

# Geopolitical Risk Conversation Guide



The below list of key questions is provided as a conversation guide to support board members and other executives in processing and responding to a geopolitical crisis in a manner consistent with their organization's purpose and long-term value creation strategy.

<b>1. What is happening?</b> <b><i>Dynamic information, insight and expertise are the foundation of geopolitical risk management.</i></b> <b>Boards can ask:</b>	
<b>Scan</b>	<ul style="list-style-type: none"> <li>• How are we assessing the actual and potential impact of a geopolitical situation on the company's operations, stakeholders, performance, and strategy?</li> <li>• How are we confirming that the board and management have a steady, relevant, sufficiently expansive set of insights on how a geopolitical situation is evolving and what could happen?</li> <li>• What processes are in place to strengthen the information infrastructures used by management and the board to perform their respective responsibilities?</li> </ul>
<b>Take Inventory</b>	<ul style="list-style-type: none"> <li>• What current obligations do we have to stakeholders that may have changed because of the development?</li> </ul>
<b>Regularity of Updates</b>	<ul style="list-style-type: none"> <li>• Is the board regularly receiving relevant updates on the evolving crisis and its actual or potential impact on the company's operations, stakeholders, performance, and strategy?</li> </ul>
<b>Insights Quality</b>	<ul style="list-style-type: none"> <li>• Do we have insights from both internal (including directors) and external sources?</li> <li>• Are we considering all levels of material political risk (geopolitical, country, regulatory, and societal) over time horizons most relevant to our strategic objectives?</li> <li>• How are we making certain that we have timely access to transparent and accurate material information?</li> </ul>
<b>Coverage Sufficiency</b>	<ul style="list-style-type: none"> <li>• Does this crisis warrant management conducting more extensive due diligence on political developments in other markets we are operating in?</li> </ul>
<b>Reputation and Compliance Responsibility</b>	<ul style="list-style-type: none"> <li>• What degree of responsibility does the organization have in this situation?</li> <li>• Are any adjustments to our overall strategy necessary to address this responsibility?</li> <li>• Are there any legal exposures from the situation?</li> <li>• How are our long-term financial performance and long-term performance indicators (KPIs) likely to be affected? Are they still relevant in the current environment?</li> </ul>
<b>Long-term Value Impact</b>	<ul style="list-style-type: none"> <li>• Has the crisis at any point affected our company's ability to fulfill its purpose and live its values?</li> <li>• Are the short-term pressures we are currently facing because of this crisis disrupting our long-term strategy?</li> <li>• How will this crisis impact consumer confidence, competitive fairness, and long-term value?</li> </ul>



<b>2. How and where will it impact us?</b> <i>Understanding the impact across the organization, in a comprehensive way, is important to geopolitical risk due diligence, for a crisis or for long-term planning. Boards can ask:</i>	
<b>Focus</b>	<ul style="list-style-type: none"> <li>How are key business elements, such as operations, finance, reputation and compliance, and our people, impacted by geopolitical developments?</li> </ul>
<b>Anticipate</b>	<ul style="list-style-type: none"> <li>How are our long-term objectives and competitive advantages impacted by this crisis?</li> </ul>
What are the range of impacts to our key stakeholders?	<ul style="list-style-type: none"> <li><b>Employees:</b> Are our people safe? How do we keep them safe and supported?</li> <li><b>Investors and Regulators:</b> Do we need to communicate the impact of the risks to shareholders and regulators?</li> <li><b>Business Partners:</b> What impact has the crisis had on our supply chain or distribution network? Do our suppliers or partners need support we may be well placed to provide?</li> <li><b>Communities:</b> What level of responsibility do we have to the communities in which we operate in this crisis?</li> </ul>
What is the range of functional impacts to our business from this crisis?	<ul style="list-style-type: none"> <li><b>Revenue and Growth Projections:</b> <ul style="list-style-type: none"> <li>Are our prior capital allocation and investment priorities still relevant? If so, can we maintain them?</li> <li>How are customers being affected? What responsibilities do we have to our customers in the near, medium, and long term?</li> </ul> </li> <li><b>Operations and Supply Chain:</b> <ul style="list-style-type: none"> <li>What is the status of physical/operational assets in the affected geography? What steps must be taken to secure them?</li> <li>Can the business continue local operations (regardless of whether we wish to)?</li> <li>What is the risk exposure to the suppliers and overall supply chain of the business? What are viable alternatives or adjustments to the supply chain?</li> <li>Is the business able to access necessary support (e.g., government support, credit insurance)?</li> </ul> </li> <li><b>Financial Capital:</b> <ul style="list-style-type: none"> <li>What is the overall exposure of the business and any investments to the geography in question (directly and indirectly)? Is the business able to quantify it?</li> <li>How are operations in the affected geography being financed?</li> <li>Is the business able to manage commodity prices, FX movements, and cost inflation satisfactorily?</li> <li>Is market volatility affecting any planned corporate actions (e.g., M&amp;A activity, IPO pricing)? Should timelines be adjusted?</li> </ul> </li> </ul>



<b>3. What do we do about it?</b> <i>Take action to address immediate risks, update enterprise risk management (ERM) to incorporate geopolitical risk and consider shifts in strategy. Boards can ask:</i>	
<b>Act</b>	<ul style="list-style-type: none"> <li>• How is executive management adapting risk management practices and is any change in strategy needed?</li> </ul>
<b>Fulfill Expectations</b>	<ul style="list-style-type: none"> <li>• What resources are required to continue to fulfill our responsibilities and meet long-term objectives?</li> </ul>
<b>Risk Management</b>	<ul style="list-style-type: none"> <li>• How do we adjust our risk management strategy for future geopolitical crises? Have we considered:                             <ul style="list-style-type: none"> <li>– Explicitly adding “Geopolitical Risk” into the ERM and internal audit processes?</li> <li>– What potential future scenarios need to be considered?</li> </ul> </li> <li>• Are there opportunities to better prepare for a shifting geopolitical environment?                             <ul style="list-style-type: none"> <li>– Collaborating with sector peers (e.g., workshoping with peers, working alongside trade associations)?</li> <li>– Utilizing quantitative political risk indicators to flag future risks?</li> </ul> </li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>• What long-term governance changes or enhancements are needed?</li> <li>• How will we judge our overall success in navigating this crisis?</li> </ul>
<b>Strategy Shift</b>	<ul style="list-style-type: none"> <li>• Has management evaluated the impact of the geopolitical situation to core strategic decisions (e.g., market entry, pending M&amp;A transactions)?                             <ul style="list-style-type: none"> <li>– How will we best balance short-term interests in crisis response with long-term objectives?</li> <li>– Has the crisis at any point suggested a change to our purpose?                                     <ul style="list-style-type: none"> <li>» Does our crisis response strategy align with our stakeholders’ expectations?</li> </ul> </li> <li>– Has the crisis impacted the business’ strategic advantages or disadvantages?</li> <li>– Does the business need long-term adjustments to the business model?</li> <li>– Does the current geopolitical environment necessitate a reevaluation of our overall growth strategy (e.g., consumer trends) or operating model (e.g., supply chain strategy)?</li> <li>– Does the business have the resilience in its capital structure to succeed in the new environment?</li> </ul> </li> <li>• During geopolitical crises, has there been a shift in responsibilities or duties of...                             <ul style="list-style-type: none"> <li>– Staff?</li> <li>– Executives?</li> <li>– Board members and relevant committees?</li> </ul> </li> </ul>
<b>Desired Outcomes and Key Metrics of Success</b>	<ul style="list-style-type: none"> <li>• Are we framing our performance relative to the long-term goal in our performance reports during the crisis?</li> <li>• What are our desired outcomes and key metrics of success? (sample responses follow)                             <ul style="list-style-type: none"> <li>– Continued-crisis performance (status quo)</li> <li>– Maintaining social license to operate</li> <li>– Capitalizing on new market opportunities</li> <li>– Stakeholder impact, operating according to our values</li> </ul> </li> </ul>