

# How a mature ERM framework can be leveraged to address geopolitical risks

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# Geopolitical Risk Management

Understanding how geopolitical dynamics reshape organisational risk exposures

**Geopolitical Risk:** The potential for geopolitical events, state-driven actions, and cross-border dynamics to disrupt operations, supply chains, markets, regulatory environments, and strategic objectives.

- **Source:** Political, sovereign, regulatory, and strategic interactions between states, regions, and global institutions
- **Events:** Conflicts, sanctions, trade restrictions, sovereign interventions, regulatory and fiscal policy shifts, elections, and diplomatic tensions
- **Impacts:** Supply chain disruption, market access constraints, regulatory and compliance impacts, operational and security constraints, market volatility, competitiveness pressures, and business model disruption

## Key Messages:

- Geopolitical risk creates interconnected strategic and operational exposures across global value chains
- Mature ERM frameworks enable proactive identification, assessment, monitoring, and response across time horizons
- Organisations must consider both preparedness for specific events and overall resilience of the business model
- Effective management requires integration of geopolitical risk into strategic planning, investment, and decision-making

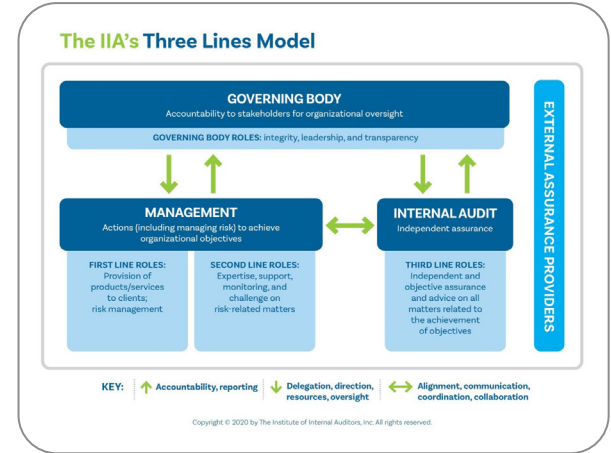
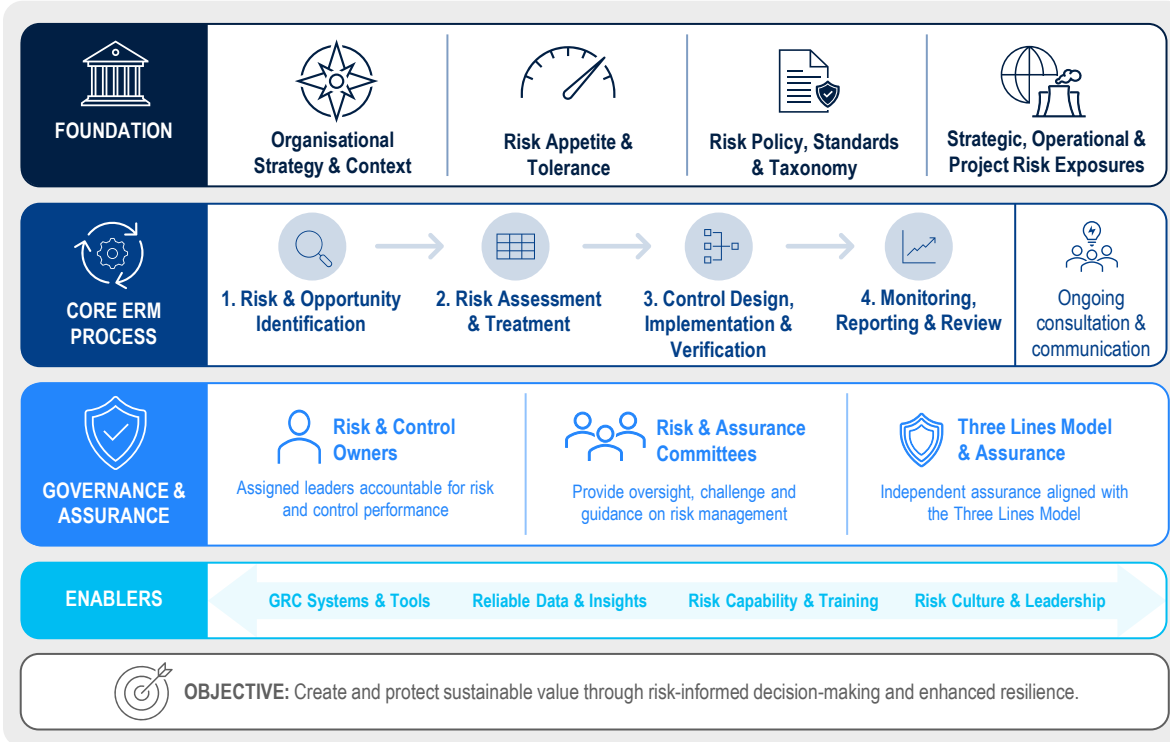


# **Case Study 1: High-Risk Asset-Intensive Industries**



# Enterprise Risk Management Framework

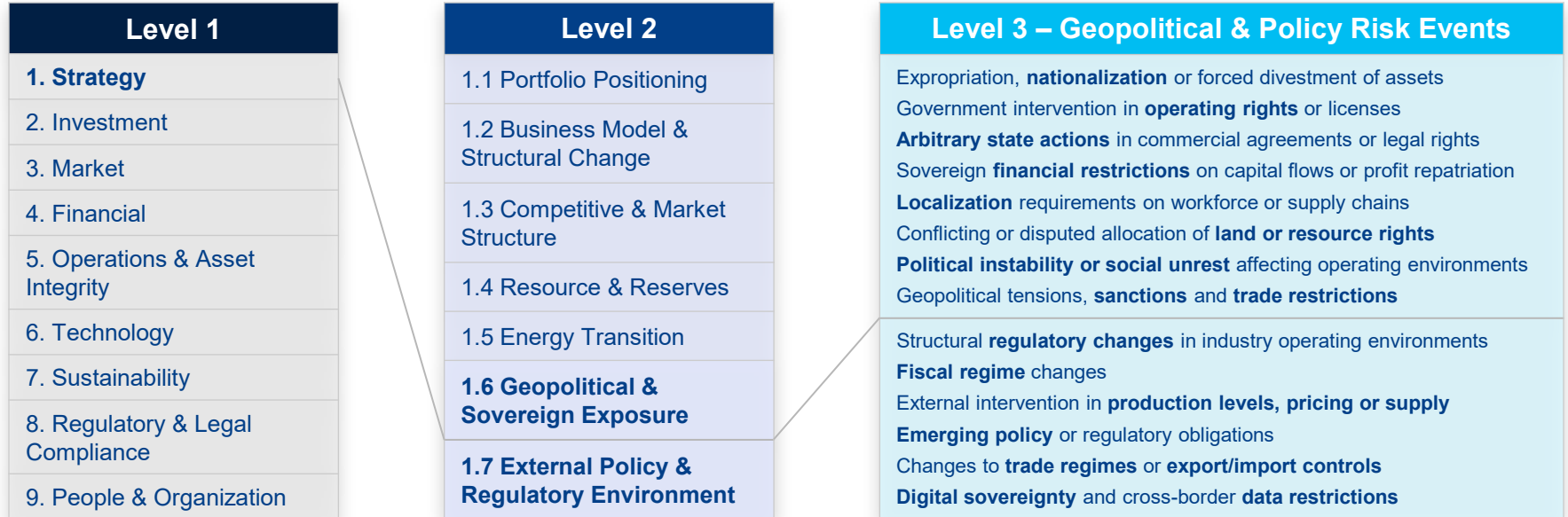
Enabling proactive, risk-informed decisions in an evolving environment





# Risk Taxonomy

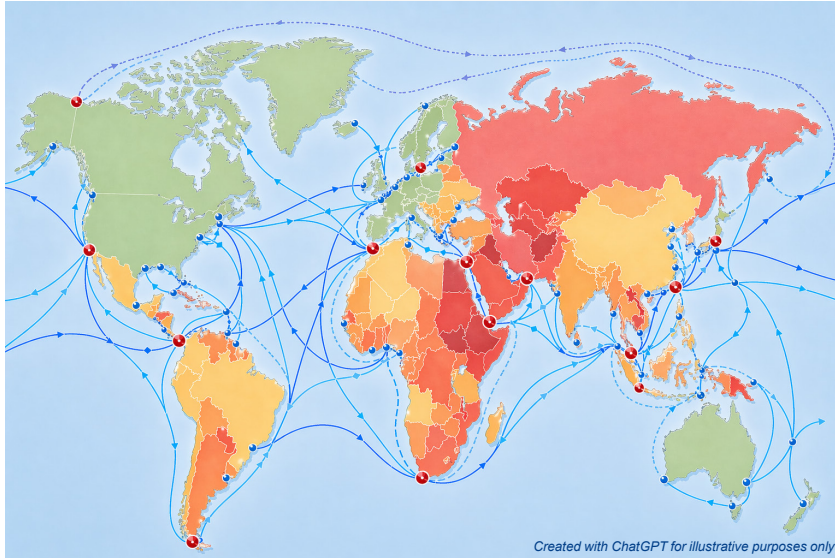
Supporting consistent assessment and aggregation of risk exposures





# Geopolitical Risk Assessment

Turning geopolitical uncertainty into actionable risk insights



## Key Enablers

- **Country Risk Platform:** Provides up-to-date geopolitical, regulatory, and macro risk insights, and enables dedicated value chain assessments
- **Robust Risk Matrix:** Incorporates log-scale probability ranges and financial impact ranges, with aligned qualitative categories

## Value Chain & Dependency Mapping

Map critical operations, supply chains, logistics routes, key regulatory bodies, and capital sources and flows

## Scenario Identification

Identify risk scenarios using value chain exposures, country risk heatmaps, and Level 3 risk taxonomy

## Impact Pathway Analysis

Define how each scenario translates into operational, financial, and strategic impacts

## Risk Scoping & Aggregation

Group scenarios into overarching risks based on interdependencies, complexity and risk ownership

## Scenario-Based Risk Assessment

Assess likelihood, consequence and overall risk level for each scenario across relevant consequence categories



# Enterprise Control Library

Enabling consistent and targeted control application across risks

## Management Systems & Plans

- \*Strategy & Budget Planning Process
- \*Investment Due Diligence Process
- \*Business Resilience Framework
- Security Management Plan
- Social Performance Management Plan
- Workforce Planning Process

## Governance & Assurance

- \*Government & Stakeholder Engagement Program
- \*Financial Planning & Cost Control
- Licence & Tenure Management



\*Controls spanning most scenarios

## Threat Intelligence & Monitoring

- \*Geopolitical & Policy Monitoring & Response
- Security Intelligence Monitoring & Response
- Supply Chain Monitoring & Response
- Compliance Monitoring & Response

## Data & Cyber Controls

16 controls across 6 control groups, providing comprehensive coverage of data and cyber risks

*Controls are selected from a standard control library and applied based on specific risk exposures*



# Example Key Controls

Driving proactive engagement, monitoring, and strategic response

## Government & Stakeholder Engagement Program

**Ownership:** Country Head of External Affairs

**Objective:** Build and maintain trusted relationships with key stakeholders to support informed engagement, strategic positioning, and proactive responses to geopolitical and policy developments.

**Key Activities:**

- Assign relationship ownership and stakeholder accountabilities
- Maintain stakeholder mapping and engagement plans, considering risk assessment outcomes
- Conduct scheduled and ad-hoc stakeholder engagement
- Participate in industry, regulatory, and policy forums
- Monitor and communicate material stakeholder and regulatory developments
- Support engagement on emerging policy and strategic issues
- Maintain trusted relationships with key stakeholders

**Monitoring & Verification:** Define and monitor KCIs such as stakeholder engagement coverage, emerging stakeholder issues, and engagement outcomes, and conduct periodic verification of control effectiveness.

## Geopolitical & Policy Monitoring & Response

**Ownership:** Group/Regional External Affairs Lead

**Objective:** Monitor geopolitical and policy developments, identify emerging risks and escalation triggers, and support timely risk-informed decision-making and response actions.

**Key Activities:**

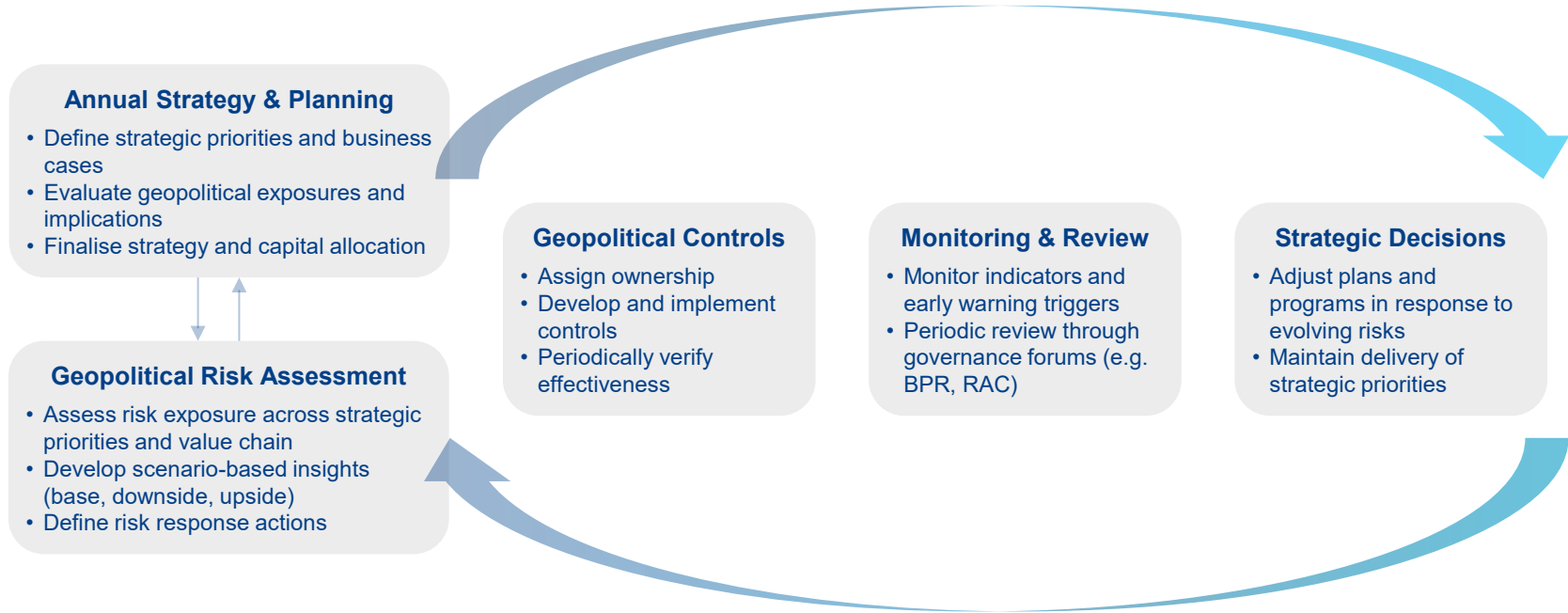
- Assign accountability for geopolitical and policy monitoring
- Monitor geopolitical, regulatory, and country risk developments
- Maintain registers for emerging geopolitical and policy developments
- Define indicators and early warning triggers aligned to risk assessment outcomes
- Escalate material developments through governance processes
- Conduct periodic and ad-hoc executive review forums
- Identify, track, and monitor strategic response actions

**Monitoring & Verification:** Define and monitor KCIs such as emerging geopolitical and policy developments, escalation triggers, and response action status, and conduct periodic verification of control effectiveness.



# Strategic Risk Integration

## Embedding Geopolitical Risk into Strategy & Decision-Making



*A continuous cycle driving informed decisions and sustained delivery of strategic objectives*



## **Case Study 2: Global Manufacturing & Trade**



# Enterprise Risk Management Framework

Differentiated approach for operational and strategic risks

## Operational risks

Near-term effect (1-3 years)

- ▶ Risk appetite per individual risk category
- ▶ Focus on control strategies & assurance
- ▶ Lines of defence applied for each risk category

VS

## Strategic risks

Long-term effect (3-10 years)

- ▶ Prioritisation of most impactful threats/opportunities
- ▶ Use of strategic scenario planning
- ▶ Continuous monitoring and early-warning indicators



# Operational Risk Taxonomy

Geopolitical risk is incorporated within relevant operational risk categories

## Examples of risk categories affected by geopolitical exposures

- Business continuity
- Country risk
- Cyber security
- Raw material price
- Foreign exchange
- Export control & customs compliance



# Tailored approach for each risk category

Shaping how risks are defined, prioritised, and managed

**Risk appetite statements**



**Company-wide risk & control strategies**

**Governance, monitoring & assurance**

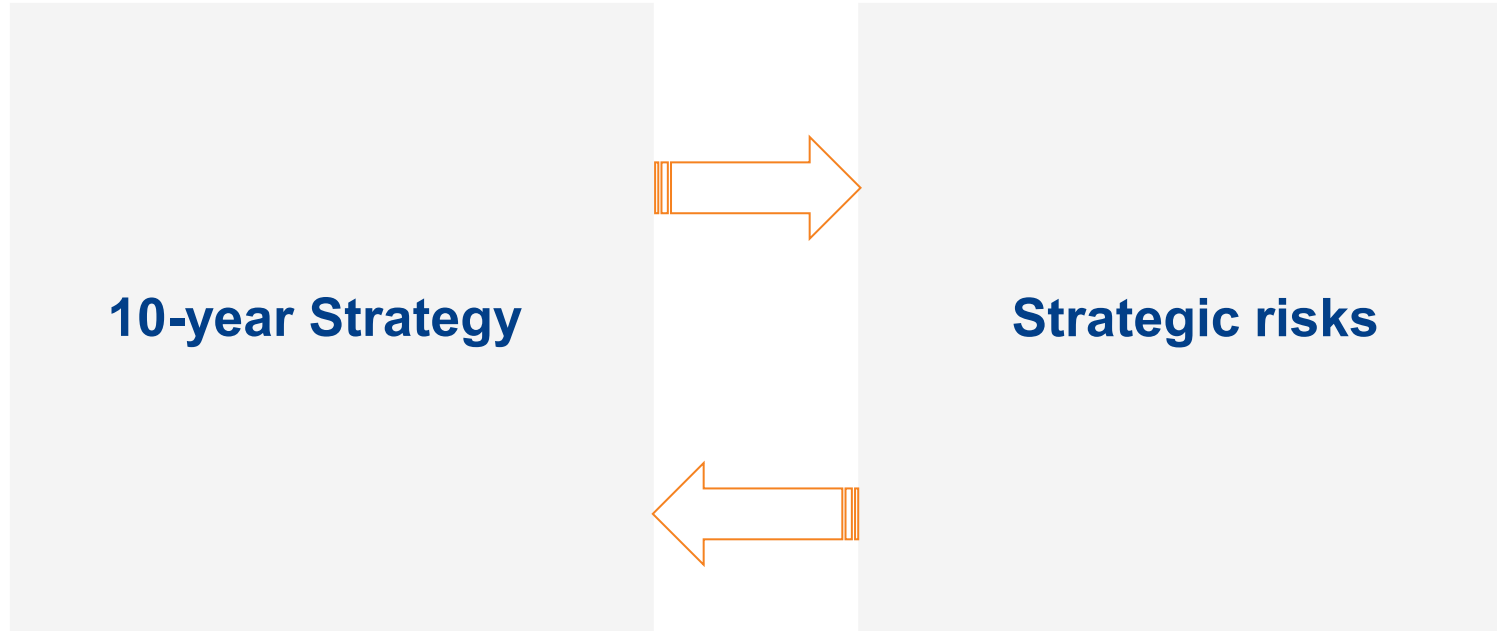


**KRIs and thresholds triggering actions**



# Strategic Risk Management

Using scenario planning to respond to “alternative futures”





# Strategic Risks (PESTEL)

Geopolitical risk is incorporated within relevant strategic risk categories

## Localisation

Increasing pressure towards self-sufficient local and regional supply chains. Shifting rules and incentives that increasingly favour domestic firms.

## Digital Sovereignty

Increasing state-driven AI and cyber threats, alongside mounting pressure to localise data and align with national or allied jurisdictions.

## Climate & Nature

Reduced ability to source, produce, and sell, driven by climate-induced physical risks and transition risks.

## Debt & Capital

Persistence of large fiscal deficits amid slowing growth, restricting access to capital. State imposed capital controls and increasing intervention in financial markets.

## Demographics

Increasing state-driven AI and cyber threats, alongside mounting pressure to localise data and align with national or allied jurisdictions.



# Strategic Scenario Planning

Continuous monitoring of selected signposts informing strategic decisions

Working assumptions



Indicators and triggers



Scenario dashboard



Scenario playbooks



Strategic alignment



Governance & reporting



# Overall Key Take-aways

## Strengthening resilience through proactive geopolitical risk management

### **Mature ERM frameworks enable organisations to proactively identify, assess, monitor, and respond to evolving geopolitical dynamics**

- Interconnected operational and strategic exposures emerge across global value chains
- Robust taxonomies and scenario-based assessments improve visibility and decision-making
- Effective management requires coordinated controls across management systems, governance, monitoring and technology
- Many foundational controls already exist, but may require adaptation for geopolitical risks
- Long-term resilience requires integration into strategic planning, investment decisions, and governance processes

*Geopolitical risks must inform, influence, and reshape strategic decision-making*

# Questions & Discussion



*Thank you*