A. POLITICAL DIMENSIONS

Type of Governance
Analyses the development and transformation process towards democracy and market economy in international comparison; as well as examining associated qualities of democratic and autocratic authorities in governing institutions.

Government Effectiveness
Analyses countries/jurisdictions in terms of the overall degree of democracy within the political culture. The effectiveness and credibility of governance instruments used to improve the quality of public services, policy making and the degree of independence from political interferences.

Civil Liberties & Political Rights
Freedom House's evaluation of progress and decline in 195 countries. This includes both analytical and numerical ratings, which measures freedom according to two broad categories:

- Political Rights
- Civil Liberties.

Freedom of the Press
The degree to which each country permits the free flow of news and information determines the classification of its media as Free, Partly Free, or Not Free. The examination of the level of press freedom in each country comprises 23 methodology questions divided into three broad categories of Legal environment; Political environment; and Economic environment. Also evaluates the degree of freedom of expression and information that journalists enjoy in that particular jurisdiction and the whether the State respects and ensure press and journalistic freedom.

Freedom of Religion
Indicates the extent to which the freedom of citizens to exercise and practice their religious beliefs is subject to actual government restrictions.

Political Stability
Measures the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism. Also evaluates political interferences, supply chain disruptions, political violence, and other related risks that threaten the stability of the jurisdiction’s government.

Voice & Accountability
Captures perceptions of the extent to which a country’s citizens are able to participate in selecting their government as well as freedom of expression, freedom of association, and a free media.

Regulatory Quality
Captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.

Rule of Law
Evaluates and aggregates individual governance indicators for economies based upon six dimensions of government:

- Voice and Accountability
- Political stability
- Regulatory quality
- Rule of Law
- Control of corruption

Political Terror Scale
Measures levels of political violence and terror that a country experiences in a particular year. The ratings are based on Amnesty International and U.S. State Department Reports.
Armed Conflict
Reviews the clashing of interests (positional differences) over national values of some duration and magnitude between at least two parties that are determined to pursue their interests and achieve their goals. Conflict items include:
- Territory
- Secession
- Decolonization
- Autonomy
- System/Ideology
- National power
- Regional predominance
- International power
- Resources
- Other

Military Influence
Danger of disproportionate military capabilities impairing development checks of whether an unproportionately high share of military expenditures, military personnel and arms imports may have a negative effect upon human and economic development.

Human Rights
Aggregation of source material, which measures whether the State respects or has no respect of the following human rights indicators:
- Torture
- Extrajudicial killing
- Political Imprisonment
- Disappearance
- Foreign movement
- Domestic movement
- Freedom of Speech
- Freedom of Assembly and Association
- Global Worker’s Rights
- Electoral Self-determination
- Freedom of Religion
- Adherence to human rights

Fragile States Index
Reviews social, economic and political pressures faced by countries to determine most stable countries versus those at the most risk of collapse and violence. The factors analyzed are:
- SOCIAL
  - Mounting demographic pressures
  - Massive movement of refugees or Internally-Displaced Persons (IDPs)
  - Vengeance-Seeking Group Grievance
  - Chronic and sustained human flight and brain drain
- ECONOMIC
  - Uneven Economic Development
  - Poverty and sharp or severe economic decline
- POLITICAL AND MILITARY
  - Legitimacy of the State
  - Progressive deterioration of public services
  - Violation of human rights and rule of law
  - Security apparatus
  - Rise of factionalized elites
  - Intervention of external actors

Public Services & Education
Looks at the following aspects of a country’s public services:
- The frame of reference for both social and economic development by combining indicators of life expectancy, educational attainment and income into a composite human development indices.
- Snapshot of each economy’s level of Information and Communications Technology (ICT).
- Literacy percentage for total population. Low levels of literacy and education in general can impede the economic development of a country in the rapidly changing, technology driven world.
- Level of education.
- Assesses the world’s largest economies on their ability to absorb Information and Communications Technology (ICT) and use it for economic and social benefit. Network-readiness is a measure of the quality of a countries ICT infrastructure and the ability of its consumers, businesses and governments to use ICT to their benefit.
Research and Development
Looks at the expenditure for research and development and the percentage of high-technology exports (% of manufactured exports).

B. ECONOMIC DIMENSIONS

GDP
Evaluates Gross Domestic Product (GDP) as the sum of value added by all resident producers in the economy plus any product taxes (less subsidies) not included in the valuation of output, calculated without making deductions for depreciation of fabricated capital assets or for depletion and degradation of natural resources.

Natural Resources
Evaluates the oil production and exports of a country. Includes the production of petroleum (crude oil and natural gas plant liquids), dry natural gas, coal, and the net generation of hydroelectric power.

Poverty
National estimates of the percentage of the population falling below the poverty line based upon surveys of sub-groups. The results are weighted by the number of people in each group.

Debt
Looks at a country's total public and private debt owed to non-residents repayable in internationally acceptable currencies, goods, or services.

Military Expenditure
Evaluates countries based upon the spending on defense programs as a percent of Gross Domestic Product (GDP).

Country/Public Debt
Gives the cumulative total of all government borrowing less repayment that are denominated in a country's home currency. Public debt should not be confused with external debt, which reflects the foreign currency liabilities of both the private and public sector and must be financed out of foreign exchange earnings.

Average Earnings
Classifies all World Bank member economies into income groups according to Gross National Income (GNI) per capita, which is calculated using World Bank Atlas Method. The groups are:
- Low income
- Lower middle income
- Upper middle income
- High income

Economic Freedom
Looks at the 10 benchmarks that gauge the economic freedom of countries around the world. The benchmarks are:
- Business Freedom
- Trade Freedom
- Fiscal Freedom
- Government Spending
- Monetary Freedom
- Investment Freedom
- Financial Freedom
- Property Rights
- Freedom from Corruption
- Labor Freedom

Sovereign Credit Ratings
Measures the risk of a build-up in arrears of principle and/or interest on foreign currency debt that is the direct obligation of the sovereign or guaranteed by the sovereign.

Developing Country
Lists developing countries into four groups:
- Least developed countries
- Other low income countries
- Lower middle income countries and territories
- Upper middle income countries and territories
Countries of the world are also divided into two major world groups:

- Advanced economies
- Emerging and developing countries

**Competitiveness**

Uses the Global Competitiveness Index (GCI), which was developed by the World Economic Forum. GCI is based on 12 pillars of competitiveness, providing a comprehensive picture of the competitiveness landscape in countries around the world at all stages of development. The pillars are:

- Institutions
- Infrastructure
- Macroeconomic environment
- Health and primary education
- Higher education and training
- Goods market efficiency
- Labor market efficiency
- Financial market development
- Technological readiness
- Market size
- Business Sophistication
- Innovation

**Sanctions**

Lists the countries that are subjected to UN, EU, UK, OFAC, Canada, Australian sanctions programs which range from financial sanctions, asset freezes, export/import restrictions, arms embargos, trade restrictions, technical assistance prohibitions, etc.

**Trade Climate**

Evaluates the robustness and strengths of the IP Environment of country/jurisdictions, and its propensity to improve its IP regime and provide IP protection based on

- patents, related rights and limitations;
- copyrights, related rights and limitations;
- trademarks;
- trade secrets and market access
- IP enforcement;
- Membership and ratifications of international treaties

**Business Operational Risk**

Provide ratings of countries in terms of the probability of business loss occurring from the internal inadequacies of a country or a breakdown in the country's controls, operations or procedures - in particular in terms of tax transparency and exchange of information.

**Environmental Performance**

Measures the environmental performance of country across nine categories so as to achieve environmental health and ecosystem vitality objectives. These two objectives consider the protection of human health from environmental harm and measure the ecosystem protection and resource management.

**Tax Concerns**

Provides a list of non-cooperative jurisdictions for tax purposes adopted by the Council of the European Union as well as a list of countries that have been identified by the OECD to have harmful tax regimes.

**Free Trade Zones**

Countries that have one of the following variants of Free Trade Zones: FTZs, EPZs, Free Ports, Single factor EPZ, Foreign Trade Zones and Special Economic Zones.

**Heavily Indebted Poor Country (HIPC)**

Countries whose threshold debt is at least 150% of its exports and 250% of revenue; qualify for loans from World Bank’s International Development Association or IMF Poverty Reduction and Growth Facility; and have an established track record of reforms to prevent future debt crisis. The International Monetary Fund lists countries that have qualified for, are eligible or potentially eligible and may wish to receive HPIC Initiative Assistance.

**Globalization**

Looks at economic flows, economic restrictions, information flows, cultural proximity, and many other aspects.
C. CRIMINAL DIMENSIONS

Illicit Drugs and Narcotics
Countries marked by the US Department of State determined to be major illicit drug-producing countries or major drug-transit countries as well as major precursor chemical source countries. The presence on the list does not necessarily reflect its counter narcotics effort nor does it reflect its cooperation with the US.

Fraud
Reviews information from report on Crimes recorded in criminal (police) statistics and persons brought into initial contact with the police in relation to fraud. Looks at total recorded frauds. It also measures Internet fraud.

AML Controls
Assesses whether a country has adopted AML/CFT legislations and the effectiveness of a country’s AML controls and enforcement capabilities.

Illicit Financial Flow
Estimates unrecorded money outflows of developing and emerging economies to another country/jurisdiction due to crime, corruption and tax evasions.

Terrorism
Measures countries on the basis of number of terrorism fatalities. Also identifies countries that harbor terrorist or are considered state sponsors of terrorism as well as providing indicators of overall levels of terrorism threat in over 200 territories worldwide (low threat, guarded threat, elevated threat, high threat, severe threat).

Crime Rate
Measures the crime rate in terms of the count of crimes compiled to assess the effectiveness of a crime control policy, and the impact of the policy on the risk of crime victimization.

Human Trafficking
Assesses a country's human trafficking legislation and the effectiveness of a country's human trafficking laws and enforcement capabilities. Evaluates countries on 4 tiers:

- **Tier 1**: Countries whose governments fully comply with Trafficking Victims Protections Act’s (TPVA) minimum standards.
- **Tier 2**: Countries whose governments do not fully comply with TPVA’s minimum standards but are making significant efforts to bring themselves into compliance.
- **Tier 2 Watchlist**: Similar to Tier 2; includes countries of which the absolute number of severe forms of trafficked victims are increasing; failure to provide evidence of increased government efforts; decreasing evidence of complicity in severe forms of trafficking by government officials.
- **Tier 3**: Countries whose governments do not fully comply with the minimum standards and are not making significant efforts to do so.

Corruption
Describes the level of the abuse of entrusted power for personal gain in a country. It measures the frequency and persistence of facilitation of payments where bribes are paid to receive preferential treatment for services that the bribe receiver is already required to perform by law.

Absence of Violence
Evaluates the following indicators to determine level of “peace” for countries:

- **Level of Perceived Criminality in Society**
- **Number of Internal Security Officers and Police**
- **Number of homicides**
- **Number of Jailed Population**
- **Accessibility to small arms and light weapons**
- **Level of organized internal conflict**
- **Level of violent crime**
- **Political Instability**
- **Potential for violent demonstrations**
- **Political Terror Scale**
- **Scale of major conventional weapons imported**
- **Terrorism impact**
- **Deaths from organized conflict (internal)**
- **Deaths from organized conflict (external)**
- **Number and duration of internal conflict**
- **Military expenditure**
- **UN Peacekeeping funding**
- **Armed services personnel**
- Nuclear and heavy weapons capabilities
- Scale of major conventional weapons exported
- Number of refugees and internally displaced people (IDP)
- Number, duration and role in external conflicts
- Relations with neighboring countries

**Arms Export Controls**
Rates the efficiency of arms export control mechanisms of the selected country.

**Counterfeiting**
Determines the rate of the following areas by country:
- Software piracy per country
- Calculated commercial value of unlicensed software
- Counterfeit Seizure of foodstuffs, alcoholic and other beverages
- Counterfeit Seizure of body care items, perfumes and cosmetics, and other body care items
- Counterfeit Seizure of clothing and accessories
- Counterfeit Seizure of shoes including parts and accessories
- Counterfeit Seizure of personal accessories (sun glasses, bags, watches, jewellery, and others)
- Counterfeit Seizure of mobile phones including parts and accessories
- Counterfeit Seizure of electrical/electronic and computer equipment
- Counterfeit Seizure of CD, DVD, cassettes, game cartridges (recorded, non-recorded)
- Counterfeit Seizure of toys, sporting articles, games including electronic game consoles
- Counterfeit Seizure of tobacco products
- Counterfeit Seizure of medical products
- Counterfeit Seizure of other articles (machines and tools, vehicles, office stationery, lighters, labels, etc.)
- Counterfeit Seizure of Overall articles - country of provenance of suspected IPR infringing goods

**Exploitative Labor**
Estimates the list of goods and the source country in which child labor and/or forced labor are used to produce/manufactured/farmed, etc. these goods, in violation of international standards as required under the TVPRA.

**Natural Resources Industry Controls**
Assesses the different international and national governance and industry controls that are in place for resource-rich countries/jurisdictions.

---

**THOMSON REUTERS**
The Thomson Reuters Governance, Risk & Compliance (GRC) business delivers a comprehensive set of solutions designed to empower audit, risk and compliance professionals, business leaders, and the Boards they serve to reliably achieve business objectives, address uncertainty, and act with integrity.

Thomson Reuters connects business transactions, strategy and operations to the ever-changing regulatory environment, enabling firms to manage business risk. A comprehensive platform supported by a range of applications and trusted regulatory and risk intelligence data, Thomson Reuters brings together market-leading solutions for governance, risk and compliance management, global regulatory intelligence, financial crime, anti-bribery and corruption, enhanced due diligence, training and e-learning, and board of director and disclosure services.

Visit risk.thomsonreuters.com

For more information, contact your representative or visit us online.