



Board Practices Quarterly

Board oversight of geopolitical risk

Geopolitical events can quickly disrupt operations, supply chains, and market access, posing significant risks to business continuity and growth. By actively monitoring and understanding these risks, boards can help guide management in developing robust risk mitigation strategies, adapting to regulatory changes, and seizing opportunities that arise from global shifts. Effective oversight can help position an organization to more proactively address emerging challenges, safeguard their strategic direction, and capitalize on emerging opportunities in an increasingly volatile environment.

This *Board Practices Quarterly* is based on a recent survey of members of the Society for Corporate Governance, representing public and private companies. Among the areas covered in the survey were the primary geopolitical risks companies are focused on, management responsibility, how the risks are included on board agendas, board oversight structure, and ways in which companies are mitigating and/or managing these risks.

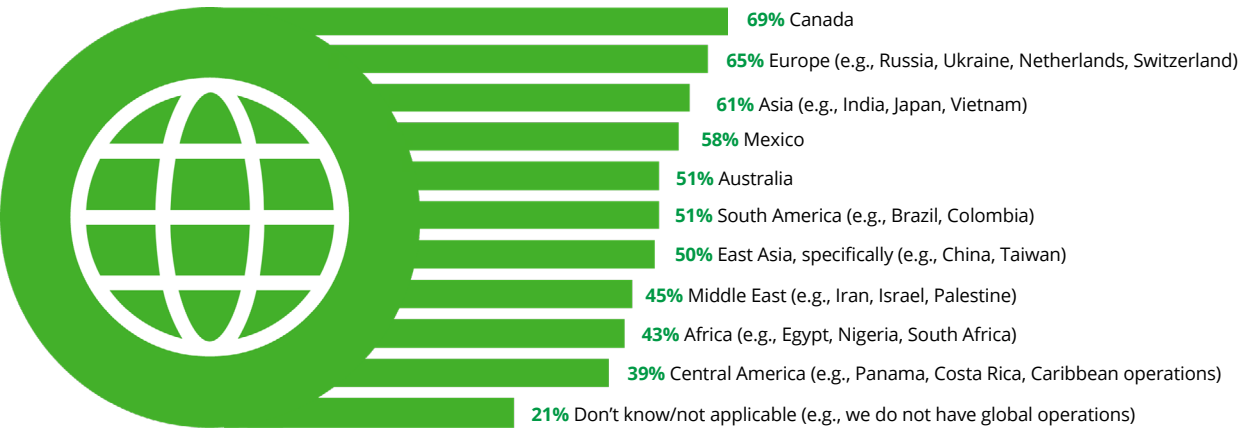
Findings

Respondents, primarily corporate secretaries, in-house counsel, and other governance professionals, represent 85 public companies and 21 private companies of varying sizes and industries¹, and the findings pertain to these companies. The actual number of responses for each question is provided. Some survey results may not sum to 100% as questions may have allowed respondents to select multiple answers.

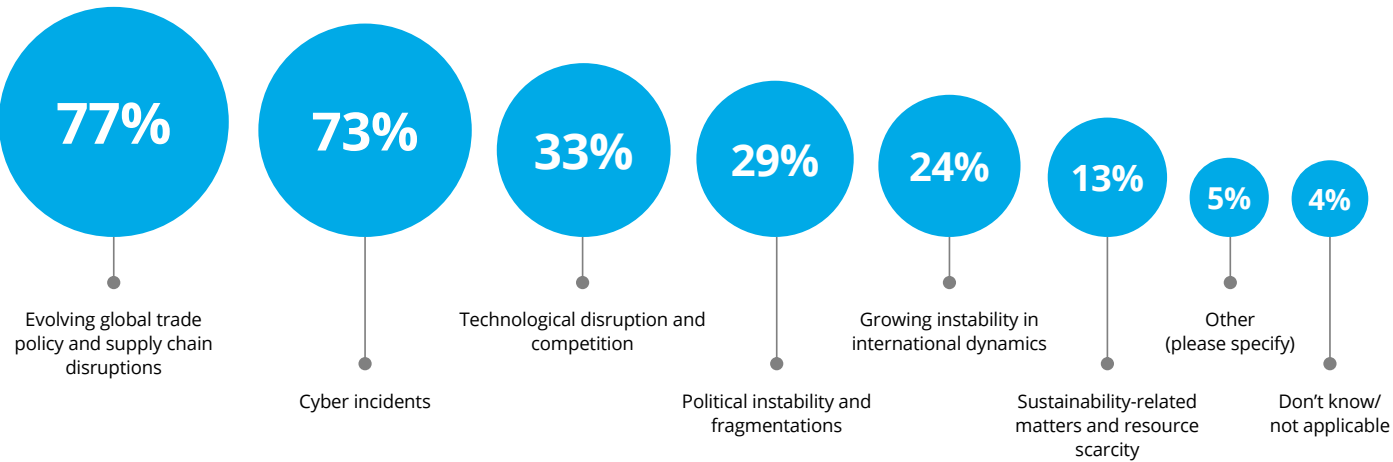
Findings are organized into two sections: the first pertaining to public companies in the aggregate and an Appendix, that sets forth results for private companies and public companies by market cap size.

Public company findings

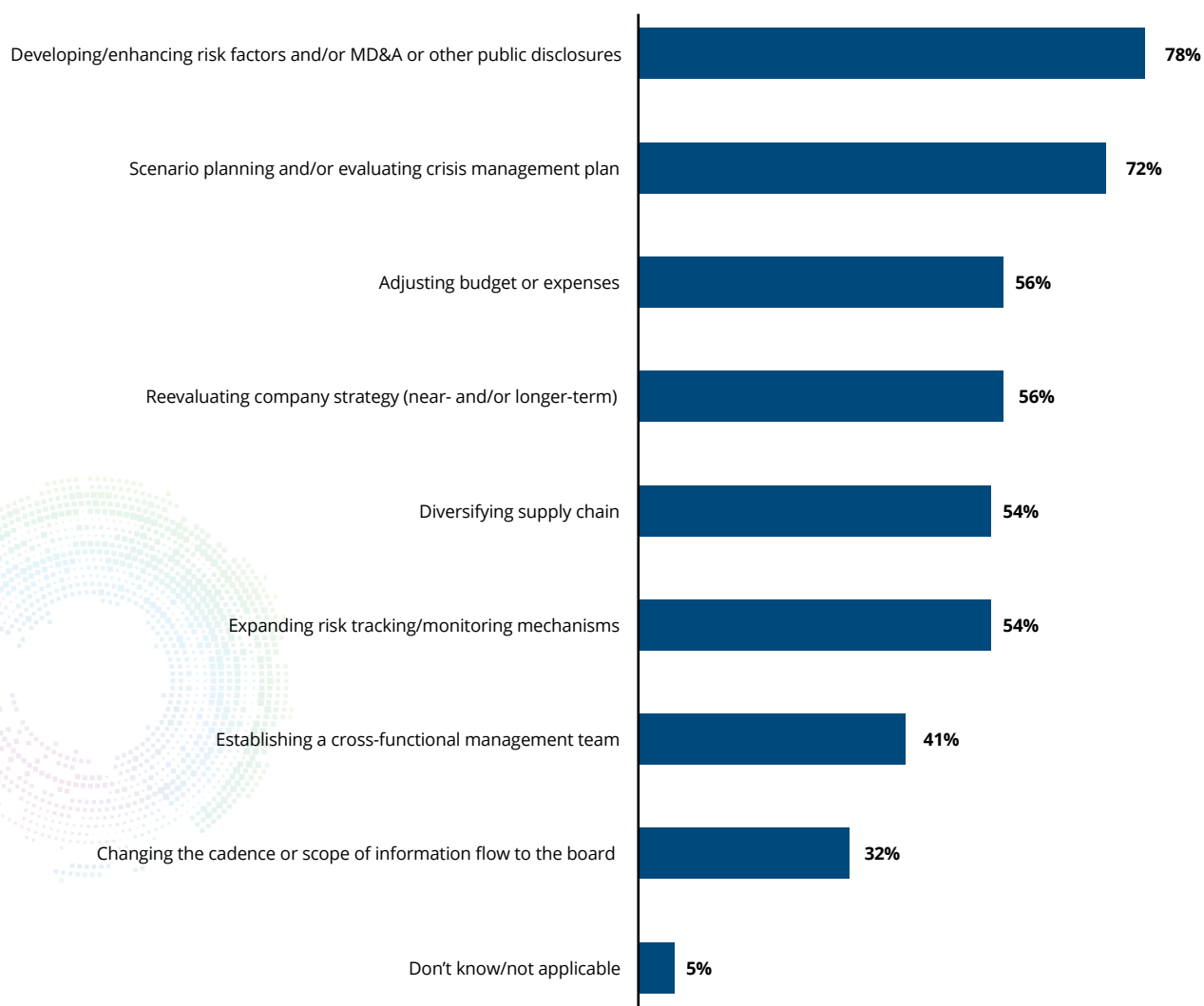
Indicate whether your company has global operations (i.e., outside of the US) in any of these countries and/or regions. [Select all that apply] (84 responses)



Indicate which of the following geopolitical risks your company is currently most focused on. [Select up to three] (83 responses)

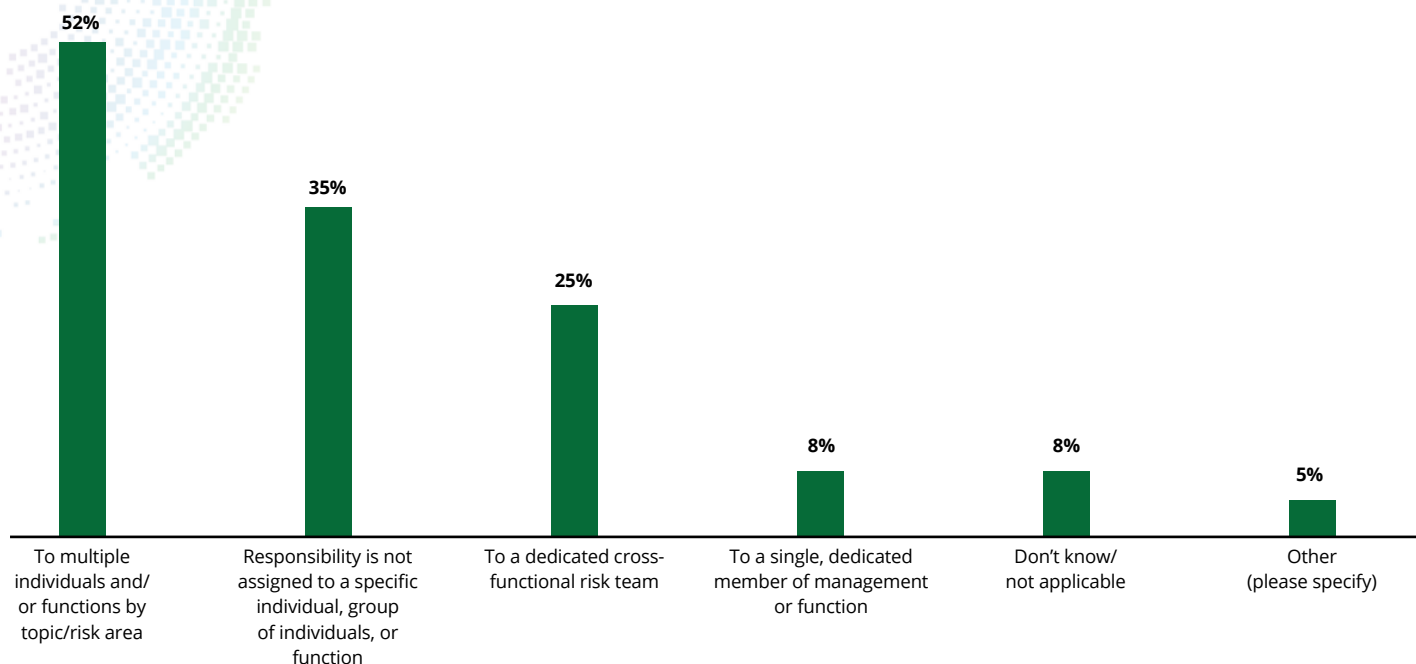


Does your company engage in any of the following to help mitigate and/or manage geopolitical risks? [Select all that apply]
(83 responses)

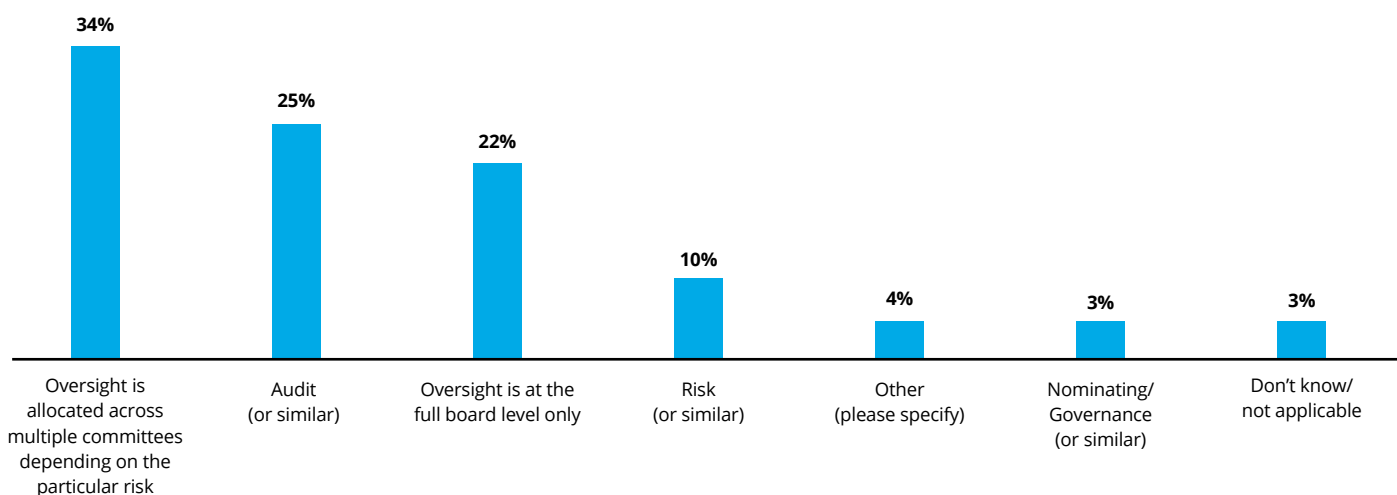


Note: No respondent answered "Other (please specify)."

How is responsibility for geopolitical risk assigned among management? [Select all that apply] (77 responses)

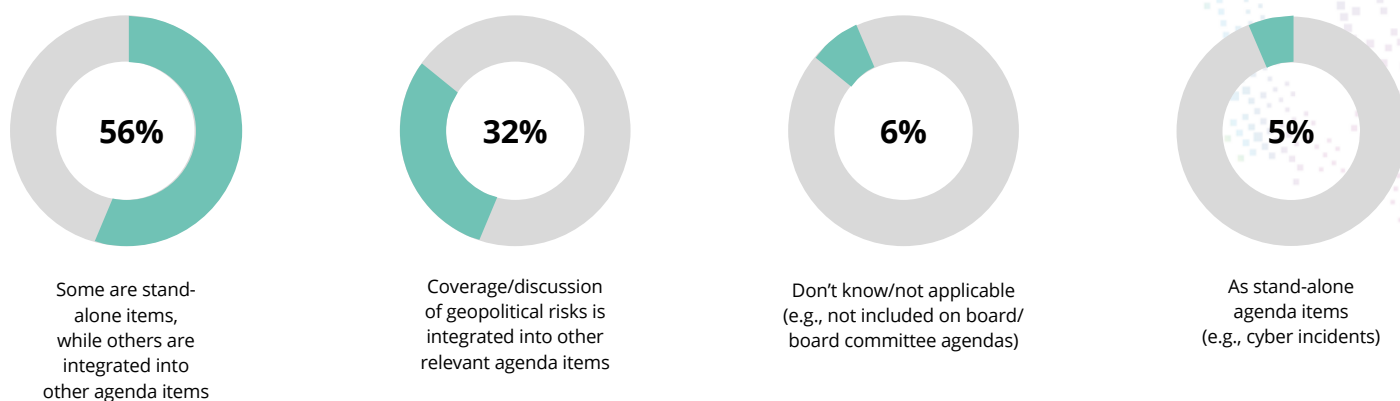


Which board committee has primary oversight of geopolitical risk? (77 responses)



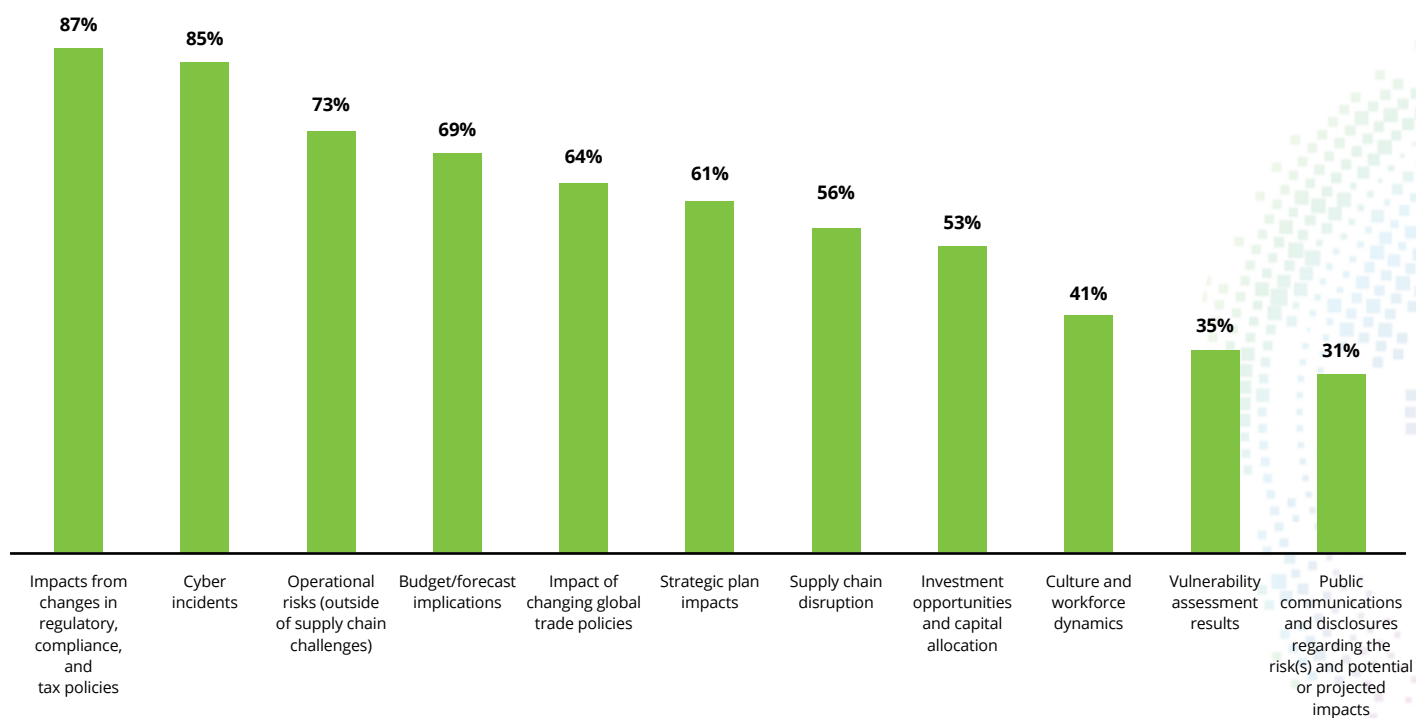
Note: No respondent answered "Compensation (for similar)."

How are geopolitical risks included on board and/or responsible board committee agendas? (77 responses)



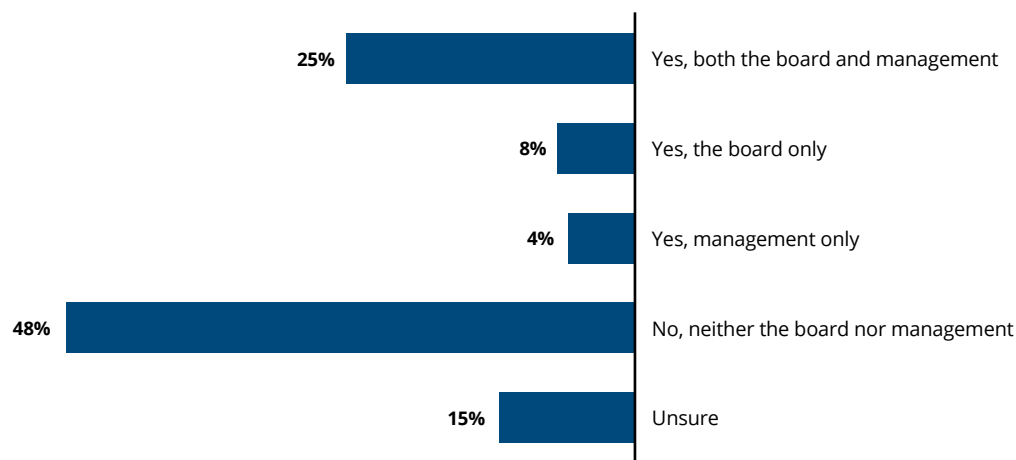
Note: No respondent answered "Other (please specify)."

Which of the following topics related to geopolitical risks and potential business impacts does management provide to the board? [Select all that apply] (84 responses)



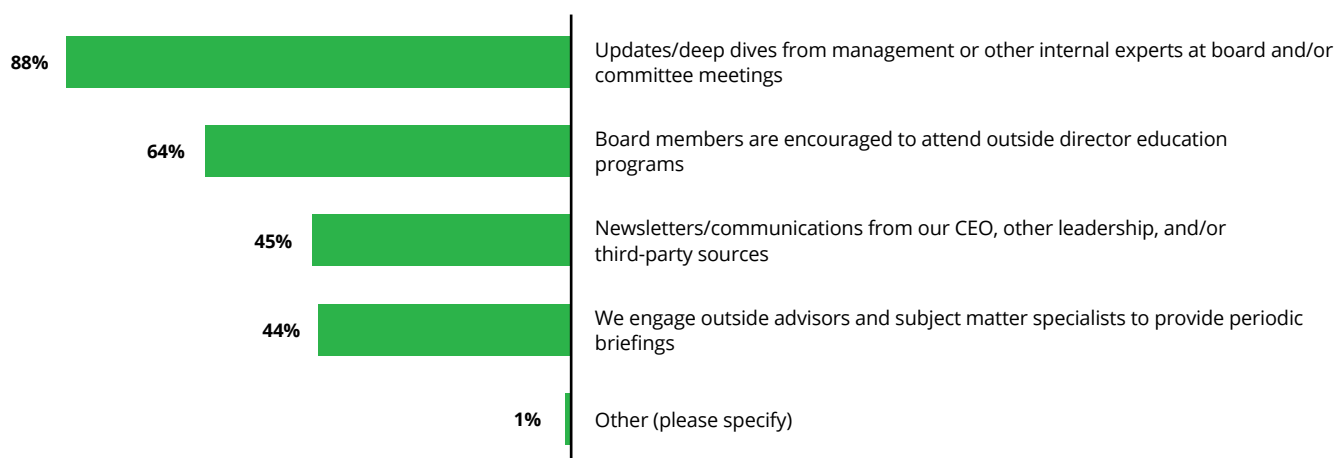
Note: 1% of respondents answered "Don't know/not applicable" and "Other (please specify)."

Is your board and/or management team assessing its composition for consideration of relevant skills, experience, or expertise in relation to geopolitical risks? (75 responses)



Note: No respondent answered "Yes, the board only."

How does your board stay educated and informed on various geopolitical risks? [Select all that apply] (75 responses)

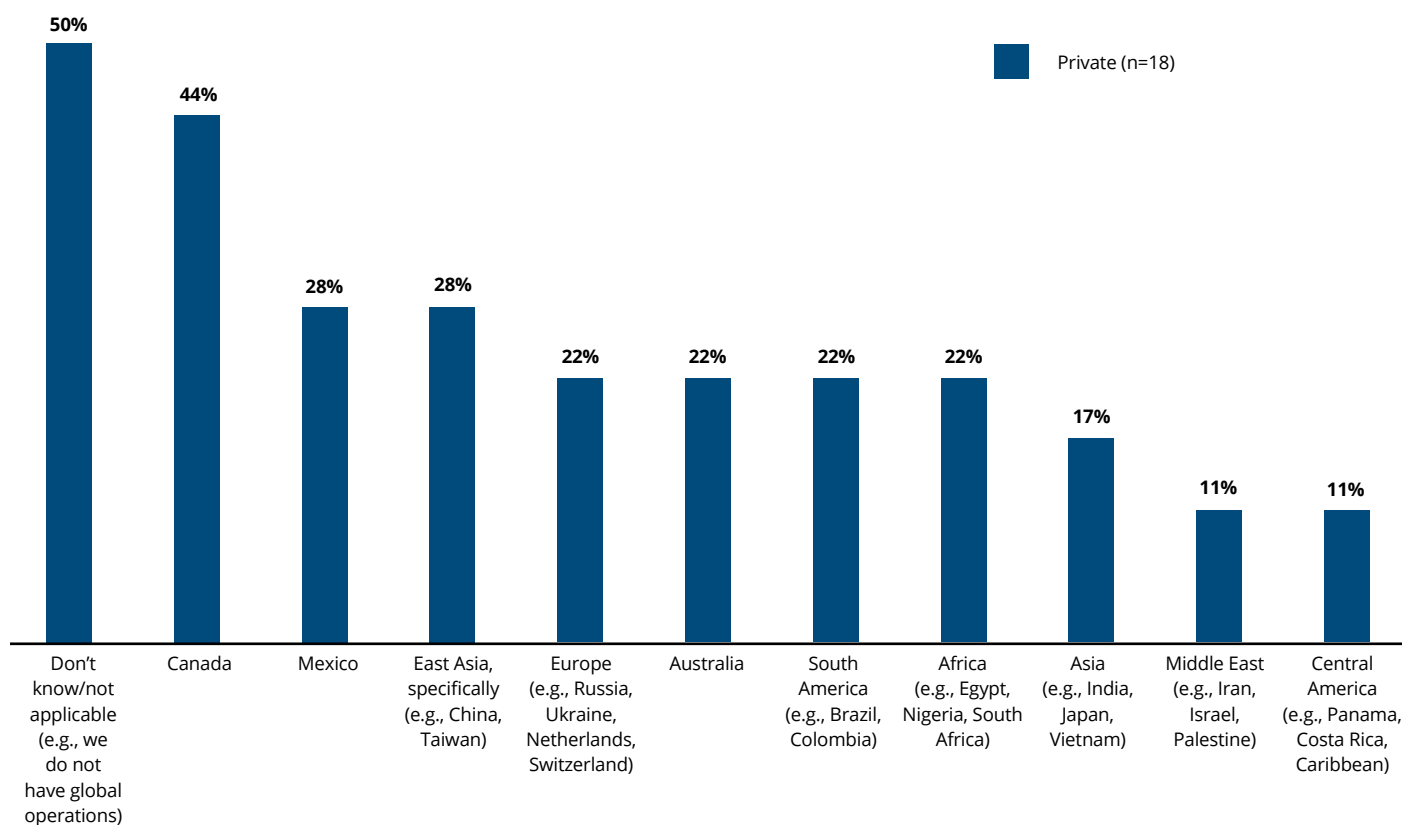
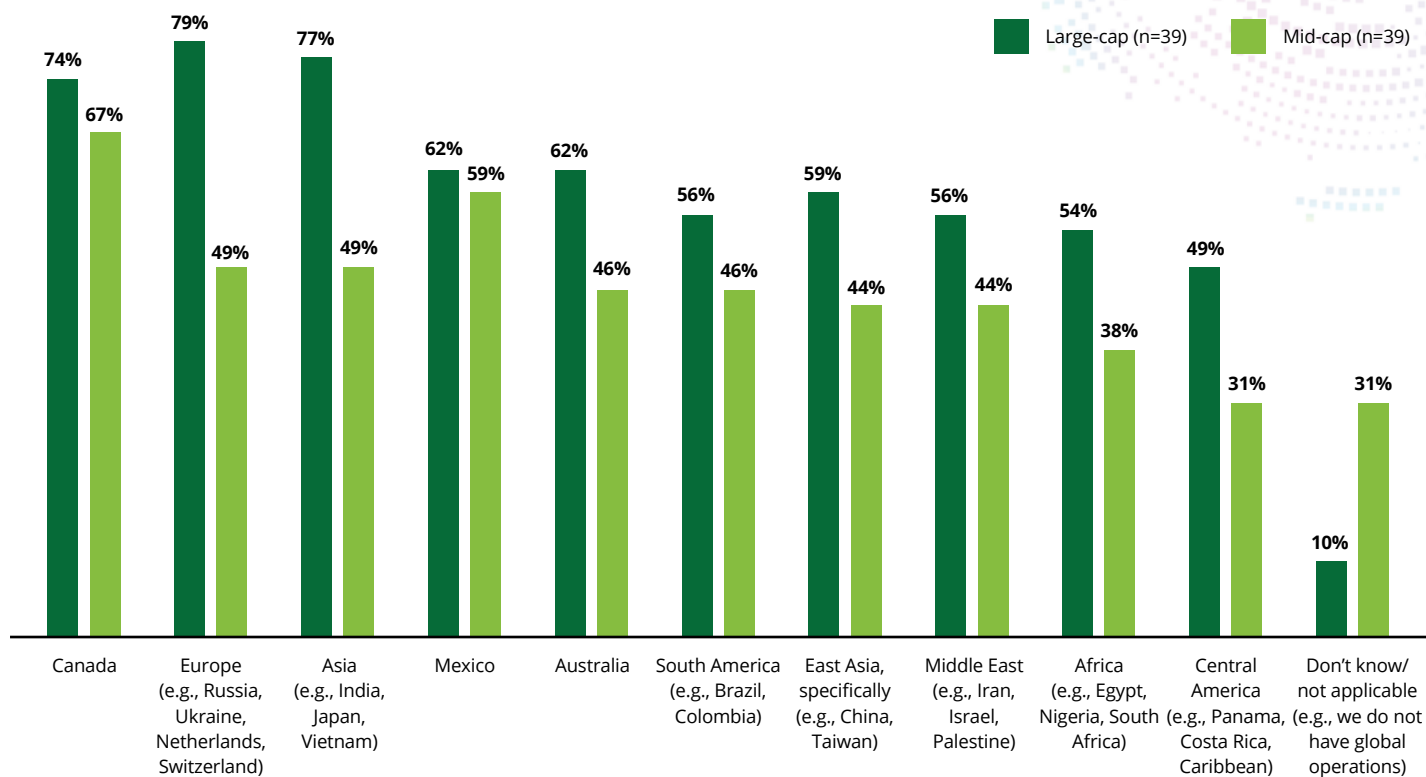




Appendix: Results by respondent Demographic

Indicate whether your company has global operations (i.e., outside of the US), in any of these countries and/or regions.

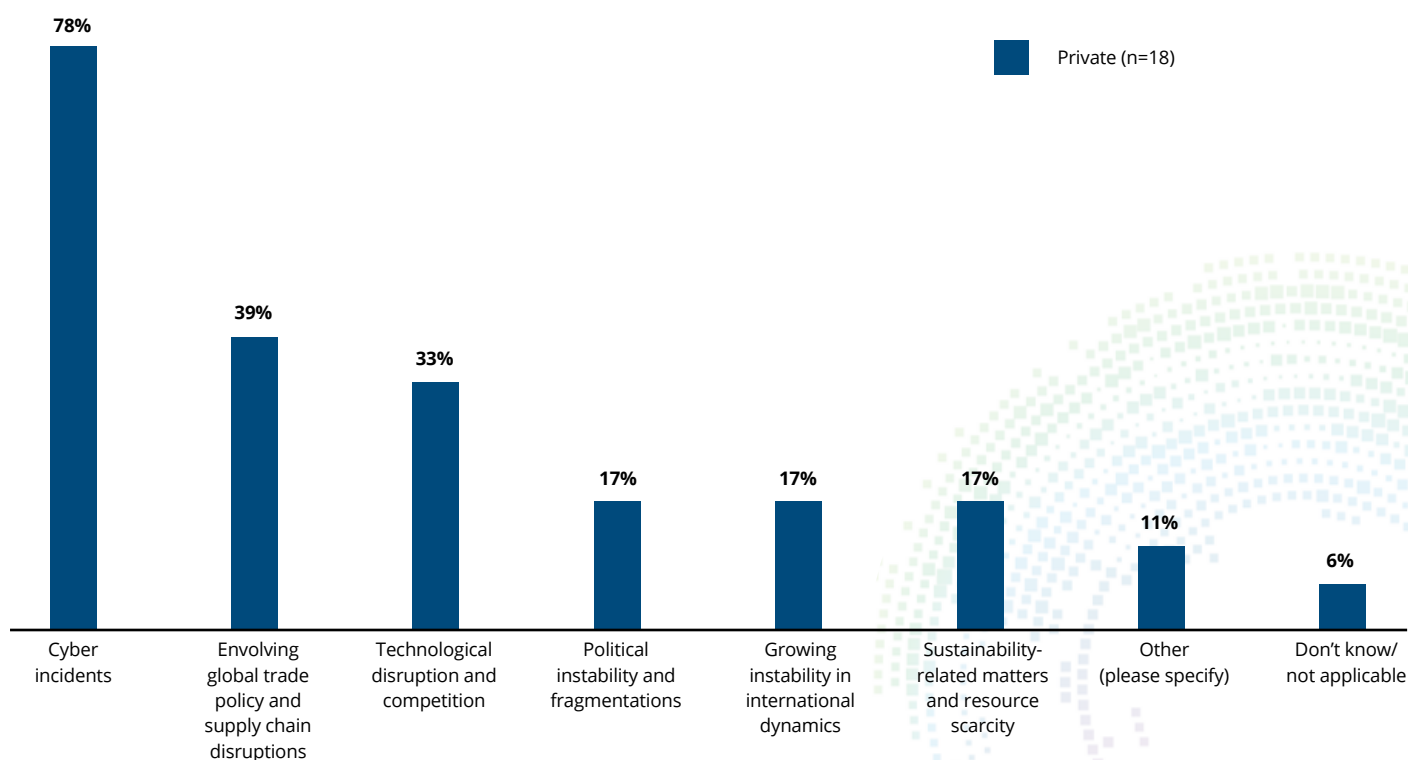
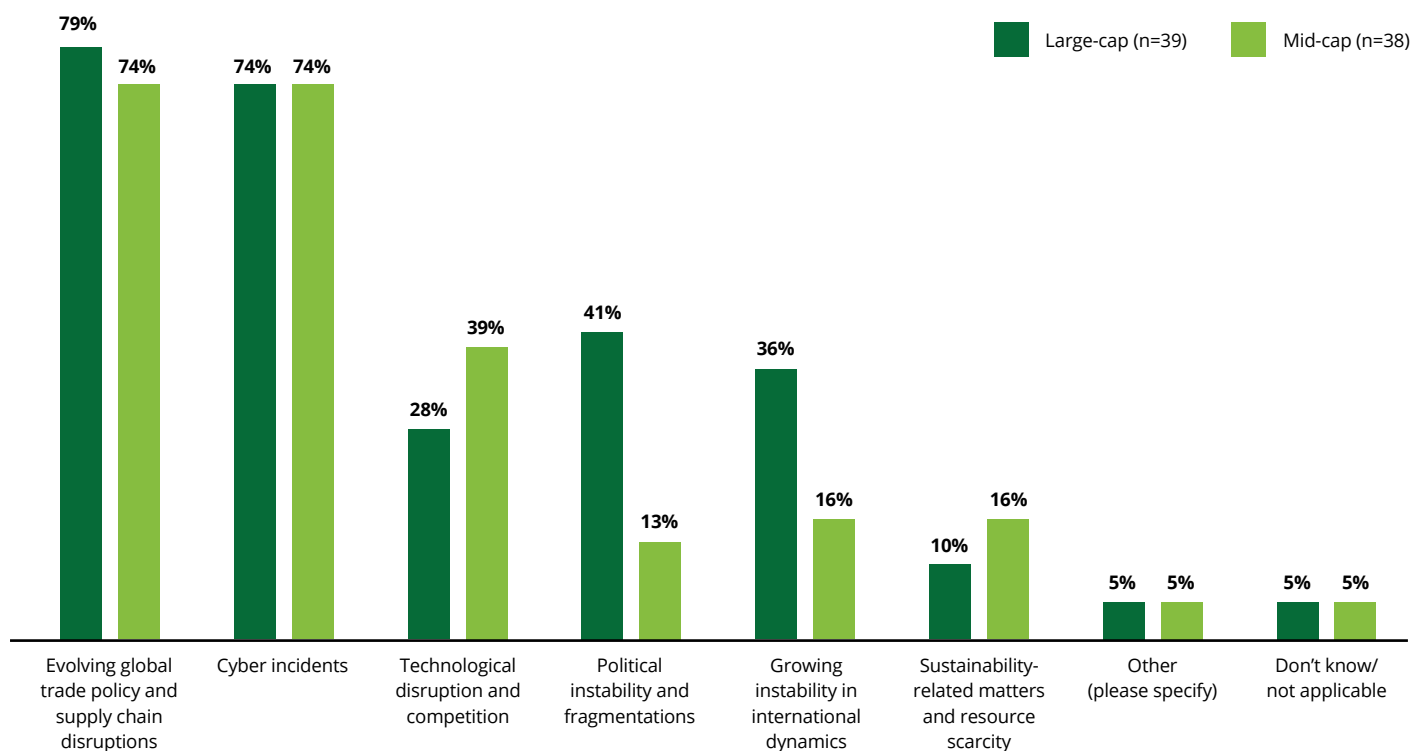
Canada, Europe, and Asia were the most common areas of non-US operations for public companies overall and for large-caps. However, for mid-caps specifically, the second-most common country or region after Canada was Mexico. For private companies with global operations, the most reported areas outside the US were Canada, Mexico, and East Asia.



Indicate which of the following geopolitical risks your company is currently most focused on.

The top two geopolitical risks reported by both large- and mid-caps, as well as private companies, were 1) evolving global trade policy and supply chain disruptions and 2) cyber incidents. Rounding out their top three was political instability and fragmentations for large-caps, and technological disruption and competition for mid-caps and private companies.

Responses for “Other (please specify)” included: financial market volatility, regulatory fragmentation, global confidence in US as a trading partner, crisis management, employee safety, workforce crisis, and immigration policy.

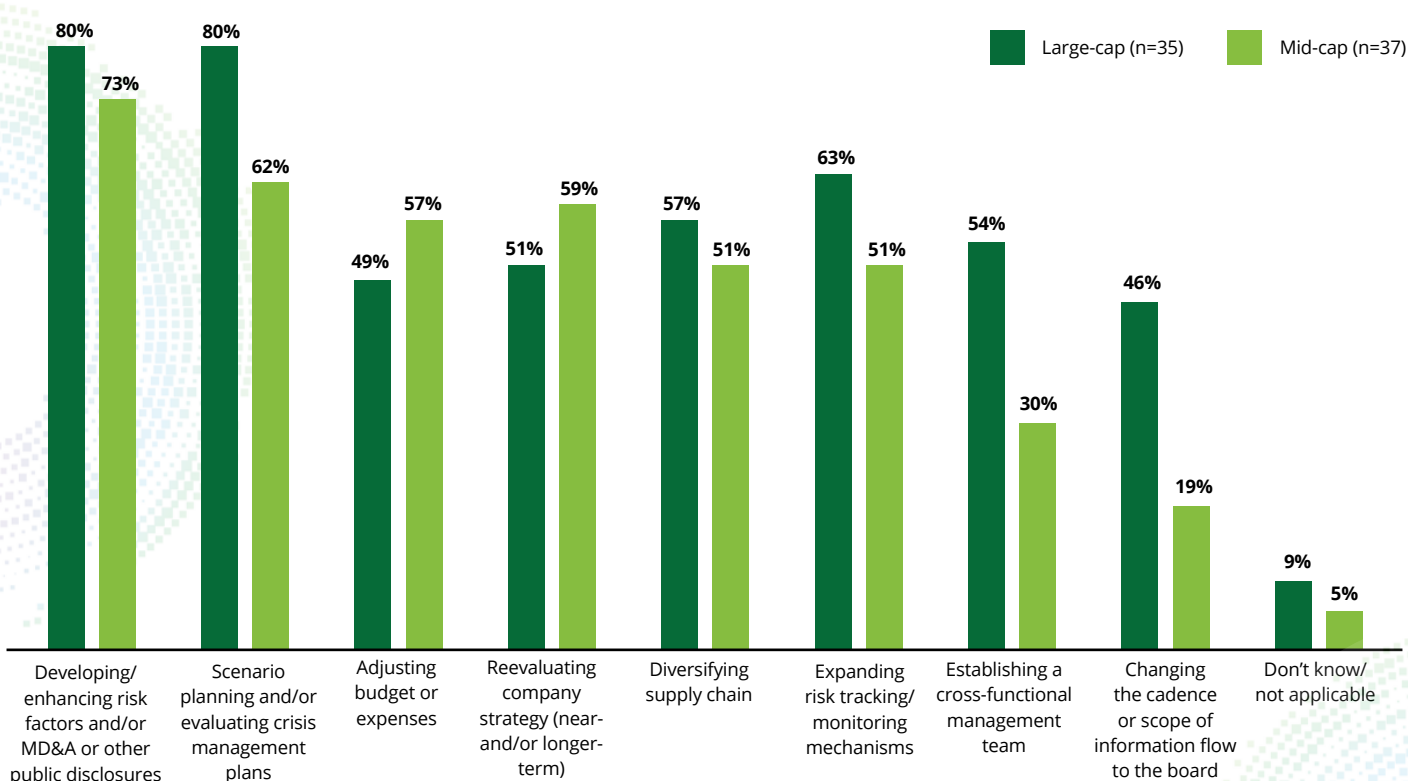


Does your company engage in any of the following to help mitigate and/or manage geopolitical risks?

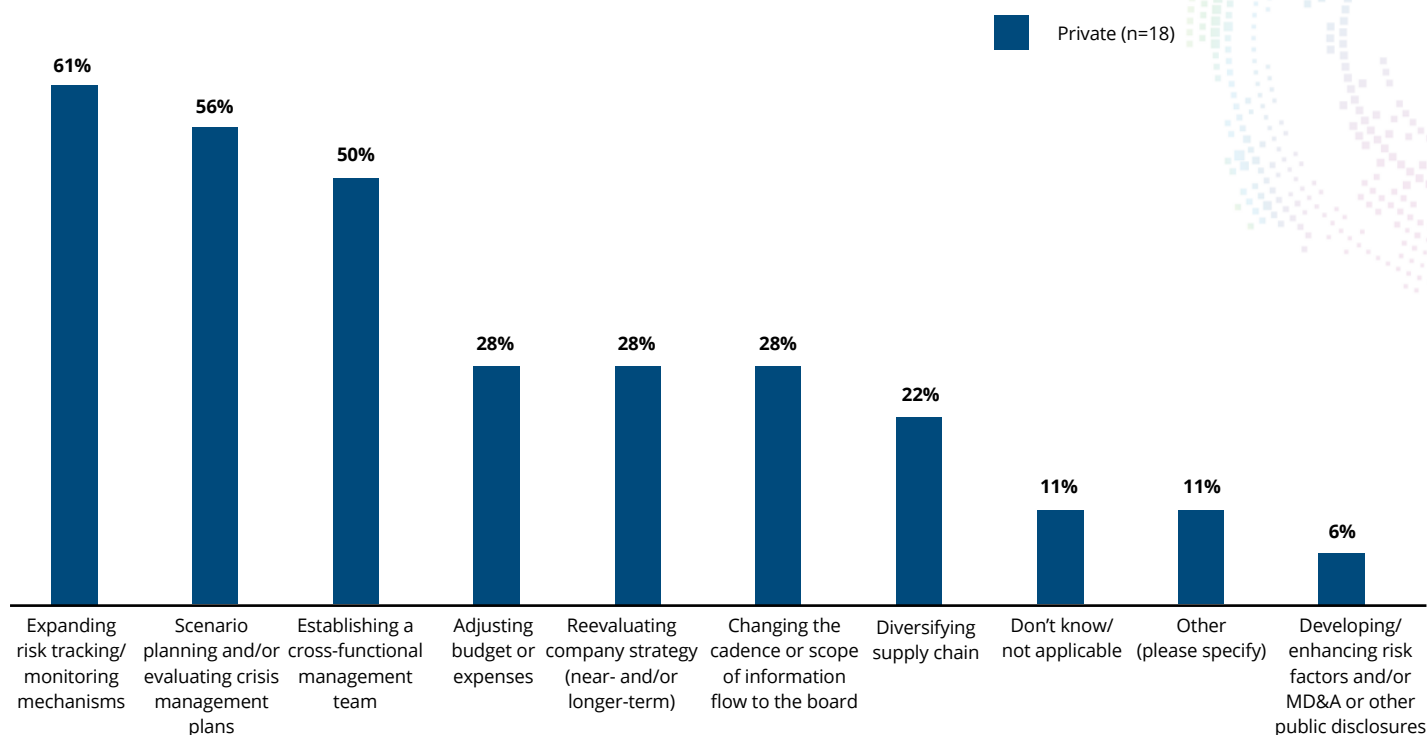
Significant differences between market caps as to how they mitigate and/or manage geopolitical risks pertained to:

- Establishing a cross-functional management team, as reported by 54% of large-caps and 30% of mid-caps.
- Changing the cadence or scope of information flow to the board, as reported by 46% of large-caps and 19% of mid-caps.
- Scenario planning and/or evaluating crisis management plans as reported by 80% of large-caps and 62% of mid-caps.

Private company responses for “Other (please specify)” included investments in and planning for cybersecurity.



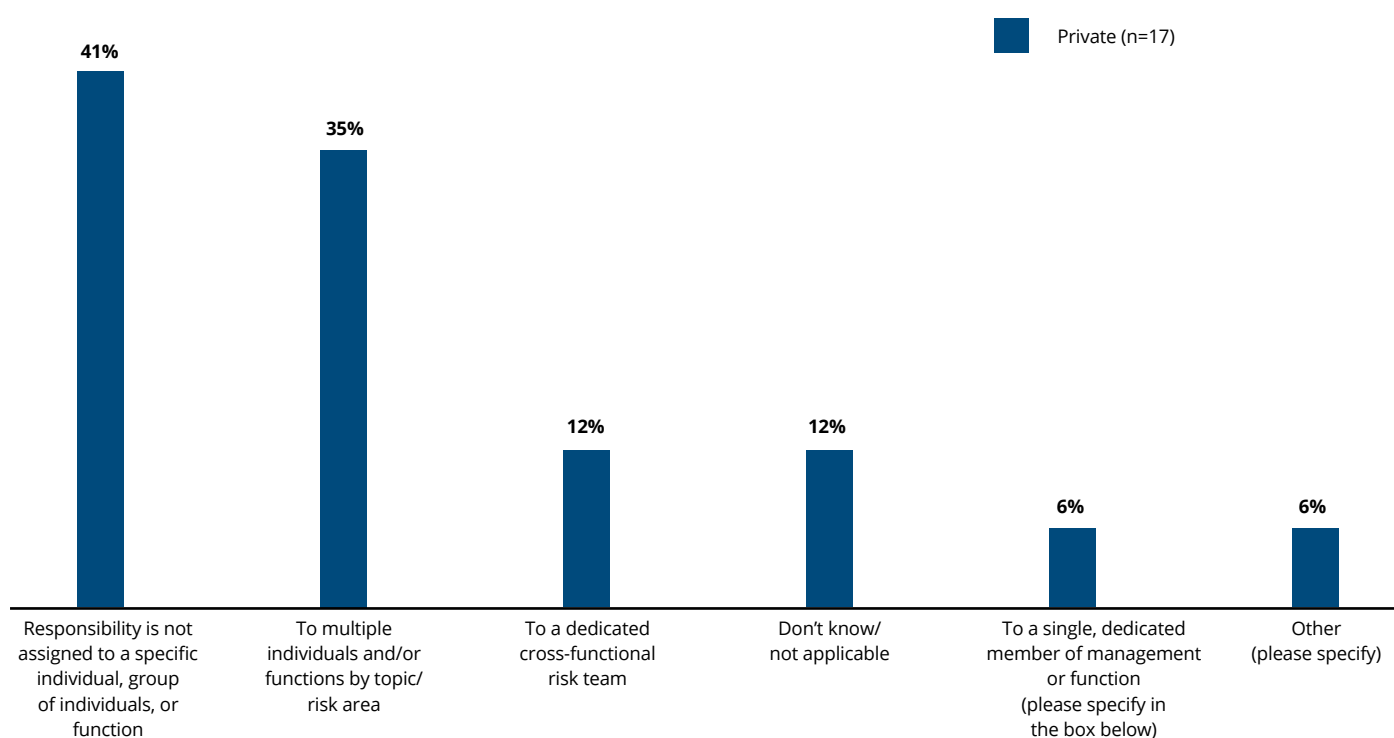
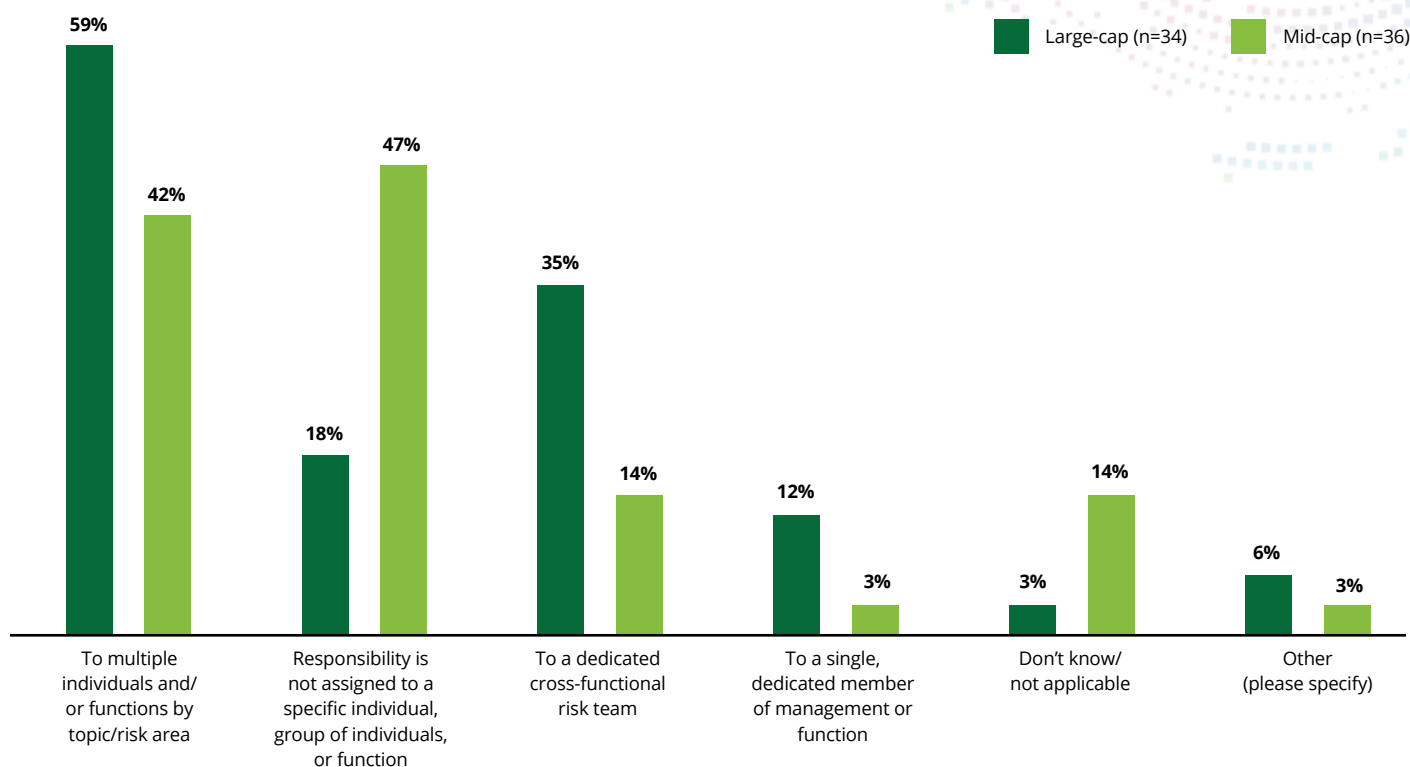
Note: No respondent answered “Other (please specify).”



How is responsibility for geopolitical risk assigned among management?

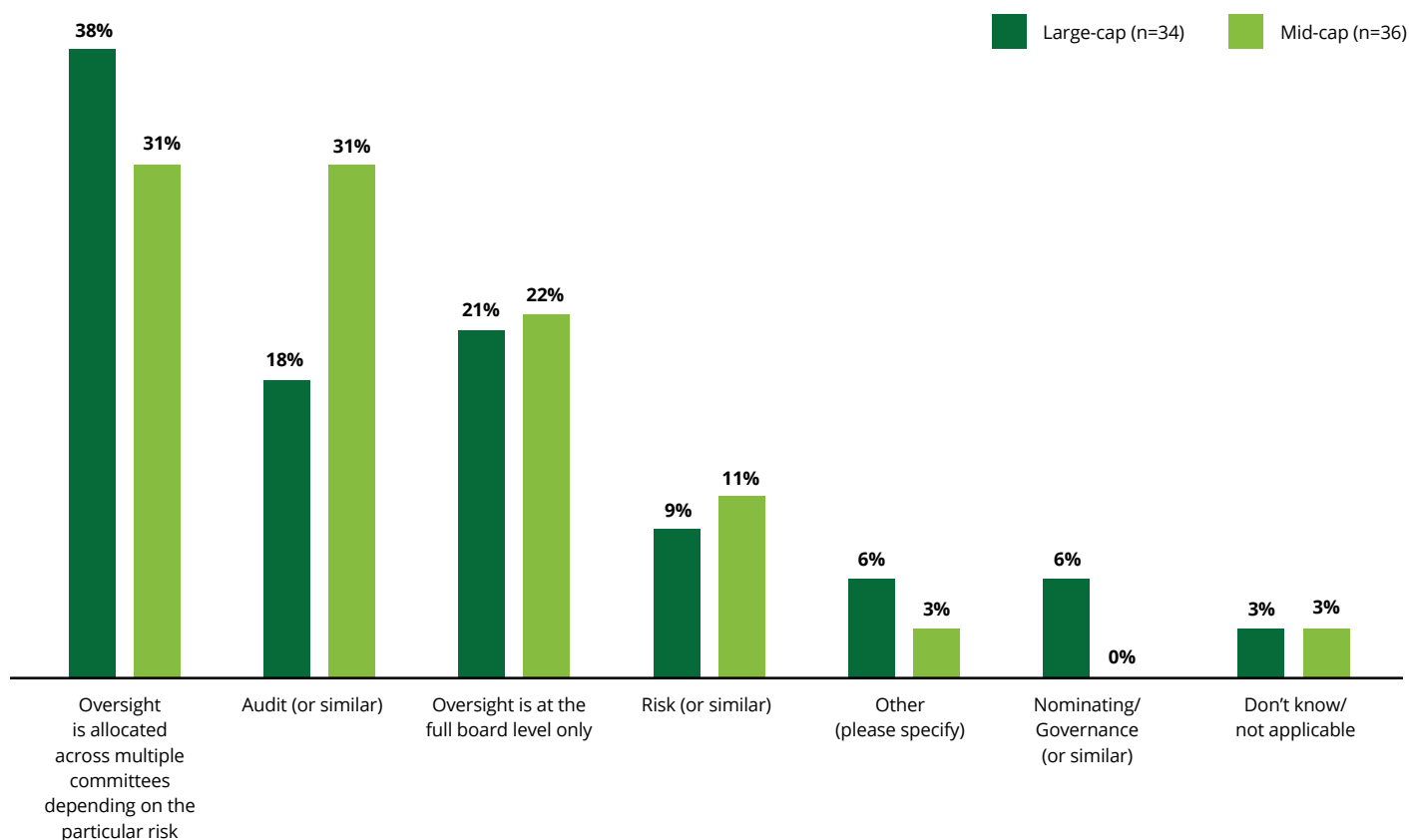
Both large-caps and mid-caps most often reported that geopolitical risk is assigned to multiple individuals and/or functions by topic/risk area (59% and 42%, respectively). However, another 47% of mid-caps, compared to only 18% of large-caps, reported it is not assigned to a specific individual or function. Further, 35% of large-caps assign geopolitical risk to a cross-functional team, compared to 14% of mid-caps that do so.

Some respondents who selected “To a single, dedicated member of management or function” specified the individual or function, which was: Director of Enterprise Risk Management and Cross-Functional Team, ERM Team, Chief Risk and Compliance Officer, Chief Investment Officer, and the Chief Legal Officer (who oversees Government Relations).

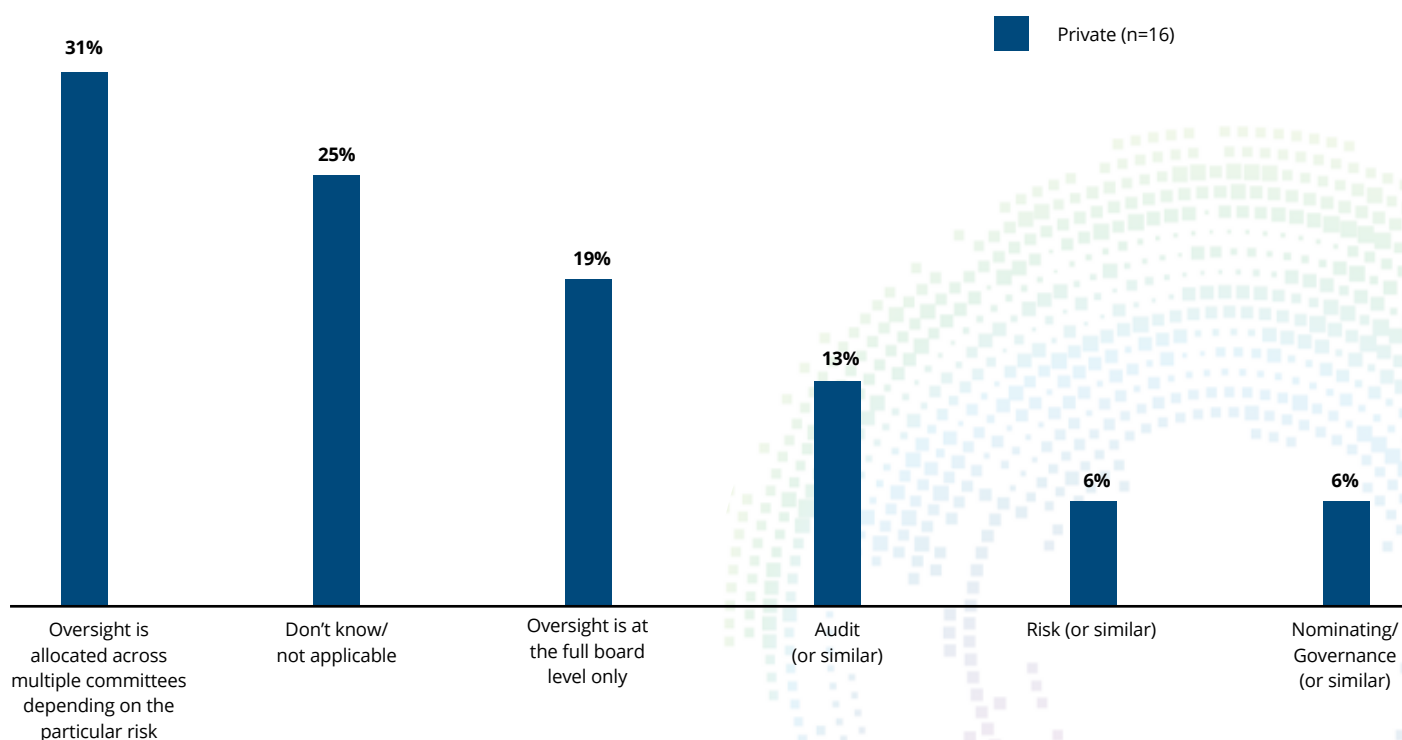


Which board committee has primary oversight of geopolitical risk?

While large-caps and mid-caps are comparable in terms of their allocation of primary geopolitical risk oversight to the full board (21% and 22%, respectively), variations across committees include allocation to the audit committee (reported by 18% of large-caps and 31% of mid-caps) and allocation across multiple committees (reported by 38% of large-caps and 31% of mid-caps).



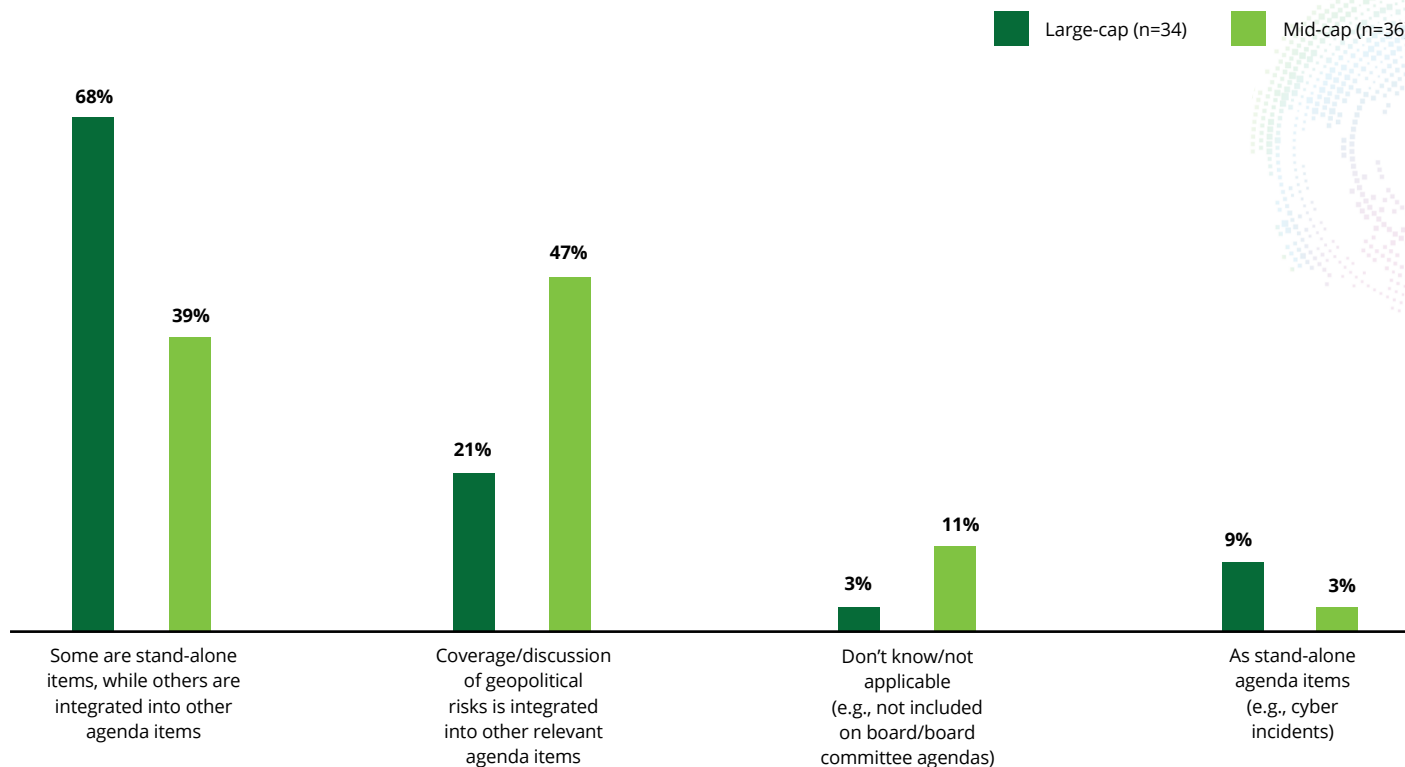
Note: No respondent answered "Compensation (or similar)."



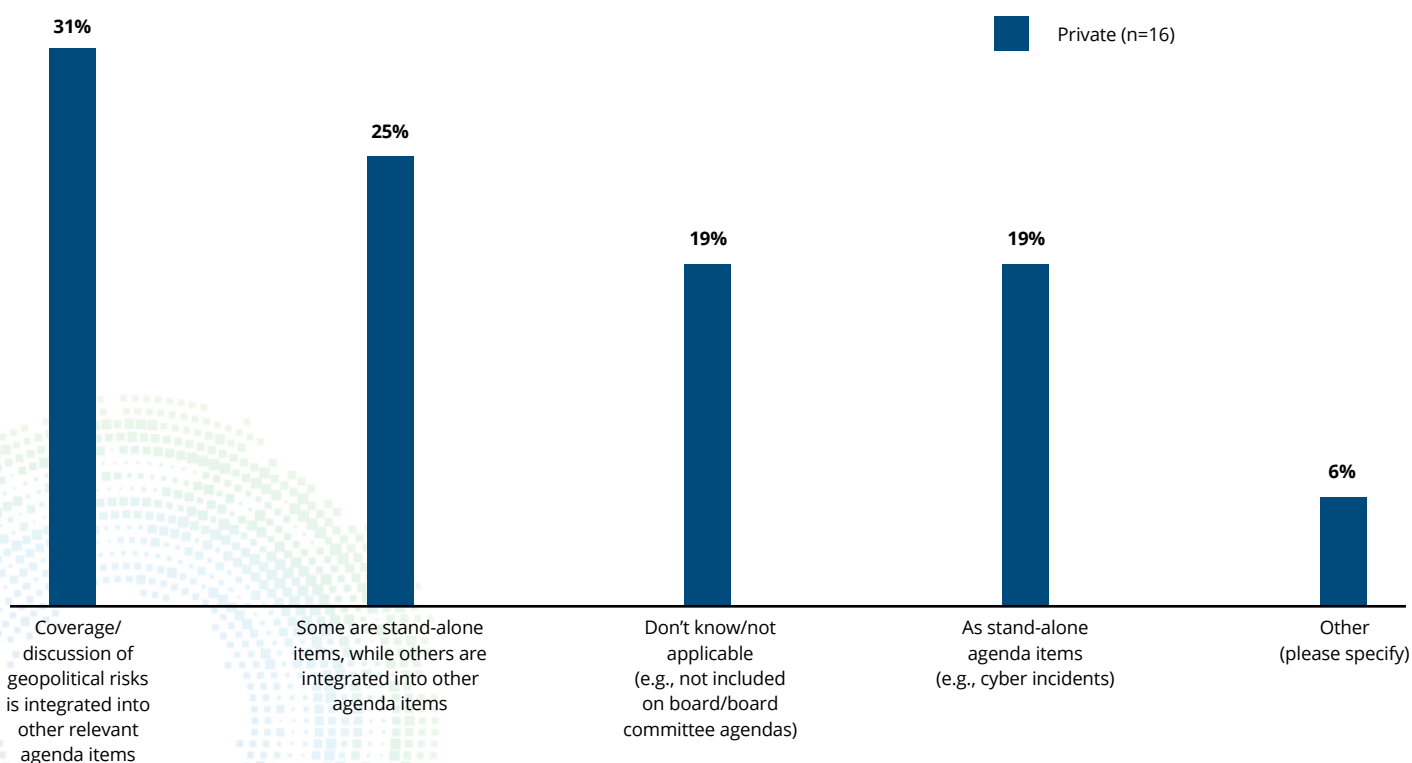
Note: No respondent answered "Other (please specify)" or "Compensation (or similar)."

How are geopolitical risks included on board and/or responsible board committee agendas?

Most large-caps (68%) reported that some geopolitical risks are stand-alone agenda items, while others are integrated into other agenda items, compared to 39% of mid-caps. In contrast, a plurality of mid-caps (47%) reported coverage/discussion of geopolitical risks is integrated into other relevant agenda items, compared to 21% large-caps. Private companies most commonly (31%) integrate coverage/discussion of geopolitical risks into other relevant agenda items.



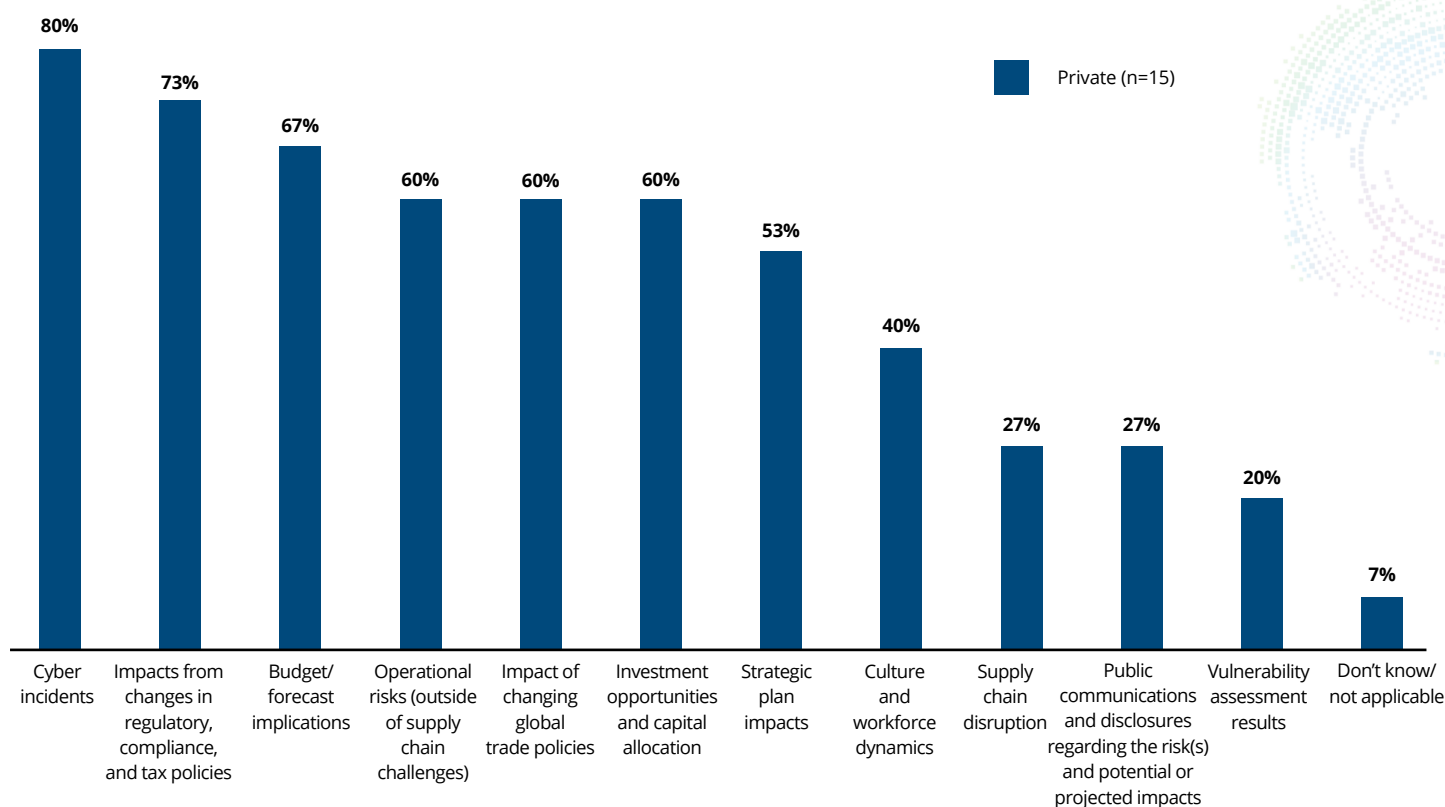
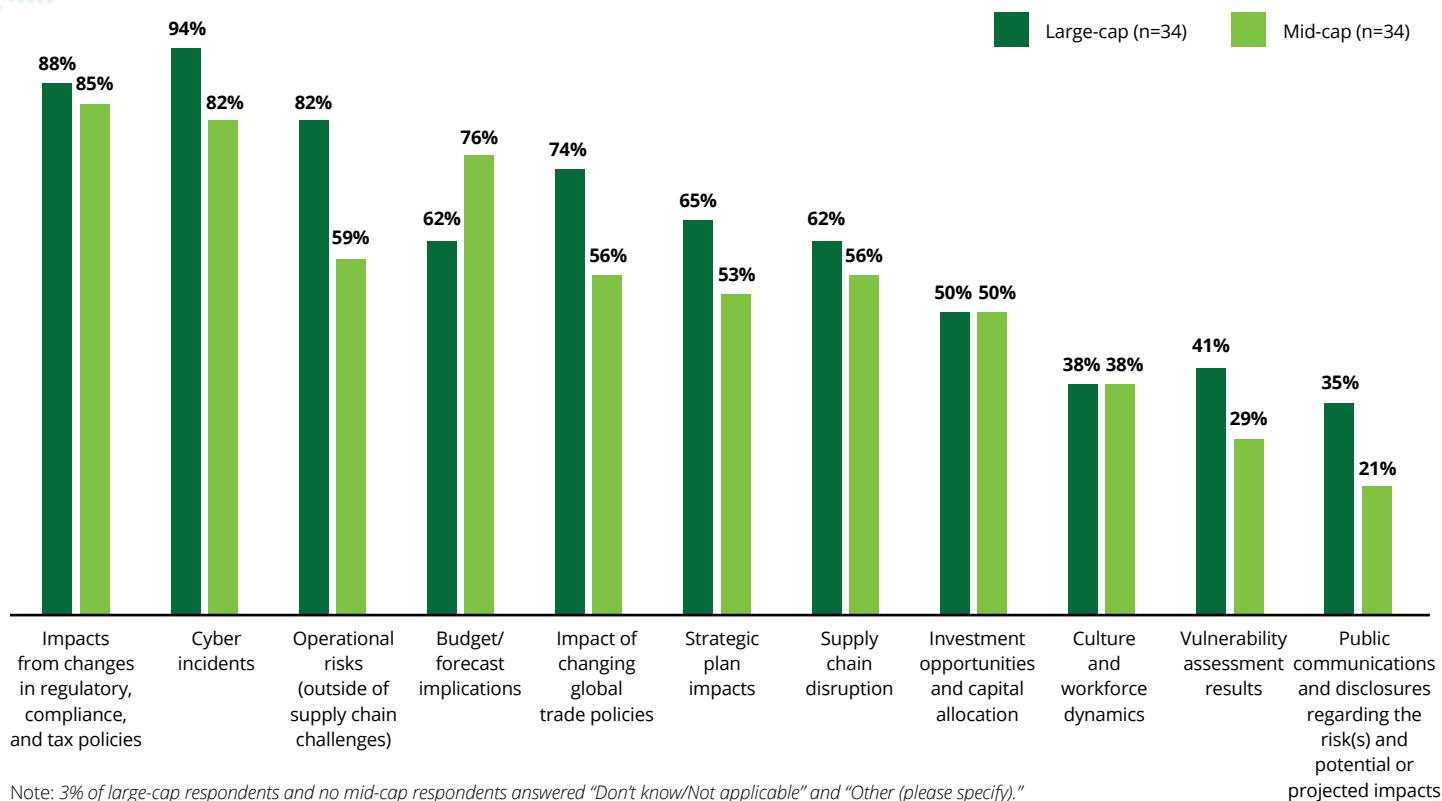
Note: No respondent answered "Other (please specify)."



Which of the following topics related to geopolitical risks and potential business impacts does management provide to the board?

Significant differences between market caps pertained to operational risks, as reported by 82% of large-caps and 59% of mid-caps, and the impact of changing global trade policies, as reported by 74% of large-caps and 56% of mid-caps. The topic of supply chain disruption was more prevalent among public company respondents as reported by 56%, compared to 27% of private companies.

Public company respondent commentary on other geopolitical risk topics reported to the board included impact on partners, joint ventures, and vendor relationships.



Is your board and/or management team assessing its composition for consideration of relevant skills, experience, or expertise in relation to geopolitical risks?

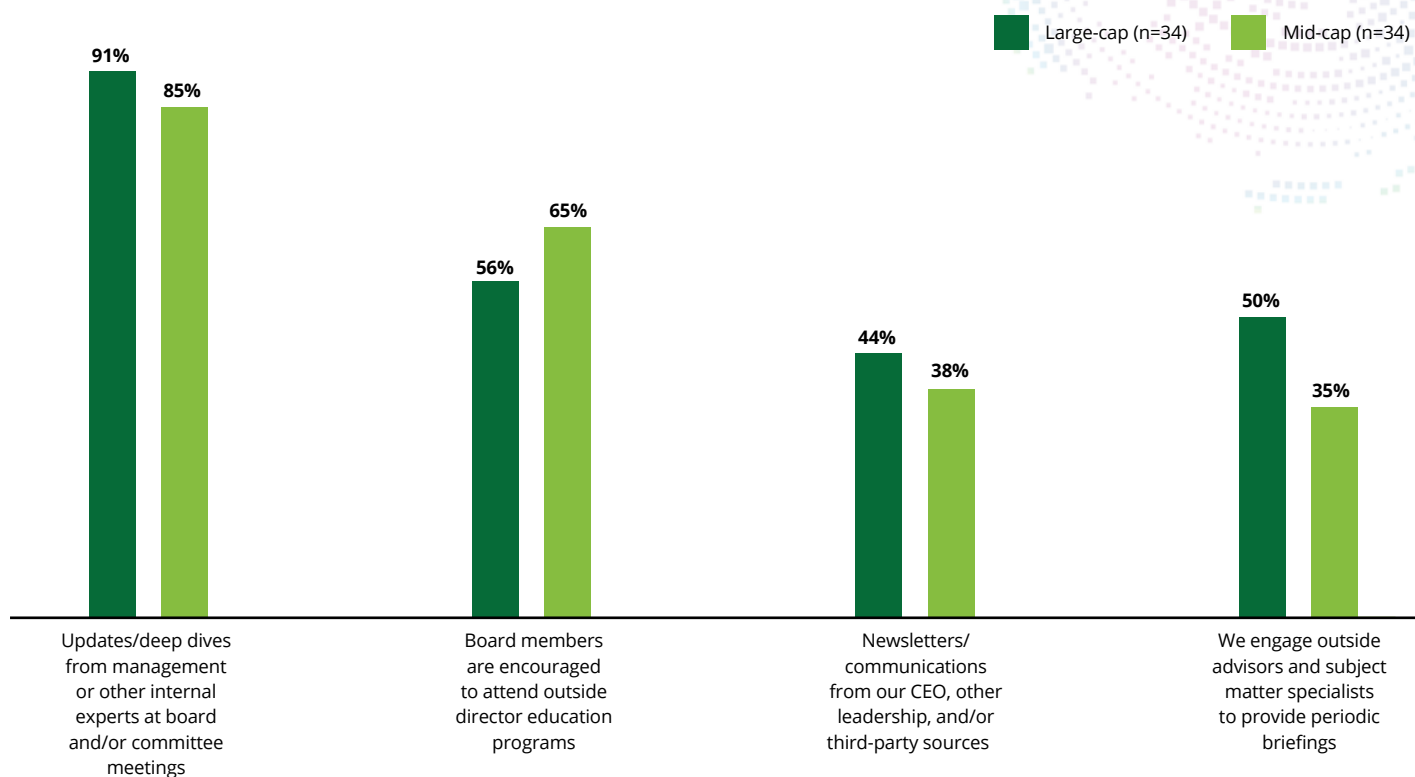
Large-caps are split at 38%, respectively, on whether the board and/or management team is or is not assessing its composition in relation to geopolitical risk. In contrast, both mid-caps and private companies most often report that neither the board and/or management is assessing its composition for this purpose, at 59% and 60%, respectively.



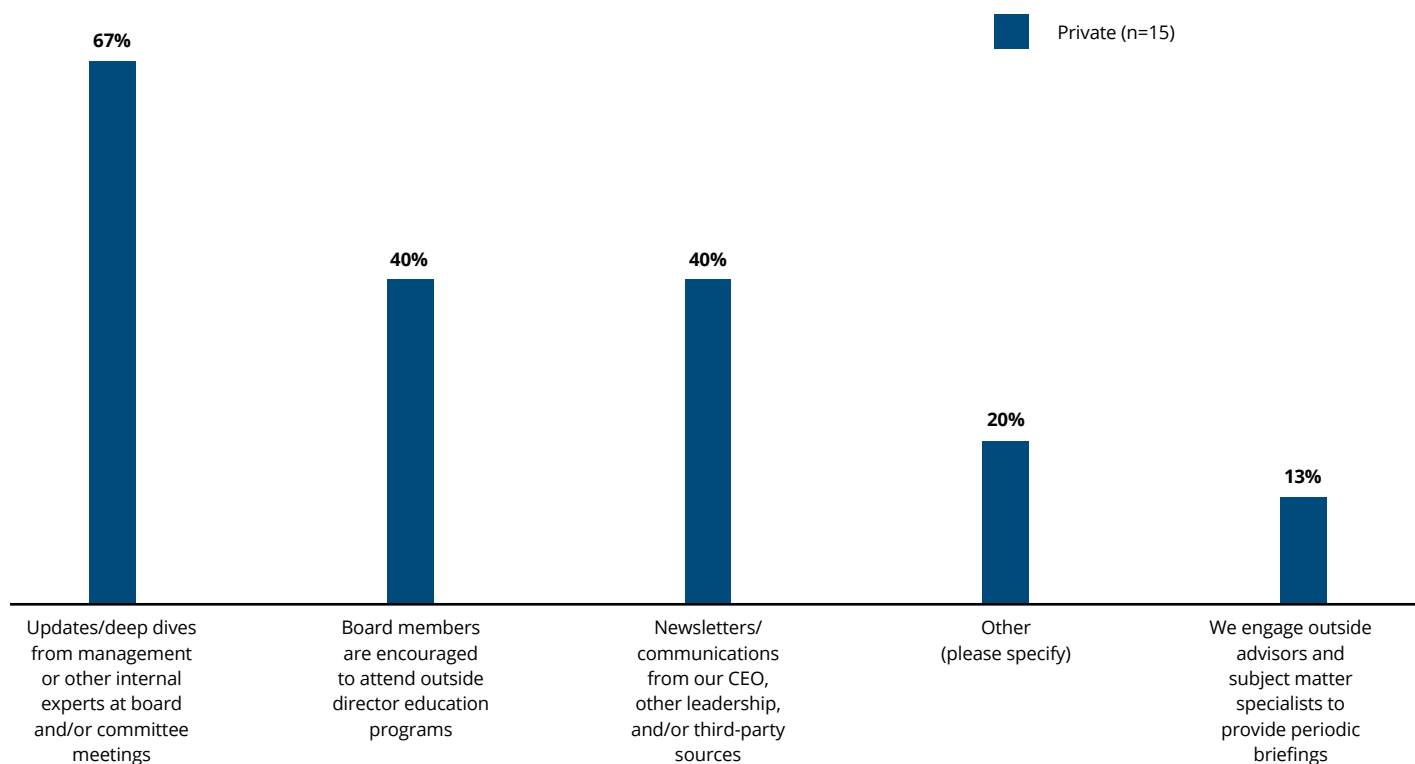
Note: No respondent answered "Yes, the board only."

How does your board stay educated and informed on various geopolitical risks?

Both public and private companies report that their boards utilize various mechanisms to stay informed on geopolitical risks with the most common being internal updates and deep dives. One notable difference between market caps is that 50% of large-caps engage outside advisors and subject matter specialists to provide periodic briefings compared to 35% of mid-caps.



Note: 3% of large-cap respondents and no mid-cap respondents answered "Other (please specify)."



Endnotes

1. Public company respondent market capitalization as of December 2024: 46% large-cap (which includes mega- and large-cap) (> \$10 billion); 46% mid-cap (\$2 billion to \$10 billion); and 8% small-cap (which includes small-, micro-, and nano-cap) (< \$2 billion). Respondent industry breakdown: 25% consumer; 25% energy, resources, and industrials; 24% financial services; 13% life sciences and health care; and 14% technology, media, and telecommunications. Private company respondent annual revenue as of December 2024: 53% large (> \$1 billion); 37% medium (\$250 million to \$1 billion); and 11% small (< \$250 million). Respondent industry breakdown: 28% consumer; 28% financial services; 22% energy, resources, and industrials; 17% life sciences and health care; and 6% technology, media, and telecommunications. Small-cap findings have been omitted from the “results by respondent demographic” section of this report due to limited respondent population.

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