

Blog Series: Governance as a Market Advantage
Blog Post no.5

Corporate governance on the geopolitical front line.

Written by Jen Sisson (ICGN CEO), Peter van Veen (Global Policy Director) and Jakub Brejdak (Senior Policy Executive) on 21 October 2026

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Geopolitics now sits at the heart of business decision-making. Wars, sanctions, trade restrictions, technological rivalry and pressure on critical supply chains are shaping where companies invest, source, manufacture and grow. For boards and investors, geopolitical risk has become a permanent feature of the operating environment. As the World Economic Forum has warned, “economic warfare is becoming the norm”.¹

Governments are also using trade, technology, investment controls and capital markets more deliberately to pursue national objectives. Choices about suppliers, market access, capital allocation and technology therefore carry consequences far beyond their immediate commercial impact, including regulatory, reputational and national-security risks.

The implications reach directly into corporate governance. Boards need to understand how geopolitical pressures affect strategy, risk appetite and the company’s ability to create long-term value. They must also be prepared to challenge management on difficult choices, from restructuring supply chains to exiting markets or responding to government intervention.

Geopolitics on the front pages of newspapers around the world

It would be almost impossible to list every geopolitical event that has affected capital markets in recent years. Russia’s invasion of Ukraine, conflict in the Middle East, disruption to major trading routes and the growing technology rivalry between the US and China, particularly around AI and semiconductors, with Taiwan central to critical chip supply chains, are all part of a broader structural change.

Some of these events may feel sudden, but the forces behind them often stretch back years or even decades. For boards, this is an important distinction. Geopolitical oversight cannot focus only on the latest crisis or headline; it also requires attention to slower-moving changes in political relationships, economic dependencies and national priorities that can eventually reshape the environment in which a company operates.

Globalisation has not disappeared. Companies and economies remain deeply connected through financial, technological and commercial networks. However, those connections are increasingly perceived as sources of vulnerability as well as opportunity. Sanctions, tariffs and export controls have also become increasingly important instruments of state policy, exposing companies to geopolitical competition through otherwise ordinary commercial relationships.

Dependence on a single country, supplier, shipping route or technology provider may expose a company to sanctions, tariffs, export restrictions or sudden interruptions. At the same time, withdrawing from a market or restructuring a supply chain may involve substantial costs and affect relationships with employees, customers, governments and investors.

¹ *The Global Risks Report 2023*, World Economic Forum, 2023, p. 7.
<https://www.weforum.org/publications/global-risks-report-2023> (30.07.2026)

Crucial role of the board

Boards cannot predict the next conflict or political crisis. They can, however, ensure that their companies are equipped to identify material geopolitical risks, test their strategic assumptions and respond when circumstances change.

Therefore, boards should consider whether their skills matrix reflects the company's specific geopolitical exposure. Relevant capabilities may include knowledge of sanctions and export controls, trade and industrial policy, national-security considerations, regional political dynamics, critical supply chains, government relations, and geopolitical Scenario Planning. For companies operating in sensitive sectors or markets, experience in diplomacy, public policy, security or international regulation may also be valuable.

Not every director needs to be a geopolitical specialist, but the board collectively must be able to understand relevant developments, challenge management's analysis and evaluate the strategic implications. Generic "international experience" may not be enough. An analysis of DAX 40 board qualification matrices found that only one company explicitly identified geopolitical economics as a competency, while many relied on broad references to international experience.² Similar concerns appear elsewhere: a 2026 IBGC and Better Governance survey of 424 directors and officers found that 43% of Brazilian executives did not believe their boards had the competencies needed to address geopolitical issues³. Boards should therefore define the capabilities they need more precisely and address gaps through recruitment, ongoing director education and access to independent expertise.

Board capability, however, goes beyond composition. Directors also need timely information, access to relevant external and local expertise, clear escalation processes and the ability to connect geopolitical developments with strategy and capital allocation. Simply adding "geopolitics" to a skills matrix will achieve little if the information and decision-making processes around the board do not change with it.

Boards should also oversee how the company engages strategically with governments and regulators. In a geopolitical context, these relationships can influence market access, regulation, investment and the company's licence to operate. Effective engagement requires consistency across jurisdictions and a clear understanding of when corporate positions taken in one market could create political or commercial consequences in another.

Scenario Planning: rehearsing rather than predicting

Scenario Planning offers boards a practical way to deal with geopolitical uncertainty. It is not about predicting which crisis will happen next. Instead, boards can work with a small number of plausible futures based on diverging trends in areas such as geopolitics, trade, technology

² Habegger, B. (2025). Geopolitics and corporate governance: Are boards of directors prepared for an era of global uncertainty? In A. H. Verkuil et al. (Eds.), *Innovating Business and Education for Sustainable Development*, 255–268.

³ Better Governance & Instituto Brasileiro de Governança Corporativa (IBGC) (2026). *O conselho de administração e o contexto geopolítico: análise comparativa entre países da América Latina*. São Paulo: IBGC.

<https://conhecimento.ibgc.org.br/Paginas/Publicacao.aspx?PubId=24802&assessment=1>
(06.10.2026)

or access to critical resources. The important shift is away from allowing strategy to rest on a single, often implicit, assumption about how the world will develop.

The value lies in rehearsal. Boards can explore how different scenarios would affect markets, suppliers, raw materials, trade routes, infrastructure and other critical dependencies, and consider strategic options before they are needed. A scenario does not have to predict the eventual outcome accurately to be useful. By agreeing potential responses and identifying signals that may require action, boards can reduce the risk of strategic blindness or paralysis when circumstances change.⁴ Scenario Planning can also expose differences between how the board and management perceive risk, the options available and the point at which action should be taken. Making those differences visible before a crisis can improve both challenge and decision-making.

Some industries already have considerable experience of this approach. Extractive industries, for example, often make investment decisions over very long-time horizons and have therefore developed more mature approaches to Scenario Planning around economic, social, political, regulatory and commodity-market uncertainty.

The speed with which some companies were able to respond to Russia's invasion of Ukraine also points to the value of scenario thinking. Where boards and management had already considered potential sanctions, market exits or supply-chain disruption, they were in a stronger position to act quickly and coherently. The lesson is not that every geopolitical event can be foreseen, but that a company can prepare for the kinds of decisions it may eventually have to make.

This type of thinking is already familiar in areas such as climate risk, where companies and regulators increasingly use different scenarios to stress-test resilience. IFRS S2, for example, requires companies applying the standard to use climate-related scenario analysis to assess their climate resilience and disclose the results, with mandatory application depending on adoption in individual jurisdictions.⁵ The same logic is particularly valuable for geopolitics, where assigning a reliable probability to events may be difficult but the consequences can be profound.

Geopolitical oversight can also be supported by harder data. Investors can map a company's revenues, assets or critical dependencies across jurisdictions and combine this with external indicators, such as Transparency International's Corruption Perceptions Index.⁶ Such analysis cannot capture geopolitical risk in full, but it gives investors a more systematic basis for questioning boards about where exposures are concentrated and how those exposures are being managed.

Investors should not be spectators when it comes to geopolitical preparedness. They should ask where the company's most material geographic, technological and supply-chain

⁴ ICAEW Insights, *How scenarios help navigate an uncertain world*, 7 October 2022.

<https://www.icaew.com/technical/corporate-governance/new-boardroom-agenda/scenario-planning-guide-for-boards> (18.09.2026).

⁵ IFRS Foundation, *IFRS S2 Climate-related Disclosures*, 2023, para. 22; IFRS Foundation, *Climate resilience and climate-related scenario analysis requirements in IFRS S2*, March 2026.

⁶ Transparency International, *Corruption Perceptions Index 2025*.

<https://www.transparency.org/en/publications/corruption-perceptions-index-2025> (18.09.2026).

dependencies sit; how geopolitical scenarios feed into strategy and capital allocation; whether credible alternatives have been considered if key assumptions change; and how responsibilities are divided between the board, management and risk functions. Companies will not always be able to disclose detailed contingency plans where these are commercially, legally or politically sensitive, but investors should still be able to understand whether a credible process is in place.

Why geopolitics matters for corporate governance?

1. Companies are becoming actors in geopolitical competition

Geopolitics is changing the relationship between companies and the state. Governments increasingly rely on companies, whether listed, private or state-owned to secure critical technologies, infrastructure, energy, data and supply chains, while using sanctions, export controls, investment screening and industrial policy to advance national objectives. Companies are therefore increasingly drawn into geopolitical competition even where their primary objectives remain commercial: their investments, partnerships and technologies may become instruments or targets of geopolitical competition.⁷

This creates fundamental governance questions. Boards must consider how the company should respond to government pressure, whether political objectives are influencing commercial decisions and how corporate independence and accountability will be protected. Where companies receive public subsidies, operate in strategically sensitive sectors or face competing demands from different governments, board oversight is essential to ensure that political engagement remains consistent with the company's purpose, responsibilities and long-term interests.

2. Geopolitical risk cuts across the entire company

A geopolitical development rarely affects only one area of a company. A new sanction, trade restriction or conflict can block access to customers, disrupt supply chains, restrict access to technology, expose employees to personal risk, affect access to financing and create legal or reputational risks, all at the same time. What may initially appear to be an operational issue can quickly become a critical strategic one.

This is also why conventional risk-management frameworks have limitations when dealing with geopolitics. These risks are external, interconnected and difficult to quantify, while their consequences can spread quickly across markets and functions. Board oversight helps bring these exposures together, ensuring that management understands the company's critical dependencies and that geopolitical uncertainty is considered alongside strategy rather than simply recorded as another item on a risk register.

Geopolitical risk needs to be treated as a strategic risk, not simply as an issue for the risk-management function. Risk teams can identify exposures, monitor developments and assess potential impacts, but they do not set or change corporate strategy. Where geopolitical developments affect market presence, supply chains, investment decisions, reputation or consumer demand, the response ultimately requires board-level judgement.

⁷ Milhaupt, C. J. (2025). Corporate governance in an era of geoeconomics. *Journal of Corporate Law Studies*, 25(2), 281–320.

Boards should revisit their exposure to geopolitical risk regularly, with geopolitical considerations forming part of all major strategic discussions where relevant. In addition, boards should undertake a formal review of the wider geopolitical landscape at least annually to assess whether changes have altered the assumptions underlying the company's strategic objectives, risk exposure or capital allocation.

3. Geopolitical decisions involve difficult trade-offs requiring board judgement

Companies increasingly face tension between commercial objectives and wider considerations such as national security, regulatory compliance, supply-chain resilience and stakeholder expectations. Decisions to leave a market, restructure a supply chain or comply with government restrictions may protect the company over the long term while imposing significant immediate costs. These are not purely operational decisions and require appropriate board challenge and accountability. Their legal significance is also growing: one study notes that approximately two-thirds of major US corporate criminal resolutions between late 2022 and spring 2023 involved national-security considerations.⁸

Governance as a source of resilience

Geopolitical disruption is likely to remain a defining feature of the business environment. Companies will continue to face uncertainty over trade, technology, energy, regulation and relations between major economic powers.

Good governance cannot remove that uncertainty. It can ensure that the right people receive the right information, that risks are challenged rather than ignored and that decisions are taken with a clear understanding of their long-term consequences. It can also create strategic advantage. Companies with strong governance may be able to make decisions earlier, allocate capital more effectively and preserve more options when circumstances change.

The companies best placed to navigate geopolitical disruption will not necessarily be those that predict events most accurately. They will be those with strong oversight, clear accountability, robust compliance systems and the ability to adapt when the assumptions underlying their strategy no longer hold. Preparedness can allow companies to respond earlier and more coherently, rather than simply absorb shocks once they occur.

⁸ U.S. Department of Justice, Principal Associate Deputy Attorney General Marshall Miller Delivers Remarks at the Ethics and Compliance Initiative IMPACT Conference, 3 May 2023. <https://www.justice.gov/archives/opa/speech/principal-associate-deputy-attorney-general-marshall-miller-delivers-remarks-ethics-and> (06.10.2026).

CASE STUDIES

BP: When geopolitics makes a strategic investment untenable⁹

Background: BP had held a 19.75% stake in Rosneft since 2013, making the Russian oil company one of its most significant strategic investments. BP's chief executive and former chief executive also served as its nominated directors on Rosneft's board. Russia's invasion of Ukraine fundamentally changed the context in which that relationship was assessed, creating political, reputational and governance concerns that could no longer be separated from the financial value of the investment.

Outcome: BP's board decided that the company would exit its Rosneft shareholding, and both BP-nominated directors resigned from Rosneft's board with immediate effect. The decision resulted in a pre-tax charge of approximately \$25.5 billion relating to Rosneft and BP's other Russian businesses. The case illustrates that geopolitical developments can require boards to reconsider even long-standing and financially significant investments. Effective oversight may sometimes mean accepting substantial immediate losses where continued involvement is no longer consistent with the company's long-term interests and responsibilities.

Nvidia: When export controls reshape commercial strategy¹⁰

Background: Nvidia's advanced semiconductors became a central focus of US efforts to restrict China's access to technologies with potential national-security applications. After earlier export controls limited sales of its most powerful chips, Nvidia developed alternative products for the Chinese market that were designed to remain within the applicable rules. In April 2025, however, the US government informed the company that exports of its H20 chip to China would also require a licence.

Outcome: Nvidia recorded a \$4.5 billion charge associated with excess H20 inventory and purchase obligations after demand fell following the new licensing requirement. The case demonstrates how geopolitical policy can directly affect product development, inventory, market access and financial performance. It also shows why boards need to consider whether strategies designed around the current regulatory boundary remain resilient to further government intervention, particularly where a company's technology has become strategically important to relations between states.

⁹ bp Annual Report and Form 20-F 2022, bp.

<https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/investors/bp-annual-report-and-form-20f-2022.pdf> (30.07.2026).

¹⁰ NVIDIA Announces Financial Results for First Quarter Fiscal 2026, NVIDIA, 28.05.2025.

<https://investor.nvidia.com/news/press-release-details/2025/NVIDIA-Announces-Financial-Results-for-First-Quarter-Fiscal-2026/default.aspx> (30.07.2026).

DEFINITIONS

Some of the terms used in this blog have specific meanings and are based on distinct methodologies. To make the discussion easier to follow, we have included the definitions used in the text below.

Scenario Planning

A methodology utilising a series of equally plausible future multivariate scenarios that typically go beyond strategic and business planning horizons. This strategic process allows for testing existing and planned investments and operations for resilience and to generate strategic options for when these changes in the business environment occur. It provides management and the board with a common language for strategic decision-making. Please note that the term scenario planning is used by various functions (finance, IT, for example) to mean scenario analysis or other types of short-term resilience testing.

Scenario analysis

Typically testing business plans or business resilience against a series of short-term single or multi-variate scenarios (e.g. interest rate or commodity price movements). Usually these utilise worst, best and average cases but sometimes use wild-card, what-if-type scenarios for resilience testing purposes.

Forecasting

A single-point future scenario based on a best estimate (or guess) of how the world is going to evolve for a number of key variables. Typically, a short time horizon is used for business planning purposes (e.g. a forecast on the general economic climate or how consumer demand will evolve for a company's products).

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We encourage dialogue by contacting Jakub Brejdak, Senior Policy Executive, policy@icgn.org.