

# 2024 FM GLOBAL RESILIENCE INDEX

## FREQUENTLY ASKED QUESTIONS

Visit [fmglobal.com/resilienceindex](https://fmglobal.com/resilienceindex) to learn more.

### Q: What is the Resilience Index, and what value does it offer?

The FM Global Resilience Index, publicly available at [fmglobal.com/resilienceindex](https://fmglobal.com/resilienceindex), is a data-driven tool that provides executives, risk managers, CSOs, or any role responsible for business planning a means for understanding the relative resilience of 130 countries' and territories' business environments. Users can derive insights into a country's vulnerability to disruptive events and ability to recover swiftly.

As the world continues to experience disruption, the Resilience Index provides a context to inform strategic decision-making pertaining to risk evaluations of supply chains, owned locations, siting of new facilities, and acquisition/divestment due diligence.

The Resilience Index helps organizations build resilience responsibly, which is critical to business success—whether adjusting to climate change, resource scarcity, geopolitical instability, or Environmental, Social and Governance (ESG) concerns.

### Q: What can decision-makers do with the data in the Resilience Index?

The results help executives gain strategic-level insights to inform decision-making. With discipline-specific accountabilities relating to enterprise risk management responsibilities of an organization (e.g., finance, supply chain, risk management, legal, real estate, procurement, global security), the Resilience Index provides a set of data points to evaluate country-inherent exposures to businesses.

Some of the world's leading organizations have incorporated Resilience Index data directly into their own corporate dashboards to:

- Evaluate suppliers and supply networks.
- Prioritize where they should focus risk management and investment efforts.
- Inform decisions about where to locate new facilities.

The Resilience Index can also help governments evaluate their country's attractiveness for foreign investment, such as where to strengthen infrastructure, adopt new building codes and standards, or strengthen natural hazard and fire risk management.

### Q: What is new in the 2024 Resilience Index?

#### Differentiates between physical and macro risk factors

- Physical Factors
  - » Climate Risk Exposure
  - » Climate Change Exposure (NEW)
  - » Climate Risk Quality
  - » Seismic Risk Exposure
  - » Fire Risk Quality
  - » Cybersecurity
- Macro Factors
  - » Productivity
  - » Health Expenditure
  - » Education (NEW)
  - » Inflation (NEW)
  - » Political Risk
  - » Control of Corruption
  - » Logistics (NEW)
  - » Internet Usage (NEW)
  - » Urbanization Rate
  - » Water Stress (NEW)
  - » Green House Gas (GHG) Emissions (NEW)
  - » Energy Intensity

#### Additional territories

Natural hazard exposures for large countries have led to changes in the regions of the Resilience Index, now dividing the following countries into three regions:

- Canada (NEW)
- India (NEW)
- China
- United States

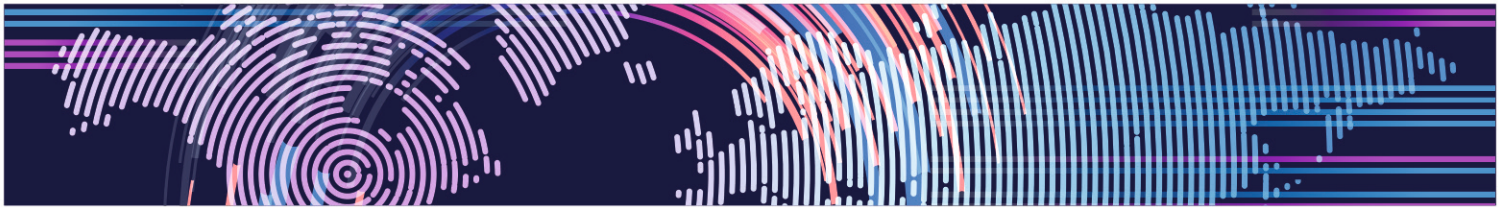
#### Validation

The 2024 Resilience Index demonstrates that locations in countries ranked in the top 50 recover over 30% faster from property losses, on average, than locations in other countries. The evidence is consistent across composite, macro, and physical rankings.



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**Q: I'm concerned about risks related to a changing climate and also want to better embrace ESG values. Can the Resilience Index help me?**

Yes. The 2024 Resilience Index includes factors related to climate risk: Climate Risk Exposure, Climate Change Exposure, and Climate Risk Quality. Data availability at the country level includes these climate risks: windstorm and riverine flood. These factors offer insight into which countries are more resilient to these climate risks.

The online tool provides a convenient means by which to access the factors of resilience that are focused on climate risk, which can help with ESG reporting.

**Q: How were the physical and macro factors selected for the Resilience Index?**

The factors, which are reviewed annually for relevance and data quality, were selected based on the following criteria:

- Demonstrating an impact on a country's resilience to disruptive events.
- Having sufficient sensitivity statistically to show changes in resilience without so much volatility that they would disrupt the Resilience Index.
- Offering data produced credibly and consistently over time.

**Q: Where does the data for the Resilience Index factors come from?**

The index compiles data from the following sources and combines them with data gathered over many years by FM Global's property risk engineers, who visit and assess more than 100,000 locations annually across the world.

- FM Global (Factors: Climate Risk Exposure, Climate Change Exposure, Climate Risk Quality, Seismic Risk Exposure, Fire Risk Quality)
- United Nations (Factors: Cybersecurity, Education, Internet Usage, Urbanization Rate)
- World Bank (Factors: Political Risk, Control of Corruption, Logistics, Water Stress)
- International Monetary Fund (Factors: Productivity, Inflation)
- World Health Organization (Factor: Healthcare Expenditure)
- International Energy Agency (IEA) (Factor: GHG Emissions)
- U.S. Energy Information Administration (Factor: Energy Intensity)

**Q: How does the ranking and scoring work?**

Rankings are based on country scores. The scores are relative and based on a range of 0 – 100 points. A country with a score of 100 is not "perfectly" resilient, but simply the most resilient of the 130 countries and territories in the Resilience Index. The composite scores are the equally weighted average of all factors. This is a well-established and widely used method for index construction.

**Q: Do country scores change much from year to year?**

For credible and useful comparison purposes, country scores are calculated for a five-year period. When improvements or adjustments are made to a factor, the data for that factor for each country or region is also updated for the previous four years to allow valid comparison. Depending on individual circumstances, some countries have risen or fallen more than 10 places year over year, while others moved within a small range. As a composite Resilience Index with relative country scores, individual changes in a nation's or territory's ranking need further investigation to qualify the reasons for that change from one year to another.

**Q: What causes countries to rise or fall?**

Changes in a country's position on the Resilience Index are influenced by changes in the underlying 18 factors that affect the resilience of a country's business environment. Sometimes, worsening scores for one factor can be offset by improvements in others. At the factor level, a change of fewer than five or six places from the prior year does not necessarily point to a specific cause for concern because the Resilience Index provides a relative measure of resilience across countries rather than an absolute measure.

**Q: Do individual factors, such as resource scarcity (or any factor, for that matter), change more frequently than an annual index can address?**

To some extent. Any factor can change suddenly or fluctuate on a short-term basis. The Resilience Index captures the longer-term enduring trends and offers a helpful tool to assess business risks and opportunities.

