

THE CHALLENGE  
TODAY

1> ENHANCE DIRECTOR  
SKILLS AND KNOWLEDGE

2> EMBED  
GEOSTRATEGIC RISK

3> REVIEW RISK MANAGEMENT  
STRUCTURE

SUMMARY

QUESTIONS FOR THE BOARD  
TO CONSIDER

EY Center for Board Matters

# Three ways to transform board oversight of geostrategic risk



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# The challenge today

The global election supercycle of 2024 has given way to policymaking, as new administrations around the world move to implement their agendas.

Understanding geostrategic risk

The [EY-Parthenon 2025 Geostrategic Outlook](#) identifies expected key geopolitical developments of 2025 and analyzes their likely impact on global transformations.

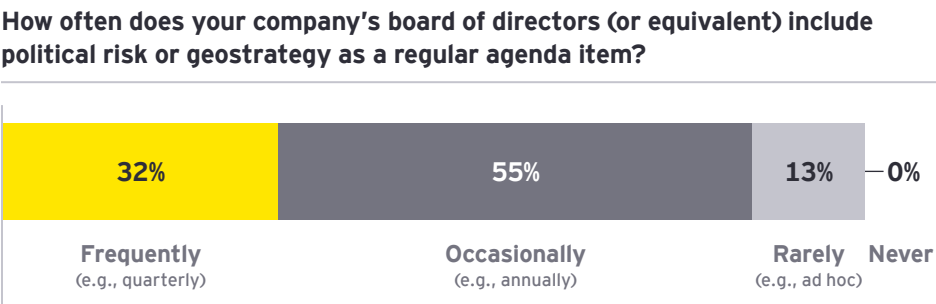
[Geostrategy in Practice](#) is a new study exploring how businesses are managing their geopolitical risk and adapting their strategies to a new global environment.

Many of the new policies challenge norms that have held strong over the past eight decades, such as a presumption of political and economic stability, supporting international financial bodies and security coalitions, and expanding global trade.

For companies and citizens alike, a world that is more difficult to predict makes it more challenging to prepare for the impact of geopolitical changes to the environment. Directors and boards are challenged to support their company’s efforts to navigate these rough waters and find upside opportunities to pursue for strategic advantage.

To better understand the shifts that board members should make to meet this challenge, the EY Center for Board Matters and the EY-Parthenon Geostrategic Business Group interviewed directors and executives at leading companies across our network, integrating these findings with those from a survey of global executives.

One early finding is that, despite several large risk events in recent years, political risk and geostrategy remain an infrequent item on the board agenda. Boards at just under a third of companies [\(32%\) discuss geopolitical risk more than once a year](#).



Source: EY-Parthenon Geostrategy in Practice Survey – January 2025 and EY Insights analysis.

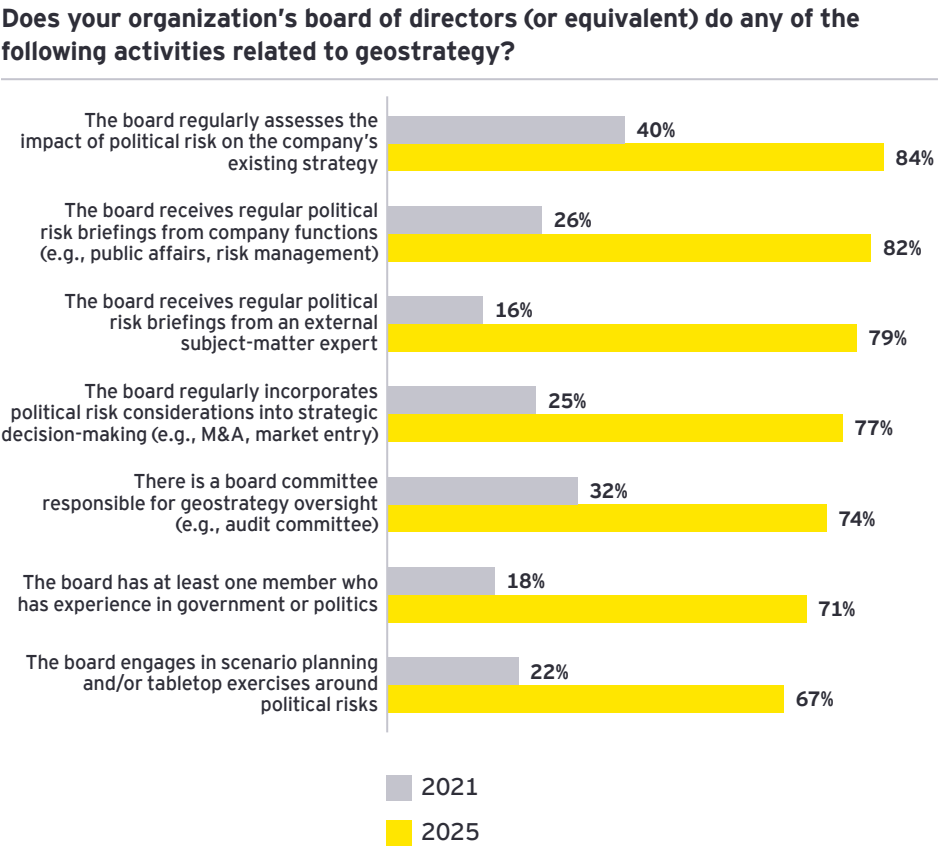
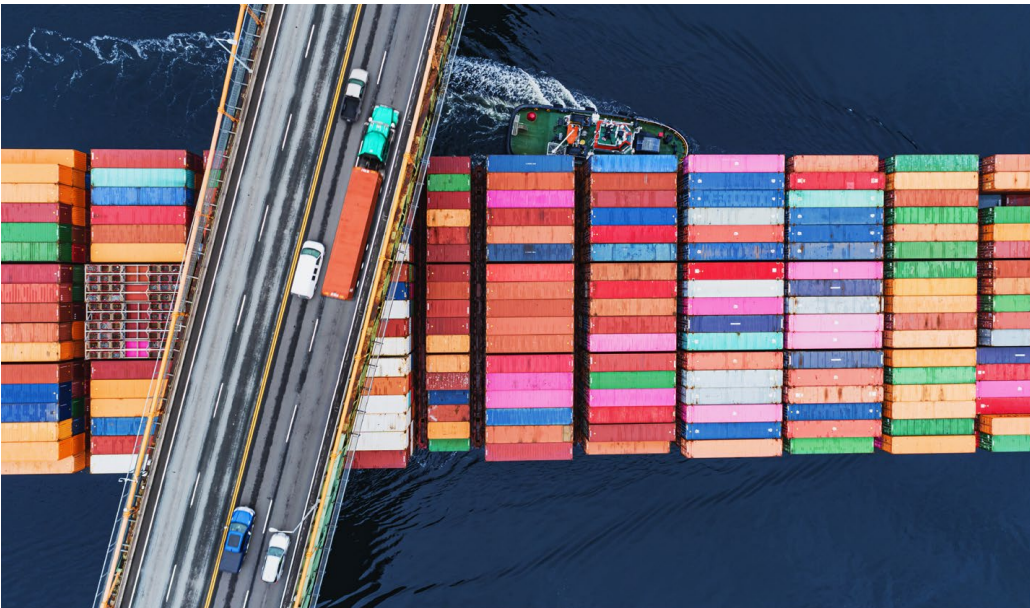
In brief

Nearly two decades of financial turmoil, a global pandemic, sometimes unexpected military action, the restructuring of global trade, and supply chain shocks, have led many to yearn for a return to regular order – one that now seems unlikely to happen.

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However, the nature of these discussions and boards’ engagement with these risks appear to have become much richer over the past five years, according to insights from the EY-Parthenon Geostrategy in Practice survey. The proportion of boards participating in important political risk oversight activities has grown significantly – in some cases more than tripling, as reflected in the chart below.

In 2021, only 26% of boards took action, on average, across seven geostrategy areas. In 2025, that share skyrocketed to 76%. The top two areas of regular action in boardrooms today are assessing the impact of political risk on the company’s existing strategy (84%) and receiving regular political risk briefings from a company function such as public affairs or risk management (82%).



Source: EY-Parthenon Geostrategy in Practice Survey – January 2025 and EY Insights analysis.

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However deep, this focus remains periodic and leaves many boards and companies unprepared to meet today’s challenges or find opportunity. The rapid pace of change in the political and regulatory environment means that core assumptions about global business conditions underpinning corporate strategy can be quickly upended. To understand how directors and boards might best respond, we held conversations with a number of board members to identify successful and leading practices.

Leading boards aim to integrate geostrategy into discussions, assessing the impact of global political events on the company’s strategic success. To do this, many boards engage all members in geostrategic discussion, engage in committee and full board political risk and geostrategic conversations throughout the year, and oversee how management gathers and interprets global and political risk.

What follows are three key shifts that leading boards are making to transform the way they oversee geostrategic risk.

Shifts leading boards make to oversee political and global risk today

	From	To
Skills and knowledge	Rely on a few experts with deep knowledge.	Apply the business skills and global knowledge of all directors on global and political risk.
Board structure	Identify a committee responsible for political and global risk.	Identify where political and global risk is present in the work of each committee
Engagement with management	Receive political risk reports from management.	Actively oversee how management is structured to identify and mitigate global and political risk

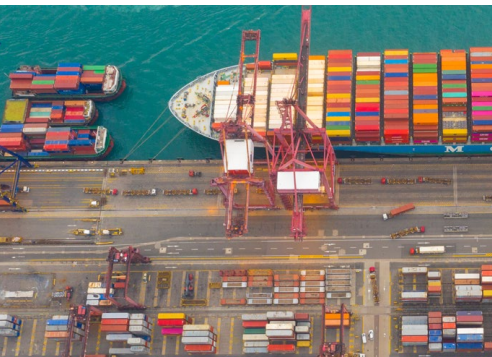
“The rapid pace of change in the political and regulatory environment means that core assumptions about global business conditions underpinning corporate strategy can be quickly upended.



# 1 Enhance director skills and knowledge

Shift from receiving political risk reports to actively overseeing how management identifies and mitigates global and political risk.

Rather than seeking specific geopolitical expertise in one or two directors, leading boards look to apply a combination of members' knowledge and business skills to effectively oversee this new complexity. The good news is that success can come from the new application of skills already present in the boardroom.

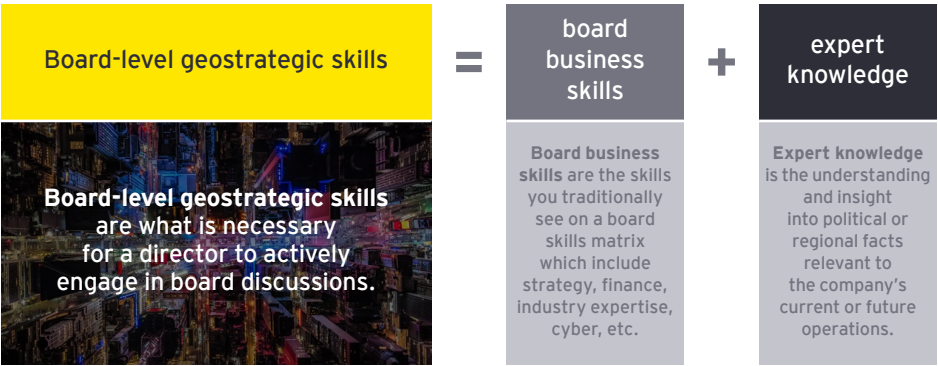


Traditional core director skills, such as strategy, finance, and risk management, often exist in abundance. The same is true for a solid understanding of industry and relevant regulations. Knowledge of changing regulatory regimes across the globe or specific country expertise may be rarer. Political risks can arise in ways that cut across these skills and knowledge sets.

For example, a government's new industrial policy may impact the regulatory environment in a key market, impacting corporate strategy and longstanding risk mitigation efforts. Further, these issues might present themselves as parts of other discussions on the board agenda, such as reviewing quarterly financials, supply inventories, or technology and data infrastructure. A well-armed board will be able to apply many long-standing skills to novel situations that may challenge long-held assumptions.

## Equation for board geostrategic risk oversight

Unlike a traditional skill, the ability to effectively oversee geostrategic risk is the application of many traditional board skills combined with expert global or political knowledge.



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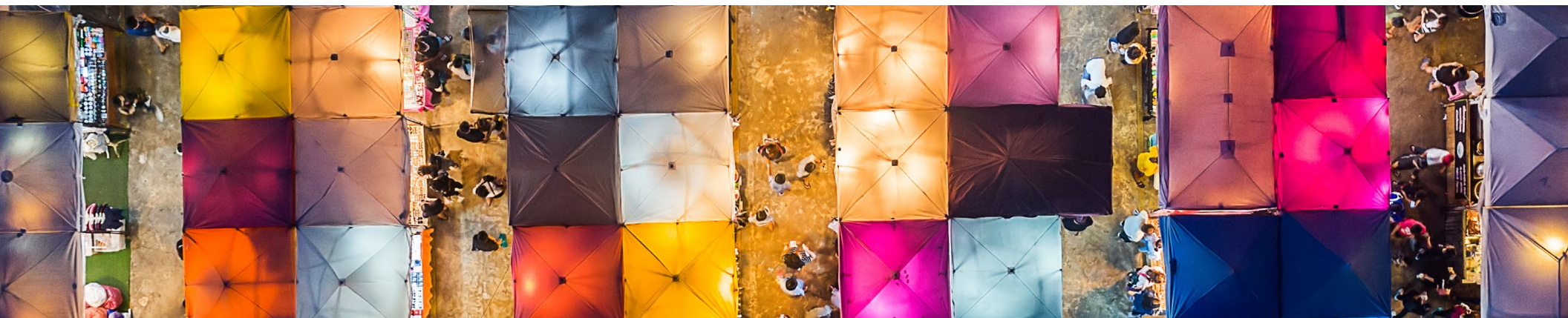
In a chaotic and fast-moving global operating environment, leading boards are considering ways to both keep current on relevant geopolitical developments and deepen their own expertise. Several ways leading boards do this include:

- Developing a curriculum customized to close director knowledge gaps in geopolitics.
- Receiving briefings from internal experts on specific global or political risks, with open-ended discussions.
- Inviting external experts to give briefings and lead tabletop simulations to exercise the skills necessary to oversee geostrategic risk and respond to a risk event.
- Creating an external advisory board of geostrategic experts that can be used to fill knowledge gaps and pressure-test risk mitigation strategies.
- Including skills for geostrategic risk oversight in board succession planning.

Deeper engagement on geostrategic risk from all members of the board leads to a number of clear benefits that leading boards point to. Geostrategic risk topics are more deeply embedded in board discussions throughout the year, in different committees, as relevant topics arise, rather than appearing on the agenda once a year. Further, the engagement of all directors leads to a diversity of viewpoints and perspectives on an issue that may be helpful to a board looking to ensure that sound action steps are drawn from the best possible information available.

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## 2 Embed geostrategic risk into board and committee activities

Move from identifying a committee responsible for geostrategic risk to identifying where risks are present in the work of each committee.

Rather than limiting discussion of political and global risk to once a year, board leaders should seek opportunities to have relevant geostrategic discussions as the topic arises in committee and full-board discussions. As with many topics, a focused, regular full-board agenda item on political risk can help to aggregate discussions and create the occasion to stand back and reflect on the company's process for overseeing political risk.

Geopolitical risk is rarely mentioned in committee descriptions, with only 2% of S&P 500 companies explicitly addressing it in their proxy statement descriptions. It is often overseen as part of a larger risk portfolio and included in periodic discussions by the board as a whole about strategic and/or enterprise-level risks.

There is also good reason for board leaders and committee chairs to consider where in their portfolios political and global risk naturally arises. From here they can work to more explicitly embed relevant discussion across the broader boardroom agenda.

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Below is a view of how board and committee responsibilities for this topic may be distributed.

Illustrative full board and standing committee oversight of geostrategic risk

Political risk oversight role		Political risk oversight role	
Board as a whole	<ul style="list-style-type: none"><li>Integrate global economic and/or political risk into discussions of long-term strategy and consider what geopolitical risk events could impact core strategic assumptions.</li><li>Conduct geopolitical tabletop exercises or include relevant geopolitical considerations in strategy discussions and identify the impact of political risks on key strategic assumptions.</li><li>Foster an environment where the full set of board skills are developed and applied to discussions about geostrategic risks.</li><li>Eliminate duplication of geopolitical oversight responsibilities via charter language.</li></ul>	Compensation and human resources committee	<ul style="list-style-type: none"><li>Discuss the impact of global policy changes and economic shifts, including tariffs, commodity price fluctuations, and interest rates, on performance targets and incentive plan payout thresholds.</li><li>Identify adjustments to compensation packages needed due to changes in tax policies, labor laws and compensation regulations.</li><li>Identify the skills needed when considering CEO/leadership succession planning</li></ul>
Audit committee	<ul style="list-style-type: none"><li>Pressure-test management’s practices to identify, assess and mitigate political risk.</li><li>Through scenario planning exercises, discuss the impact of macroeconomic and/or political volatility on financials.</li><li>Ask management how new or altered compliance requirements from regulatory changes impact the company’s planning assumptions and diverge or cancel out across regions.</li><li>Ask management how geopolitical matters are incorporated in required and voluntary reporting and disclosures.</li><li>Hold management accountable for integrating political risks into enterprise risk management and strategic planning processes.</li></ul>	Nominating and governance committee	<ul style="list-style-type: none"><li>Evaluate political risk management competencies in board succession planning and in director selection.</li><li>Discuss the impact of global and political risk on the company’s publicly stated sustainability goals</li></ul>

“Foster an environment where the full set of board skills are developed and applied to discussions about geostrategic risks.

Source: EY Center for Board Matters analysis.



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# 3 Review the company's geostrategic risk management structure

Move from getting political risk reports to actively overseeing how management identifies and mitigates global and political risk.

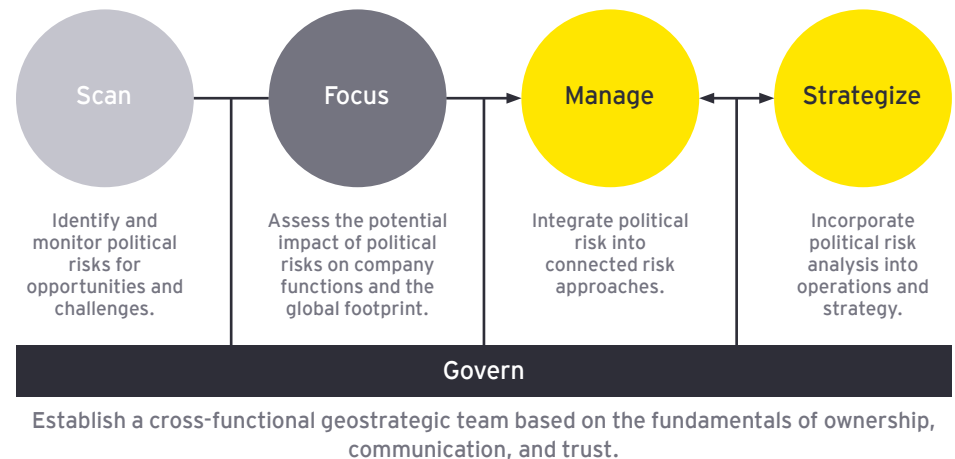
Given the uncertainty in the global operating environment, management teams are gathering in war rooms, increasing scenario planning and working through contingencies to address quickly moving geopolitical changes. Directors can help management look up from their quarterly operational focus and shift to a longer-term perspective on the impact of these changes. Connecting immediate needs to longer-term strategy and implications is a unique capability boards possess.



Traditional engagement with management often results in reports and dashboards that highlight key geostrategic risks and their potential impact on the company, mitigation plans for these risks, and scenario planning. However, leading boards can lean in more to assist management with identifying the best ways for the company to organize to oversee these risks over a longer time horizon.

## The EY-Parthenon geostrategy framework

Boards can help management teams by ensuring that a structure is in place to adequately identify and manage geopolitical risks. There are four key activities for management teams to get right – supported by a governance structure that weaves them all together.



Source: EY Geostrategic Business Group.

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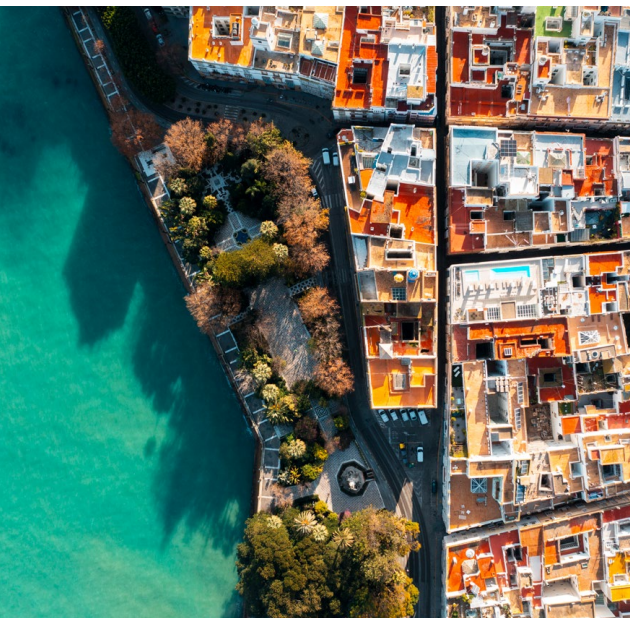
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Through their oversight role, boards can help management teams understand the company's appetite for political risk and pressure-test the process to identify, monitor and mitigate risk events. Critical to this is an effective governance structure that can coordinate activities across the organization. The board is in a unique position to stand outside management and provide a more objective perspective to help determine if the way global economic and political risk is managed

continues to be fit for purpose not just for the current quarter or even the current year, but for the company's longer-term strategic direction.

To the right are three common models that the EY-Parthenon Geostrategic Business Group has seen management teams use to govern geopolitical risk.

Directors and boards can ask management about the structure for political risk identification and mitigation to help understand why it was chosen and if it remains fit for purpose. This may also be a useful tactic for ensuring that management's reports to the board on geostrategic considerations continue to be timely and useful for the board's role in risk oversight.

Three common models management teams use to govern geopolitical risk

Structure	What it is good for	Potential drawbacks
<b>Vertical command and control</b>	<ul style="list-style-type: none"><li>Works best in organizations with a with a geostrategic leader.</li><li>Good fit for companies with hierarchical culture and/or those with many business units.</li></ul>	<ul style="list-style-type: none"><li>Breaking down silos can be challenging.</li></ul>
<b>Cross-functional geostrategic committee</b>	<ul style="list-style-type: none"><li>Best in more flatly structured organizations.</li><li>Benefits companies with more collaborative structure and/or smaller number of business units</li></ul>	<ul style="list-style-type: none"><li>Lack of clear decision maker can lead to decision-making delays.</li></ul>
<b>Matrix</b>	<ul style="list-style-type: none"><li>Benefits companies with a legacy of high level of communication at corporate level and strong collaboration at the business unit level.</li><li>Strong and geographically focused country or regional leadership is important.</li></ul>	<ul style="list-style-type: none"><li>Can be challenging if there is a limited corporate vision.</li></ul>

Source: *Geostrategy by Design: How to manage geopolitical risk in the new era of globalization*

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Today, companies and boards face new challenges in a volatile environment shaped by unprecedented international economic and political shocks and shifts. Despite the importance, many boards lack regular focus on geopolitical risk, leaving them unprepared.

Leading boards navigate these risks by embedding geostrategy in discussions, developing broad-based understanding among all board members and encouraging management to focus on the long term even as leaders respond to the challenges of the day. Effective oversight requires integrating geopolitical risk across committees, leveraging internal and external expertise, and fostering continuous education. Boards must articulate risk appetite, coordinate their activities and maintain robust governance structures to oversee global economic and political risk effectively.



# Questions for the board to consider

- How clearly does the board define its role with regard to geostrategic risk and supporting management to consider the long-term outlook?
  - What skills are necessary to oversee political risk and geostrategic events? How can they best be acquired internally or externally? What impact do political and geostrategic risks and opportunities have on director and board leadership succession planning?
  - How do we monitor whether the board is maintaining a diverse set of perspectives to enhance the quality of geostrategic risk discussions?
  - What are the relevant geostrategic issues to be discussed by the full board and standing committees?
  - How can we safeguard that committee activities are coordinated effectively? Where should geopolitical risk be included in committee charters?
  - What is the company's geostrategic risk appetite? How well aligned are the board and management team on the appropriate levels of risk to take with respect to global mergers and acquisitions; joint ventures and partnerships; supply chain; cybersecurity; talent, and so on?
  - How is the management team structured to oversee global economic and political risk, and why was this structure chosen?
  - What must be true for our strategy to succeed? And what geopolitical developments could challenge those assumptions?
  - How does our geopolitical risk process assist in determining whether any of these conditions are at risk of being compromised?
  - What are the most critical single points of failure that can be impacted by political and global risk? How confident are we in our mitigation plans?
- “  
What must be true for our strategy to succeed?  
And what geopolitical developments could challenge those assumptions?”





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Effective corporate governance is an important element in building a better working world. The EY Center for Board Matters supports boards, committees and directors in their oversight role by providing content, insights and education to help them address complex boardroom issues. Using our professional competencies, relationships and proprietary corporate governance database, we are able to identify trends and emerging governance issues. This allows us to deliver timely and balanced insights, data-rich content, and practical tools and analysis for directors, institutional investors and other governance stakeholders.

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