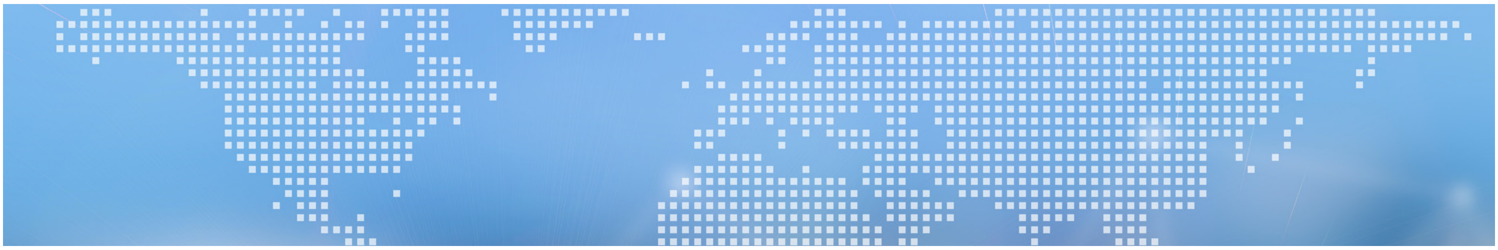

2020 FM GLOBAL RESILIENCE INDEX

FREQUENTLY ASKED QUESTIONS

1. **The FM Global Resilience Index is the first data-driven tool to rank 130 countries and territories according to their enterprise resilience to disruptive events. It aggregates 12 drivers of resilience into three factors (categories)—economic, risk quality and supply chain.**
    - The four drivers of the economic factor are productivity (i.e., gross domestic product [GDP] per capita), political risk, oil intensity (a measure of a country's vulnerability to changes in oil prices and supply) and urbanization rate.
    - The risk quality factor consists of a country's exposure to natural hazards, the quality of its natural hazard risk management, the quality of its fire risk management and its inherent cyber risk.
    - The supply chain factor includes control of corruption, quality of infrastructure, corporate governance and visibility of supply chain across a country.

2. **What is the purpose of the index?**
With the index, executives will be able to prioritize their enterprise risk management and investment/expansion decisions and gain powerful insights about risk and opportunities to guide their strategy in five key areas:
    - Determining which locales are most resilient to disruptive events
    - Siting new facilities or expanding existing ones
    - Selecting suppliers
    - Evaluating established supply chains
    - Identifying customers who may be vulnerable

3. **Does the Resilience Index reflect the risk of pandemics?**
While pandemic risk is not explicitly measured in the index, a country's enterprise resilience to disruptive events offers a reliable platform for businesses trying to rebound from the impact of a pandemic. A productive economy, high risk quality and strong supply chain environment — core elements of enterprise resilience for a country and factors that yield high index rankings — provide favorable conditions for most business challenges.

4. **Where does the data for the index come from?**
Gross domestic product (GDP) data are sourced from the International Monetary Fund, and oil data are sourced from the U.S. Energy Information Administration. Data on political risk and control of corruption are obtained from the World Bank's "Worldwide Governance Indicators," which aggregates 31 existing data sources. The data on infrastructure and corporate governance come from the Global Competitiveness Report compiled by the World Economic Forum based on its annual survey of thousands of executives. Data on supply chain visibility also are sourced from the World Bank, specifically from its Logistics Performance Index (LPI). The "Risk Quality" data comes from FM Global's own Risk*Mark*® benchmarking algorithm that calculates risk quality at the more than 100,000 properties it insures around the world. The "Inherent Cyber Risk" data are sourced from International Telecommunications Union (ITU), a division of the UN, and Freedom House, a nonprofit watchdog organization.

5. **How were 12 drivers chosen for enterprise resilience?**
The 12 drivers were selected from an initial test bed of 38 variables, and are reviewed each year for relevance and quality of data. They were selected based on their demonstrable impact on resilience; having sufficient sensitivity statistically to show changes in resilience without so much volatility that they would disrupt the index; and offering consistently produced data over time.

6. **How does the scoring work?**
The scores are relative and based on a range of 0 – 100 points. In other words, Norway, with a score of 100, is not "perfectly" resilient, but simply the most resilient of the 130 countries and territories listed. The composite scores are the equally weighted aggregate of the scores for economic, risk quality and supply chain factors. This is normal practice for contemporary major composite indices.

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7. **What can decision-makers do with the data in the index?**
Executives can use the results to gain strategic-level insight and guidance. With discipline-specific accountabilities relating to the overall enterprise risk management responsibility of an organization (e.g., finance, supply chain, risk management, legal, real estate, procurement, security), executives can use this index as a relevant set of data points to evaluate country-inherent exposure to their own business and that of their partners and customers. This evaluation allows them to prioritize where they should focus their risk management and investment efforts. It can also inform decisions about where to locate new facilities. For governments evaluating their country's attractiveness for foreign investment, the index can help them determine where to invest in strengthening infrastructure or to adopt new standards to strengthen natural hazard and fire risk management, for example.

8. **Do country scores change much from year to year?**
For credible and useful comparison purposes, country scores are calculated for a five-year period. Depending on individual circumstances, some countries have risen or fallen more than 10 places year over year, while others moved within a small range. Remember, being a composite 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.

9. **What causes countries to rise or fall?**
Changes in a country's position on the index are influenced by changes in the underlying 12 core drivers that affect enterprise resilience to disruptive events. Sometimes worsening scores for one driver can be offset by improvements in others. At the driver level, as a rule of thumb, a change of fewer than six places from the prior year does not necessarily point to a specific cause for concern because it is a relative measure of resilience across countries rather than an absolute measure.

10. **Don't individual drivers such as political risk or oil intensity (or any driver, for that matter) change more frequently than an annual index can address?**
This is true to some extent. A single driver can be affected significantly in one year, but in turn be offset by other drivers collectively shifting in the opposite direction. As a composite index, with year-over-year data, the comparative rankings offer decision-makers a helpful tool to assess business risk and opportunities on a global basis.

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