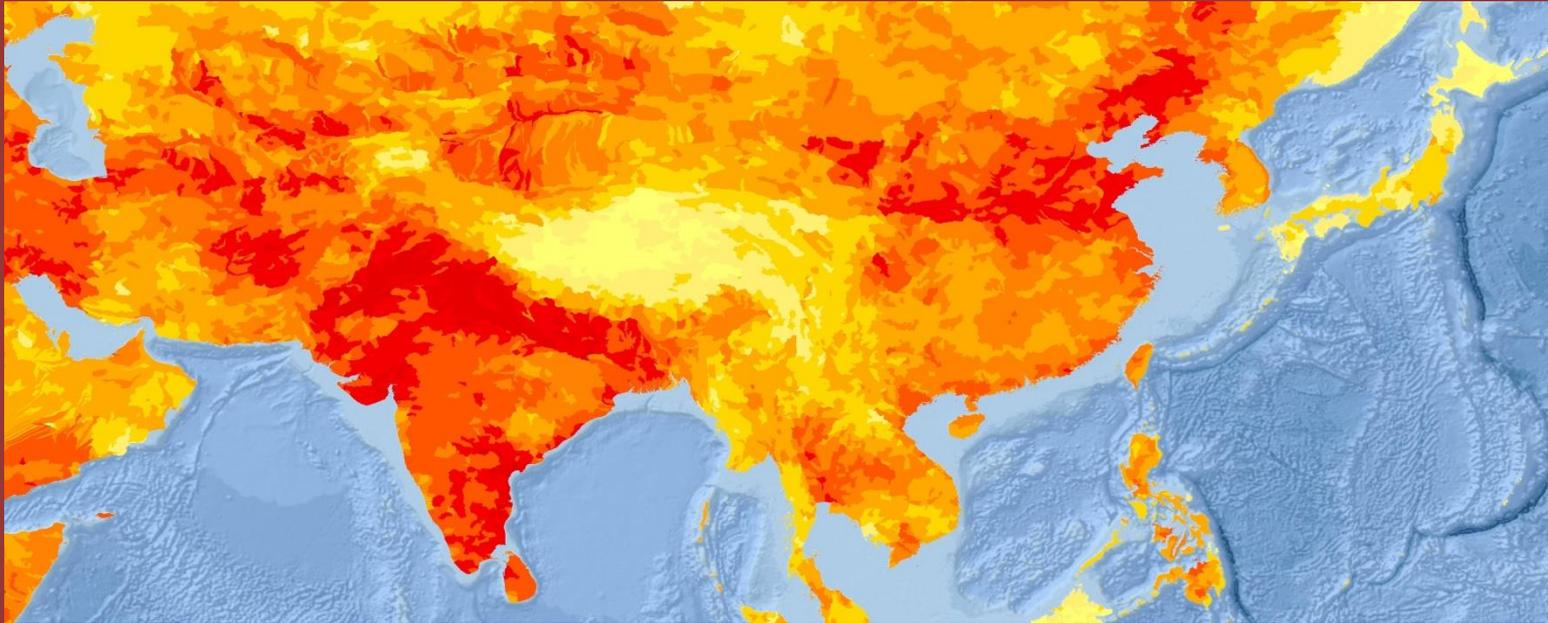




WWF WATER RISK FILTER 5.0



ENABLING FINANCIAL INSTITUTIONS TO ASSESS WATER RISK & OPPORTUNITIES



The financial sector is increasingly waking up to the magnitude and scope of water risk. First released by WWF in 2012, the Water Risk Filter was developed in collaboration with the German Development Finance Institution, DEG, to understand and analyse the water risks in its portfolio. Designed for non-water experts, this practical online tool can be used by financial institutions during the scanning and due diligence phase as well as for portfolio monitoring.

After a major upgrade in 2018, the Water Risk Filter 5.0 now enables financial institutions to better assess water risks, and will soon help to better evaluate a company's water stewardship response, estimate financial value impacts from water events and seize opportunities to invest in sustainable water projects. With 32 basin risk indicators and 12 high resolution country data sets, including the Greater Mekong region, the Water Risk Filter 5.0 provides a comprehensive assessment of risks at both local and global scale.

Assessing Water Risks

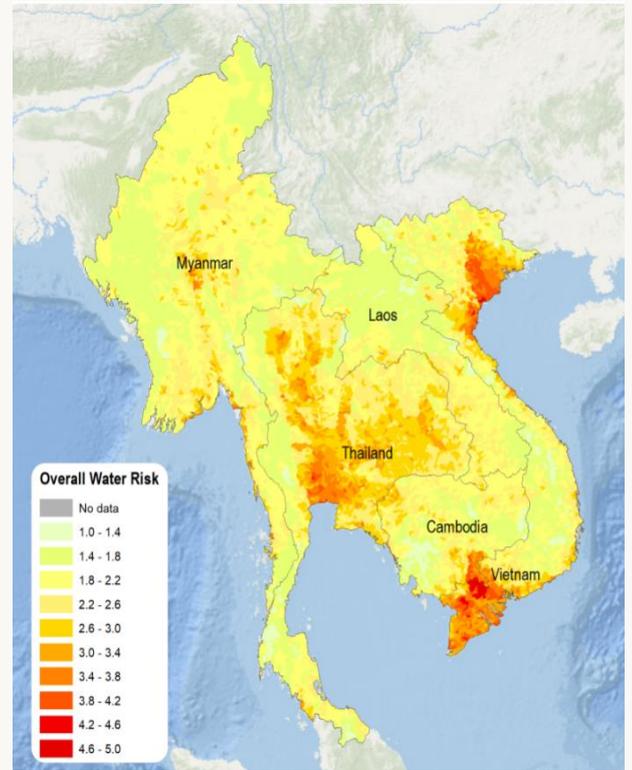
Current ESG approaches on water are generally weak as they do not account for asset-level water risk exposure, nor consider water stewardship responses. The Water Risk Filter is the only tool to provide a comprehensive assessment of water risks, by taking into consideration:

- **Basin Risks:** risks related to a company's geographic location are assessed using 32 state-of-the-art basin risk indicators and 12 high resolution country data sets, including the Greater Mekong region;
- **Operational Risks:** risks related to a company's impact/performance are assessed using either a short form questionnaire (10 quick drop-down questions, applied to all sites) or a more detailed questionnaire (45 questions, applied site-by-site); and
- **Water Stewardship Response:** based on a company's water risk exposure (basin and operational risk), the new Respond section will provide a customized set of mitigation response actions. Financial institutions will be able to compare a company's current mitigation measures versus WWF recommended actions in order to evaluate the appropriateness of a company's water stewardship response to risks.

High Resolution Data for the Greater Mekong

The upgraded Water Risk Filter 5.0 now contains more than 12 million km² of high resolution data, including local data sets for the Greater Mekong, which offer a finer scale assessment of water risks across the region and will guide better contextual responses.

The high resolution data for the Greater Mekong region was developed using the best available, peer reviewed, and nationally consistent data on water. More specifically, high resolution data sets were integrated on flood occurrence, water quality, hydropower dams, ecosystem services provision and degradations for a more locally nuanced assessment. For more information on the local data sets, check the Data & Methods section in the Water Risk Filter.



Investing in Sustainable Water Projects

Whilst water risk is the main focus of this tool, it is important for financial institutions to recognize the wealth of water-related opportunities to improve sustainable water resource management and mitigate water risk while also generating solid financial returns.

WWF's work on **Bankable Water Solutions** aims to transform the investment landscape, redirecting substantial financial flows into sustainable water projects in river basins.

Within this context, the Water Risk Filter 5.0 will evolve to provide new ways to analyze water opportunities. By harnessing the Water Risk Filter, financial institutions can begin to identify not only basins in need of investments (i.e., high water risk), but also ones that perhaps have suitable investment environments (e.g., low corruption risk).

Valuing Water Risks

Powered by CDP Water Security, a new user guided-valuation module will enable financial institutions to understand how a portfolio's water risk exposure translates into financial value impacts.

This new valuation tool will enable investors to evaluate the potential financial impacts of water events on their investments as well as identify opportunities to invest in net present value positive initiatives.



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