

# Belgian Risk Management COVID-19 Survey Report





## Table of contents

01 | Respondents' profile

02 | Risk management in Belgium anno 2021

03 | Impact of COVID-crisis

04 | Conclusions

05 | Contact us

## About this study

**Risk Management** is the process by which organisations identify and manage a broad portfolio of significant risks that might have an impact on the organisation's success. Risk management is foundational for organisations of all sizes to ensure they are prepared to and/or capitalise on possible events. In essence, risk management is helping to build a resilient organisation designed to survive and thrive in a rapidly changing business environment.

By the end of 2020, PwC partnered with BELRIM and conducted this study to better understand the changing role and activities of Belgian risk managers in the 'new normal', and to identify their priorities. This resulted in a unique survey on the risk profession in Belgium, and in particular, questions are designed to understand how Belgian organisations have developed and implemented risk management frameworks and processes. Also, it assesses the impact of COVID-19 on risk management.

The study involved both a survey and a BELRIM focus group interview. This report summarises the main insights, takes a snapshot of risks managers' perspectives in the midst of the pandemic crisis and helps to understand how the risk management profession might evolve in the aftermath of COVID-19 from risk to resilience.

Note: this study is complementary to the FERMA Risk Manager Surveys - which take place every other year since 2002. Those surveys, including the 2020 edition, represent the widest available picture of professional risk managers across Europe. The Belgian Risk Management survey sheds lights on the specific Belgian context. In addition, the BELRIM survey can be considered as an add-on to the FERMA's COVID-19 survey 'Risk management, recovery and resilience.'



32  
Participants



## Respondents' profile

Belgian risk and insurance managers were the primary focus group of this survey. 50% of respondents combine both functions, while 31% are risk managers mainly dealing with enterprise risk management. 19% are insurance managers.

To the extent feasible, we sought participation from a wide range of different industries and sectors. Amongst others, the industrial manufacturing sector, the financial services, technology and engineering & construction industry represent more than 55% of total participants.

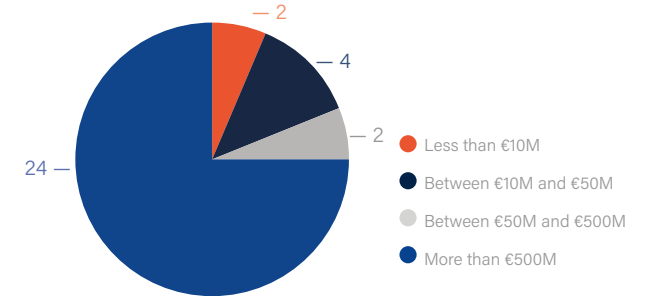
We have split businesses into different analytical categories:

- **Employee base** - 78% of respondents are part of an organisation with more than 1.000 employees. Equally represented, both with 9%, are the groups between 50-250 and 250-1.000 employees.
- **Annual revenue** - 75% have a revenue of more than €500M, 13% situate in the group of €10M-€50M, and both with 6% we have organisations with less than €10M or between €50M-€500M.
- **Listed** - 66% are non-listed organisations (34% are listed).
- **Group** - 25% are part of an (international) group.

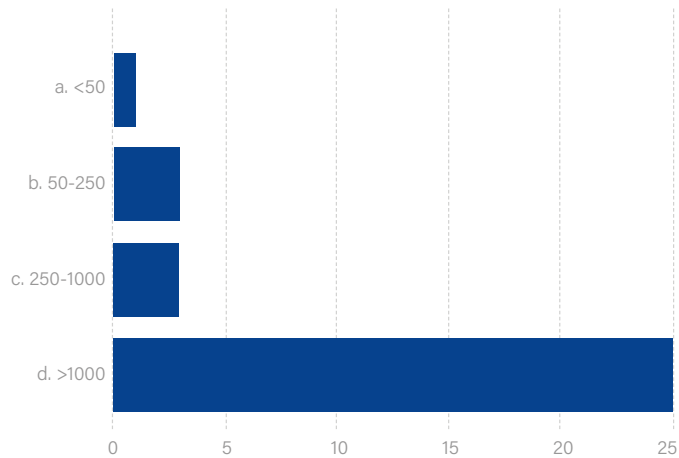
Industry/Sector



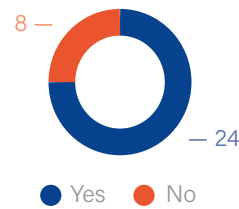
Annual Revenue



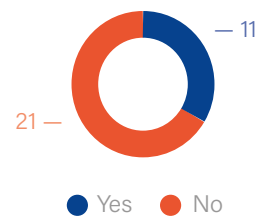
Employee Base



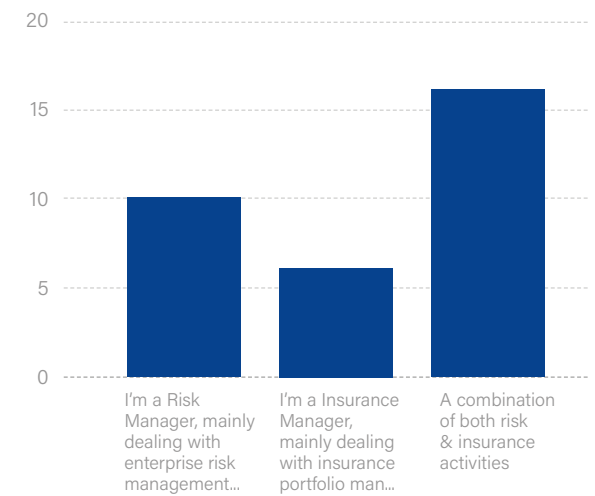
Part of an (international) group



Listed organisation or group



In your current position, are you heading Risk and/or Insurance Management for your organisation?

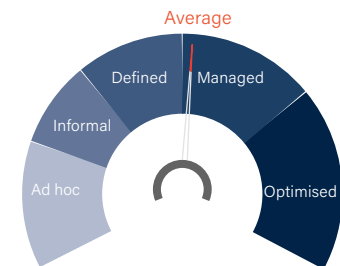


# Risk management in Belgium anno 2021

Based on this survey, we assess that on average, the survey respondents are relatively mature when it comes to risk management. The vast majority of all respondents have at least defined processes in place for risk management. However, only a quarter report optimised processes, indicating further room for improvement on which we will elaborate in the next slides.

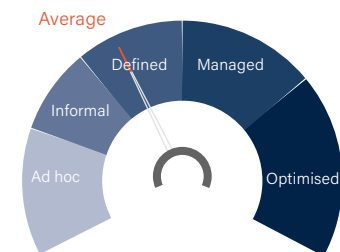
For this report, we made a distinction in view of the maturity assessment between risk managers and insurance managers. As the latter have a very specific focus on risk management, this might be an explanation why the overall maturity level is slightly assessed lower.

## Risk managers



At what stage do we assess your organisation with respect to ERM? (All companies)

## Insurance managers



**Ad hoc:** unpredictable environment, no or few risk management activities are designed or in place.

**Informal:** risk management activities are in place but are not adequately documented. Little or no formal training or communication about expected minimum risk management activities.

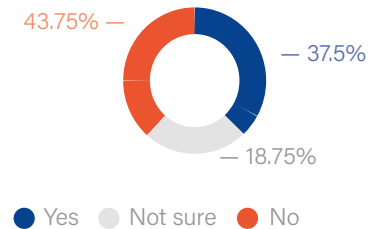
**Defined:** risk management activities are designed, implemented and adequately documented, but follow-up is not standardised. Late or no adequate mitigation, and/or risk may not be detected on a timely basis.

**Managed:** standardised risk management activities, with periodic testing. Automation and tools may be used to support ERM activities.)

**Optimised:** integrated\* risk management activities with real-time monitoring. Automation and tools are used to support ERM activities.)

**\*Integrated:** interaction between professionals of different disciplines that extended beyond working together in the fundamental delivery of risk management to include organisational or structural components.

Has the organisation implemented a defined risk management framework?

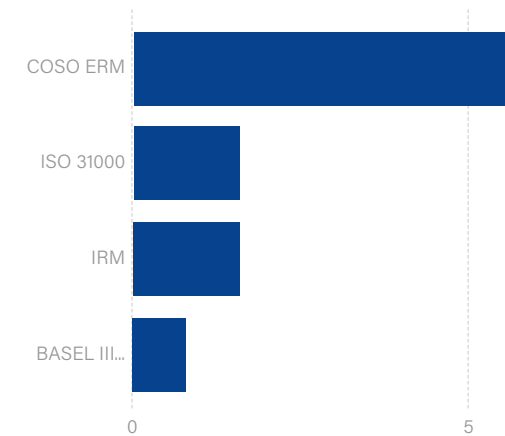


Effective risk management is relevant for all kinds of organisations to ensure that they are able to survive and thrive in a changing business environment. Risk management plays a crucial role in any organisation's pursuit of financial stability and superior performance, enabling it to identify potential threats and be prepared and respond to, hence creating added value. The adoption of a risk management framework is the foundation that helps everyone think about, prioritise and communicate risks in the same way as one other.

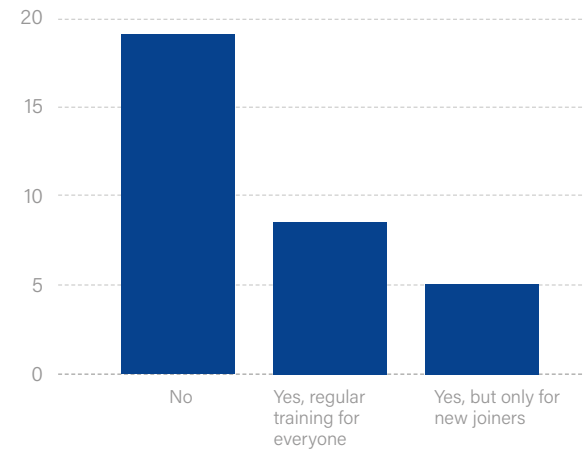
The survey revealed that almost 40 per cent are making use of a defined risk management framework, among which COSO ERM is the most popular one - followed by ISO31000. At the same time, 45 per cent answered that they don't make use of any framework. We recommend every organisation to define their risk management framework, tailored to their needs and the evolution of the business landscape, as it is the key facilitator to embed risk management in the organisation's culture and day to day business.

Furthermore, training is a cornerstone of a successful implementation. However, almost 60% of the respondents indicate that no training program is in place. We recommend to foreseeing regular training sessions (ideally for everyone, not limited to new joiners). Using the same language will foster greater efficiency and collaboration across the different functions and lines of defence.

If yes, which risk management framework is in place?



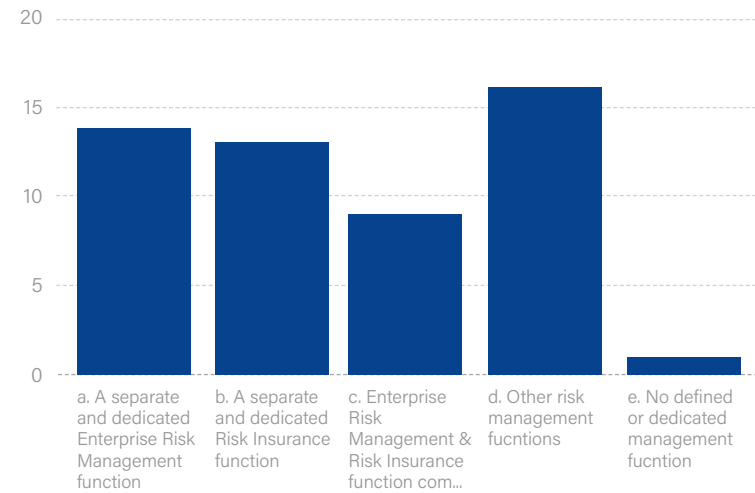
Does your organisation have a risk management training program for employees in place?



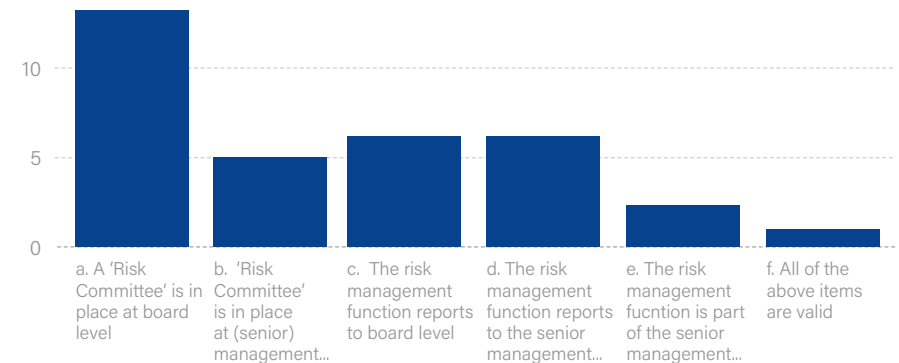
Management (and process owners) have the primary responsibility to own and manage risks associated with the day-to-day operations. Other risk functions might provide additional compliance and oversight. Almost all respondents (+95%) indicate they have such a line of support. However, it should be clear that risk management remains a first-line responsibility. A more formal second line, like dedicated Enterprise and/or Insurance management, can provide support as a business partner in the form of advice, frameworks, policies, tools and techniques. As well as bringing an independent view on risks.

Risk management is critical for decision-makers. So it is for senior management and boards, as they are ultimately responsible for carefully establishing and reviewing the organisation's processes for identifying, assessing and managing risks. And are the ones steering the organisation's direction. To make informed decisions, it's important for risk managers to have a seat at the table in senior management meetings and/or to have a reporting line to the board. However, more than 40% of the respondents indicate to report on risks only at a (senior) management level and not at board level. We still see room to involve the highest organisational level more.

What type of organised risk management functions does your organisation or group have?

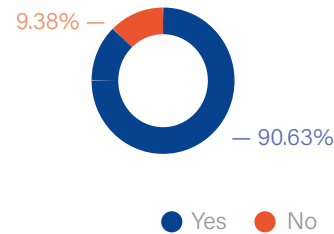


How is the governance structure for risk management functions defined in your organisation or group?





Does your risk management function collaborate with other functions within the organisation when identifying, evaluating and responding to risks?

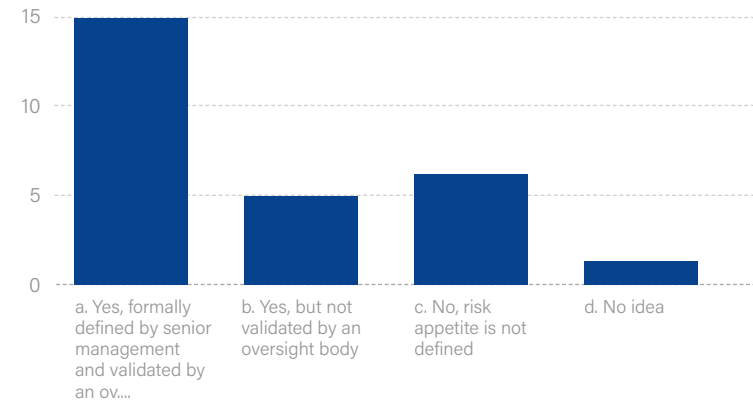


Your risk appetite (or risk tolerance) defines your risk profile and illustrates the level of risk your organisation is willing to accept while pursuing its objectives. It sets the boundaries which form a dynamic link between strategy, target setting and risk management. Despite best practices, almost 30% of the respondents indicate that they have no defined risk tolerance level or had no idea if one was defined. Furthermore, 20% indicated that the appetite level was not validated by an oversight body. In our experience, we recommend engaging on the subject with the board and other oversight bodies. As ultimately responsible, they should clearly define which type of risks should be on the radar and discuss on which level.

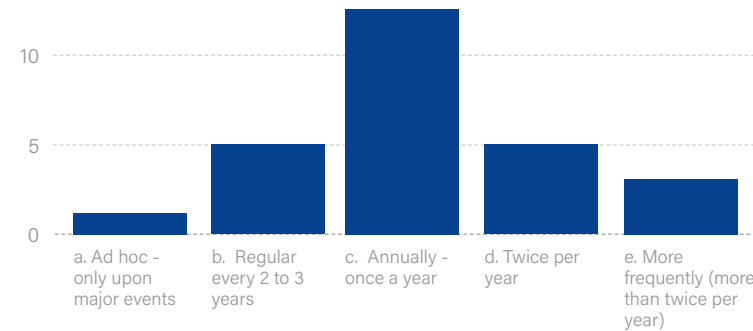
77% of the respondents indicated that they perform regular risk assessments, at least on an annual basis. However, it's important to bear in mind that risk management is a cycle. That means that it is not something that gets checked off on a to-do list. Rather it should be a continuous activity with regular follow-up on the status of priority risks and real-live scanning of emerging risks. Otherwise, you risk to lose momentum and effectiveness.

We are happy to see that more than 90% indicate to collaborate with other functions when identifying, evaluating and responding to risks. We noted cooperation with other lines of defence such as: legal, internal audit, compliance, security, health & safety, quality, BCM, controlling, etc.

Is a risk appetite (risk tolerance levels) clearly defined?



How often do you perform regular risk assessments (risk identification and risk evaluation)?

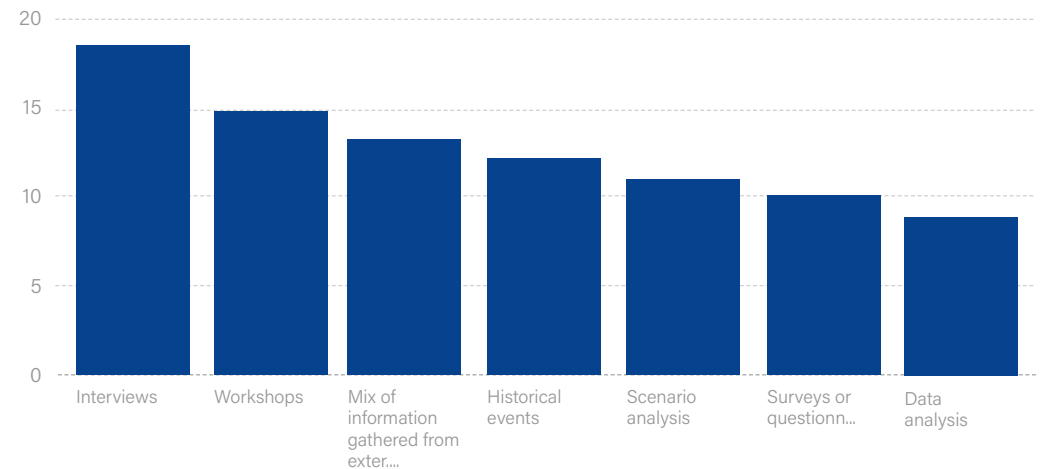


Interviews, workshops, surveys/questionnaires and analysis of historical events have proven their value and are still relevant today, as most respondents (ranging from 58% to 37%) indicate that those techniques are still part of the risk management toolbox. However, more quantitative and qualitative methods are on the rise, such as data analysis and the use of scenario planning. Furthermore, we see that 'new' technology enables risk sharing, more in-depth analysis, customised visualisation and process automation.

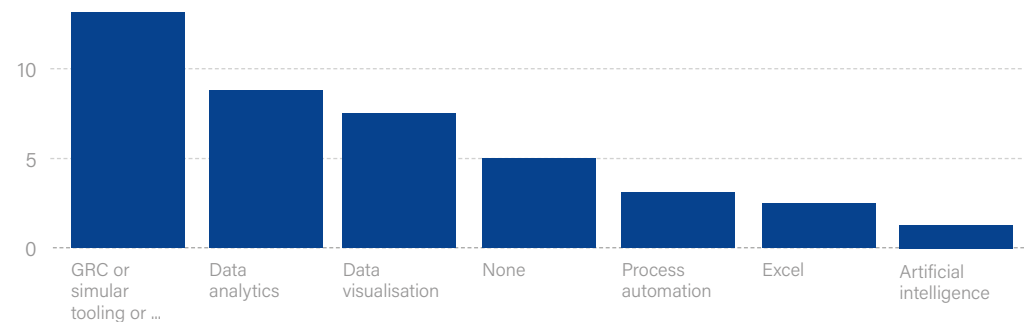
As organisations increase the level of quality and the ease of accessibility of their data, risk functions can more easily rely on, which sets the stage to spend more time on complex thinking and scenario analysis to be able to identify and manage risks to survive and thrive as an organisation.

Leveraging on a continued push toward the use of more advanced techniques, we see that risk functions are more and more transforming and developing continuous risk sensing capabilities. Leading risk management functions are building early-warning systems and are reporting on key risk indicators. Resulting in a shift towards a more proactive risk focus through a data-enabled approach. Doing so by a mix of information gathered from internal and external (data) sources.

How are the risk assessments performed and assessed in your organisation or group?



Which technology are you currently using as part of your risk identification, evaluation and mitigation activities?



## Impact of COVID-19 on risk management

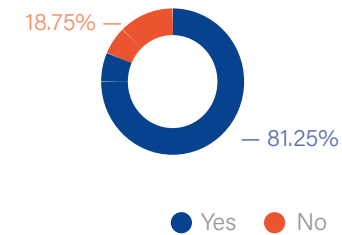
81% of respondents on this survey indicate that risk management is high on the agenda and is driven by top management. Similar results are observed looking at the related question 'How risk management is perceived in the organisation or group.' One respondent indicates that risk management is only considered in view of compliance requirements. Whereas the vast majority (+96%) flags that risk management is indeed perceived as valuable by the business. However, 9% mention that risk management is not supported by leadership and/or senior management.

44% of the respondents indicate that risk management is part of the DNA of the organisation. Equal proportion raises the concern that risk owners and the business is, however, not proactively participating in the risk journey.

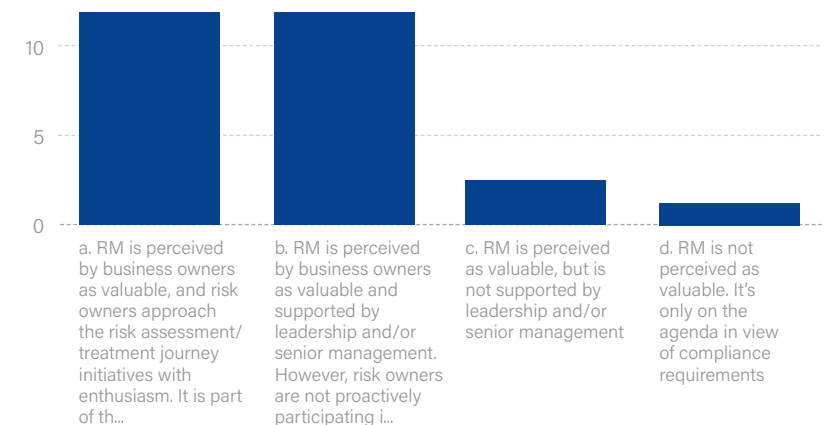
We were wondering to what extent the above mindset was helpful in dealing with COVID-19 and if the pandemic crisis might have changed this perception.

### Perception on the topic of risk management

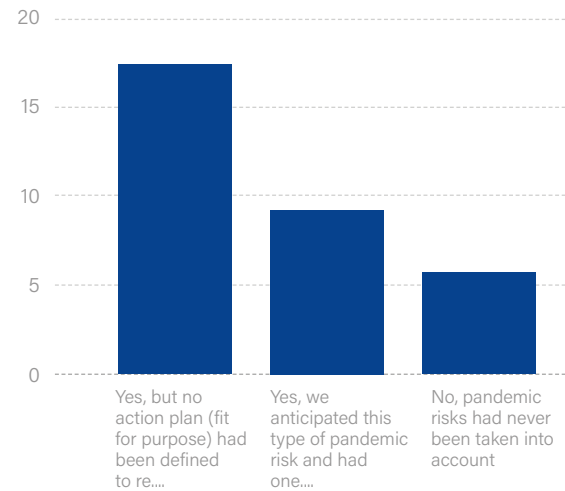
Do you perceive that risk management is high on the agenda and driven by top management?



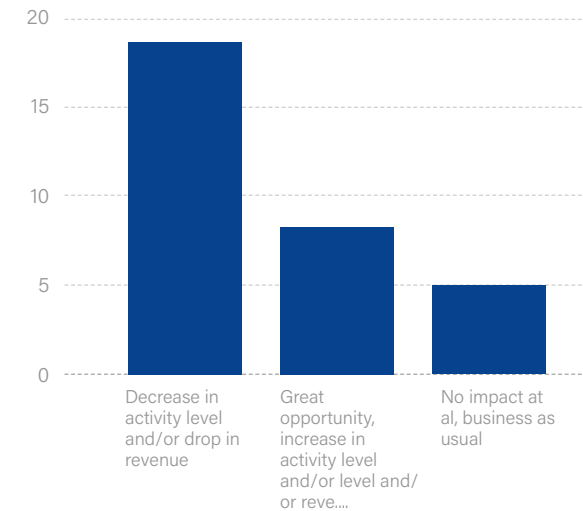
How is the topic of risk management perceived in your organisation or group?



Do you think your organisation was ready to face COVID-19?



How was your organisation impacted by COVID-19?



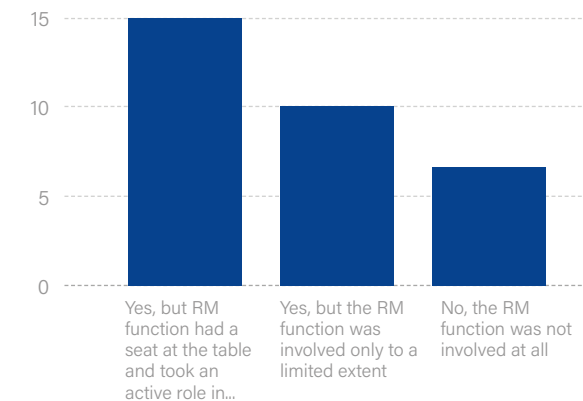
## Readiness: impact & response

Previous FERMA COVID-19 survey (Risk management, recovery and resilience) revealed that less than a third of risk managers had a global pandemic as part of their risk register by the end of 2019. Yet, in 2020, the risk became a reality. We note the same tendency in our survey, where 19% indicates that pandemic risks had never been taken into account, and 53% admit that no action plan (fit for purpose) had been defined to remediate and/or deal with the impact of this type of pandemic risk.

As with every crisis, while presenting myriad challenges, the impact for some businesses was not all doom and gloom. 15% of the respondents reported no impact at all. For them, the crisis was, to a big extent, just business as usual. For 25%, COVID-19 unfolded as a great opportunity and resulted in an increased activity level and/or revenues. In contrast, 60% reported being hit negatively by the crisis.

Almost 50% of the respondents indicated that the risk management function had a seat at the table and took an active role in guiding decision making. Somehow, 20% were not involved at all, or 30% had only a limited role.

Was risk management involved in the COVID-19 response?



The pandemic, along with seemingly hundreds of other ongoing crises, has forced many organisations into survival mode, focused on the emergency of the day. While such emergency management is necessary in extreme cases, when this becomes the organisation's core strategy (or rather, lack thereof), the damage can be permanent.

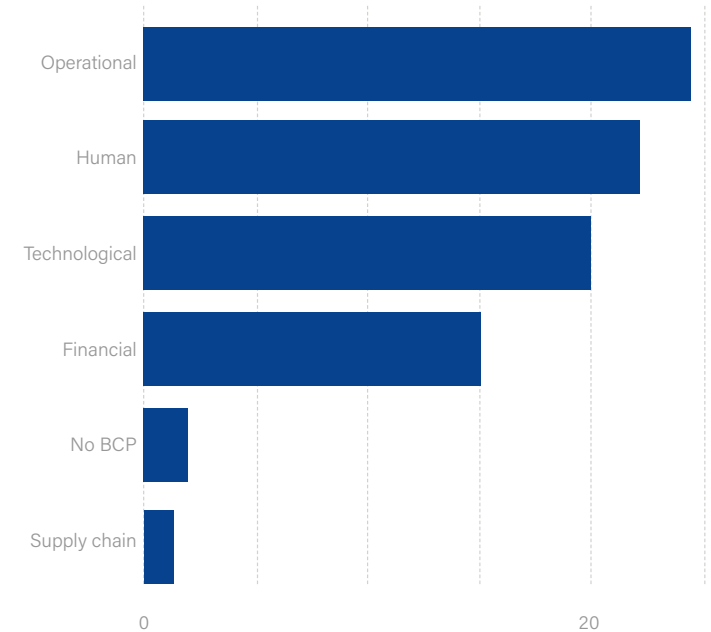
Business continuity planning is considered as one of the principal risk management tools being used to anticipate major events. The majority of the survey respondents indicates that they have a business continuity plan in place. Only 6% do not have such a planning process at all. Traditionally, business continuity plans cover aspects on operational, human, technological and financial aspects.

The recent past revealed that you cannot anticipate every scenario. However, regularly stress testing your plans is essential to build a resilient organisation. A proper planning will boost your immune system, enabling you to take on opportunities, with the confidence that future threats will be spotted and addressed quickly.

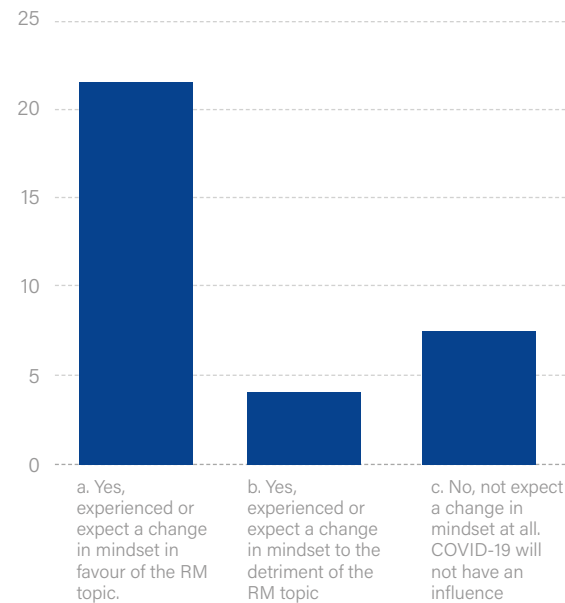
Furthermore, we need to move away from the siloed approach to risk management, business continuity management and crisis management. All are inextricably linked. In an increasingly interconnected, volatile and uncertain world, risks are becoming more and more complex and interconnected. There is a growing imperative for better collaboration between risk functions and to adopt a multiple-stakeholder approach to address blind spots. Since diverse actors have different perspectives and tend to have various touchpoints across organisations, collaboration will be critical for building resilience and preparing for upcoming economic, political and social consequences.

### Readiness: BCM & collaboration

What aspect(s) cover(s) the business continuity plan of your organisation or group?

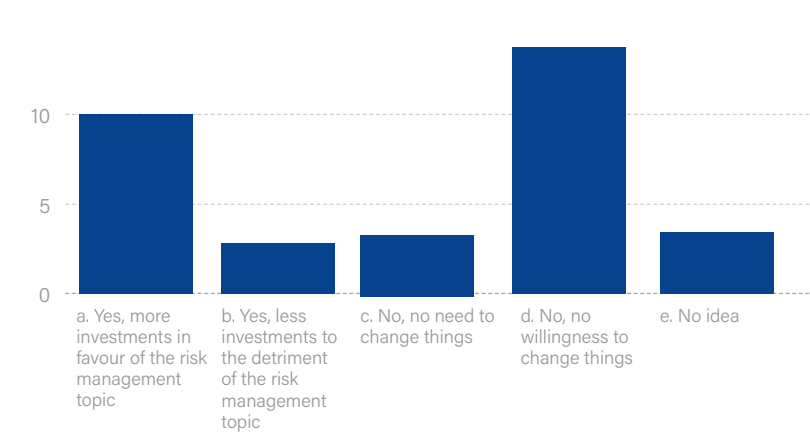


Do you think that the risk management mindset has changed or will change due to COVID-19?



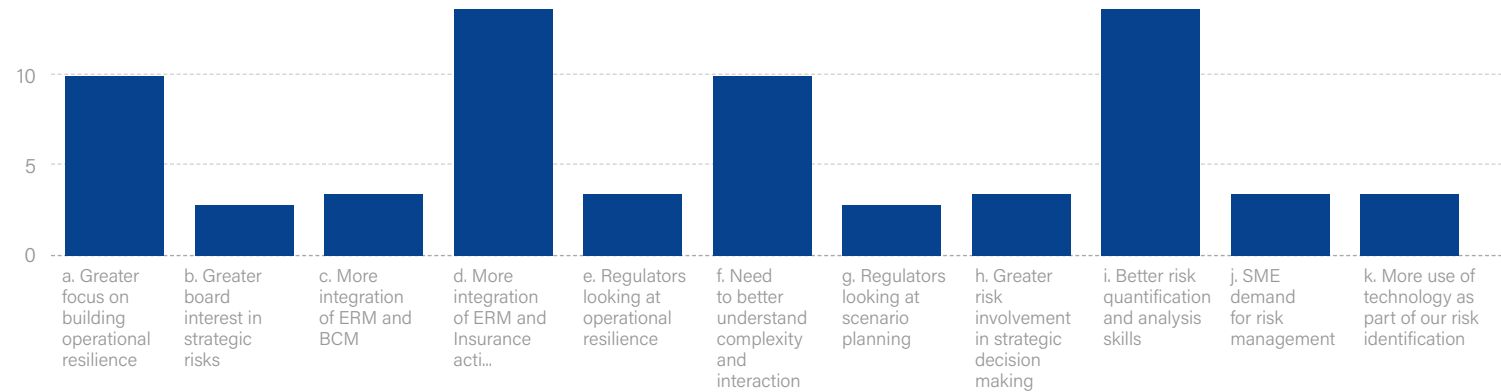
The vast majority of respondents (almost 80%) believes there will be a change in the risk management mindset due to COVID-19. More than 65% of our respondents confirmed that - perhaps more than ever - change will be in favour of the risk management topic. This is the moment to shine for risk managers and to step out and into the spotlight to provide insights on what will come next and how to better manage the associated risks, with the overall objective to make your organisation more resilient and agile to succeed in the near future.

Would the investment in risk management be different in post COVID-19?



43% of the respondents believe that the investment in risk management will be different in the post-COVID-19 area. While the majority consider the investment will increase, 10% indicate that there will be fewer investments in the risk management topic. Another 43% see no need to change investments. Others pointed to have no idea or that there is no willingness to change.

Which of the following changes to your risk management program will you consider as a result of the current financial and economic climate?

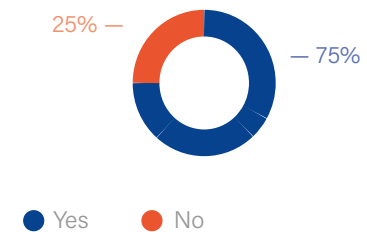


75% of the risk managers indicate that their risk landscape changed due to the current financial and economic climate. However, putting it bluntly, you do not need a crystal ball to predict the future. Most risks are systemic risks, not black swan events, in the sense that we know about the threat for many years. Recent events (COVID, 9/11, climate) confirm our biases in risk management, indicating a certain collective blindness and questioning our traditional risk management approach.

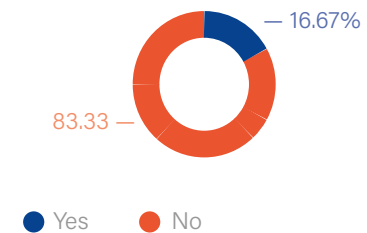
Risks seem to be always emerging and moving around on the risk radar. To become resilient, you need to understand existing risks, talk through different scenarios and put in place business capability, continuity and disaster recovery plans. Next to the traditional ERM approach, there should be a continuous effort in scanning the horizon.

More than 80% of the respondents indicated that they are not going to change their risk management methodology. However, we see, and answers of the respondents tend to confirm, a trend towards more focus on 'strategic' risks by the leading risk management organisations. Framing the good old Pareto 80/20 principle, while more than 80% of organisation's value is won or lost on the strategic end (being well-positioned, having a future proof business model, etc.), we noted less than 20% of the time spending from risk managers in that area. And that's already optimistic; in practice, we see that most risk managers are still busy with compliance, operational and financial topics. While there's value in risks to be managed (risk control mindset), organisations will benefit (even more) from a risk to be taken (risk-seeking) approach. That should be one of the lessons learned.

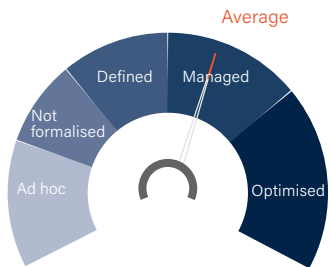
Did your risk landscape change due to the current financial and economic climate?



Are you going to change your risk management methodology in response to COVID-19?



## Readiness and openness to change



## Conclusion

Overall, our analysis reveals that the majority of organisations participating in this survey consider themselves as ready and open to change. This is good news, and we should elaborate on this willingness to change for the better.

In the aftermath of the COVID-19 pandemic, we recommend going back to the history of what risk management is trying to achieve - i.e. monitoring and providing insights on those things that could shake your organisation - up and/or down - significantly. There's no one size fits all solution. Be smart in the allocation of limited resources.

It's fair to say that risk management is at a turning point, and we need to invest in the skillset, gain access to best practices, tools and technology to take on the role in strengthening our organisational resilience. The challenges ahead are too important to be mismanaged. The disruptions we all are facing have brought us to a significant crossroads - and a defining moment in history. Rarely a generation of leaders, across communities, businesses and government had such an opportunity to rethink the future.

As risk and insurance managers, we have a role to play and the opportunity not only to think about where we want to go but also to rethink what we had before, what we want to recapture, what we want to move on from, and what changes made in haste we should now embed - imagining a greater future for your business, customers and society.



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