



ACCA CRO and Heads of Risk Community  
21 January 2026

# Geopolitics Emerging Risk Function Approaches

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# Introduction

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- Established HSBC's group geopolitical risk function, embedding geopolitical considerations into the group's strategy, management decision-making and risk frameworks/activity
- Covering investment and corporate banking, markets and asset management, trade finance and other banking services
- Prior career in national security and intelligence roles for the UK government
- Work with firms across industry sectors to develop approaches, frameworks and internal operating models that support agile responses to rising geopolitical instability
- Key groups include boards, risk and IA teams amongst others
- Best practice geopolitical risk guidance for boards, management teams, heads of risk/IA teams

# Agenda

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- Key geopolitical issues and a changing risk paradigm for organisations
- The geopolitical risk management challenge for firms
- Changing risk function approaches & a new Operating Model & Framework?
- Risk function case studies
- How this looks at board level
- Q&A (but ask throughout!)



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# Key Geopolitical Themes & Changing Risk Paradigms

# What's Going On? The Big Issues.....

- Russia-Ukraine-NATO
- US-China
- Iran Nuclear/MENA
- US international trade, financial and economic policy
- Politics driving fiscal risk (EZ, US, UK)



# The End of History – Or a Guide to Geopolitical and Business Transition

	1870-1945	1945-1991	1991-2021	2021-?
<b>Power structure</b>	Multipolar	Bipolar	Unipolar	Multipolar?
<b>Main actors</b>	Large states	Two blocs	Hegemon	Large states?
<b>Economy</b>	Spheres of influence	Self-contained blocs	Unlimited globalisation	Spheres of influence?
<b>Currency</b>	Gold	Gold -> USD	USD	Multicurrency?

## A question for you

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**How would you say your organisation views geopolitical risk issues?**

- (A) An episodic problem on the odd occasion that, for example, one country invades another
- (B) Primarily a source of financial impacts from geo-economic policymaking by governments
- (C) A pervasive source of risk with enterprise-wide impacts
- (D) Other/Not Sure

# Changing Paradigms

"We only operate in stable markets, so geopolitical risk isn't a problem for us"

## Political Risk 1.0 – 1990s/00s

Risk exposures primarily a function of geography

Political risks domestically concentrated – often seen as an 'emerging market' problem

A 'Country Risk Model' Approach

Firms elsewhere unaffected

## Global Economy & Politics – 2010s

Globalising economic connectivity

Rising political instability in developed economies (Arab Spring, EZ debt crisis, US debt ceiling, Crimea, US-China, Brexit)

Blurring of distinction between economic and security policy

## Geopolitical Risk 2.0 – 2020s+

Increasing economic, diplomatic and security friction between key countries/major economies

Increasing use of trade, economic and financial policy levers for National Security purposes

New kinds of risk exposures that cross borders, industry and market sectors

Global markets radiating 2<sup>nd</sup>/3<sup>rd</sup> order impacts – market dependencies key, not geographic footprint

Increase in risk velocity



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# The Risk Management Challenge

# What is Geopolitical Risk for a Company? An Impact Lens

- Geopolitics affects companies in different ways, so understanding/interpretations vary
- Is it a supply chain issue? A sanctions challenge?
- Think more widely about impacts
- Financial and operational impacts, as well as market footprint and strategy
- 2nd/3rd order impacts, across the demand and supply sides of business models
- Trends versus shocks

As geopolitics become more antagonistic, direct and indirect business impacts are multiplying:

- Macroeconomic, financial and trade challenges
- Increasing use of geo-economic policy measures (tariffs, investment restrictions, sanctions)
- Instability in financial/commodities markets
- Operational and cyber disruptions
- Investor perceptions and broader reputation
- Legislative, regulatory and licensing requirements
- Supply chain integrity and input standards
- ESG issues
- Legal entity structures

○ None    ◐ Low    ◑ Medium    ◒ High

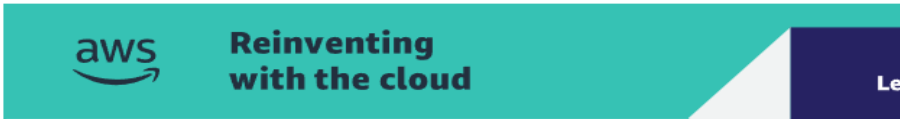
Risk		2021	2030	2040
Geopolitical Tensions Over Climate Responses	Perception of Insufficient Contributions to Reduce Emissions	◐	◑	◒
	Carbon Dioxide Removal not at Scale for Countries' Net-Zero Pledges	○	◐	◑
	Developing Country Demands for Financing and Technology Assistance	◑	◒	◒
	Petro States Resisting Clean Energy Transition Away From Fossil Fuels	◐	◑	◒
	Competition With China Over Key Minerals and Clean Energy Technologies	◐	◑	◒
	Contention Over Use of Economic Tools To Advance Climate Interests	○	◐	◑
Climate Exacerbated Geopolitical Flashpoints	Miscalculation Over Strategic Competition in the Arctic Leading to Conflict	○	◐	◑
	Cross-Border Water Tension and Conflict	◐	◑	◒
	Cross-Border Migration Attributed to Climate Impacts	◑	◒	◒
	Ungoverned Unilateral Geoengineering	○	◐	◑
Climate Effects Impacting Country-Level Instability	Strain on Energy and Food Systems	◐	◑	◒
	Negative Health Consequences	◐	◑	◑
	Internal Insecurity and Conflict	◐	◐	◑
	Greater Demand for Aid and Humanitarian Relief	◑	◒	◒
	Strain on Military Readiness	○	◐	◑

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BlackRock funds just lost \$17 billion due to Russian exposure. That's just the tip of the iceberg, as Western banks are owed \$121 billion by Russian entities

BY WILL DANIEL  
March 11, 2022 7:02 PM GMT

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HSBC

Ping An argues that an independent HSBC Asia business listed in Hong Kong would have higher profitability, lower capital requirements and greater autonomy © Peter Summers/Getty Images

Stephen Morris and Harriet Agnew in London and Tabby Kinder in Hong Kong APRIL 29 2022

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HSBC is under mounting pressure to break up after its largest shareholder, Chinese insurer Ping An, told the bank to split its Asian and western operations, calling time on a dual focus that has endured for more than a century.

Hong Kong / Politics

Some four in 10 AmCham members considering leaving Hong Kong over national security law fears, survey finds

Respondents to an American Chamber of Commerce survey cited the law's ambiguity, as well as reluctance among clients to deal with US firms for fear of entanglements

They also cited recent US sanctions and the revocation of Hong Kong's preferential trade status as potential motivation for leaving the city

Cannix Yau

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Dutch government takes control of Chinese-owned chipmaker Nexperia

Move escalates frictions between western countries and Beijing over access to high-end technology

The Dutch economic affairs ministry said it invoked the Goods Availability Act because of 'recent and acute serious governance shortcomings and actions' at Nexperia © Hollie Adams/Bloomberg

# The Risk Management Challenge in Firms

**“I’m concerned that  
our approach to  
geopolitical risk is  
scattergun and  
reactive”**

Board Risk  
Committee Chair, UK  
Financial Firm

- Lack of C-Suite expertise (“not on the syllabus at HBS”)
- Affects different functions → fragmented responses
- Non-linear trajectories/prediction & foresight challenge
- Impact assessment challenge – 2<sup>nd</sup>/3<sup>rd</sup> order impacts: ‘what does this mean for us and how do we join the dots?’
- Hard to quantify (“can’t measure, can’t manage”)
- Outside direct control
- Subjectivity, human biases, multiple viewpoints (or “this is something the board discuss, so we leave it to them”)
- Lack of governance and risk management frameworks – no playbook
- Reactive, piecemeal approaches



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# **Evolving Risk Function Approaches: A New Operating Model/Framework for GR?**

## A question for you

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**How would you describe your risk function's approach to geopolitical risk?**

- (A) It's on the risk register but our approach is otherwise informal – we discuss when needed
- (B) Some structure applied to specific risk exposures and impact areas
- (C) Comprehensive and structured processes leading to holistic/enterprise mitigation strategies
- (D) Other/We don't focus on it

# Emerging Risk Management Responses – An FS Perspective

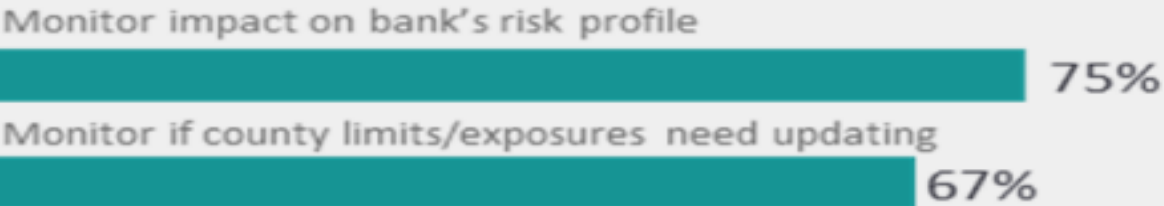
## Ways used to analyze geopolitics risks

We factor geopolitical risks into ...

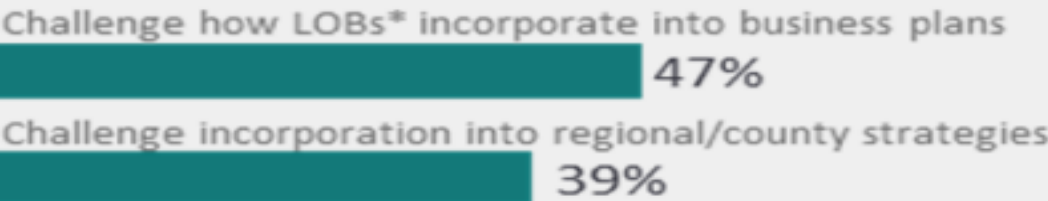


## Second-line risk role

Risk management



Challenge and review



\*Lines of business

“The compliance by multinational corporations with their legal or regulatory obligations in one jurisdiction may be seen as **supporting the law or policy objectives of that jurisdiction over another, creating additional reputational and political risks for the Group**”

FTSE 100 Bank Annual Report

## A question for you

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**How does your team or organisation analyse geopolitical developments?**

- (A) We occasionally draw on external analysis and otherwise monitor media coverage
- (B) Some of our teams routinely draw on external analysis to support their work, but this is not always shared more widely
- (C) We have dedicated internal expertise to monitor geopolitical issues and guide proactive risk management
- (D) Other/We don't focus on it

# An Operating Model – Key Foundations

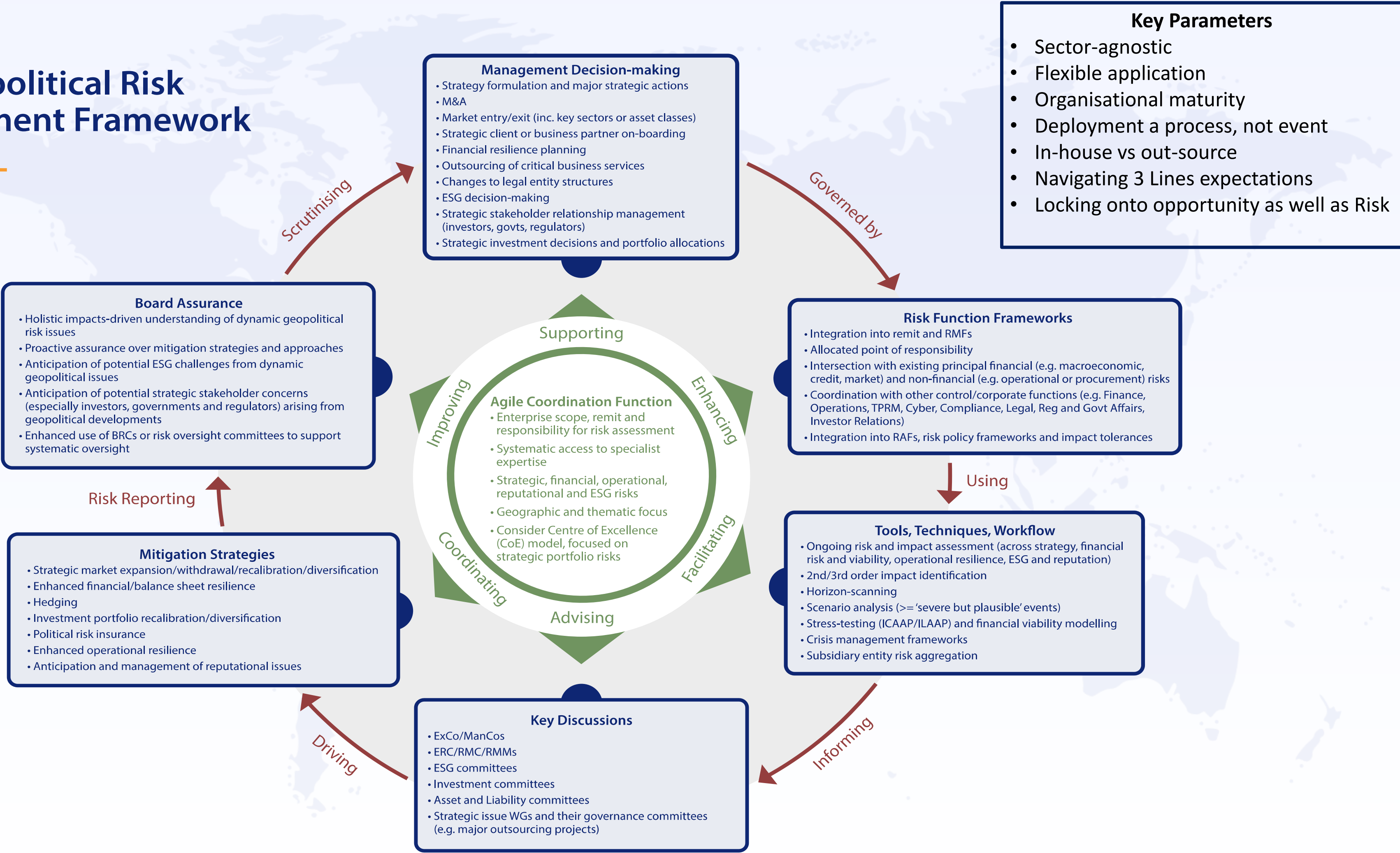
A Framework generally needs to reflect/address:

- A likely absence of geopolitical risk expertise internally
- Increasingly multifaceted and indirect/2<sup>nd</sup> & 3<sup>rd</sup> order geopolitical risk impacts

And so, at its centre, a good framework requires:

- **Analytical capability** – ongoing access to geopolitical insight/expertise
- Ability to **coordinate** work across relevant LoBs and 2<sup>nd</sup> line functions
- Capacity to **identify** risks on the basis of their business impacts
- An **owner!** (.....why not the CRO?) to drive work across teams

# Geopolitical Risk Management Framework



# The Geopolitical Risk Agenda – Some Preliminary Questions?

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- Do management teams consider geopolitical factors?
- Who leads internal work on geopolitical issues, or is this spread across different teams?
- Do we map our geopolitical risk exposures?
- What specialist analytical capability do we use to monitor material geopolitical issues?
- Do we integrate geopolitical factors into financial viability modelling?
- Risk function activity, approach and integration (across financial and non-financial risk)



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# Recent Examples

# How are Risk Functions Evolving Approaches?

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## Client Case Study 1: European-domiciled electronics manufacturer

- Supplying stock control and labelling technology to large retail
- International markets, big US concentration
- Substantial Chinese equity investor and China R&D/manufacturing via 3<sup>rd</sup> markets
- Head of Risk asked for Taiwan scenarios – qualitative impact assessment driven by expert analysis and scenarios tested with government officials and independent experts

# How are Risk Functions Evolving Approaches?

- Impacts analysed via PRL
- Scenario-based
- Preliminary impact assessment
- Mapped a wide range of impacts
- Highlighted unconsidered impact considerations
- Fed into E-W Task Force approach

Scenario 2: Significant Spike in Cross-Strait Tensions – Realistic Possibility					
Scenario	Policy Drivers and Outcomes	Risk Category	Risk Factors	Impact Assessment	Rating
Scenario 2 Cross-strait Tensions Spike (Realistic Possibility)	Any decision by the US or China to unilaterally alter their current policy positions could quickly escalate to Scenario 2.  US-China agreements on tariffs and exports controls would collapse, resulting in a tit-for-tat escalation.  Both Beijing and Washington would implement inflationary measures. The US would raise tariffs and enforce stricter transshipment criteria, while China would implement export controls on rare earths and critical technologies and increase investigations into foreign entities based in China. Both sides would implement restrictions on investments and data flows.  Short-term disruption to maritime and aviation supply chains would also occur from live-fire drills.	Strategic	Price Competition	<ul style="list-style-type: none"><li>Any increase in cross-strait tensions over the next 12 months may undermine strategies to mitigate price competition. Security and economic policies undertaken by the US and China would disrupt supplies for R&amp;D activities and critical components for global manufacturing and distribution hubs in countries such as Vietnam and Mexico, raising the costs for hardware product lines.</li></ul>	
			Economic environment	<ul style="list-style-type: none"><li>Policy actions would undermine short-term macroeconomic and financial market stability, potentially subsidizing after military drills. Operations in China and Taiwan would face short-term disruptions, weakening market confidence and consumer demand across the EU and US for technology companies that have operational dependencies in China and Taiwan.</li></ul>	
			Products and services	<ul style="list-style-type: none"><li>Strengthened tariffs and export controls will disrupt supply chains and amplify delays on the deployment of new customer services and solutions.</li><li>Heightened regulatory monitoring and compliance raises operating costs.</li></ul>	
			Technological disruption	<ul style="list-style-type: none"><li>High risk of grey zone attacks and sabotage activity targeting entities across China, Taiwan, the EU and US.</li><li>R&amp;D entity could become a plausible target given its monopoly position in the sector, triggering a cascading impact on company operations.</li></ul>	
			Climate and decarbonisation	<ul style="list-style-type: none"><li>Elevated tensions over the next 12 months will undermine multilateral efforts to coordinate climate policy. This will heighten regulatory costs across Asia, Europe, the US and Latin American market operations</li></ul>	
		Operational	Cyber attacks	<ul style="list-style-type: none"><li>Cyber-attacks will likely increase and would include ransomware and DDoS, which could disrupt operations for key partners, suppliers and customers in China, Taiwan, the US, and EU – particularly those involved in sensitive technological areas and critical infrastructure. The impact would be felt company-wide and across all product lines.</li></ul>	
			Component sourcing	<ul style="list-style-type: none"><li>Supply chains would face disruption between live-fire drill exercises, enhanced tariffs, transshipment protocols, and export controls. Manufacturing and distribution hubs would experience severe constraints, as would R&amp;D operations. Need to consider shifting supply chains rapidly via its component source and supplier diversification policy.</li><li>Production capabilities would likely shift from Asia to Mexico, but the sustainability of such operations is not guaranteed if critical 3<sup>rd</sup> party suppliers face prolonged disruption.</li></ul>	
			Customer dependency	<ul style="list-style-type: none"><li>Potential loss of customers due to supply chain disruption and lack of redundancies.</li><li>Escalatory tariffs and export controls frustrate the lack of access to new markets.</li></ul>	
			Quality	<ul style="list-style-type: none"><li>Escalatory policy measures undermine manufacturing quality or operations if decides to onboard new suppliers to mitigate operational disruptions.</li></ul>	
			Business forecasts	<ul style="list-style-type: none"><li>Customers may halt production orders as escalatory policy measures create economic impacts that affect business forecasts and investment planning.</li></ul>	
			Key personnel	<ul style="list-style-type: none"><li>Continued disruptions to operations lead key personnel to question longer-term viability and consider other opportunities.</li></ul>	
			Technology and skills attraction	<ul style="list-style-type: none"><li>Attraction and retainment of technical and technological skills become more difficult as the business model suffers from continued disruptions.</li><li>Employees question long-term viability of business model and consider other prospects.</li></ul>	

# Best Practice for Approaching Geopolitical Risk

- Map via business line & 2<sup>nd</sup> line function
- Captures an E-W picture
- Opportunities

	US - China											
	1 <sup>st</sup> Line Considerations						2 <sup>nd</sup> Line Considerations					
	Scenario	Macroeconomic Impacts	Investment Bank	Markets	Corporate Bank	Trade Finance	Operations / Service Support Entity	Group Strategy	Credit/ Country Risk	Market Risk	Capital & Liquidity Adequacy	NFR & Other Operational Risks
ONGOING TREND	1: Gradual Increase in US - China Friction	Additional economic measures depress performance in key trade, economic and financial relationships	Cross-border Investment impacts in specific markets and industry sectors – key client segments	Sporadic, short notice and sharp bouts of market volatility	Key client impacts, focused on specific markets and specific sectors	Depleted US-China trade growth and additional national policy obstacles to trade	Fragmenting cross-border data and technology environment	Slow acceleration in uneven US – China economic & financial de-coupling	Increase in credit risk for specific markets and industry sectors	Sporadic, short notice and sharp bouts of market volatility	Revisions to capital and liquidity adequacy calculations for affected markets & businesses	Short-notice operational disruptions
			Politically sensitive clients	Uneven asset class impacts	Politically sensitive clients		Growth in state-sponsored cyber risk/threats	Increasing national policy and/or reputational risk driven by negative political perceptions		Additional volatility in geopolitically sensitive commodities		Increase in Sanctions and other non-financial market restrictions
			Possible Market Opportunities	Trading Volatility	Possible market opportunities	Financing Pivoting Supply Chains						

# How are Risk Functions Evolving Approaches?

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## Case Study 2: Ireland-domiciled international research organisation

- Approached by the GC/CoSec to review her ERM team's evolving approach to geopolitical risk management
- International markets and research partnerships, including x-geopolitical faultlines
- Wide-ranging exposures (strategic, financial, operational/research security, legal & compliance and reputational)
- Review ERM Framework, Risk Register, RACI allocations, risk function analytical and monitoring capabilities, internal processes and workflows, strategic mitigation projects

# How are Risk Functions Evolving Approaches?

## Project Overview

Four key elements to the review process:



## ERM Materials Reviewed

- Risk Register
- Risk Management Policy User guide
- Audit and Risk Committee ToR
- Emergency Management and Business Continuity Plan
- Research Partnerships Onboarding Framework
- Bowtie Analysis and Examples
- Risk Management Policy
- Risk Appetite Framework
- Global Engagement Plan
- 3 – 5 Year Strategic Plan

3. BOW-TIE METHODOLOGY		
Bow-tie methodology has 'Top Event' at its centre, but we understand that no Top Events have yet been specifically identified to apply the methodology in practice	3.1 Identify, define and prioritise key 'Geopolitical Events/Top Events' that could affect the organisation	These could include a number of geopolitical shocks (Taiwan, MENA/Iran, politically driven EZ fiscal stress, new US tariffs etc) or other key macro developments (e.g. new EC corporation tax harmonisation measures)  Recommend initial prioritisation/triage via 'outside in' qualitative impact assessment
	3.2 Initiate a process of either formal or soft scenario-testing of higher impact Top Events	This could be assisted by 'inside out'-driven quantification of potential impacts either before or after scenario testing  NB Workshop scenario discussion on a Taiwan blockade scenario was timed out, but this may be a suitable theme for future scenario consideration
	3.3 Reinforce Risk Appetite Framework calculations by develop scoring of impacts and control measure effectiveness by different Top Event	The current 1 – 5 measuring scale remains suitable for this but individual Top Event scoring would assist in building granular understanding of different scenario impacts and relevant control measures
	3.4 Based on the steps above, develop Top Event-specific KRIs	External (e.g. announcement of new tariffs) Internal (e.g. changes in research partner entity behaviour)
4. BROADER RECOMMENDATIONS – RISK MONITORING		
Linked to the above, VP-GR has led activity to formalise the approach to monitoring geopolitical and geoeconomic developments. This	4.1 Consider further refinement to/formalisation of risk monitoring approach, drawing on risk monitoring plans, tailored specialist information resources and internal integration to ensure consistency of assessment across the organisation's governance, risk and management structures	We would envisage further formalisation that enables monitoring to be: <ul style="list-style-type: none"><li>• Structured, dynamic and tailored Top Event-specific KRIs (tilted towards higher impact Top Events)</li><li>• Reflects the full range of risk impacts noted by stakeholders (slides 10 – 14 in workshop Deck), with risk identification regularly refreshed</li></ul>
	could be extended further	<ul style="list-style-type: none"><li>• Identifies specialist sources of insight where needed</li><li>• Integrates with areas of external monitoring (e.g. SIG horizon-scanning)</li><li>• Leverages input already feeding into stakeholders (e.g. board risk reports/briefing from externals)</li><li>• Proactively leverage other sources of government liaison</li></ul>



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# Boards: High-Level Governance Themes

# The Governance Scene: Evolution in Board Approaches?

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- Does the **board have access to the right sources of insight** to give adequate warning of disruptive geopolitical events and expert insight into material geopolitical issues?
- Who provides the board with **bespoke impact assessment** of geopolitical risks?
- How does **geopolitical volatility drive our emerging and principal risks** and does the firm's RMF and internal control framework addresses these?
- Can we **learn how peer firms and their boards** are responding to geopolitical risk?
- Could we use the board committees, processes and workflows to **facilitate understanding of our geopolitical risk exposures**?
- Could we make more use of our external stakeholder relations to **identify emerging geopolitical concerns amongst investors, regulators and governments**?

## How We Support Risk Teams

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- Bespoke briefings and expert insight into geopolitical risks, supported by Sibylline's Senior Advisers – former senior diplomats, intelligence officers and military personnel
- Organisational risk exposure and impact assessment for boards, risk and ExCo teams
- Reviews of organisational and RMF approaches to geopolitical risk
- Ongoing global geopolitical risk insights, intelligence and risk monitoring packages to support decision-making by relevant functions within firms
- Development of geopolitical risk frameworks to support decision-making processes
- Tailored GR training packages for up-skilling risk functions and other corporate teams
- Thought leadership output and best practice guidance for boards/board committees and risk teams

Thank you!

## Q&A

Navigate a complex world with confidence

 Email

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