



Risk Consulting

Water Impact and Sustainability Evaluation Tool

In the context of a changing climate, creating a water secure world requires water resources to be protected and properly managed. Virtually any industry sector can be directly, or indirectly, impacted by water related risks, from a financial and operational perspective. Therefore, it is in companies' best interest to further understand and engage with water stewardship, helping corporate water users to manage their own risks and catalyse actions.

AXA XL Risk Consulting has developed the **Water Impact and Sustainability Evaluation (WISE)** tool, a remote, customisable solution to understand, evaluate and act on water risks. It offers pragmatic support to our clients in the deployment of an efficient water management programme.

The WISE tool assesses risks across the three main water risk components (Physical, Regulatory, and Reputational) and aggregates them into an overall site-operational risk score. The tool also assesses the "Process Efficiency and Business Continuity" of each analysed site, which may impact transversally all the other water risk components.

The three water risks* to evaluate



PHYSICAL

Too little or too much water, or water unfit for use



REPUTATIONAL

Perceptions around companies' impacts on water resources



REGULATORY

Change in law or regulation

*as defined by CEO Water Mandate framework²

Get a macro-to-micro view of your water risks

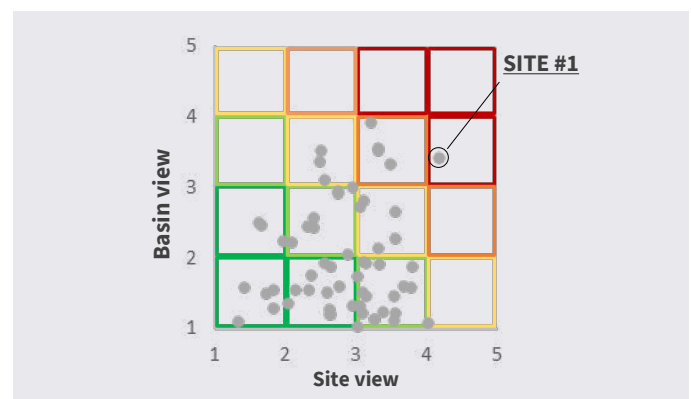
While the analysis of water risks is often conducted from standard water data and literature sources, the WISE tool implements a bi-dimensional approach, considering two distinct, but complementary, perspectives:

- **The "basin risks" view:** the site susceptibility to water risks calculated via a desk-based assessment, looking at the specific status of the hydraulic basin under current and future climate conditions.

- **The "site operational risks" view:** a site-specific assessment of the risks and opportunities related to water, including company-specific variables in the analysis.

These site-specific water scores are used in a quantitative risk screening framework, which will enable informed strategic decisions to mitigate water related risks and capitalise on water related opportunities.

Portfolio water risk overview



⁽¹⁾CDP (2020) <https://www.cdp.net/en/research/global-reports/global-water-report-2020>

Basin risks vs operational risks view

SITE #1		
risk summary	Basin risks view	Site operational risks view
Physical Risk	4.4	4.7
Regulatory Risk	2.9	3.4
Reputational Risk	2.9	4.5
Total Risk	3.4	4.2

⁽²⁾CEO Water Mandate (2023) <https://ceowatermandate.org/>

The service at a glance

Step 1: Preliminary desk analysis

- Acquire information from the client, select and consolidate input data sets
- Perform basin risks assessment and mapping
- Share the AXA WISE checklist, tailored to client specificities
- Share the AXA water risk algorithm, drivers, and weights tailored to client specificities

Step 2: Online survey

- Launch the web-survey for the collection of information
- Manage reporting and reminders

Step 3: Risk analysis

- Survey data collection and processing via a customisable algorithm which calculates the site operational risk score
- If a more comprehensive analysis is required for locations with high exposure, the primary data is reviewed and processed by our risk consulting experts
- The results are delivered through an interactive dashboard

Understand your risk

Results are delivered through an interactive dashboard allowing the risk manager to deep dive into all the components of the water risk exposure on their sites:

- ✓ **Portfolio prioritisation analysis:** display site-operational risk scores against basin scores with ISORISK and bar plots
- ✓ **Site risk analysis:** view questionnaire details, prioritisation, and detailed results by risk drivers and risk categories
- ✓ **Filtering functionalities:** display outputs by division, risk category, and risk grade
- ✓ **Download PDF reports:** reports at portfolio, division and site levels are available
- ✓ **Display water atlases and site locations:** maps from third parties (WRI, WWF) can be displayed

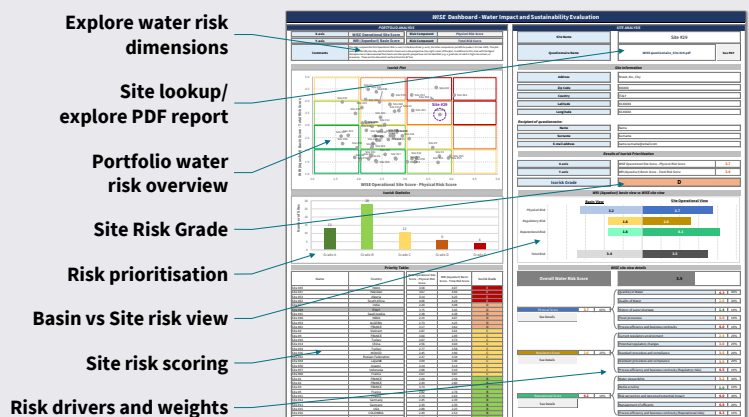
A transparent risk evaluation framework

The WISE algorithm is quantitative in nature and transparent in terms of data sources, risk indicators, and scoring system. The assessment of site-specific operational risks is based on information provided by each site and split into a multi-level hierarchical framework:

- Level 1 – Risk Indicators: calculated from the answers provided to the WISE checklist
- Level 2 – Risk Category: grouping and scoring of level 1 risk indicators
- Level 3 – Risk Type: grouping and scoring of the level 2 risk categories. The risk types are the main water risk categories (physical, regulatory, and reputational risks)

This algorithm implements a weighting scheme that allows customisation according to client/industry requirements, including specific company standards.

Example of WISE interactive dashboard layout



“ Cost of water risks
to business five times
higher than cost of
taking action. ”

CDP, 19 March 2021

To learn more, please reach out
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