

W0. Introduction

W0.1

(W0.1) Give a general description of and introduction to your organization.

Established in 1973 as a subsidiary of Sabancı Holding, **Kordsa** is a global player in the tire and construction reinforcement as well as composite technologies markets and the leading manufacturer of industrial nylon and polyester yarn, tire cord fabric and single end cord. The success story started in İzmit-Turkey in 1973 with Sabancı Holding's tire cord manufacturing plant investment. Through the years, **Kordsa** became the market leader in Turkey and accumulated great know-how on reinforcement materials. Kordsa now operates in 5 countries, namely, Turkey, Brazil, Indonesia, Thailand and the US with 4,580 reinforcers at its 12 production facilities. 2 of these production facilities have also R&D activities. **Kordsa** had 35 active R&D projects in the reporting year. These projects focus on issues like: reducing rolling resistance, ecodesign, chemical recycling, reducing the weight of products, reducing water pollution and GHG emissions.

Kordsa provides high quality service and end to end solutions with a high level of technical competency. The main objective of the company is to "progress with innovative value-added technologies" by continuously investing in its employees and customers. Worldwide the company is the acclaimed holder of "The Reinforcer" title, thanks to its market leader position, its strong global footprint, its technological leadership and its experience on reinforcement.

"Today, **Kordsa**, whose story started in Turkey, spread on the whole world with its products. Every one in three automobile tires and every two in three aircraft tires are globally reinforced by **Kordsa**."

Kordsa aims to create sustainable value for all its key stakeholders and the society by offering high value-added innovative reinforcement solutions to its customers, with a mission to "Reinforce Life."

W0.2

(W0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date
Reporting year	January 1 2020	December 31 2020

W0.3

(W0.3) Select the countries/areas for which you will be supplying data.

- Brazil
- Indonesia
- Thailand
- Turkey
- United States of America

W0.4

(W0.4) Select the currency used for all financial information disclosed throughout your response.

USD

W0.5

(W0.5) Select the option that best describes the reporting boundary for companies, entities, or groups for which water impacts on your business are being reported.

Companies, entities or groups over which operational control is exercised

W0.6

(W0.6) Within this boundary, are there any geographies, facilities, water aspects, or other exclusions from your disclosure?

No

W1. Current state

W1.1

(W1.1) Rate the importance (current and future) of water quality and water quantity to the success of your business.

	Direct use importance rating	Indirect use importance rating	Please explain
Sufficient amounts of good quality freshwater available for use	Vital	Important	CURRENT Direct: In our production process we primarily use water for cooling, demineralization (process), water treatment and domestic purposes. Water is also a vital source for our business as the dipping we use to give adhesive properties to our products is water-based. Therefore, sufficient amounts of good quality freshwater resources are rated as "vital" for continuation of our business. If the water quality declines, our operation costs would increase to make sure the water quality is improved. Indirect: Good quality fresh water is used primarily for production of our main purchased raw materials yarn chip and flake, however the unavailability of sufficient amounts of water can be overcome by supplier diversification. Therefore, the importance rating is selected as "important" for our supply chain. FUTURE Direct: We believe the direct use importance rating will remain vital because the possible water stress in the area will be a significant risk for our operations. Besides, the available water could be more polluted and/or salinated and its adverse effects on water quality may bring us additional costs due to water treatment costs to reduce variations in product quality and to prevent hygiene and health risks. Indirect: We presume the indirect use importance rating will be "vital" as the same risks mentioned above in our future direct risks will also be relevant for our value chain; especially for our supply chain. These risks could cause an increase our operational costs; as the global water crisis gets more serious diversification of suppliers may not be an option anymore.
Sufficient amounts of recycled, brackish and/or produced water available for use	Important	Important	CURRENT Direct: We use recycled water for soft water and cooling water preparation at our Izmit and Indonesia plants. We have chosen the importance rating as "Important" because using recycled water is beneficial on our environmental performance as it reduces our withdrawal volumes. However, this water source is not vital for us as it is only used in our two major plants. The remaining 9 plants don't use this type of water. We have installed a reverse osmosis system which we use to treat the water to be suitable for use in processes. Indirect: As we have suppliers all around the world, recycling water has become more important in some regions recently, however, overall, the use is still limited. At the moment the importance of sufficient amounts of recycled water is evaluated to be important for both direct and indirect operations. FUTURE Direct: As the quantity of freshwater is projected to become scarce in the future, this is likely to increase the need for recycled water. Besides, if the quality of water is adversely affected due to pollution and/or salination, the need for recycling will also increase. Consequently, these may cause additional investment and operational cost. Therefore, we estimate the importance of recycled water to become vital in the future. Indirect: The same risks mentioned for future direct operations are also relevant for our value chain; especially for supply chain. As a result, we foresee the importance of brackish/recycled/produced water to gain more importance and become vital for our indirect operations.

W1.2

(W1.2) Across all your operations, what proportion of the following water aspects are regularly measured and monitored?

	% of sites/facilities/operations	Please explain
Water withdrawals – total volumes	100%	As water is a vital source for our operations, we monitor water withdrawal data covering all our locations. The withdrawal amounts are measured continuously via water meters at each facility and the volumes are recorded daily. The amount of water withdrawn from third parties is taken from monthly water invoices. This amount is cross-checked by daily water meter readings at our facilities. The groundwater/surface water withdrawal is measured daily via meter readings. Therefore, the data coverage is 100%.
Water withdrawals – volumes by source	100%	We monitor all (100%) water withdrawal volumes by source including groundwater, third party (city) water and fresh surface water (river and river dam) covering all our facilities and operations. The amount of water withdrawn from third parties is taken from monthly water invoices. This amount is cross-checked by daily water meter readings at our facilities. The groundwater/surface water withdrawal is measured daily via meter readings. Therefore, the data coverage is 100%.
Entrained water associated with your metals & mining sector activities - total volumes [only metals and mining sector]	<Not Applicable>	<Not Applicable>
Produced water associated with your oil & gas sector activities - total volumes [only oil and gas sector]	<Not Applicable>	<Not Applicable>
Water withdrawals quality	100%	Various parameters (effluents) are monitored on withdrawn water covering process and potable water withdrawn at our facilities. The period and type of parameters analyzed varies, depending on the usage area and the quality required for that purpose. i.e. If the drinking water comes from a water purifier, the analyses are made more frequently, for bottled water we require analysis results periodically from the suppliers, for water used in processes we send samples to accredited laboratories whenever there is a new equipment installed or there is a system breakdown.
Water discharges – total volumes	100%	We have flow meters installed at most of our facilities to measure the total water discharge continuously. In our facilities where the water is only discharged to third party sources, the discharge volumes are either monitored via monthly water invoices issued by the municipality and/or third parties or via daily recording of the discharge flow meters.
Water discharges – volumes by destination	100%	We have flow meters installed at most of our facilities to measure the total water discharge continuously. In our facilities where the water is only discharged to third party sources, volumes are monitored either via monthly water invoices issued by the municipality and/or third parties or via daily recording of the discharge flow meters. In our facilities where we discharge to fresh surface water, we have flow meters that measure the discharge volume continuously, and the discharge volumes are recorded daily.
Water discharges – volumes by treatment method	100%	We have flow meters installed at most of our facilities to measure the total water discharge continuously. When the water is discharged to third party sources it is treated by the water treatment plants of the third parties, which are usually the municipalities. In Indonesia and Izmit, Turkey we have a waste water treatment plant on site. In US-Chattanooga, for fresh water discharges, the water is treated at a 3rd party water treatment plant before being discharged to fresh surface water. Therefore, discharge volumes by treatment method is monitored on 100% of our operations.
Water discharge quality – by standard effluent parameters	100%	When discharging water, we pay attention to the local regulations and treat the water and discharge it with standard effluent parameters, complying with the local standards. Various parameters (effluents) are monitored in waste water and 100 % of our water discharge complies with local regulations. Some of the analysis performed are listed below: • Suspended solids • Zinc • Chemical Oxygen Demand • pH • Total Chromium • Oil and grease The water that is discharged to a 3rd party destination is analyzed by the owners of the 3rd party water treatment plant (i.e. municipality).
Water discharge quality – temperature	Not relevant	Not relevant, there is no considerable difference in the temperature of the water withdrawn and discharged. Additionally, we are not bound by the regulations to do so. As we do not foresee any changes in our operations or regulations, we do not expect this water aspect to be relevant in the future.
Water consumption – total volume	100%	100% of the water consumption volume is regularly calculated using the CDP mass balance, the formula being; Water Consumption (C) = Water Withdrawal (W) – Water Discharge (D). We monthly calculate and record the site-based consumption figures. The monthly consumption figures per site are also cross-checked with the figures from the previous year.
Water recycled/reused	100%	We have reverse osmosis systems both in our Izmit, Turkey and Indonesia facilities. We are monitoring 100% of the water recycled and reused in these facilities with water flow meters. The recycling volumes are recorded daily.
The provision of fully-functioning, safely managed WASH services to all workers	100%	We provide fully-functioning, safely managed WASH services for all our employees covering 100% of our operations. In all of our facilities, when we use purified water for drinking purposes, the water is regularly tested for suitability. In locations where natural spring water is used, we always ask for analysis results from the suppliers. The sanitation facilities are also monitored and cleaned several times each day.

W1.2b

(W1.2b) What are the total volumes of water withdrawn, discharged, and consumed across all your operations, and how do these volumes compare to the previous reporting year?

	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Total withdrawals	2900.38	Much lower	Our total water withdrawal has decreased by 29.01% (from 4,085.72 megaliters in 2019). The main reason behind this decrease is our facility in Chattanooga-US which is responsible for 60.80% of our total withdrawals for the reporting year. The withdrawal amounts decreased by 39.20% in this facility due to covid-19 related shut downs, some water saving projects, and also due to a recent change in our air permit which enabled us to turn off the water to the cyclonic separators, reducing the water demand. The rest of the decrease comes from Thailand and Turkey plants, withdrawal amounts of which have decreased by 17,67% and 8,92% respectively again due to Covid-19 related business disruptions. Those 3 plants are responsible for 82,89% of our withdrawals. In most of our other facilities the withdrawal amounts increased, however the changes in withdrawal volumes are minimal within the range of 0-5%. The increase in these locations is also due to Covid-19 related extra sanitation needs. These facilities do not depend so much on water for production, but more for office use. In our Laurel Hill, US plant there is a significant increase in withdrawal volumes which was due to a water line rupture. This caused a 33.45% increase in withdrawal for that facility, however our Laurel Hill plant is only responsible for 0.20% of our total withdrawals, that is why this didn't reflect much on our total volumes. Similarly in another US plant, Textile Products Inc., a new building was operational in 2020 and their withdrawal volumes increased by 242%. However, this plant is only responsible for 0.15% of our withdrawals, so it didn't reflect much on total volumes. In the future we anticipate the water withdrawal volumes to be higher as we are returning to normal levels of operation in 2021. Defined thresholds for chosen limits are: 0% - 5% about the same 5%- 25% higher or lower over %25: much higher or lower.
Total discharges	2009.02	Lower	Our total water discharge has decreased by 23.39% from 2,653.83 megaliters in 2019 to 2,009 megaliters in 2020. The major reason behind this decrease is our facility in Chattanooga-US which is responsible for 77.21% of our total discharges for the reporting year. The water discharge at this facility has gone down from 2,150 ML in 2019 to 1,551 ML in 2020 showing a decrease of about 28%, which is a direct result of reduced run rates from Covid-19, as well as some water saving projects that were implemented. In addition to these projects, we also were able to change our air permit allowing us to turn off the water to our cyclonic separators reducing our water discharge significantly. Discharge volumes have also decreased in Izmit, Brazil, Laurel Hill and Thailand facilities due to Covid-19 related disruptions. In most of our other facilities the discharge amounts increased, however the changes in discharge volumes are minimal within the range of 0-5%. The increase in these locations is also due to Covid-19 related extra sanitation needs. These facilities do not depend so much on water for production, but more for office use. We anticipate this value to increase as we will return to normal operating conditions in the future. Defined thresholds for chosen limits are: 0% - 5% about the same 5%- 25% higher or lower over %25: much higher or lower. Therefore, a decrease of 23.39% is classified as "Lower"
Total consumption	891.36	Much lower	Our consumption volume has decreased by 37.75% from 1,431.90 ML in 2019 to 891.36 ML in 2020. The main reason for this decrease is Covid-19 related disruption of operations in most of our facilities. In our Laurel Hill, US facility, there was a water line rupture, hence the consumption figures have increased significantly. But the consumption of this facility only makes up 0.38% of our total consumption, therefore it didn't have an impact on our total consumption figures. We anticipate this amount to increase in the near future as we return to normal operating conditions. Defined thresholds for chosen limits are: 0% - 5% about the same, 5%- 25% higher or lower over %25 much higher or lower.

W1.2d

(W1.2d) Indicate whether water is withdrawn from areas with water stress and provide the proportion.

	Withdrawals are from areas with water stress	% withdrawn from areas with water stress	Comparison with previous reporting year	Identification tool	Please explain
Row 1	Yes	26-50	About the same	WRI Aqueduct	According to the analysis we have made using WRI Aqueduct, 5 out of 12 sites are located in areas with High (40-80%) or extremely high (>80%) water stress levels. When we look at baseline-overall water risk 5 of our locations are rated with High (3-4) Overall Water Risk, where only one location is rated as Extremely High (4-5). For future water stress (2030), the number of facilities rise up to 8 over 12 where 7 of these facilities are rated as Extremely High (>80%) and just 1 rated as High (40%-80%) Therefore, to be on the conservative side, we include these 8 facilities to calculate the amount of water withdrawn from water-stressed areas. The total amount withdrawn from these 8 facilities in the reporting year is: 929.18 ML and this volume is equal to 32.04% of our total withdrawals. When compared to the previous year, our withdrawal from water-stressed areas have dropped by 4.59% which can be classified as "About the same". We have chosen to use WRI Aqueduct's global water risk mapping tool, because it helps companies, investors, governments, and other users understand where and how water risks and opportunities are emerging worldwide. The Atlas uses a robust, peer reviewed methodology and the best-available data to create high-resolution, customizable global maps of water risk. It is also practical because when analyzing you can enter the exact geographical locations of the plants and either make an overall risk assessment or you can make specific risk assessments according to the business type like riverine flood risk, drought risk, physical risks. We set the threshold as locations having above medium to high level baseline water stress. (Medium-High not included) When comparing with the previous reporting year, the defined thresholds for chosen limits are: 0%- 5% about the same 5%- 25% higher or lower over %25: much higher or lower.

W1.2h

(W1.2h) Provide total water withdrawal data by source.

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Fresh surface water, including rainwater, water from wetlands, rivers, and lakes	Relevant	2035.37	Much lower	Our US, Chattanooga (CH) & Indonesia facilities use fresh surface water (fsw). The amount of water withdrawal from fsw decreased by 35.73% compared to the withdrawal figure reported for 2019. The main reason behind this decrease is our facility in CH-US which is responsible for 60.80% of our total withdrawals and 82.7% of our fsw withdrawals for 2020. Withdrawal from fsw in this facility decreased by 40% due to Covid-19 related shut-downs of operations, some water saving projects, and also due to a recent change in our air permit which enabled us to turn off the water to the cyclonic separators, reducing the water demand. The use of fresh surface water has increased slightly by 0.43% in our Indonesia facilities, which is a type of fluctuation that is acceptable under normal operating conditions. We expect this amount to be about the same in the near future. Defined Thresholds for chosen limits are: 0%- 5% about the same 5%- 25% higher or lower over %25: much higher or lower.
Brackish surface water/Seawater	Not relevant	<Not Applicable>	<Not Applicable>	We do not have any operations where we have withdrawal from brackish surface water; therefore, this water source is not relevant.
Groundwater – renewable	Relevant	633.6	About the same	We have 2 facilities (Izmit, Turkey and Brazil) where we withdraw water from renewable groundwater. The amount of water withdrawal from fresh renewable ground water sources has decreased by 3.76% compared to the previous reporting period, which can be classified as "about the same". In our Izmit facility the withdrawal from groundwater has decreased by 7.18% due to Covid-19 related shut-downs. Izmir facility is responsible for 82.44% of our withdrawals from renewable groundwater in 2020. In our Brazil facility however this figure increased by 16.40% due to Covid-19 related shut-downs, as we had to stop and restart our operations several times, we needed more water to for the units to function properly. We expect this amount to increase as we return to normal operating conditions in the future. Defined Thresholds for chosen limits are: 0%- 5% about the same 5%- 25% higher or lower over %25: much higher or lower.
Groundwater – non-renewable	Not relevant	<Not Applicable>	<Not Applicable>	We do not have any operations where we have withdrawal from non-renewable groundwater; therefore, this water source is not relevant.
Produced/Entrained water	Not relevant	<Not Applicable>	<Not Applicable>	We do not have any processes where there is produced or entrained water, therefore this water source is not relevant.
Third party sources	Relevant	231.41	Lower	We have water withdrawal from third party sources (i.e municipalities) in all of our facilities except our 2 facilities in Indonesia. Our withdrawals from 3rd party sources have decreased by 11.20% which is classified as "Lower". The major reason behind this decrease is Covid-19 related shut-downs of operations in our major plants. There is also some increase in some of our US plants. These plants don't have very water-intensive production processes, but use water mainly for WASH services. In 2020, due to Covid-19 sanitation needs were higher therefore our offices have withdrawn more water 3rd parties. Defined Thresholds for chosen limits are: 0%- 5% about the same 5%- 25% higher or lower over %25: much higher or lower.

W1.2i

(W1.2i) Provide total water discharge data by destination.

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Fresh surface water	Relevant	779.63	Lower	We discharge to fresh surface water in our Chattanooga and Indonesia facilities. Discharge to fresh surface water has decreased by 22.98% in comparison with 2019. The major reason behind this increase is our facility in Chattanooga-US, which is responsible for 94.14 % of our total discharges to fresh surface water for 2020. The freshwater discharge at this facility has decreased by 24%, which is a direct result of Covid-19 related shut-downs, some water saving projects, and also due to a recent change in our air permit which enabled us to turn off the water to the cyclonic separators, reducing the water discharge significantly. In our Indonesia facility, the freshwater discharge volume remained the same. Defined thresholds for chosen limits are: 0%- 5% about the same 5%- 25% higher or lower over %25: much higher or lower.
Brackish surface water/seawater	Not relevant	<Not Applicable>	<Not Applicable>	We do not discharge to brackish surface water and seawater; therefore, this discharge destination is not relevant.
Groundwater	Not relevant	<Not Applicable>	<Not Applicable>	We do not discharge to groundwater; therefore, this discharge destination is not relevant
Third-party destinations	Relevant	1229.39	Much lower	We discharge to third party destinations in all of facilities except Indonesia. Discharge to 3rd party destinations have decreased by 25.1% which is classified as "Much Lower". The major reason behind this decrease is our facility in Chattanooga-US which is responsible for 66.47% of discharges to 3rd Party destinations for the reporting year. The 3rd party discharge at this facility has gone down from 1,183 ML in 2019 to 817 ML in 2020 showing a decrease of about 31%, which is a direct result of Covid-19 related shut-down of operations, some water saving projects, and also due to a recent change in our air permit which enabled us to turn off the water to the cyclonic separators, reducing the water demand. In other facilities there are slight increases in discharge again due to Covid-19 related extra sanitation needs. Thresholds for chosen limits are: 0%- 5% about the same 5%- 25% higher or lower over %25: much higher or lower.

W1.2j

(W1.2j) Within your direct operations, indicate the highest level(s) to which you treat your discharge.

	Relevance of treatment level to discharge	Volume (megaliters/year)	Comparison of treated volume with previous reporting year	% of your sites/facilities/operations this volume applies to	Please explain
Tertiary treatment	Not relevant	<Not Applicable>	<Not Applicable>	<Not Applicable>	We don't have tertiary treatment in any of our facilities.
Secondary treatment	Relevant	340.95	About the same	21-30	We have secondary treatment in our Izmit, Turkey plant and in our Indonesia plants (2 plants at one site, sharing the waste water treatment plant). These 3 plants represent 25% of our facilities by number. All of the water discharged is treated in the WWTP before being discharged to 3rd party destinations (Turkey) and fresh surface water (Indonesia). When compared to the previous reporting year this volume is about the same with 0.56% decrease.
Primary treatment only	Not relevant	<Not Applicable>	<Not Applicable>	<Not Applicable>	We don't have primary treatment in any of our facilities.
Discharge to the natural environment without treatment	Relevant	734.01	Lower	1-10	We discharge to Tennessee river in our plant in Chattanooga without any treatment. Only cooling water is discharged to the river, which is not contaminated because it is not used in the process. This plant makes up 8.3% of our plants by number (1/12). When compared to the previous year the volume has decreased by 24.06%.
Discharge to a third party without treatment	Relevant	934.06	Much lower	71-80	In all our plants except our two plants in Indonesia and Turkey, Izmit plant we discharge to third parties without treatment. In our Turkish plant, the water is treated in our WWTP (secondary treatment) before being discharged to 3rd party destinations, and in Indonesia no discharge is made to 3rd parties. All these plants make up 75% of our facilities by number (9/12). When compared to the previous year the volume has decreased by 28.86%.
Other	Not relevant	<Not Applicable>	<Not Applicable>	<Not Applicable>	We don't have any other discharge that cannot be classified under previous treatment options.

W1.4

(W1.4) Do you engage with your value chain on water-related issues?

Yes, our suppliers

Yes, our customers or other value chain partners

W1.4a

(W1.4a) What proportion of suppliers do you request to report on their water use, risks and/or management information and what proportion of your procurement spend does this represent?

Row 1

% of suppliers by number

51-75

% of total procurement spend

76-100

Rationale for this coverage

For our supplier sustainability assessment program, we classified our suppliers in line with spent analysis and Kraljic Matrix. Suppliers with a yearly 500,000 USD spent and suppliers which are pointed as "strategic supplier" according to Kraljic Matrix are included in our supplier sustainability assessment process. Starting from 2021, raw material suppliers will be subjected to Ecovadis Assessment. The rest of our suppliers within this scope will be requested to reply our supplier sustainability questionnaire. We have a target to reach 100% of our critical suppliers which make 86% of our total procurement spent. In 2020, we invited more than 400 global and local suppliers from five countries in which we operate, to participate in the Supplier Sustainability Assessment Survey. The survey evaluates the performances of our suppliers on topics of Reporting, Ethics Policies and Practices, Occupational Health and Safety, Human Rights, Supplier Screening Topics, Labor and Environmental Management (including water management related issues). We incentivize our suppliers to answer this questionnaire by explaining them how this cooperation will have positive impact on their business, and we also inform them that it is important for our suppliers to contribute to the sustainability goals of Kordsa. Also their scores on the sustainability survey, can help them get included in our 'Approved Supplier List'.

Impact of the engagement and measures of success

In terms of water related information, we require data on how they monitor and manage their water use, whether they have water management approach and targets to reduce their water withdrawals/consumption, and how they treat/manage their waste water. The supplier gets points in the assessment if they monitor their usage, have targets to reduce their withdrawal/consumption amounts and properly treat their waste water (or have it treated by a 3rd party). We use the results of this survey to classify the suppliers according to the points they get, as follows: 85-100: A Grade Supplier – Performance to be maintained. The letter of thanks will be sent end of the year. 70-84: B Grade Supplier - New product and project work can be done. Improvement is expected within six months. 60-69: C Grade Supplier - Immediate improvement is expected from the C group supplier during the yearly evaluation period. It is taken as a priority in the audit plan. A development plan is requested. <60: D grade Supplier: The supplier, who is D during the quarterly evaluation period, does not work for 1 year. Vendor Quality Rating is sent to the supplier for status notification. Request improvement in 1 year. After an improvement complete, the audit is done. If the audit result is confirmed business relationship starts again. Also a yearly supplier audit plan is being implemented. Supplier audit process consists of both quality and sustainability pillars. In 2020 73% of our global suppliers participated in this survey. The share of the suppliers we could reach in our global raw materials procurement is 79.5%, which excludes the suppliers we get packing, transportation and similar services from. Our global procurement team carries out the purchasing of 90% of the raw materials that all of our plants require. Overall, we measure the success of an impact as our effort to establish and maintain a sustainable supply chain. Therefore, initiation of this assessment process was a success. We also see the completion rate of this survey as a measure of success, because we have targeted a 65% return rate and we have exceeded our target by reaching 79.5% of our global suppliers.

Comment

W1.4b

(W1.4b) Provide details of any other water-related supplier engagement activity.

Type of engagement

Onboarding & compliance

Details of engagement

Requirement for water-related targets is included in your supplier selection mechanism

% of suppliers by number

51-75

% of total procurement spend

76-100

Rationale for the coverage of your engagement

In order for a supplier to be a part of our 'Approved Supplier List' one of the requirements is having a high score in our sustainability assessment survey. Having water related targets, will help the companies get a higher score in this survey. In 2020, sustainability assessment and audits related to sustainability are also included in the Vendor Quality Ratings. For our supplier sustainability assessment program, we classified our suppliers in line with spent analysis and Kraljic Matrix. Suppliers with a yearly 500,000 USD spent and pointed as strategic supplier according to Kraljic Matrix are included in our supplier sustainability assessment process. Starting from 2021, raw material suppliers will be subjected to Ecovadis Assessment. The rest of our suppliers within this scope will be requested to reply our supplier sustainability questionnaire. In 2020, we invited more than 400 global and local suppliers from five countries in which we operate to participate in the Supplier Sustainability Assessment Survey. Which also requests data on the water-related targets of the supplier.

Impact of the engagement and measures of success

We managed to persuade 73% of our global suppliers to participate in the supplier sustainability survey in 2020. The share of the suppliers we could reach in our global raw materials procurement is 79.5%, which excludes the suppliers we get packing, transportation and similar services from. Our global procurement team carries out the purchasing of 90% of the raw materials that all of our plants require. We have a target to reach 100% of our suppliers which make 86% of our total procurement spent. We see the completion rate of this survey as a measure of success, because we have targeted a 65% return rate and we have exceeded our target by reaching 73% of our global suppliers which make up 79.5% of our total procurement spent. This survey also provided enormous insight on the environmental and water related performance of our suppliers. Another measure of success for us is our ability to perform the supplier audits as planned and also assess the supplier questionnaires as planned.

Comment

W1.4c

(W1.4c) What is your organization's rationale and strategy for prioritizing engagements with customers or other partners in its value chain?

Kordsa is the leading supplier of many global reputable brands, therefore there is a demand from our strategic customers for Kordsa to conduct sustainable operations. Moreover, some of these customers require Kordsa to transparently disclose its ESG (Environmental Social and Governance) performance on well-known platforms such as Ecovadis and CDP Supply Chain Programme.

The main group of customers that we engage with are our tire reinforcement product customers. We select this group of customers because tire reinforcement products make up about 85% of our business, therefore we are aiming to stay as a preferred supplier by our customers by supporting their sustainability targets.

As a method of engagement with selected partners, we perform regular meetings to discuss about targets, actions and results.

Kordsa has also established a sustainability Roadmap, laying out the milestones to enable sustainable operations covering a 5-year period. As 2020 was the final year of the first action plan, we are currently working on the next 5 and 10 years sustainability roadmap of Kordsa.

Moreover, as parts of initiatives conducted to engage our sustainability efforts with our value chain, including all key stakeholders, Kordsa annually publishes its Sustainability Report. To be able to maintain active communication with the value chain covering sustainability topics such as climate change and water management, Kordsa actively participates in Business Council on Sustainable Development (BCSD Turkey). Measure of success for value chain engagement covers the continuation of our communication efforts.

As a measure of success, we closely monitor the feedback from our customers. We also see the achievement of short, medium and long-term targets as a success measure.

W2. Business impacts

W2.1

(W2.1) Has your organization experienced any detrimental water-related impacts?

No

W2.2

(W2.2) In the reporting year, was your organization subject to any fines, enforcement orders, and/or other penalties for water-related regulatory violations?

No

W3. Procedures

W3.3

(W3.3) Does your organization undertake a water-related risk assessment?

Yes, water-related risks are assessed

W3.3a

(W3.3a) Select the options that best describe your procedures for identifying and assessing water-related risks.

Direct operations

Coverage

Full

Risk assessment procedure

Water risks are assessed as part of an enterprise risk management framework

Frequency of assessment

More than once a year

How far into the future are risks considered?

More than 6 years

Type of tools and methods used

Tools on the market
Enterprise Risk Management
International methodologies

Tools and methods used

WRI Aqueduct
COSO Enterprise Risk Management Framework
ISO 31000 Risk Management Standard
Other, please specify (Company Specific Risk Management Procedure, ISO 14001 Environmental Management Standard)

Comment

Supply chain

Coverage

Full

Risk assessment procedure

Water risks are assessed as part of an enterprise risk management framework

Frequency of assessment

More than once a year

How far into the future are risks considered?

More than 6 years

Type of tools and methods used

Tools on the market
Enterprise Risk Management
International methodologies

Tools and methods used

WRI Aqueduct
COSO Enterprise Risk Management Framework
ISO 31000 Risk Management Standard
Other, please specify (Company Specific Risk Management Procedure, ISO 14001 Environmental Management Standard)

Comment

Other stages of the value chain

Coverage

Full

Risk assessment procedure

Water risks are assessed as part of an enterprise risk management framework

Frequency of assessment

More than once a year

How far into the future are risks considered?

More than 6 years

Type of tools and methods used

Tools on the market
Enterprise Risk Management
International methodologies

Tools and methods used

WRI Aqueduct
COSO Enterprise Risk Management Framework
ISO 31000 Risk Management Standard
Other, please specify (Company Specific Risk Management Procedure, ISO 14001 Environmental Management Standard)

Comment

W3.3b

(W3.3b) Which of the following contextual issues are considered in your organization's water-related risk assessments?

	Relevance & inclusion	Please explain
Water availability at a basin/catchment level	Relevant, always included	RELEVANCE: Water is a vital source for our production operations and the well-being of our employees. For this reason, water availability at all levels are always considered as part of our risk assessment covering whole value chain as well as both current and future issues. TOOLS USED IN ASSESSMENT: Water-related issues are assessed as part of production risks and SHE risks in company specific Kordsa Global Risk Management Procedure. Moreover, we conduct detailed risk assessment as part of ISO 14001 Environmental Management System requirement. In addition to these processes, we also use WRI Aqueduct Risk Atlas as one of the most comprehensive tools on the market for global water risk mapping. EXPLANATION OF THE ASSESSMENT: According to our recent analysis with the new version of WRI Aqueduct water risk atlas tool, 7 of our 12 facilities are under extremely high risk in terms of water availability. Within those 7 facilities only one plant (Izmit, Turkey) uses renewable groundwater and all of them use water from 3rd parties. According to our risk assessment, we may face future risks especially in our Turkish plants. Those plants are located in Black Sea-South Coast Major, and Kocaeli Minor basin. As a result, in the future, we may need to use more water from 3rd parties, which will in turn have a significant impact on our OPEX.
Water quality at a basin/catchment level	Relevant, always included	RELEVANCE: Water at a certain quality is vital for the continuation of our operations and the well-being of our employees. For this reason, water withdrawal quality at all levels are always considered as part of our risk assessment covering whole value chain as well as both current and future issues. TOOLS USED IN THE ASSESSMENT: Water-related issues are assessed as part of production risks and SHE risks in company specific Kordsa Global Risk Management Procedure. Moreover, we conduct detailed risk assessment as part of ISO 14001 Environmental Management System requirement. In addition to these processes, we also use WRI Aqueduct Risk Atlas as one of the most comprehensive tools on the market for global water risk mapping. EXPLANATION OF THE ASSESSMENT: According to our recent analysis with the new version of WRI Aqueduct water risk atlas tool, only 2 of our 12 facilities are under extremely high risk in terms of water quality. These are our facilities in Indonesia, which are located in Java-Timor Major and Cisadane Minor basins. If the quality of the water drops below acceptable levels, our CAPEX and OPEX may increase as we would have the need to invest more in water purification technologies like reverse osmosis.
Stakeholder conflicts concerning water resources at a basin/catchment level	Relevant, always included	RELEVANCE: Water is vital for the continuation of our operations and the well-being of our employees and the community. For this reason, water withdrawal practices are always conducted mindful of other stakeholders' rights and future concerns and are always considered as part of our risk assessment covering whole value chain as well as both current and future issues. TOOLS USED IN ASSESSMENT: Water-related issues are assessed as part of production risks and SHE risks in company specific Kordsa Global Risk Management Procedure. Moreover, we conduct detailed risk assessment as part of ISO 14001 Environmental Management System requirement. In addition to these processes, we also use WRI Aqueduct Risk Atlas as one of the most comprehensive tools on the market for global water risk mapping. EXPLANATION OF THE ASSESSMENT: According to our analysis for future water demand using WRI Aqueduct Water Risk Atlas Tool, until the year 2030, there will be an increase in demand in the basins where 6 of our plants are located, and in 2 of those locations, there will also be a decrease in supply. This may result in restrictions on water use and therefore disruption of operations. In one of these two locations, our Izmit plant, we mainly use renewable groundwater. If the groundwater levels decrease, we may need to use more municipal water which may also result in an increase in our OPEX.
Implications of water on your key commodities/raw materials	Relevant, always included	RELEVANCE: Water is a vital source for our production operations, it is also an important source for the production of raw materials that we use. Good quality fresh water is used primarily for production of our main purchased raw materials yarn chip and flake. For this reason implication of water on our key raw materials is always included in our risk assessments. We also include Adipic Acid and HMD suppliers in our risk assessment. TOOLS USED IN ASSESSMENT: Implications of water-related issues are assessed as part of production risks and SHE risks in company specific Kordsa Global Risk Management Procedure. Moreover, we conduct detailed risk assessment as part of ISO 14001 Environmental Management System requirement. In addition to these processes, we also use WRI Aqueduct Risk Atlas as one of the most comprehensive tools on the market for global water risk mapping. EXPLANATION OF THE ASSESSMENT: We basically use WRI Aqueduct Water Risk Atlas Tool to identify the water stress levels of the production plants of our most critical suppliers. Good quality fresh water is used primarily for production of our main purchased raw materials yarn chip, flake, HMD and Adipic Acid. According to our analysis, around 40% of our suppliers are located in areas with low water stress levels, however the rest are located in high or extremely high water stress areas. Although we didn't face any water related disruptions in our supply chain, this issue is closely monitored at Kordsa. The unavailability of sufficient amounts of water can disrupt the operations of our suppliers. If we are unable to diversify our suppliers, we may face the risk of disruption in our operations as well. On the other hand, if we are able to diversify the supplier, this may result in an increase in our Direct operational expenses.
Water-related regulatory frameworks	Relevant, always included	RELEVANCE: Complying with regulations is the primary mission for Kordsa. For this reason, water-related regulations covering whole value chain as well as both current and future issues are considered in our water related risk assessments. TOOLS USED IN ASSESSMENT: Water-related regulatory risks/compliance measures are assessed & implemented as part of Legal/Compliance Risks in company specific Kordsa Global Risk Management Procedure. Moreover, we conduct detailed risk assessment as part of ISO 14001 Environmental Management System requirements. EXPLANATION OF THE ASSESSMENT: We monitor all current and emerging regulations in all of our facilities. We comply with all of the regulations and our discharge water is analyzed regularly. According to the analysis we performed using WRI aqueduct, only three of our facilities are located in a basin where there is High baseline reputational risk (Our two facilities in Indonesia and one facility in Brazil). Other facilities are all located in Low or Low-Medium reputational risk areas. The total withdrawal volume in these three facilities is 469.61 Megaliters, which makes up 16.19% of our total withdrawals. The water used in all Kordsa facilities are monitored closely in order to prevent any reputational risks.
Status of ecosystems and habitats	Relevant, always included	RELEVANCE: Water is vital for the continuation of our operations and the well-being of our employees and the community. For this reason, water management practices at Kordsa are always conducted mindful of other stakeholders' rights and ecosystem protection and are always considered as part of our risk assessment covering whole value chain as well as both current and future issues. TOOLS USED IN ASSESSMENT: Water-related issues are assessed as part of production risks and SHE risks in company specific Kordsa Global Risk Management Procedure. Moreover, we conduct detailed risk assessment as part of ISO 14001 Environmental Management System requirement. In addition to these processes, we also use WRI Aqueduct Risk Atlas as one of the most comprehensive tools on the market for global water risk mapping. EXPLANATION OF THE ASSESSMENT: Status of ecosystems and habitats are considered under ISO14001 risk assessment. We especially consider disruption of ecosystem functions through excessive water withdrawals, discharges of untreated water and potential spillages. We use fresh surface water in three of our sites and according to WRI Aqueduct water risk atlas all of these sites have Low to Medium-High baseline risks of quantity. However, in our Indonesia plant there is also discharge to fresh surface water, which is identified as "No to low wastewater collected" basin under "Untreated wastewater baseline risk". To overcome this risk, we have built an on-site water treatment system where we monitor the discharge parameters regularly.
Access to fully-functioning, safely managed WASH services for all employees	Relevant, always included	RELEVANCE: Water at a certain quality is vital for the well-being of our employees as part of the WASH services we provide. For this reason, maintaining the fully-functioning WASH service provision is always considered as part of our water-related risk assessments. TOOLS USED IN ASSESSMENT: WASH services related risks are assessed as part of SHE risks in company specific Kordsa Global Risk Management Procedure. Moreover, we conduct detailed risk assessment as part of ISO 14001 environmental Management System requirement. EXPLANATION OF THE ASSESSMENT: As a part of our ISO 14001 risk assessment, and our Global Risk Assessment, provision of fully-functioning and safely managed WASH services for all employees is assessed to be a low-risk because we already have several control measures in place. Our drinking water is regularly analyzed and our sanitation facilities are also monitored and cleaned several times each day.
Other contextual issues, please specify	Please select	

W3.3c

(W3.3c) Which of the following stakeholders are considered in your organization's water-related risk assessments?

	Relevance & inclusion	Please explain
Customers	Relevant, always included	Meeting with customer expectations are the sole factor enabling the continuation of our operations. That is why our customers are always included in our organization's water related risk assessments. As we already have customers requesting us to disclose our climate management, strategy, performance etc. via CDP Supply Chain Programme, we can assume sooner or later they may require water related data as well. Therefore, our current and potential customers are always included in our risk assessment with a potential to affect all stages of our value chain. METHOD OF ENGAGEMENT WITH CUSTOMERS: We publish our water-related strategies and performance in our sustainability report, which is public. Our CDP response is another medium we use to engage with our customers. We also have direct representatives for customers, through which they can raise their concerns about water-related risks.
Employees	Relevant, always included	Maintaining the livelihoods and health of our employees is one of our prominent responsibilities, thus providing proper and safe WASH hygiene & health conditions have significant importance for our direct operations. Especially during the implementation of Covid-19 related measures our employees and their access to WASH services was a priority on our water related risk assessments. METHOD OF ENGAGEMENT WITH EMPLOYEES: We have set communication channels for employees to report water-related risks and opportunities. Because of the Covid-19 pandemic we increased our engagement activities. Our company physician has prepared brochures about hygiene and how to wash hands. We have organized online Q&A sessions with our employees.
Investors	Relevant, always included	Kordsa is a publicly listed company, consequently we assess our risks and opportunities including our current and future investors' expectations and manage this issue to protect and increase our brand value as well as sustaining strong economic performance. Our investors have the potential to affect all our value chain. METHOD OF ENGAGEMENT WITH INVESTORS: We publish our water-related strategies and performance in our sustainability report, which is public. Our water-related performance is publicly available on our website. Our CDP response is another medium we use to engage with our investors.
Local communities	Relevant, always included	We care for the local environment that we operate in and the livelihoods of local communities. Therefore, our neighbors, local communities, are always included in our risk assessment process. METHOD OF ENGAGEMENT WITH LOCAL COMMUNITIES: As part of managing local community related water risks and opportunities, and also as a method of engagement, the main tool we implement is to have a compliance mechanism in place, so that we comply with regulatory requirements. We also have a grievance mechanism, where communities can send their complaints through our communication channels online. We also have forms in the security cabin for when someone from the local community comes with a complaint. They are asked to fill in a written complaint, which is conveyed to related department so that they can follow-up.
NGOs	Relevant, always included	NGO's are always considered as part of our risk assessment as well as environmental action plan determination processes covering all stages of our value chain. METHOD OF ENGAGEMENT WITH NGOS: We have a framework in place to collaborate and/or actively engage with NGO's as part of our environmental action programs. We are also actively involved in the working groups of TUSIAD (Turkish Industry and Business Association) and BCSD (Business Council for Sustainable Development) Turkey both of whom are the focal organizations especially for environmental concerns in the private sector with the potential to influence policy makers.
Other water users at a basin/catchment level	Relevant, always included	We withdraw water from the same resources with many corporates, industrial facilities and households. Executing our operations without compromising the rights of others is in our DNA. Therefore, we assess water-related risks and the impact can be caused to and by other users at basin level. Other users at the same basin/catchment level can include our customers, suppliers and local communities. Therefore, this stakeholder group covers the all 3 stages of our value chain. METHOD OF ENGAGEMENT: We use the same methods that are used for local communities, the main tool we implement is to have a compliance mechanism in place, so that we comply with regulatory requirements. We also have a grievance mechanism, where communities can send their complaints through our communication channels online. We also have forms in the security cabin for when someone from the local community comes with a complaint. They are asked to fill in a written complaint, which is conveyed to related department so that they can follow-up.
Regulators	Relevant, always included	While assessing water-related risks, regulators are always considered as part of the process especially covering our direct operations because not complying with the local regulations may result in fines or disruption of our operations. METHOD OF ENGAGEMENT WITH REGULATORS: We are regularly in contact with the water regulatory authorities such as DSI (General Directorate of State Hydraulic Works), the Ministry of Environment and Urbanization and ISU (General Directorate of İzmit Water and Sewage Administration) in Turkey and corresponding bodies abroad. We ensure our operations at our facilities comply with all applicable regulations. We express opinions on behalf of our industry when the legal authorities request it in the legislative process. We also participate in interaction meetings.
River basin management authorities	Relevant, always included	All types of management authorities, especially regulatory ones, are always factored in our corporate-wide global risk assessment process. This also includes water-related risk management process. Kordsa executes its operations with the main principle to comply with regulatory and authority requirements as well as rules. Therefore, this stakeholder group is always included in our water-related risk assessment as well. METHOD OF ENGAGEMENT WITH RIVER BASIN MANAGEMENT AUTHORITIES: While in some countries we operate, there are river basin authorities, in others we only have regulators to collaborate with. We engage with authorities via one-on-one meetings.
Statutory special interest groups at a local level	Not relevant, explanation provided	In our places of operation there are no statutory special interest groups that we are obliged to consult with on water issues due to a statutory or regulatory requirement. In our risk analysis we also didn't come up with any future statutory special interest groups. However, our local EHS teams are always following up statutory and regulatory requirements and if such a requirement arises, we will include relevant statutory special interest groups in our risk assessments.
Suppliers	Relevant, always included	As our production will directly be disrupted in the case of supply chain related problems, our suppliers are always considered in our global corporate risk assessment process. METHOD OF ENGAGEMENT WITH SUPPLIERS: We collect information from our local water suppliers such as ISU (General Directorate of İzmit Water and Sewage Administration in Turkey) and implement a regional-level response in case of any problems arise. Other suppliers, especially our raw material suppliers are also evaluated as part of our Supplier Sustainability Assessment. This assessment covers water-related aspects such as management practices, reduction initiatives etc and helps us evaluate water-related risks arising from our supply chain.
Water utilities at a local level	Relevant, always included	Water utilities, as current and potential third-party water suppliers, are always factored in in our corporate risk assessment. Due to the fact that in the absence of their service or the drastic increase they may deploy on water prices can pose a risk for our direct operations, water utilities are one of the important parts of our supply chain. METHOD OF ENGAGEMENT WITH WATER UTILITIES AT A LOCAL LEVEL: We collect information from our local water suppliers such as ISU (General Directorate of İzmit Water and Sewage Administration in Turkey) and implement a regional-level response in case of any problems arise.
Other stakeholder, please specify	Please select	

W3.3d

(W3.3d) Describe your organization's process for identifying, assessing, and responding to water-related risks within your direct operations and other stages of your value chain.

Kordsa has a Standard Operating Procedure (SOP) for Enterprise Risk Management. This SOP is based on various Corporate and Risk Governance standards developed over the last 15 years. Some of these are: COSO framework, AS / NZS 4360 and ISO31000. CFO is the leader for all risk management related activities.

Water related risks are evaluated for each facility and also for critical supply chain/value chain partners, using WRI Aqueduct Water Risk Atlas.

For Baseline water risks we assess the following parameters:

- Baseline water stress
- Overall water risks
- Drought risk
- Riverine flood risk
- Physical risks, quantity
- Physical risks, quality
- Untreated wastewater
- Reputational risks

For future (2030) risks we assess:

- Water stress
- Water supply (Change from baseline)
- Water demand (Change from baseline)

All parameters that are rated High and Extremely High are then classified according to our enterprise risk management SOP.

Identified risks are prioritized according to their importance. Therefore, it is ensured that time and resources are transferred to primary topics for operations. Kordsa sets a level of risk tolerance to prioritize the risks and classifies the risks according to their probable effects that may occur at that level.

All risks are then evaluated according to impact and likelihood criteria. The impact level is determined by the financial and non-financial evaluation criteria.

The impact levels are related to the tolerance levels of Kordsa. If the outcome of a risk event is related to more than one heading (e.g. financial, reputation, people, business continuity, legal and environment) on the impact scale, the impact value in the heading with the highest impact as the relevant risk exposure value is taken into consideration. Impacts with an impact degree of Medium or Higher are classified as substantive financial/strategic impact, details of which are given under question W4.1a of this report.

Both the risk impact scale and likelihood scale includes 5 degrees, which are as follows:

1. Very low
2. Low
3. Medium
4. High
5. Very high

A residual risk level score is the multiplication of the likelihood and impact values determined by taking existing controls into account.

The complementary dimension of the organization's risk appetite is to define set of multipliers (from 1x1 to 5x5) correspond to the area of unacceptable risk level. Risk heat map is composed of 4-level grouping;

1. Low (1-2)
2. Medium (3-6)
3. High (7-12)
4. Critical (13-25)

As part of the Global Risk Management structure, Kordsa identifies internal/external business risks, including water-related risks both on asset and company levels, through yearly workshops and brainstorming sessions held with function leaders. These risks and relevant risk mitigating actions are followed up for any updates, in **monthly basis**. While doing so, both top down and bottom up approaches are effectively utilized.

While determining the relative significance of water-related risks in relation to other risks, afore-mentioned 4 risk prioritization groups are used and water-related risks with "Medium" "High" and "Critical" overall score in the risk Prioritization Table is managed promptly

In the facilities where ISO 14001 EMS is implemented, water risks are also assessed and monitored as part of an Environmental Impact assessment.

Risk appetite helps to properly define the importance and acceptable levels of risks and provides basis to decide whether an action will be applied or not. Main risk actions are; avoid, accept, reduce, share and transfer the risk.

Risk monitoring responsibilities are distributed in accordance with the prioritization level of the risks. All risks of each entity is reviewed monthly with the entity management in details.

While prioritizing water-related risks and aiming to create and capitalize on opportunities, Kordsa manages compliance risks and operational risks promptly. As for all the corporate risks, the ones that have a high overall risk score are prioritized in terms of risk action planning.

W4. Risks and opportunities

W4.1

(W4.1) Have you identified any inherent water-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes, both in direct operations and the rest of our value chain

W4.1a

(W4.1a) How does your organization define substantive financial or strategic impact on your business?

The impact level of any risk and opportunity on our business, is determined by the financial and non-financial evaluation criteria. The activities of Kordsa are taken into account in terms of external and internal contexts when the areas in terms of which risk impact will be evaluated (e.g. financial, reputation, people, business continuity, legal and environment) and the qualitative and quantitative indicators for risk assessment criteria are determined; the expectations and needs of the external and internal stakeholders are taken into consideration when forming the risk assessment framework. We identify impact level of the risk or opportunity to be substantive (**medium impact or higher**) if:

1. **Finance:** Within one-year period more than 0.5% deviation from the budgeted EBITDA (For 2020 this ratio corresponds to 410,000 USD), or

2. **Company Reputation:** Short-term campaign in the national media, regional long-term campaign in against the company or a request from the local media to make a detailed explanation and call for public lighting,

Damage to relations with stakeholders, which could lead to cancellation of important contracts (sales, investment, business partnership),

Long-term loss of more than one customer with an effect of 500,000 USD or more or one customer with an effect of more than 1 million USD or more on the profitability of the company, or

3. **People:** Serious injuries requiring hospital care and medical treatment

A few key personnel from some units collectively leave in a short period of time,

10-15% negative change in employee satisfaction survey in comparison with the previous period,

Staff turnover rate is between 7% and 9%, or

4. **Business Continuity:** Between 2 days and 1 week business interruption at a production line, or

5. **Legal:** Facing a legal sanction that could result in the company's at least one activity stopping for a period up to 1 month

Facing high penal sanctions (e.g. a fine over 500,000 USD) or

6. **Environment:** Sudden and / or gradually accumulating environmental damage affecting the areas nearest to the plant (e.g. environmental pollution up to 1 km from site limits)

Scope:

Risks are assessed throughout the entire value chain stages, including direct operations, upstream and downstream. Therefore, the above-mentioned definitions and thresholds apply to all of the risk events in our direct operations and value chain.

While performing risk assessments time horizons covered start from 1 years (short-term) up to 35 years (Long term) which also gives us a chance to assess the long-term effects of climate change on water availability.

Example:

Disrupted production/temporary closure of a facility due to water scarcity would be characterised as substantive water related financial impact.

To identify which sites may cause these substantive impacts we use a screening process, which is reviewed annually, as follows:

- Identification of baseline and future (2030-2040) overall water stress for each facility via WRI's Aqueduct Water Risk Atlas Tool
- Identification of other strategically important risks for each facility using WRI's Aqueduct Water Risk Atlas Tool
- Classification of the identified sites according to their water withdrawal, discharge and consumption figures

- Classification of the identified facilities according to their sales volumes and their impact on our gross global revenue

The facilities with high water volumes and high impact on our global revenues are considered to have a substantive impact on our business, therefore, water risks at these facilities are prioritized.

W4.1b

(W4.1b) What is the total number of facilities exposed to water risks with the potential to have a substantive financial or strategic impact on your business, and what proportion of your company-wide facilities does this represent?

	Total number of facilities exposed to water risk	% company-wide facilities this represents	Comment
Row 1	2	1-25	We define facilities as our production and/or R&D sites. In Indonesia we have 2 production facilities in one site, however, the water data for these two facilities are collected as 1 facility. According to the risk assessment we have performed using WRI Aqueduct Water Risk Atlas Tool, 8 out of our 12 facilities are located in locations with High or Extremely High baseline water stress. However, in only three of these facilities (2 in Indonesia and 1 in Izmit Turkey) we have production levels and water withdrawal and consumption figures that may have substantive financial or strategic impact on our business. Although there are 2 facilities at Indonesia site, as their water data is collected as 1 facility, the total number of facilities exposed to water risk is given as 2 (Indonesia and Turkey) Total percentage of water withdrawn from water stressed areas is 32.04% and the percentage of water withdrawn from these 3 facilities is 31.32%. The withdrawal figure of the remaining 5 sites, namely our CTCE plant in Turkey, and four US facilities (Advanced Honeycomb Technologies, Fabric Development Inc., Axiom and Textile Products Inc.) makes up 0.76% of our total water withdrawal. Their production levels are also minimal; therefore these 5 facilities are not assessed to have a substantive water-related impact on our business. When calculating the % company-wide facilities they represent, we used the number of facilities (3/12 = 25 %).

W4.1c

(W4.1c) By river basin, what is the number and proportion of facilities exposed to water risks that could have a substantive financial or strategic impact on your business, and what is the potential business impact associated with those facilities?

Country/Area & River basin

Turkey	Other, please specify (Black Sea South Coast Major, Kocaeli Minor Basin)
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Number of facilities exposed to water risk

1

% company-wide facilities this represents

1-25

Production value for the metals & mining activities associated with these facilities

<Not Applicable>

% company's annual electricity generation that could be affected by these facilities

<Not Applicable>

% company's global oil & gas production volume that could be affected by these facilities

<Not Applicable>

% company's total global revenue that could be affected

31-40

Comment

1/12 of our facilities are located in Black Sea South Coast Major, Kocaeli Minor Basin, with high level baseline water stress (40-80%) and a potential to pose substantive financial/strategic impact for Kordsa as 31-40% of our global revenue comes from operations held at this facility. This facility is also responsible for 19.19% of our total withdrawals, 14.70% of our discharges and 29.31% of our total consumption figures.

Country/Area & River basin

Indonesia	Other, please specify (Java-Timor Major, Cisadane Minor Basin)
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Number of facilities exposed to water risk

1

% company-wide facilities this represents

1-25

Production value for the metals & mining activities associated with these facilities

<Not Applicable>

% company's annual electricity generation that could be affected by these facilities

<Not Applicable>

% company's global oil & gas production volume that could be affected by these facilities

<Not Applicable>

% company's total global revenue that could be affected

11-20

Comment

In our Indonesia site, there are 2 facilities in one site and their water data is collected together. Therefore, in order to be in line with the water data these 2 facilities are reported as 1. However, when we calculate the % company wide facilities this represents column, we use 2/12. These facilities are located in Java-Timor Major, Cisadane Minor Basin with low level baseline water stress, however their overall water risk score is High (3-4) and their future water stress is Extremely High(>80%). These facilities have a potential to pose substantive financial/strategic impact for Kordsa as 11-20 % of our global revenue comes from operations held at these two facilities. These facilities are also responsible for 12.13% of our total withdrawals, 2.27% of our discharges and 34.34% of our total consumption figures.

W4.2

(W4.2) Provide details of identified risks in your direct operations with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

Country/Area & River basin

Turkey	Other, please specify (Black Sea South Coast Major, Kocaeli Minor Basin)
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Type of risk & Primary risk driver

Physical	Flooding
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Primary potential impact

Reduction or disruption in production capacity

Company-specific description

Kordsa's production facility in Izmit (KTR), Turkey is located next to a river and is therefore in the boundary of a river flood basin. Although not directly due to a precipitation related flood, the facility was exposed to flood related disruption in production in 2018. This incident was caused by the opening of nearby dam flood gates to release the excess water to maintain the dam operations at optimum level. However, in line with climate projections, it is expected that severe weather events will become more

frequent (including extreme precipitation). Therefore, this facility is under the risk of production disruption due to increased likelihood of flooding. Although we have stated the country as Turkey, according to our analysis using WRI Aqueduct Water Risk Atlas, the baseline riverine flood risk is Extremely High for our facilities in Indonesia and Brazil and the flood risk is High for our facilities in Turkey. So our facilities in Indonesia and Brazil are under our radar related to this risk as well.

Timeframe

Current up to one year

Magnitude of potential impact

Medium-high

Likelihood

Likely

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

6472000

Potential financial impact figure - minimum (currency)

<Not Applicable>

Potential financial impact figure - maximum (currency)

<Not Applicable>

Explanation of financial impact

The financial impact figure was determined from potential impact of disruption of operations in our Turkey, Indonesia and Brazil facilities. We have calculated the financial impact of this risk to be 1% revenue loss due to production disruption. Our global revenue realized in 2020 was 647.2 Million USD, while calculating the financial impact we took 1% of our revenue which is equal to 6.47 Million USD. As 2020 was an extraordinary year, and we had major disruptions in our operations, and also major decrease in our revenues, therefore the impact of this risk can even be higher when we return to our normal operating conditions.

Primary response to risk

Develop flood emergency plans

Description of response

In 2018, we experienced a temporary flooding incident at the KTR production facility resulting in disruption in our Line 1 production process. Our first response to managing this risk was to develop a flood emergency plan and protect our assets and avoid production disruption. This outcome was also reflected in Kordsa Business Contingency Plans. Moreover, our cost to respond to this incident was to maintain the L1 equipment as any potential disruption to this process line affects the quality of polymer used as raw material, and causing maintenance needs to recover the process. However, the most effective method used as a response to this risk is to insure our production units for acute physical effects of climate change including flooding.

Cost of response

816821

Explanation of cost of response

The cost of response reported includes the annual insurance premiums for 2020 and maintenance costs detailed above. The cost of response figure for the maintenance costs is taken from 2019 expenses, as 2020 figures may not reflect the real costs due to Covid-19 related disruptions in operations.

Country/Area & River basin

Turkey	Other, please specify (Black Sea South Coast Major, Kocaeli Minor Basin)
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Type of risk & Primary risk driver

Physical	Increased water stress
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Primary potential impact

Reduction or disruption in production capacity

Company-specific description

Although Turkey was chosen in the Country/Region column, increased water stress poses a risk to more facilities. According to the risk analysis we have performed by WRI Water Risk Atlas tool, our facility in Turkey is located in an area with High (40-80%) baseline water stress, which goes up to Extremely High (>80%) in the future scenarios (2030 onwards). Increased water stress also poses a risk to our Indo/Kordsa facility in the long term, as its "Low" water stress levels becomes Extremely High by 2030 onwards. Our 4 locations in US are also located in water stressed areas (Axiom, Advanced Honeycomb Technologies, Fabric Development Inc., Textile Development Inc.), however the production processes for these 4 facilities are not water dependent. As water is a vital source for the continuation of our operations (especially in Turkey & Indonesia), in the absence of sufficient amounts, our production will directly be disrupted, resulting in a revenue loss associated with reduced output.

Timeframe

More than 6 years

Magnitude of potential impact

Medium-high

Likelihood

Very likely

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

3121000

Potential financial impact figure - maximum (currency)

15600000

Explanation of financial impact

The financial impact was determined with the assumption of this risk causing 1% to 5% of revenue loss from our operations in Izmit, Turkey and Indonesia (2 facilities at same location). The minimum potential financial impact is calculated as a 1% reduction of the revenues from these facilities. Their total revenue in 2020 was 312.1 million USD. Therefore, the minimum impact is 3,121,000 USD. The maximum potential financial impact is calculated as a 5% reduction of the revenues from these facilities. Therefore, the maximum impact is 15,600,000 USD. This impact is likely to get higher if water stress levels will cause longer disruptions in the long-term.

Primary response to risk

Increase capital expenditure

Description of response

Our response strategy at these facilities have been to implement measures to maximize water efficiency and reduce our total water withdrawal demand. In order to do so, we allocate a dedicated annual budget to realize water-related performance increasing investments. However due to Covid-19 related operational disruptions, the capital expenses were minimized in the reporting year. In Turkey there were no water related CAPEX projects and in Indonesia, water-related capital expenses were minimized and we have only invested in urgent projects like maintaining the water infrastructure to prevent water losses.

Cost of response

25000

Explanation of cost of response

2020 was an extraordinary year due to Covid-19 pandemic, that's why we weren't able to implement any water-related initiatives in Turkey. The given cost of response figure is the infrastructure maintenance expenses in our Indonesia plants.

W4.2a

(W4.2a) Provide details of risks identified within your value chain (beyond direct operations) with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

Country/Area & River basin

Turkey	Other, please specify (Various river basins in the country)
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Stage of value chain

Use phase

Type of risk & Primary risk driver

Reputation & markets	Changes in consumer behavior
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Primary potential impact

Reduced demand for products and services

Company-specific description

Environmental concerns are increasing among the community. All stakeholders such as investors, NGOs and especially customers demand increasing disclosure of environment related performance including water management as well as water stewardship ownership from companies. Moreover, our leading customers, global tire manufacturers are setting ambitious climate and water related targets and expect Kordsa to support them in achieving these targets. Although, Kordsa is actively managing and disclosing its ESG performance and conducting R&D activities to improve the water performance of its products, in the future, these demands will increase and become stricter. In a case of Kordsa being unable to meet the stakeholders' demands to maintain water stewardship practices, this may result in a reduced demand for our products.

Timeframe

More than 6 years

Magnitude of potential impact

High

Likelihood

Very likely

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

12944000

Potential financial impact figure - maximum (currency)

32360000

Explanation of financial impact

The potential financial impact of this risk is determined with the assumption that 2-5% of Kordsa's global revenue can be affected from Kordsa's inability to meet stakeholders' (especially customers') demands and set targets. Our global revenue in the reporting period was 647.2 million USD. Minimum financial impact is 2% of this figure: 12.94 Million USD and Maximum financial impact is 5% which equald to 32.36 million USD. As 2020 was an extraordinary year, and we had major disruptions in our operations, and also major decrease in our revenues, therefore the impact of this risk can even be higher when we return to our normal operating conditions.

Primary response to risk

Direct operations	Increase capital expenditure
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Description of response

In order to maintain its position as a reputable brand and commitment to continually increase water efficiency in operations, Kordsa dedicates budget to invest in water-related capital. However, as 2020 was an extraordinary year, we were not able to dedicate as much CAPEX on water related improvement projects as we did in 2019. On a secondary response, Kordsa makes sure to transparently and publicly disclose its performance against set targets on various platforms such as CDP Water Security Programme, EcoVadis, sustainability reporting, ISO 14001 system certification, membership fees are also paid to sustainability related NGOs. Via these responses, Kordsa makes sure to meet stakeholder expectations at all times.

Cost of response

150000

Explanation of cost of response

Cost of response to this strategy includes the realized cost of realized initiatives implemented in the reporting period listed below: - Water-related CAPEX, - Sustainability reporting consultancy, - Reporting to various platforms such as CDP Water Security, Eco-Vadis, BIST Sustainability Index, - Membership fees paid to sustainability related NGO's and active participation in leading sustainability related organisations (BCSD etc.). This is a recurring cost but will change in amount on a yearly basis based on changing circumstances.

W4.3

(W4.3) Have you identified any water-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes, we have identified opportunities, and some/all are being realized

W4.3a

(W4.3a) Provide details of opportunities currently being realized that could have a substantive financial or strategic impact on your business.

Type of opportunity

Efficiency

Primary water-related opportunity

Cost savings

Company-specific description & strategy to realize opportunity

We have installed a reverse osmosis system at our Izmit, Turkey Production facility with the prior aim of increasing water efficiency and increase our water recycling rate (and therefore reduce our water withdrawal). This investment has resulted in a benefit of water cost savings. The total unit cost of water otherwise purchased from the third-party utilities was 50% higher considering the amount of chemicals and energy to be applied to condition the water for processes. Via this investment with ROI of less than 3 years, we were able to achieve considerable reduction in our water-related operational expenses. When it comes to capitalizing on an opportunity, we define substantive financial or strategic water-related impact as any measure contributing to our resilience to water scarcity. Therefore, although the financial impact of this opportunity is not within our thresholds, the strategic impact is considered substantive as this initiative has multi-layered benefits not only cost savings but also us becoming more self-sufficient on our water usage.

Estimated timeframe for realization

More than 6 years

Magnitude of potential financial impact

Low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

91239

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact

The disclosed financial impact has been calculated based on realized water cost savings achieved in the reporting period. The 26,000 USD investment made in a reverse osmosis system resulted in 50% cost savings per amount of water treated by this system. In 2020, 145,671 m³ of water was treated by the reverse osmosis system. If we didn't have this system in place, we would have ended up paying 0.626 USD/m³ more to purchase this water and also use chemicals to condition it to be ready for the process. Therefore, we have saved 0.626 * 145,671 = 91,239 USD. Although the current magnitude of this financial impact falls within our definition of low magnitude. Taking our production growth strategy into account, in the long term, this opportunity will help us realize considerably more cost savings and therefore will have a low-medium financial impact.

Type of opportunity

Products and services

Primary water-related opportunity

New R&D opportunities

Company-specific description & strategy to realize opportunity

As people become more and more aware about water related issues, stakeholders will become more and more concerned about the production processes of the products they buy and their environmental impacts. Products that need less water during production and products that cause less water pollution will be preferred by companies who are paying attention to their water footprint. As an example, COKOON is the new environmentally friendly adhesive technology named after the cooperation of Continental; one of the world's top six tire producers and Kordsa; producer of tire reinforcement technologies, with the aim of developing an intermediary product, a dip solution to replace the standard dipping system used since 1930's. Kordsa had been working on this new technology since 2008 at its R&D Centre located in Izmit, Turkey. Continental also had been working on the development of a new eco-friendly dip technology. Both companies have already been collaborating for many years on various topics regarding tire technologies. Consequently, at a certain stage of development to apply and test the formula on tires; with their open-innovation approach and vision, Kordsa and Continental decided to join forces, share knowledge and make use of the diverse expertise of both parties in replacing the standard and traditional dip system, which contains resorcinol and formaldehyde; chemicals which might create health and environmental risks in case of misuse. According to the results of the current development status of COKOON, it is now possible to replace both resorcinol and formaldehyde by an environmentally friendly solution without sacrificing any safety or performance criteria of tires. COKOON can be used for all standard textile materials used in tires (PET, PA66, PA6, Rayon, Aramid, Hybrid). As a result of this technology, without these chemicals, the production process also reduces the water pollution.

Estimated timeframe for realization

More than 6 years

Magnitude of potential financial impact

High

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

32360000

Potential financial impact figure – maximum (currency)

45304000

Explanation of financial impact

The disclosed financial impact has been calculated based on an assumption that innovative products that need less water or that pollute less water, will increase our sales volume by 5% to 7%. The given min. financial impact figure represents 5% of our global revenue (647.2 million USD) in the reporting year (32.36 million USD). The max. financial impact figure represents 7% of our global revenue which equals to 45.3 Million USD. As 2020 was an extraordinary year, our revenue has reduced considerably due to Covid-19 related restrictions. Therefore, the impact of this opportunity can even be higher when we return to our normal operating conditions.

W5. Facility-level water accounting

W5.1

(W5.1) For each facility referenced in W4.1c, provide coordinates, water accounting data, and a comparison with the previous reporting year.

Facility reference number

Facility 1

Facility name (optional)

Indo Kordsa Production Facilities

Country/Area & River basin

Indonesia	Other, please specify (Java-Timor Major, Cisadane Minor Basin)
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Latitude

-6.502395

Longitude

106.876765

Located in area with water stress

Yes

Primary power generation source for your electricity generation at this facility

<Not Applicable>

Oil & gas sector business division

<Not Applicable>

Total water withdrawals at this facility (megaliters/year)

351.73

Comparison of total withdrawals with previous reporting year

About the same

Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes

351.73

Withdrawals from brackish surface water/seawater

0

Withdrawals from groundwater - renewable

0

Withdrawals from groundwater - non-renewable

0

Withdrawals from produced/entrained water

0

Withdrawals from third party sources

0

Total water discharges at this facility (megaliters/year)

45.62

Comparison of total discharges with previous reporting year

About the same

Discharges to fresh surface water

45.62

Discharges to brackish surface water/seawater

0

Discharges to groundwater

0

Discharges to third party destinations

0

Total water consumption at this facility (megaliters/year)

306.11

Comparison of total consumption with previous reporting year

About the same

Please explain

Water withdrawal data from each source is obtained via direct meter readings. Surface water is taken from a river. Discharge data is obtained via meter readings. Indo Kordsa Production Facility is the only location in Indonesia where Kordsa operates. There are two facilities in the same site and their water data is collected together. Our total withdrawal volume increased by 0.43% which is classified as "About the same" and consumption volume increased by 0.49% which is also classified as "About the same".

same". Our discharge volume has also decreased by 0.002%, which is also classified as "About the same". Values remained the same with respect to previous year. Water withdrawal and discharge levels data are obtained via direct meter readings whereas, water consumption is calculated based on Consumption = Withdrawal - Discharge formula. We expect these amounts to increase slightly as this facility produced less than its capacity in the reporting year. Water is a vital source for our operations as the dipping we use to give adhesive properties to our products is water-based, therefore it is not easy for us to reduce our water consumption. Defined thresholds for chosen limits are: 0% - 5% about the same 5%-25% higher or lower over %25: much higher or lower.

Facility reference number

Facility 2

Facility name (optional)

KTR-Turkey Production Facility

Country/Area & River basin

Turkey	Other, please specify (Black Sea South Coast Major, Kocaeli Minor Basin)
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Latitude

40.763538

Longitude

30.000097

Located in area with water stress

Yes

Primary power generation source for your electricity generation at this facility

<Not Applicable>

Oil & gas sector business division

<Not Applicable>

Total water withdrawals at this facility (megaliters/year)

556.56

Comparison of total withdrawals with previous reporting year

Lower

Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes

0

Withdrawals from brackish surface water/seawater

0

Withdrawals from groundwater - renewable

522.36

Withdrawals from groundwater - non-renewable

0

Withdrawals from produced/entrained water

0

Withdrawals from third party sources

34.2

Total water discharges at this facility (megaliters/year)

295.32

Comparison of total discharges with previous reporting year

About the same

Discharges to fresh surface water

0

Discharges to brackish surface water/seawater

0

Discharges to groundwater

0

Discharges to third party destinations

295.32

Total water consumption at this facility (megaliters/year)

261.24

Comparison of total consumption with previous reporting year

Lower

Please explain

Water withdrawal data for each source is obtained via direct meter readings and for 3rd party sources the data is being crosschecked via monthly water invoices. 3rd party sources represents the water withdrawn from municipal utilities. The discharge data is also obtained via meter readings. KTR Production Facility represents the only production facility (1 plant) Kordsa operates in Turkey. In the reporting period, our total water withdrawal has decreased by 8.92% due to Covid-19 related disruption of operations. . Our discharge volume has decreased by 0.65% and our total consumption volume has decreased by 16.76% again due to Covid-19 related disruption in operations. Water withdrawal and discharge levels data are obtained via direct meter readings whereas, water consumption is calculated based on C=W-D formula. We expect all 3 figures to be higher in the future as we return to normal levels of operation. Water is a vital source for our operations as the dipping we use to give adhesive properties to our products is water-based, therefore it is not easy for us to reduce our water consumption. Defined thresholds for chosen limits are: 0% - 5% about the same 5%-25% higher or lower over %25: much higher or lower.

W5.1a

(W5.1a) For the facilities referenced in W5.1, what proportion of water accounting data has been externally verified?

Water withdrawals – total volumes

% verified

76-100

What standard and methodology was used?

ISAE3000, 92.11% of our water withdrawal volumes were verified. Verification report is attached in section W-FI of this report.

Water withdrawals – volume by source

% verified

76-100

What standard and methodology was used?

ISAE3000, 92.11% of our water withdrawal volumes by source were verified. Verification report is attached in section W-FI of this report.

Water withdrawals – quality

% verified

Not verified

What standard and methodology was used?

<Not Applicable>

Water discharges – total volumes

% verified

Not verified

What standard and methodology was used?

<Not Applicable>

Water discharges – volume by destination

% verified

Not verified

What standard and methodology was used?

<Not Applicable>

Water discharges – volume by treatment method

% verified

Not verified

What standard and methodology was used?

<Not Applicable>

Water discharge quality – quality by standard effluent parameters

% verified

Not verified

What standard and methodology was used?

<Not Applicable>

Water discharge quality – temperature

% verified

Not verified

What standard and methodology was used?

<Not Applicable>

Water consumption – total volume

% verified

Not verified

What standard and methodology was used?

<Not Applicable>

Water recycled/reused

% verified

Not verified

What standard and methodology was used?

<Not Applicable>

W6. Governance

W6.1

(W6.1) Does your organization have a water policy?

Yes, we have a documented water policy that is publicly available

W6.1a

(W6.1a) Select the options that best describe the scope and content of your water policy.

	Scope	Content	Please explain
Row 1	Company-wide	<p>Description of business dependency on water</p> <p>Description of business impact on water</p> <p>Reference to international standards and widely-recognized water initiatives</p> <p>Company water targets and goals</p> <p>Commitment to align with public policy initiatives, such as the SDGs</p> <p>Commitments beyond regulatory compliance</p> <p>Commitment to water-related innovation</p> <p>Commitment to water stewardship and/or collective action</p> <p>Commitment to safely managed Water, Sanitation and Hygiene (WASH) in the workplace</p> <p>Acknowledgement of the human right to water and sanitation</p> <p>Recognition of environmental linkages, for example, due to climate change</p>	<p>Kordsa has a company-wide Water Policy which is publicly available, which describes our dependency and impact on water. We recognize water-related issues are also a result of climate change. Kordsa's water policy outlines our overall strategy to protect water as a resource in objectives, scope and target. Kordsa commits to align with global public policy initiatives and supports the United Nation's Sustainable Development Goals (SDG). For this policy, particularly relevant goal is SDG 12: Responsible Consumption and Production. Kordsa refers to World Resources Institute (WRI) Aqueduct Water Risk Atlas in determining the water related risk in the regions of operation. Some of the objectives that are outlined in our water policy are as follows: • Committing to water related innovations by installing innovative technologies • Committing to act beyond regulatory compliance • Committing to cooperate with NGO's and public authorities to take collective action for water stewardship • Aiming to reduce waste including carbon footprint that is linked with water scarcity or water pollution. • Considering water-related requirements in product and supplier selection • Offering our customers products and solutions with less impact on water The policy also discloses our water related targets and details on how the progress against these targets will be reported.</p> <p>Water_policy_V1.pdf</p>

W6.2

(W6.2) Is there board level oversight of water-related issues within your organization?

Yes

W6.2a

(W6.2a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for water-related issues.

Position of individual	Please explain
Chief Executive Officer (CEO)	<p>CEO has the ultimate overall responsibility at all terms including water-related issues, some of these responsibilities include: - Reviewing and guiding corporate responsibility strategy including water-security related strategies - Identification of targets and approval and financing of projects that will lead the way to achieving the water management targets - Setting performance objectives and ensuring the company performs within the limits of the pre-determined energy and water management goals - Management of water-related risks and opportunities - Reviewing innovation/R&D priorities</p> <p>During the reporting year, our CEO has led many water-related decisions, one of these decisions include preparation of water withdrawal reduction projects for each Kordsa facility in order to achieve their 2021 targets, and each facility is required to present their projects (related to OPEX and CAPEX) to ELT for approval. Another decision led by our CEO was appointment of EMEA Region COO as our Sustainability Sponsor.</p>
Board-level committee	<p>In our organization chart, our Executive Board, which is named as Executive Leadership Team, is responsible for making decisions on how to take action on water-related issues. The Kordsa Executive Leadership Team (ELT) is chaired by the CEO and consists of Regional COO's who are in charge of plant operations, Chief Finance and Supply Chain Officer, Composites COO, Chief Human Resources, Legal and IT Officer, Chief Global Sales and Market Development Officer and Global Technology Director. Some of the water-related responsibilities of ELT are: - Application of water-related strategies - Monitoring targets and performance - Assessing and managing water-related risks and opportunities. In 2020 with the leadership of our CEO, it is decided that each Kordsa facility shall prepare water withdrawal reduction projects in order to achieve their 2021 targets, and each facility is required to present their projects (related to OPEX and CAPEX) to ELT for approval. In 2020, with the leadership of our CEO, Kordsa ELT appointed our EMEA COO as Kordsa Sustainability Sponsor globally. This appointment will be effective from 2021.</p>

W6.2b

(W6.2b) Provide further details on the board’s oversight of water-related issues.

	Frequency that water-related issues are a scheduled agenda item	Governance mechanisms into which water-related issues are integrated	Please explain
Row 1	Scheduled - all meetings	Monitoring implementation and performance Overseeing acquisitions and divestiture Overseeing major capital expenditures Providing employee incentives Reviewing and guiding annual budgets Reviewing and guiding business plans Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding strategy Reviewing and guiding corporate responsibility strategy Reviewing innovation/R&D priorities Setting performance objectives	The Board of Directors, our supreme governing body, supervises performance on the sustainability priorities at Kordsa. The Kordsa Executive Leadership Team (ELT) is chaired by the CEO and consists of Regional COO's who are in charge of plant operations, Chief Finance and Supply Chain Officer, Composites COO, Chief Human Resources, Legal and IT Officer, Chief Global Sales and Market Development Officer and Global Technology Director. ELT is responsible for plant operations and sets targets for sustainability focus areas determined biennially within the company and revises them when necessary. ELT quarterly discusses and approves action plans based on reported monthly Business Process Review outcomes. These quarterly ELT reviews not only include Kordsa's progress against set targets (including water related targets) but also the risk assessment process outcomes (water-related issues being covered under various risk types such as production, legal and reputational risks).

W6.3

(W6.3) Provide the highest management-level position(s) or committee(s) with responsibility for water-related issues (do not include the names of individuals).

Name of the position(s) and/or committee(s)

Chief Operating Officer (COO)

Responsibility

Both assessing and managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

More frequently than quarterly

Please explain

At Kordsa we have four COO's that are responsible for the regions that we operate in. All of our COO's are also members of our Executive Leadership Team (ELT) which is chaired by our CEO, and is the equivalent of Executive Board in our organization chart. Being a part of the ELT, our regional COO's are naturally a part of the team with the highest responsibility on water-related issues. Their individual water-related responsibilities include: - Implementing water-related strategies that are decided by the ELT in their relevant regions - Monitoring targets and performance in the regions that they manage - Implementing the risk management framework in their regions to be able to assess and manage their water related risks properly Our COO's report the water-related developments in their regions (if there are any) to in monthly ELT meetings and in the quarterly meetings that they organize with the Board of Directors.

Name of the position(s) and/or committee(s)

Environmental health and safety manager

Responsibility

Both assessing and managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

More frequently than quarterly

Please explain

At Kordsa this position is named as "Safety, Health and Environment (SHE) Manager" SHE Managers of each Kordsa facility/site hold weekly Site Safety Managers' Meetings to which the Global SHE Manager attends monthly. The outcomes are then reported to the Site Directors through monthly BPR Meetings, who then inform the Board.

Name of the position(s) and/or committee(s)

Environment/Sustainability manager

Responsibility

Both assessing and managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

More frequently than quarterly

Please explain

At Kordsa this position is named as "Corporate Brand, Communication and Sustainability Manager". Our Corporate and Brand Communication and Sustainability Manager who reports to the CEO directly leads the Sustainability Management Team, with whom she meets four times a year, and the Sustainability Reporting Group, with whom she communicates constantly during the reporting period. She ensures the coordination between departments and senior management to achieve the relevant goals while coordinating the preparation of the annual sustainability performance report.

Name of the position(s) and/or committee(s)

Other, please specify (Regional Sustainability Leaders)

Responsibility

Both assessing and managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

More frequently than quarterly

Please explain

Tire and composite business units' sustainability game plans are monitored and executed by 4 regional Sustainability Leaders. They are responsible for both assessing and managing water-related risks and opportunities as well as following up the metrics and projects with the related regional and global functions.

W6.4

(W6.4) Do you provide incentives to C-suite employees or board members for the management of water-related issues?

	Provide incentives for management of water-related issues	Comment
Row 1	Yes	In 2019 our CEO has approved a target to reduce water intensity. This target is now included in the KPI's of the COO's of each Kordsa Region.

W6.4a

(W6.4a) What incentives are provided to C-suite employees or board members for the management of water-related issues (do not include the names of individuals)?

	Role(s) entitled to incentive	Performance indicator	Please explain
Monetary reward	Chief Operating Officer (COO)	Reduction of water withdrawals	In 2019 our CEO approved the following target: Reduce ton of water withdrawn / ton of product by 50%. Base year for this target is 2019 and the target year is set as 2030. This target is split between our facilities and is now included in the KPI's of each Kordsa region's COO's. As this target is included in the KPI's of our regional COO's, they are entitled to a monetary reward in the form of a bonus or increase in salary, if they show progress to achieve this target. By inclusion of this indicator in the KPI's of our regional COO's, we are including the top management of each region in this ambitious water reduction target.
Non-monetary reward	Please select	Please select	

W6.5

(W6.5) Do you engage in activities that could either directly or indirectly influence public policy on water through any of the following?

Yes, direct engagement with policy makers

W6.5a

(W6.5a) What processes do you have in place to ensure that all of your direct and indirect activities seeking to influence policy are consistent with your water policy/water commitments?

Kordsa's water policy and commitments are published publicly and they are very well known by our employees, especially the Management Level employees as they are the first to be briefed about any changes/development in the company policies.

All communication activities to be carried out with individuals, organizations and state institutions outside the company are determined by Kordsa's company rules. According to these rules, all of the information that will be presented outside of the company is subject to approval of Corporate Communication Department.

From Management levels to our Board Members, whenever someone is going to represent Kordsa in any kind of event or meeting, their presentations are either prepared or approved by the corporate communications department.

This Department is led by our Corporate Brand, Communication and Sustainability Manager who is also responsible for all our sustainability, climate-change and water related studies, from developing strategies to preparation of our CDP report and water policy. As all of these communication activities go through her, there is very little risk that there will be any kind of activity that conflicts with our water policy/water commitments.

However, if such a conflict occurs, the event is taken to our ethics board, and the employee receives a warning from our CEO. Also, a suitable corrective action is implemented immediately upon recognition of such a conflict.

W6.6

(W6.6) Did your organization include information about its response to water-related risks in its most recent mainstream financial report?

No, but we plan to do so in the next two years

W7. Business strategy

W7.1

(W7.1) Are water-related issues integrated into any aspects of your long-term strategic business plan, and if so how?

	Are water-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, water-related issues are integrated	> 30	The water issues that are integrated into our long-term business objectives are as follows: Baseline water stress, flood occurrence, drought severity, groundwater stress, regulatory and reputational risks, future water stress. We implemented WRI Aqueduct Risk Atlas Tool to set our 2030 target of 50% reduction of water withdrawal per ton of product. This target is also implemented in our long-term business objectives. Our Sustainability Road Map defines a 5-year focused plan which feeds into long-term business objective under "we reinforce life" vision. Our Sustainability Road Map includes our successfully implemented commitment to reduce our intensity in water withdrawal per ton of product by 6% for our Izmit Plant and 2% for all of our other plants, until 2021. These commitments will help us achieve our 2030 target.
Strategy for achieving long-term objectives	Yes, water-related issues are integrated	> 30	In order to achieve long-term business objectives and related water targets, our strategy is to install water meter to detail monitor our water consumption to identify the full potential to maximize water efficiency of our operations. Moreover, we aim to increase the number of production facilities implementing water recycling and/or reusing measures. We also include our employees in our efforts to achieve water stewardship and encourage behavioural change to improve our water management practices. As an example, our Izmit facility is located in a water stressed area, therefore for water related impacts it is one of the focus plants. We have installed a reverse osmosis system in this facility to increase our water recycling rate, and reduce our long-term risks.
Financial planning	Yes, water-related issues are integrated	> 30	We make sure our financial planning process to be consistent with our business objectives. With regards to water-related commitments, we allocate an annual CAPEX budget to implement water efficiency projects to achieve our water consumption reduction target. With a recent decision of our CEO, all of our Kordsa facilities are required to present their CAPEX and OPEX requiring water withdrawal reduction projects to the Executive Leadership Team which is led by the CEO.

W7.2

(W7.2) What is the trend in your organization's water-related capital expenditure (CAPEX) and operating expenditure (OPEX) for the reporting year, and the anticipated trend for the next reporting year?

Row 1

Water-related CAPEX (+/- % change)

-92.27

Anticipated forward trend for CAPEX (+/- % change)

380

Water-related OPEX (+/- % change)

-17.56

Anticipated forward trend for OPEX (+/- % change)

15

Please explain

Given figures are based on realized financial data. The given data covers the facilities that are responsible for 92.31% of our total withdrawals, 94.30% of our total discharges, & 87.83% of our total consumption figures. Our water related CAPEX has decreased by 92.27% in the reporting year with respect to 2019. The reason for the decrease was due to Covid-19 related impacts on our business, we had to stop most of the water-related non-vital capital expenses. As a forward trend, taking into consideration that there are some planned projects, we expect the water related CAPEX to increase by 380%. Our water related OPEX has decreased 17.56% in the reporting year with respect to 2019, due to Covid-19 related shut-downs. As a forward trend, we expect an increase of about 15%, as we return to normal operating conditions. In 2020 water related CAPEX was for maintaining the water infrastructure to prevent water losses in one of our facilities & the OPEX values are related to water bills.

W7.3

(W7.3) Does your organization use climate-related scenario analysis to inform its business strategy?

	Use of climate-related scenario analysis	Comment
Row 1	Yes	

W7.3a

(W7.3a) Has your organization identified any water-related outcomes from your climate-related scenario analysis?

Yes

W7.3b

(W7.3b) What water-related outcomes were identified from the use of climate-related scenario analysis, and what was your organization's response?

	Climate-related scenarios and models applied	Description of possible water-related outcomes	Company response to possible water-related outcomes
Row 1	Other, please specify (RCP 4.5)	RCP 4.5 and RCP 8.5 are two climate scenarios that are applied by WRI Water Risk Atlas tool. According to the analysis we made using this tool, 8 of our facilities are facing serious water-stress in the not-so distant future (2030 and 2040 projections). According to RCP 4.5 Scenario, Turkey will face 2-3 degrees increase in mean temperatures between 2013-2040. Precipitation volumes are also expected to reduce, and with increasing population, this may lead to a groundwater table decline, which is our main source of water for our Turkish operations.	With this data at hand in 2019 we have set a target to reduce our water withdrawals per unit production by 50% until 2030. We are motivating each Kordsa facility to come up with projects to reduce water withdrawals, and we have also integrated this outcome to our financial strategy by reserving CAPEX to water related investments.

W7.4

(W7.4) Does your company use an internal price on water?

Row 1

Does your company use an internal price on water?

Yes

Please explain

As water cost is a part of our OPEX and we also use this cost while deciding on the feasibility of our water-related CAPEX, we always include water price in our budget planning. As Kordsa operates in very different geographies including Turkey, Indonesia, the United States, Thailand and Brazil, we take into account local water price while planning our budget. Therefore, we don't have a single figure. As the water scarcity is expected to increase in the future, we make sure we plan and initiate efficiency projects to ensure water security and prevent the OPEX increase likely to be caused by increasing water prices.

W8. Targets

W8.1

(W8.1) Describe your approach to setting and monitoring water-related targets and/or goals.

	Levels for targets and/or goals	Monitoring at corporate level	Approach to setting and monitoring targets and/or goals
Row 1	Company-wide targets and goals Site/facility specific targets and/or goals Country level targets and/or goals	Targets are monitored at the corporate level Goals are monitored at the corporate level	Conscious of the fact that access to sufficient amounts of good quality freshwater is vital to our business continuity, our Executive Leadership Team sets water-related goals and targets based on the outcomes of thorough updates of the Sustainability Task Force. Our targets and goals are set with a global coverage, including 100% of our operations. We also commit to UN Global Compact and support Sustainable Development Goals to make sure our targets are in line with the global trends and motivations. We also assess water-related long-term physical risks using tools on the market such as WRI Aqueduct Water Risk Atlas to make sure our water related targets and goals are set to ensure water security in our value chain.

W8.1a

(W8.1a) Provide details of your water targets that are monitored at the corporate level, and the progress made.

Target reference number

Target 1

Category of target

Product water intensity

Level

Company-wide

Primary motivation

Water stewardship

Description of target

This target covers all Kordsa global tire-reinforcement production activities. Our target is to reduce our water withdrawal per ton of product by 50% by the year 2030. This target has been set in 2019 and our base year is also 2019.

Quantitative metric

% reduction per unit of production

Baseline year

2019

Start year

2019

Target year

2030

% of target achieved

27.29

Please explain

In 2020 due to Covid-related disruptions are production levels have decreased, but the withdrawal amounts have also decreased especially in our most water intense plant which is the Chattanooga-US plant due to some water saving projects that we have implemented. In addition to these projects, we also were able to change our air permit allowing us to turn off the water to our cyclonic separators reducing our water demand significantly. As a result of these we have reduced our water withdrawal per ton of tire-reinforcement product by 13.64% in the reporting year.

Target reference number

Target 2

Category of target

Product water intensity

Level

Site/facility

Primary motivation

Water stewardship

Description of target

This target covers our İzmit plant. Our target is to reduce our water withdrawal per ton of tire-reinforcement product by 6% by the year 2021. This target has been set in 2019 and our base year is also 2019.

Quantitative metric

% reduction per unit of production

Baseline year

2019

Start year

2019

Target year

2021

% of target achieved

0

Please explain

During the reporting period as we had many Covid-19 related restrictions, our production has decreased by 14.60 % at our İzmit facility. Our withdrawal volume has also decreased by 8.92%. However as the decrease in our production is higher than the decrease in our withdrawal, our overall water intensity increased by 6.65% and we weren't able to achieve any % of this target.

Target reference number

Target 3

Category of target

Product water intensity

Level

Site/facility

Primary motivation

Water stewardship

Description of target

This target covers all of our plants except our İzmit plant which has a much more ambitious target. Our target is to reduce our water withdrawal per ton of tire-reinforcement product by 2% by the year 2021. This target has been set in 2019 and our base year is also 2019.

Quantitative metric

% reduction per unit of production

Baseline year

2019

Start year

2019

Target year

2021

% of target achieved

40

Please explain

As this target is valid for 5 different facilities, there are different levels of achievement. Our Chattanooga plant over-achieved this target and reduced the water intensity by an impressive 8.67%. Our Thailand plant also reduced the water intensity by 8.08% overachieving this target before the target year. Other plants however, the intensity figures increased due to Covid related shut downs, and were not able to achieve any % of this target. As 2 out of 5 plants have overachieved their targets the % of target achieved value is given as 40% (2/5).

W8.1b

(W8.1b) Provide details of your water goal(s) that are monitored at the corporate level and the progress made.

Goal

Providing access to safely managed Water, Sanitation and Hygiene (WASH) in workplace

Level

Company-wide

Motivation

Commitment to the UN Sustainable Development Goals

Description of goal

Kordsa's goal is to provide fully-functioning and safely managed WASH services to all of its employees covering each facility. This goal is adopted company-wide, because health and safety of our employees is a priority for us. This is a rolling annual goal. In order to maintain the quality of WASH services at the desired level, Kordsa takes all necessary actions, such as conducting periodic analysis on water used for WASH purposes. The hygiene related equipment is always kept in full functioning order and if deemed necessary they are renewed promptly. This goal has become more and more important with the Covid-19 pandemic.

Baseline year

2019

Start year

2019

End year

2020

Progress

The main indicator for measuring the success of this goal is to receive zero number of complaints from employees regarding the quality of WASH services. In the reporting period, we received no complaints regarding WASH services. Therefore, we consider the progress on this goal as a success.

Goal

Other, please specify (Increase the number of facilities implementing water recycling)

Level

Company-wide

Motivation

Water stewardship

Description of goal

In line with our commitment to Sustainable Development Goal, we aim to contribute to Target 6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity. In order to do so, we set a goal to continually increase the number of facilities implementing water recycling measures to reduce withdrawal and prevent water scarcity by allocating budget to realize related measures. We are implementing this goal company-wide by researching ways to recycle water and asking all Kordsa facilities to include water-recycling projects into their investment plans.

Baseline year

2018

Start year

2018

End year

2030

Progress

Until the end of the reporting period, we have implemented recycling units in two of our facilities mainly Kordsa Turkey production facility and Kordsa Indonesia production facility. In the reporting period these two facilities recycled a total of 184.1ML of water. The indicator that is used to assess progress is the percentage of number of facilities that have an active water recycling unit. The threshold of success for this goal is having recycling units at more than 40% of our facilities, until 2030. In the reporting period we have 12 facilities, therefore to be deemed successful at least 5 of our facilities shall have an active recycling unit. Currently we have 2 facilities, therefore we can say we have achieved 40% of our goal already which is a major success.

W9. Verification

W9.1

(W9.1) Do you verify any other water information reported in your CDP disclosure (not already covered by W5.1a)?

No, but we are actively considering verifying within the next two years

W10. Sign off

W-FI

(W-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

Verification assurance report is attached.
Kordsa CDP WS Assurance Report 2020.pdf

W10.1

(W10.1) Provide details for the person that has signed off (approved) your CDP water response.

	Job title	Corresponding job category
Row 1	CEO	Chief Executive Officer (CEO)

W10.2

(W10.2) Please indicate whether your organization agrees for CDP to transfer your publicly disclosed data on your impact and risk response strategies to the CEO Water Mandate's Water Action Hub [applies only to W2.1a (response to impacts), W4.2 and W4.2a (response to risks)].

Yes

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	I am submitting to	Public or Non-Public Submission
I am submitting my response	Investors	Public

Please confirm below

I have read and accept the applicable Terms