proportion of participants who responded (40%) said they evaluate risks using qualitative and quantitative metrics within risk assessment.

Figure 12: Risk Quantification



Almost half of participants reported that existing risk controls and mitigations are evaluated within annual risk assessments, that additional actions are identified for the top risks and their implementation is periodically monitored. Only 23% said that actions to address emerging risks aimed at increasing the company’s long-term resilience are proactively defined.

Figure 13: Risk Controls and Action Plans



Only 23% said that actions to address emerging risks aimed at increasing the company’s long-term resilience are proactively defined.

- Optimised
- Integrated
- Implemented
- Formalised
- Not developed

Highlights from the workshop: "Quantitative tools in strategic decision-making"

General take-aways

- Risk quantification results should be seamlessly integrated into strategy decision-making processes
- Leveraging of various modelling techniques allows for more comprehensive understanding of different risks
- Comprehensive planning before initiating the quantification process is key
- The accuracy and quality of data used is important

Business Interruption (BI) Risk Quantification in the Sourcing Process

Integration of quantitative risk assessment tools across the sourcing process enables a better alignment of tactical and strategic decisions to mitigate supplier BI risk.

A successful approach is the development of a Bonus/ Malus model that integrates the quantification of financial credit risk, country-related risk, integrity & compliance risks and operational risks (time, quality, cost) to be later compared with sourcing prices/ costs.

Cyber Risk Quantification

Specific methodologies have been described for understanding Cyber-related risks, such as Factor Analysis of Information Risk (FAIR), quantification techniques that involve probabilistic views of threats and their potential financial impacts, as well as dedicated tools that deploy actuarial techniques, cyber expertise, threat intelligence and control effectiveness.

Climate Risk Quantification

It is important to quantify physical climate risks to better prioritise future resources in terms of (dis)investments with metrics connected to financial indicators. In addition, tools that incorporate precise locations, geographic analysis and cartographic display are key to understanding this type of risk.

2.6 Risk Monitoring and Support Tools

Risk Monitoring and Support Tools emerged as one of the least mature areas in the findings of the ERM maturity test, notably with respect to “Key Risk Indicators” (KRI) - how participant organisations leverage both internal and external data, in real time, to detect “early warning” signals. Only 13% of participants deploy these approaches, while almost 40% of participants either do not develop risk monitoring approaches through Key Risk Indicators or deploy them in a limited manner.

The second question within this component aimed to understand whether organisations deploy Risk Management Information Systems (RMIS) or Governance, Risk and Compliance (GRC) systems to support and streamline activities, as well as to facilitate information flows. The test found that only 14% of respondents have RMIS/ GRC systems integrated within their overall company applications to manage risk-related activities, while 40% have dedicated RMIS/ GRCs used by the Risk Manager and Risk Owners and 31% of participants said they rely on Microsoft Excel tools.

Figure 14: Key Risk Indicators

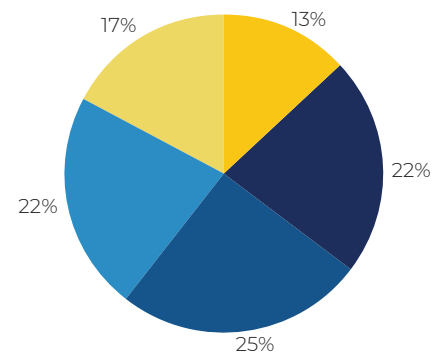
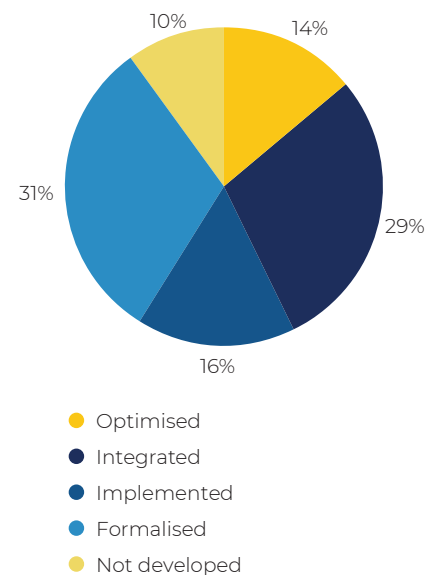


Figure 15: RM Support Tools



Highlights from the workshop “Use of data to better understand risks”

The risk management ecosystem contains a lot of unused/ unrealised data that generally falls into three buckets: (i) data already present within organisations; (ii) data that may be found in the public domain and (iii) the data owned/ managed by external partners. By working collaboratively with internal and external partners, this data can be transformed and used positively for Risk Management to derive strategic insights.

Some examples of data managed by internal and external partners are: internal assessment of topical items, industry loss data, forensic analysis services, predictive analytics/ AI tooling, risk assessment/ engineering services etc.

Artificial Intelligence (AI) appears to be top of mind for data analysis, although there are concerns around data privacy and reliability. Speakers highlighted the importance of starting small, with prioritised efforts, and of showing curiosity about data.

2.7 Risk Reporting

The last component whose maturity was analysed relates to Internal Risk Reporting across the organisation and to Governing Bodies, as well as External Risk Disclosure, which was found to be somewhat more mature than certain other components.

Some 44% of participants said that in their organisations risks are reported with a higher than annual frequency to both the top Management and the Board of Directors. As highlighted at the beginning of this white paper, in addition to adequate frequency, it is key to have effective reporting on risks to facilitate integration in the decision-making process. Indeed, during the Seminar CEO panel, it was highlighted that the focus on risk priorities, as well as consistency in reporting, are crucial for effective communication of risks to Management and Governing Bodies.

In terms of external risk communication, 40% of participants say that there is an integrated risk disclosure, including on ESG-related risks, in financial statements and sustainability reports, and 22% said that they also make voluntary disclosures on climate-related risks, such as the Carbon Disclosure Project, TCFD, and disclosures to bodies such as rating agencies.

Figure 16: Internal Risk Reporting

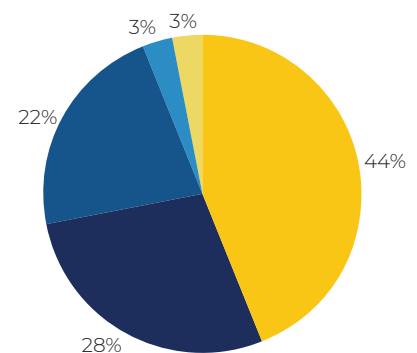
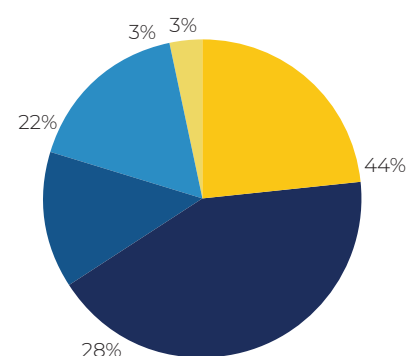


Figure 17: External Risk Disclosure



- Optimised
- Integrated
- Implemented
- Formalised
- Not developed

2.8 Planned investments

Following the results on the maturity of ERM frameworks the following areas have been highlighted as priorities for future investments (ordered by the number of participants that selected the action):

In the short-term:

1. Integration between Risk Management and ESG
2. Risk Mitigation and Resilience
3. Risk Management Tools
4. Risk Governance
5. Risk Reporting

In the Medium-to-Long term:

1. Risk Mitigation and Resilience
2. Risk Governance
3. Integration between Risk Management and ESG
4. Risk Culture
5. Risk-based Planning

The highlighted areas are priorities in both the short and long-term due to their relevance to building resilience capabilities, aligning internal stakeholders and strengthening the role of the Board of Directors and Top Management in understanding existing and emerging risks.

Section 3

Future focus



Figure 18: What are the main challenges for Risk Management in the coming years? Summary Word Cloud

ERM Maturity Test participants highlighted the relevance of ESG and climate, cyber, technology, regulation, and quantitative approaches, among others, as challenges to be addressed in the coming years.

Based on the outcomes of the FERMA Seminar, as well as the risk context that companies are facing, the following developments need to be prioritised:

- Expansion from climate-related risks to a wider nature-related perspective both in the CSRD regulation and in the recent “Taskforce for Nature-related Financial Disclosures” Guidelines;
- New facets of cyber-related risks deriving from new technologies, notably Artificial Intelligence;
- Supply chain-related risks, their interconnectedness with other risks and their relevance with the company’s strategic objectives;
- Legal consequences and business strategic decisions following geopolitical crisis;
- People risk, in its various forms, such as attractiveness to new generations, and social risk, such as polarisation.

The exchanges during the Seminar further underlined the need to enhance risk analysis and company resilience especially with respect to:

- The balance between short-term and long-term views on risks and opportunities;
- Quantitative risk-analysis approaches, as well as scenario analysis to objectively support decision making;
- The use of data and deployment of new technologies, even if in “pilot” form, to leverage benefits that enhance the proactive role of risk management identifying “early warning” signs;
- Risk culture enhancement, strengthening the risk awareness of the 1st line and general collaboration of key stakeholders on key strategic and emerging risk topics;
- Alignment of risk communication to the Top Management and the Board of Directors based on business expectations and with a link to strategic objectives;
- The structuring of risk disclosure flows to external stakeholders to effectively respond to upcoming regulatory requirements, focusing on effective support of risk management in the process.

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