



The Risk Coalition

Leading Risk Thinking

Managing Geopolitical Risk: A practical approach

Institute & Faculty of Actuaries

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The VUCA world of Geopolitics

- Russia/Ukraine/NATO conflict
- China/Taiwan conflict
- Israel/Palestine conflict
- India /Pakistan/Kashmir conflict
- India/China conflict
- South China sea - Chinese expansion
- Turkey turns from West
- N Korea /S Korea conflict
- Algeria/Morocco conflict
- Iran/Israel/US conflict
- Brazilian democracy
- Nigerian Federation collapses
- Central Africa /Sahel /Sudan
- S Africa – political upheaval
- Haiti
- Europe goes right – AfD in Germany
- US abrogates Security Treaty
- State Cyber attacks/critical infrastructure

Geopolitical Capabilities

- Do you at a senior level have the experience, capability and skills needed to understand, analyse and manage geopolitical risk exposures?
- Where does accountability lie?
- If you operate a 3 lines model how do you ensure a collaborative approach across all 3 lines to ensure integrated thinking?

POLL: Risk Oversight Maturity

- *What steps have you taken to establish a geopolitical risk oversight function?*
1. None
 2. Under consideration
 3. Under development
 4. Fully operational

Geopolitical risk exposure

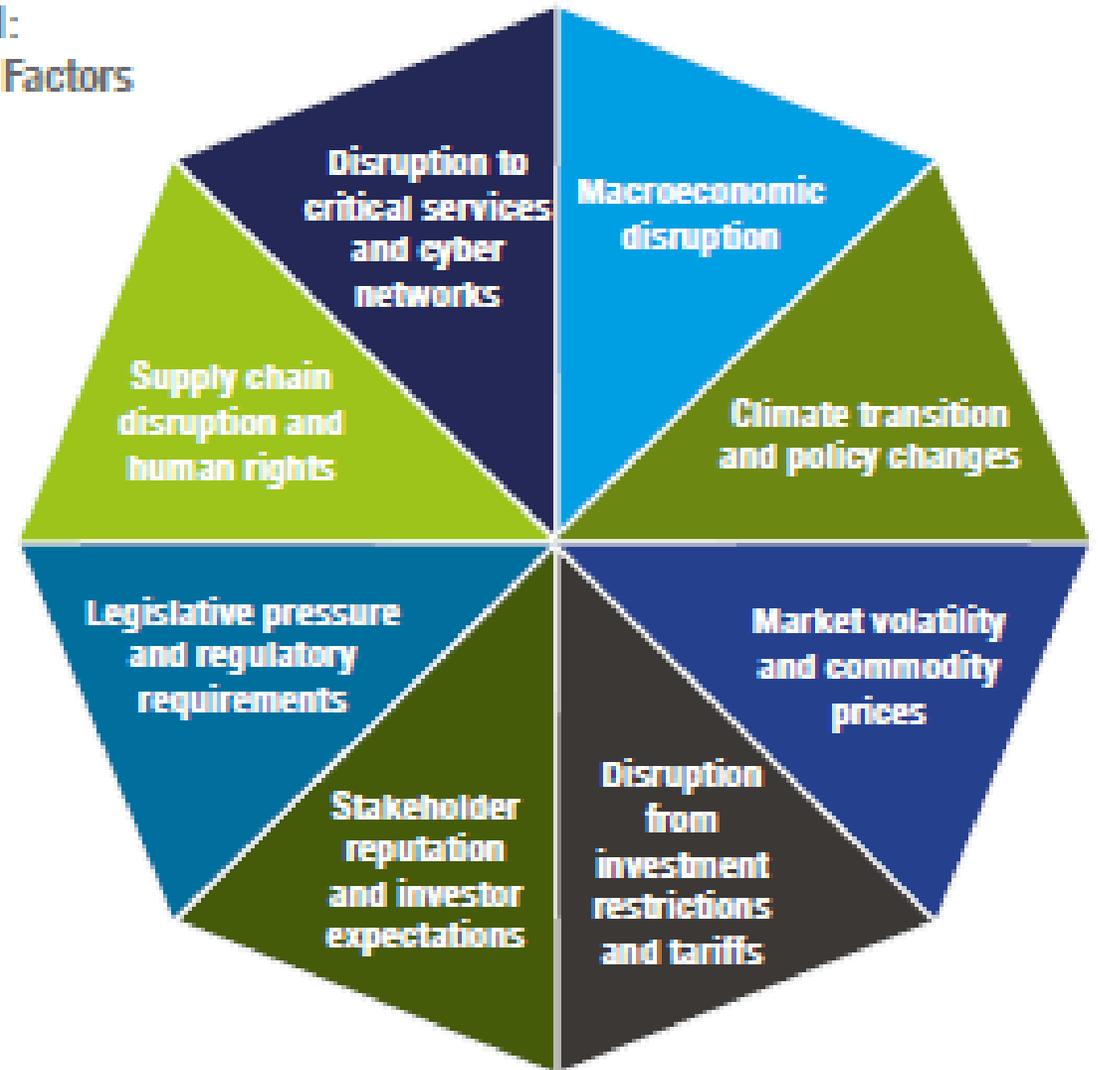
- Have you evaluated WHERE and HOW your business may be exposed?
- Is this clearly documented?
- Is this integrated in your enterprise risk appetite framework?

Corporate Impacts

“As geopolitical tensions rise, the compliance by multinational corporations with their legal or regulatory obligations in one jurisdiction may be seen as supporting the law or policy objectives of that jurisdiction over another, creating additional reputational and political risks for the Group”

FTSE 100 Annual Report 2020

Figure 1:
Critical Factors



Internal impacts and Corporate Functions

Examples of business impacts - these are shown in full in The Extra G - ESG²

First order impacts: how geopolitics affects the business environment

- General macroeconomic and trade disruption
- ESG activism
- FX volatility

Second order impacts: transition into risks for business performance

- Balance sheet and liquidity impacts from:
 - macroeconomic and trade disruption
 - FX and commodity price volatility
- ESG and compliance impacts from climate transition and policy changes

Organisational Impacts: business functions with responsibility and accountability

- Strategy
- Finance
- Governance

POLL: Board involvement?

- *Are geopolitical issues and their business impacts routinely addressed by your board and relevant committees?*
 1. Our board does not discuss these issues effectively
 2. They sometimes discuss these issues, but informally and in response to events
 3. They discuss them regularly but the outcomes and business impacts can be unclear
 4. Geopolitical risk is delegated to a risk oversight committee

Purpose of a geopolitical function

- Gather relevant information from own and specialist resources
- Analyse impacts beyond immediate consequences
- Develop resilience through reverse stress testing, war games etc.
- Enhance decision making and risk taking
- Protect and create sustainable value

Joining the dots

The biggest challenge.....

When is a risk not a risk?

Geopolitical risks can be very different to other risk types because they often involve moral conundrums.

The possible responses cannot always be found in data, MI or spread sheets.

They challenge the purpose and values of organisations and those who are involved with implementing them.

Intersection of geopolitics and ESG

Unpicking the underlying issues within green transition

A tale of conflict minerals

Is this morally and ethically acceptable?

The Extra G – ESG²

A valuable resource for boards, risk committees and risk functions

Principles based guidance for geopolitical risk oversight and its integration with ESG issues

The Extra G – ESG² Guidance is available at: www.riskcoalition.org.uk/geopolitical

For extra copies of this presentation please email us at:

team@riskcoalition.org.uk

Follow us on: <https://www.linkedin.com/company/risk-coalition/>



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