RESILIENCE INDEX **EXECUTIVE SUMMARY**

2018 KEY RESULTS

Switzerland, **Luxembourg** and **Sweden** occupy the top three positions in the 2018 FM Global Resilience Index. **Switzerland** ranks in the top 10 countries for the quality of its infrastructure and local suppliers, for its stable political situation and low corruption levels, and for its economic productivity. **Luxembourg** also scores highly for its economic productivity, political stability, low corruption levels, and low exposure to natural hazards. The country is an attractive domicile for companies seeking a continental European base, following the United Kingdom's vote to leave the European Union (EU) and ensuing "Brexit." This is relevant especially to financial institutions keen to continue their "passporting" rights to offer services freely across the EU. **Sweden** ranks tops for supply chain visibility (the ability to track and trace consignments across the supply chain); it also ranks highly for the quality of its local suppliers and low levels of corruption.

At the opposite end of the index are **Haiti** (ranked 130), **Venezuela** (ranked 129) and **Nepal** (ranked 128). Haiti is hampered significantly by its limited economic means and its 100 percent exposure to natural hazards. Still recovering from Hurricane Matthew in 2016, the Caribbean island was spared a direct hit from Hurricane Irma, but nonetheless suffered widespread destruction of homes and farms. **Venezuela** suffers from exposure to wind and earthquake and, additionally, to prevalent corruption and a dependency on oil to generate its economic wealth. Heavily exposed to earthquake risk, **Nepal** also experiences a high rate of urbanization, which can exacerbate businesses' risk of disruption and the ability to recovery swiftly.

The 2017 Atlantic hurricane season is reported as being the most expensive on record, causing over US$200 billion in damage in the United States. In August, Hurricane Harvey slammed into Texas, devastating communities through wind, rain, or the floods that followed. Next, came Hurricane Irma, which ravaged the northern Caribbean islands and prompted states of emergency in Puerto Rico, the U.S. Virgin Islands and Florida. Hurricane Maria continued the demolition, wiping out Puerto Rico's power infrastructure as the island struggled in the aftermath of Irma. Storm damage worldwide is estimated at US$370 billion, the second-costliest year since 1960. For companies with key facilities in countries or states exposed to such horrors, the lesson is clear: to build resilience through targeted investment in prevention and recovery programs. Countries in the index with significant wind exposure include **China Region 1** (ranked 69), the

Philippines (ranked 88), **Japan** (ranked 24), **Mexico** (ranked 62) and **US Region 1** (ranked 10).

The **Philippines** was the biggest faller in the 2018 Resilience Index, dropping 14 places. The deterioration in enterprise resilience is due primarily to a worsening in the country's political risk. In particular, the fall relates to the government's declaration of martial law over the Mindanao island in May 2017 and its ongoing war against terror. Inherent cyber risk also heightened for the islands, as the percentage of individuals with access to the internet rose from 40 percent to 55 percent. While this increases the exposure to cyber attack, the context is positive and reflects economic progress being made.

Escalating global disruption from cyber attacks continued in 2017, highlighted by two massive attacks: first, WannaCry ransomware and then the more sophisticated GoldenEye strain of Petya. Both exploited the EternalBlue vulnerability of Microsoft and should serve as a wake-up call to any who remain in denial as to the ferocity and seeming randomness of a data breach. As innovation in technology inexorably continues, building cyber resilience has become an essential element of sound business management. While robotics, artificial intelligence and machine-learning applications develop in industry, so too does the need for effective cyber security, with associated response and recovery systems.

The biggest riser in the 2018 index is **Indonesia** (ranked 75), which rose 19 places, owing to impressive reductions in political risk and corruption, reduced reliance on oil for economic productivity, and perceived improvements in the quality of both infrastructure and local suppliers. Indonesia is the largest economy in Southeast Asia, and the authorities continue their pursuit of a reform agenda, with a focus on macroeconomic stability and sustainable growth. Across the 12 index drivers which collectively contribute to a country's composite ranking in the index, the biggest threats to Indonesia's enterprise resilience are exposure to natural hazard combined with a high rate of urbanization, and relatively poor fire risk quality. Focused attention on improving both the building codes and their enforcement would do much to build enterprise resilience in the country.

CONCLUSION

The 2018 FM Global Resilience Index combines the core drivers of enterprise resilience to disruptive events across countries into a single tool. Building resilience is about minimizing vulnerability to loss while strengthening the ability to recover from it. The headlines from 2017 may highlight hurricanes and cyber risk, but other sources of disruption continue to strike. The Manchester terror attack and Grenfell Tower fire tragedy in the United Kingdom, the deadly earthquakes in Mexico, and the massive wildfires in Canada, California, southern Europe and Russia all focus attention on the continuous and global need for business to remain resilient.

About the Index

FM Global, one of the world's largest business property insurers, commissioned Pentland Analytics to develop the FM Global Resilience Index. Composite country scores and rankings are calculated based on 12 discrete drivers determined to be the most pertinent indicators of business resilience. These drivers are categorized into three factors, the core elements of resilience: economic, risk quality and supply chain.

The FM Global Resilience Index continues to rely on well-known, reliable and credible data sources, including the International Monetary Fund (IMF), the World Bank, the World Economic Forum (WEF), U.S. Energy Information Administration (EIA), United Nations and Freedom House. These combine with FM Global's proprietary data, generated by the insurer's 1,800 property risk engineers who evaluate more than 100,000 locations annually around the world. The availability of better data and technology has enabled refined measurement within the index for exposure to natural hazards, natural hazard risk quality and fire risk quality.

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