

Proactive Planning for Complex Political & Systemic Risks



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Political Risks are Challenging

Political risks are:

- future external disruptors
- government actions **or** inactions
- driven by human factors +
- impact operations, top-line growth / revenue & bottom-line

However:

- only **29%** of global companies pursue a proactive approach to political risks management
- only **23%** integrate them into broader enterprise risk management on a regular basis
- only **22%** of boards plan around political risks *

What concerns lenders most?



“Absolutely” geopolitics is the #1 risk facing the world today

Sept. 28, 2023

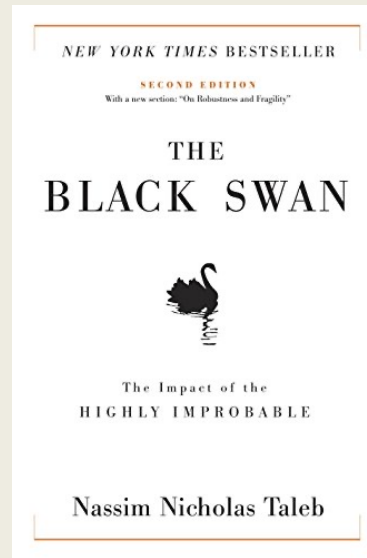
Jamie Dimon, CEO JP Morgan Chase

* Source: [EY Geostrategy in Practice 2021 survey](#)

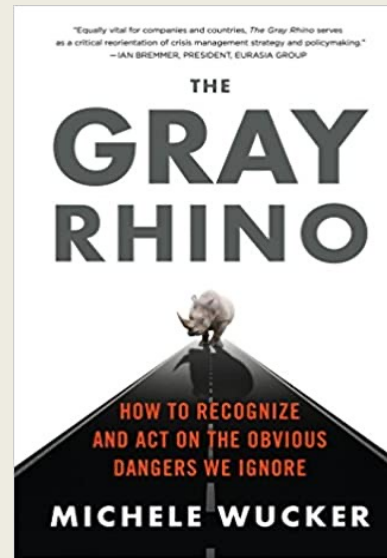
Survey size: 1,000 c-suite officers, half with revenues > \$5 billion.

Future Risk Types

Black Swans



Gray Rhinos



Political Risks = Jungle & Rainforest Combined



- Rare, hidden
- Highly improbable / unforeseeable yet often explained in hindsight as if predictable
- No choice in response
- 9/11, WMD use

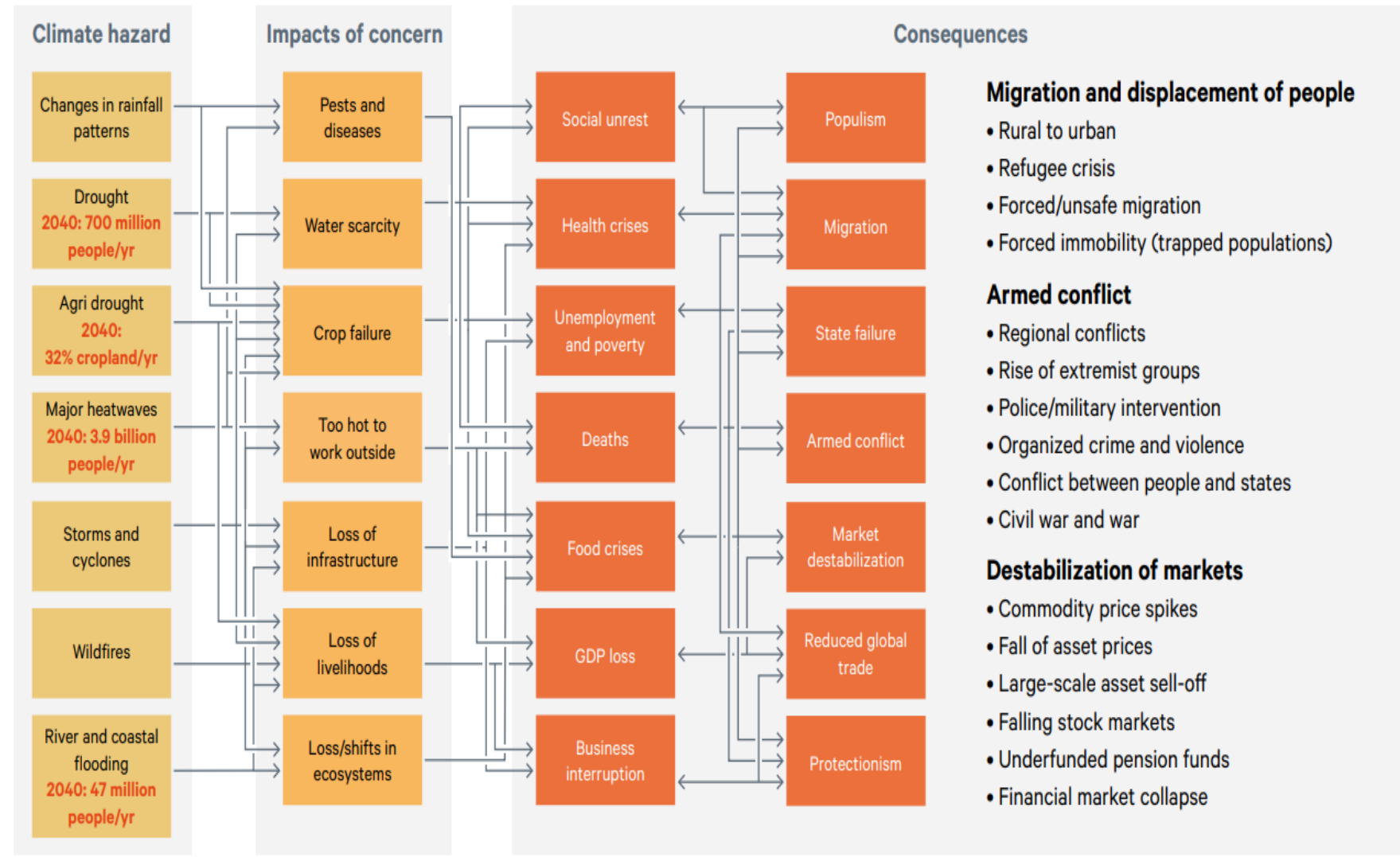
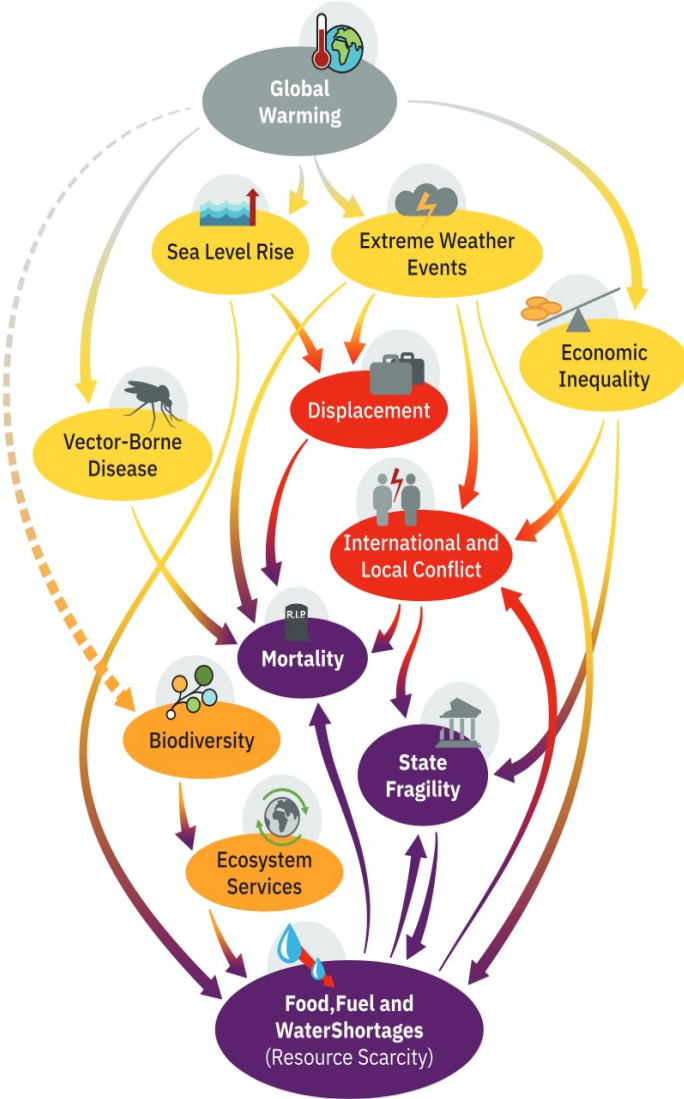
- Foreseeable, obvious
- Highly probable
- Choice to respond, or not & most likely responses inadequate
- Ignored / dismissed
- COVID-19, climate risk

- Hidden or obvious
- Highly improbable or probable
- How to respond?
- Diverse & complex
- Often dismissed
- Inherent in most ESG & UN's SDG
- Regulatory risks, sanctions, political violence & more

Political, Economic, Social, Technological, Legal & Environmental (PESTLE) Uncertainties



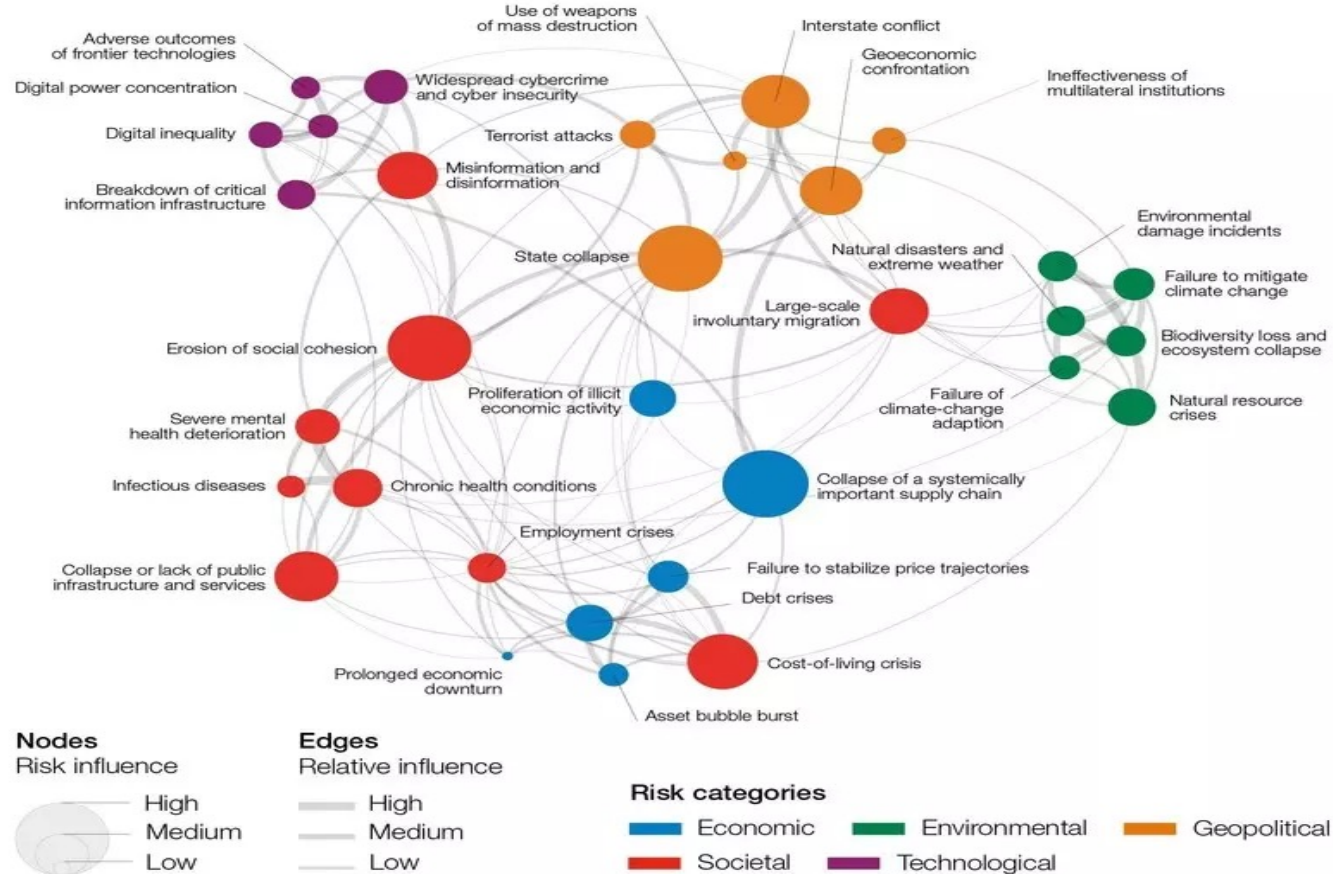
Gray Rhino: *Cascading Climate Warming Impacts on Geopolitics*



Interconnecting “Global Risks” 2023

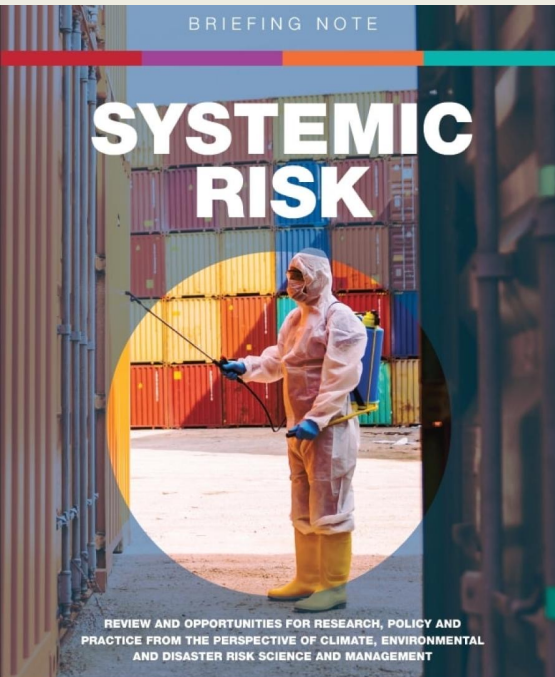
Global Risks Report 2023

Global risks landscape: an interconnections map



Source: World Economic Forum, Global Risks Perception Survey 2022-2023

Systemic Risk



Source: Global Assessment Report 2022, UNDRR

Systemic risk is associated with cascading impacts that spread within and across systems and sectors (e.g. ecosystems, health, infrastructure and the food sector) via the movements of people, goods, capital and information within and across boundaries (countries, regions and continents).

Trigger examples:

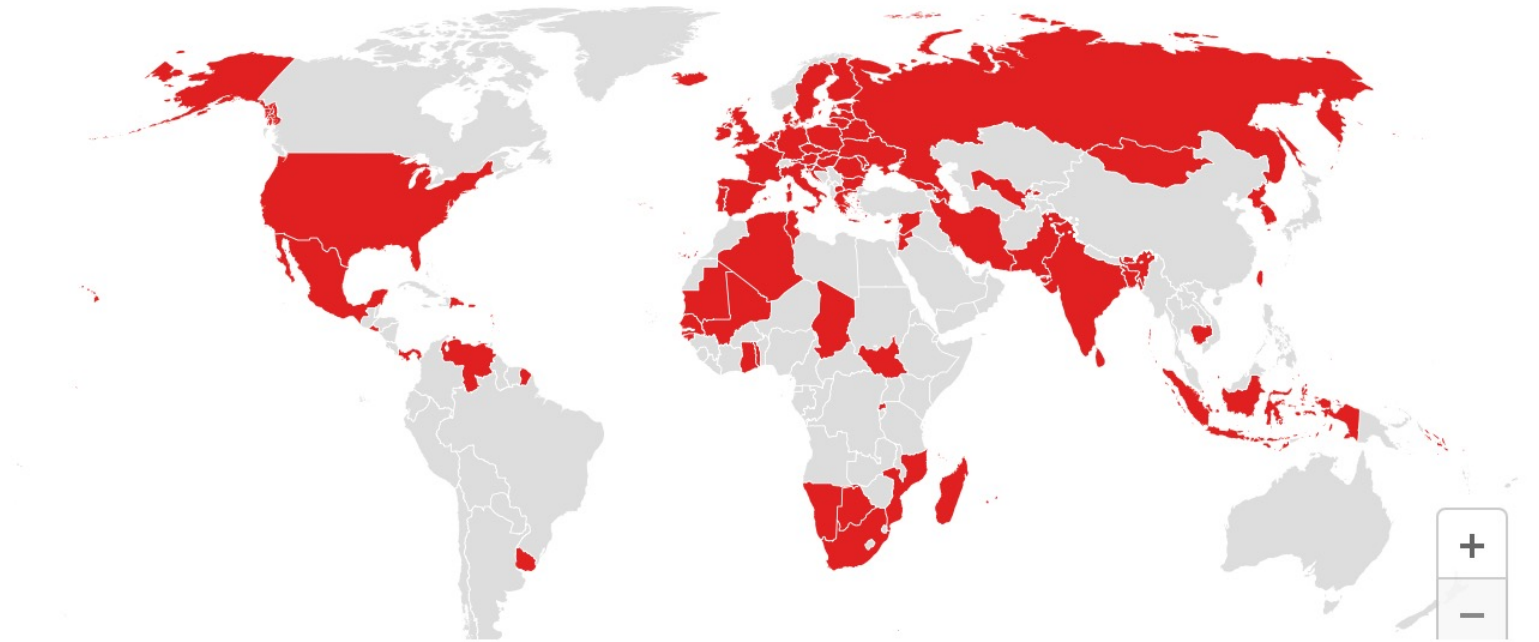
- 2023: Israel / Palestine
- 2022: Putin re-invades Ukraine
- 2021: single ship stuck in Suez Canal caused losses of ~\$9 billion/day
- 2019: Covid-19

Autocracy or Democracy? ... Global Elections in 2024



2024: The Ultimate Election Year Around the World

National elections are scheduled or expected in at least 64 countries, as well as the European Union, which all together represent almost half the global population.

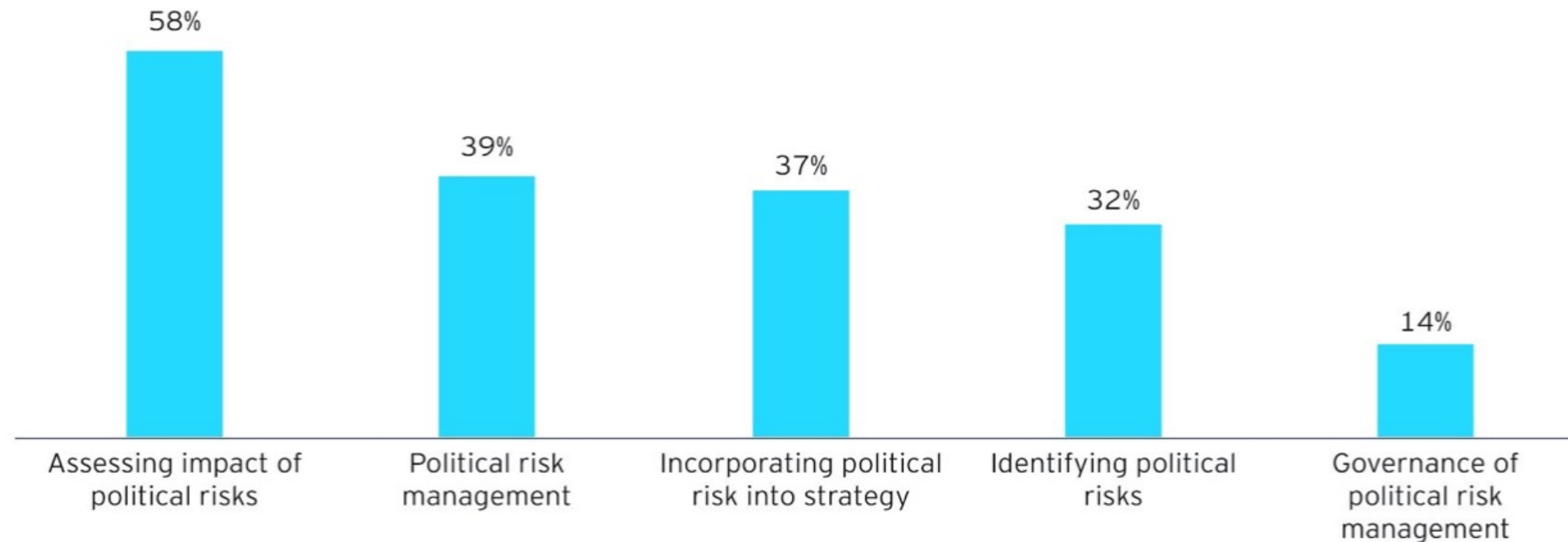


~50% of the world's population will vote in 2024

Futures Planning & Impact Assessments Needed

Executives prioritize improvement in political risk impact assessments

Which areas does your company most need to improve to overcome challenges and seize opportunities associated with political risks?



Source: *Geostrategy in Practice 2021*

Biases in Decision Making & Risk Analytics

Cognitive Biases

Anchoring Effect: relying too much on the initial piece of information offered

Availability Heuristic: overestimating the importance & likelihood of events given greater availability of information

Certainty Effect: overweighting certain outcomes compared to probable or possible

Cultural Bias: interpreting and judging by standards inherent to one's own culture

Group Think

Omission Bias

Overconfidence

Partitioning Bias

Quant Bias

Range Insensitivity

Ranking / Scaling Bias

Motivational Biases

Confirmation Bias: focusing on information that only confirms preexisting preconceptions

Precautionary thinking, pessimism: undesirability of a negative event or outcome

Wishful thinking, optimism: desirability of a positive event or outcome

Ostrich Effect: avoiding negative information

Desirability of options or choices

Either / Or Bias

History/Data As Guide. Present & Futures Planning Are Critical

Past /
History

Present

Multiple Possible
Futures

Hindsight

Insight

Foresight

Descriptive:
experience /
evidence from
metrics (KRIs, KPIs)

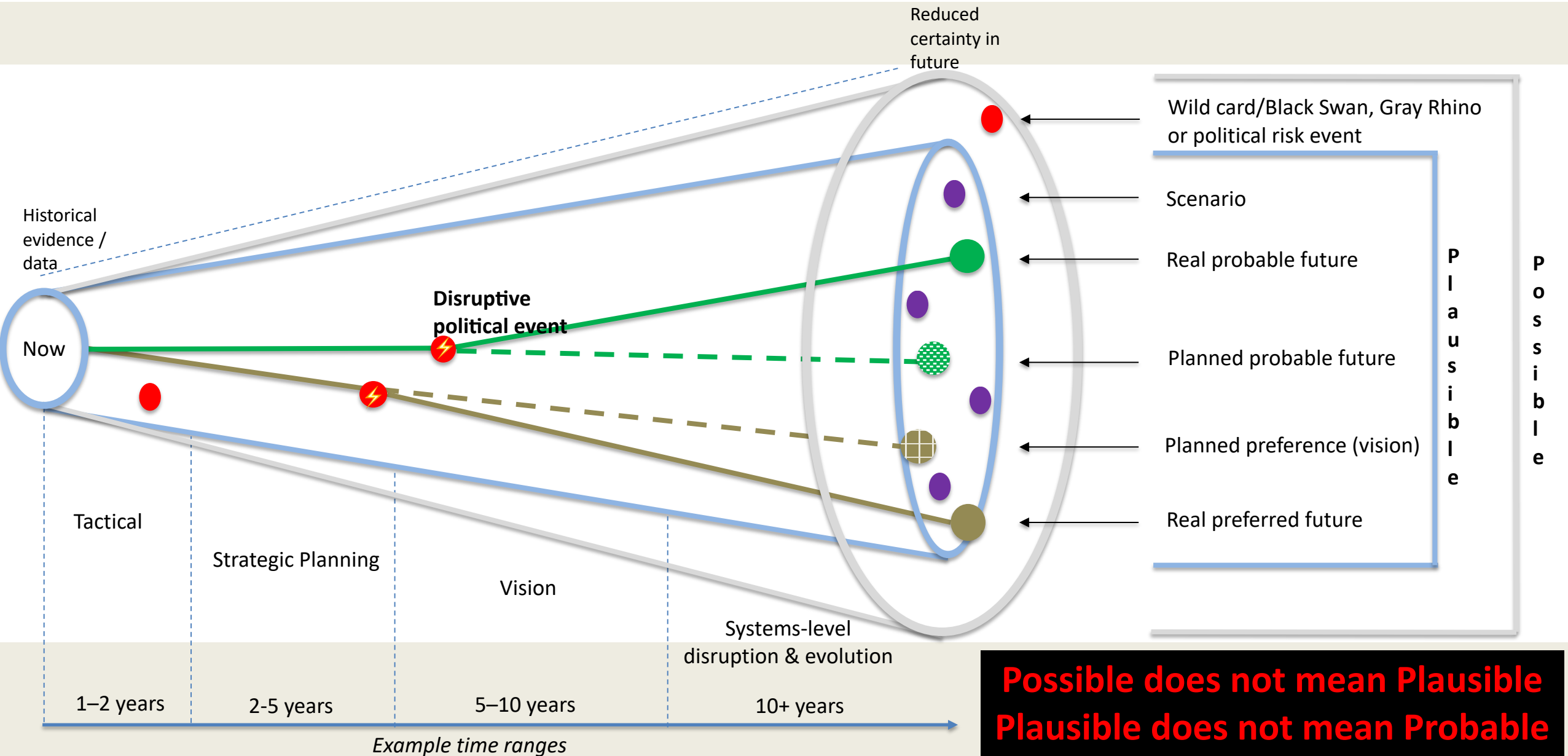
Diagnostic:
data mining, SME
insights, strategy &
planning

Predictive & Prescriptive:
Guessing 😂 or rigorous
scenario analysis &
accurate forecasting?

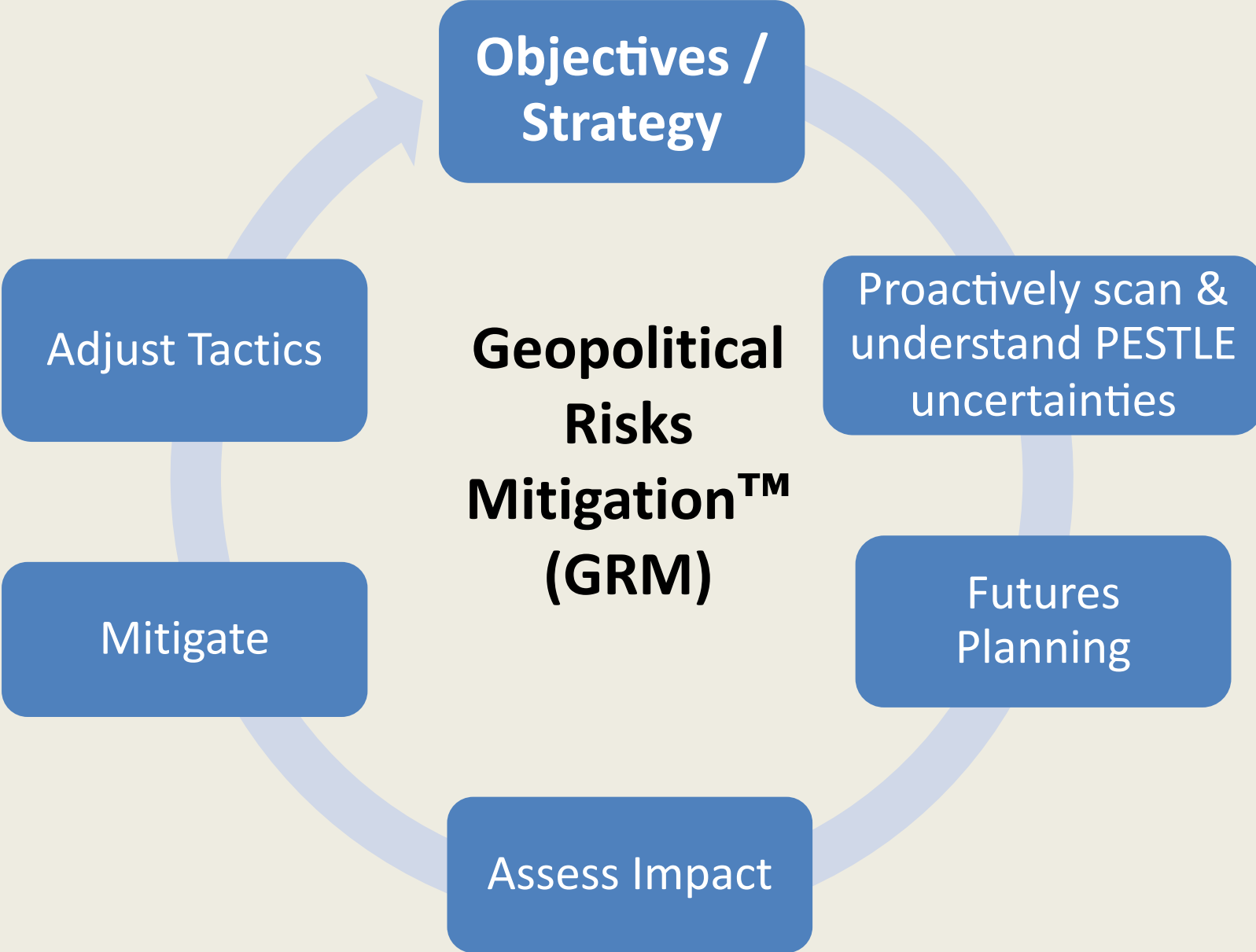
Increasing complexity & model risk →

Strategic futures planning is an integral part of risk management

The Cone of Plausibility & Strategic Planning



Our Holistic Approach to Political & Systemic Risks



Planning for Complex Political & Systemic Risks



“You can either react to an event or be proactive and plan for when they occur.”

Gregor McQueen - Founder & CEO of Geopolitical Risks Mitigation

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