AIB REVIEW
By the Australian Institute of Business

Board-Level Geopolitical Risk Management: A New Imperative for Strategic Oversight

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AIB Review, Issue 15

Introduction

Today's business leaders face a dynamic environment marked by volatility, uncertainty, complexity, and ambiguity (also known as a VUCA world), compounded by geopolitical challenges. Nations vying for global supremacy and economic self-interests, trade wars driven by tariff protections, and counter-terrorism initiatives disrupt the global economy and supply chains. Long-term survival requires boards and management teams to exhibit relentless resilience and adaptability in their oversight of strategy formulation, execution, monitoring, and continuous adjustment and readjustment. This article explores geopolitical risks, their significance for businesses, and effective strategies for risk analysis and management that can be used to ensure strategic oversight for sustainable growth.

What are Geopolitical Risks?

Businesses face many risks, including those from competitors, technology, innovation, and socioeconomic and geopolitical changes. The Corporate Governance Institute defines geopolitical risk as a collection of risks stemming from conflicts or tensions around the world. Global conflicts or tensions take a variety of forms, including traditional wars, trade wars, cyber wars, pandemics, sanctions, climate change, terrorism and insurgencies, deglobalisation, and protectionism. The Geopolitical Risk Dashboard, as of September 2025, lists the top 10 geopolitical risks by likelihood as: global trade protectionism and resulting tariff wars, Middle East regional war, United States (US)-China strategic competition, global technology decoupling, major cyber-attacks, major terror attacks, the Russia-NATO conflict, emerging markets political crisis, and the North Korea conflict**.** Other geopolitical risks are triggered by events such as Brexit, Cyclone Freddy, the Los Angeles fires, and the Pakistan-India war. Moreover, emerging trade blocs like Brazil, Russia, India, China, and South Africa (BRICS), Russia, India, and China (RIC), and the Global South are shifting global power and trade balances and thus giving rise to new and evolving geopolitical risks.

Importance and Impact of Geopolitical Risks

Geopolitical risks, while not new to boards and their management teams, are dynamic, inherently unpredictable, prolonged and have a significant impact on corporate stakeholders in varying degrees. Given the nature of these risks, it can be challenging to prepare for them as there are often no advance warning signs. Geopolitical risks can directly impact strategy, operations, financial performance, and reputation. As the geopolitical landscape changes, existing strategies, which are usually long-term in

nature, covering the next one to three years, can become obsolete very quickly. Consequently, the use of an entity's resources can become misdirected and misaligned, resulting in the non-achievement of expected results and objectives. Eventually, an entity's long-term survival is threatened.

Two events in Australia help us understand the importance and impact of geopolitical risks. On 22 September 2022, Optus (a major Australian telecommunications company) suffered a major data breach following a cyber-attack. Optus engaged Deloitte to conduct a forensic assessment to understand the reasons behind the data breach and potential preventive actions. Impacted customers sought access to the Deloitte report under a consumer class action. Optus resisted granting access, arguing legal professional privilege. The Federal Court disagreed and ruled that Optus's seeking of legal advice based on the Deloitte report was a relevant but not a dominant purpose, and hence, not providing claimants access to the report on the grounds of legal professional privilege was denied. The Federal Court recommended that Optus review its incident response plans to clarify responsibilities for managing external and internal stakeholders, implement processes to avoid inconsistent messaging, and delegate the management of the engagement of forensic investigators to a small group to ensure confidentiality and privilege are maintained. It was also recommended that Optus include in its incident response plans a crisis response communication protocol that includes guidelines on ensuring communications are made with potential privilege and other legal consequences in mind. The Federal Court's finding is an important lesson for boards in ensuring they understand the legal risks, such as privilege, associated with managing the impacts of geopolitical risks.

In 2020, China imposed high and punitive tariffs on Australian products such as wine, meat, seafood, and barley. Consequently, Australian exports of these products became expensive, which created uncertainty about achieving budgeted sales. Australian boards responded by tapping into new markets and diversifying their customer base. They also visited China and re-engaged with their Chinese counterparts. Tensions have since eased. Overall, trade with China has stayed strong, and the country remains Australia's largest trading partner. Doug Ferguson, GAICD, NSW Chair and Head of Asian markets at KPMG, advises companies to do the same in the wake of the US-China tariff wars, which will likely create opportunities for Australian exporters. Australia's diplomatic and trade spat with China is an important lesson for boards in taking a long-term strategic approach to navigate the impacts, both opportunities and risks, of trade wars and look beyond a short-term transactional approach.

Strategies for Risk Analysis and Management

The role of directors is evolving. In a constantly changing environment, there is an enduring tension that boards need to manage between meeting compliance obligations and long-term value creation through strategic oversight. To navigate the tension well, it is imperative that boards continuously learn about the current and emerging geopolitical risks and implement strategies for risk analysis and management.

The Corporate Governance Institute identifies four strategies boards can use in managing geopolitical risks. First, boards need to understand the company's mission, markets and their role in safeguarding them, which may require training in governance to improve skills in this area. Secondly, boards need to stay in tune with the latest developments that could impact business performance through constant monitoring of the operating environment to ensure no news headline shocks. Thirdly, boards need to identify, assess, and quantify geopolitical risks, as they do for other corporate risks. Finally, boards need to ensure the company's strategy respects geopolitical risks and builds the company towards resilience.

International commercial law firm Ashurst identifies four additional key strategies for boards to consider in strengthening their operations and ensuring long-term resilience. First, use scenario planning to evaluate possible impacts based on potential geopolitical events, and develop comprehensive crisis management and contingency plans, including clear communication protocols and operational continuity strategies. Second, integrate supplier management into your risk management strategy and framework. Conduct assessments of supply chain flexibility with the aim of reducing reliance on single sources or vulnerable regions. Third, mitigate financial risks from volatility in exchange rates, trade barriers and nationalisation through currency hedging, commodity hedging and political risk insurance. Finally, mitigate legal risks, including reputation risk and the risk of supply chain disruption, by understanding the attendant legal requirements of shifting trade sanctions and restrictions.

In summary, one of the best approaches to geopolitical disruptions, as suggested by Neil Vinson, Private Equity Investment Manager of Tanarra Capital and Non-executive Director of Healius, is that contemporary strategic oversight needs to shift from being compliance-driven to strategically anticipatory, with an emphasis on "pre-mortem" rather than "post-mortem" of geopolitical risks and their impacts. Boards need to ask, "What could blindside us?"

Conclusion

Geopolitical risks are no longer peripheral considerations; they have become a central feature of the environment in which boards operate. These risks are dynamic, interconnected, and often without early warning, yet they have profound implications for corporate strategy, operations, financial stability, and reputation. As demonstrated by the Optus data breach and Australia's trade tensions with China, boards must be prepared not only to respond to crises but also to anticipate the structural shifts that can disrupt long-term plans.

While these risks cannot be eliminated, boards can strengthen their oversight by adopting proactive, anticipatory strategies. This means moving beyond compliance-driven approaches toward resilience-building practices such as continuous monitoring of the geopolitical landscape, scenario planning, supply chain diversification, and legal and financial risk mitigation. The quality of strategic oversight will increasingly depend on how well directors and executives work together to anticipate, assess, and respond to geopolitical disruptions. Those boards that embrace this imperative, developing the

foresight, agility, and resilience to navigate uncertainty, will be best positioned not only to survive but to capture opportunities and achieve sustainable growth in an era defined by geopolitical volatility.

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A professional with 25 years' experience in strategy, management, finance, and auditing across Australia and international markets, and exposure spanning logistics, quarrying, hospitality, manufacturing, and professional services. Currently expanding expertise in artificial intelligence (AI), including AI readiness, pilot programs, compliance, and deployment.

Recognised for impartial learning and effectiveness both independently and within teams. A results-driven leader skilled in resolving issues, making data-informed decisions, and collaborating. Excels at assessing complex situations, creating strategic solutions, and ensuring timely, objective decisions aligned with organisational objectives.

Cite this article:

Manduskar, S 2025, 'Board-Level Geopolitical Risk Management: A New Imperative for Strategic Oversight', *AIB Review*, Issue 15.

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