

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 a great know-how on reinforcement materials. Kordsa now operates in 5 countries, namely, Turkey, Brazil, Indonesia, Thailand and the US with 4,500 reinforcers at its 12 production facilities. 2 of these production facilities have also R&D activities. Kordsa had 87 active R&D projects in the reporting year. These projects focus on issues like ecodesign, chemical recycling, reducing the weight of products, reducing water pollution and GHG emissions.

Owing to the market leadership and strong knowledge base on reinforcement processes, the company became the global market leader empowered by its strategic approach to tire reinforcement market.

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 customers, its shareholders and its employees. 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 by offering high value-added innovative reinforcement solutions for its customers, its stakeholders and society 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 2019	December 31 2019

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: The primary use of recycled/brackish and/or produced water is the use of recycled water for soft water and cooling water preparation at our Izmit and Indonesia plants. We have chosen the importance rating as "Important" because recycled water 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 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 withdrawals per 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.
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.
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).
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 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	4085.72	Higher	Our total water withdrawal has increased by 17.32% (from 3,4828.266 megaliters in 2018). The main reason behind this increase is our facility in Chattanooga-US which is responsible for 70.87% of our total withdrawals for the reporting year. The withdrawal amounts increased 24.82% in this facility due to the speed increase in CP Line 4 resulting in higher flow. The production volume in this facility has also increased by an impressive 28%. Another reason for increase is the change in our operational boundary. We have included 4 newly acquired facilities in US, in our boundary. But the effect of these facilities is rather minimal. In our other facilities the changes in withdrawal volumes are minimal within the range of 0-5%. We have found some discrepancies in our previously reported volumes; therefore, we revised our water footprint calculations for 2018. For comparison with the previous year we are using newly calculated withdrawal and discharge volumes throughout the report. We anticipate a production increase in the future but at the same time aim to increase the water recycling rate of our facilities, therefore we anticipate the volume to stay about the same in near future. Defined thresholds for chosen limits are: 0% - 5% about the same 5%- 25% higher or lower over %25: much higher or lower.
Total discharges	2653.83	Much higher	Our total water discharge has increased by 29.13% from 2,055.15 megaliters in 2018 to 2,653.83 megaliters in 2019. The major reason behind this increase is our facility in Chattanooga-US which is responsible for 81 % of our total discharges for the reporting year. The water discharge at this facility has gone up from 1,547 megaliters in 2018 to 2,150 megaliters in 2019 showing an increase of about 38%, which is in a direct result of the speed increase in CP Line 4, resulting in higher flow. The production volume in this facility has also increased by an impressive 28%. Discharge volumes have decreased in facilities like Izmit, Indonesia & Laurel Hill-US, due to different reasons like changes in production volumes or inclusion of processes where more water is consumed and not discharged. Another reason for increase is the change in our operational boundary. We have included 4 newly acquired facilities in US, in our boundary. But the effect of these facilities is rather minimal. There is also a drastic increase in discharges in our CTCE facility, this increase is due to growing number of employees in the facility. This facility is an R&D center and has a small amount of production therefore employee numbers have a high effect in this facilities water withdrawal and discharge figures. This facility makes up about 0.01% of our total discharges. We anticipate this value to remain about the same in the near future. We have found some discrepancies in our previously reported volumes; therefore, we revised our water footprint calculations for 2018. For comparison with the previous year we are using newly calculated withdrawal and discharge volumes throughout the report. Defined thresholds for chosen limits are: 0% - 5% about the same 5%- 25% higher or lower over %25: much higher or lower.
Total consumption	1431.9	About the same	With the precautionary actions and awareness raising activities held for our employees we were able to achieve just a very small amount of increase (0.31%) in our water consumption amount (from 1,427.51 megaliters in 2018 to 1,431.90 megaliters in 2019), despite the inclusion of new locations in our reporting boundary. We have found some discrepancies in our previously reported volumes; therefore, we revised our water footprint calculations for 2018. For comparison with the previous year we are using newly calculated withdrawal and discharge volumes throughout the report. 0.05% increase is due to the change in our operational boundary. This year, we have included 4 newly acquired facilities in US, in our operational boundary. We anticipate this amount to stay 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.

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	11-25	About the same	WRI Aqueduct	Due to the recent revision of WRI Aqueduct, when we revised our analysis for 2019, 6 out of 12 locations are under baseline water stressed areas. 5 of these locations are rated with High (3-4) Overall Water Risk, where only one location is rated as Extremely High (4-5). For future water risks (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%) We have also revised the water data for the previous year, so when we apply this analysis to the revised water data for 2018 we can see that the total withdrawal volumes from water stressed areas have dropped from 27.28% to 23.69%, showing a decrease of 3.47 points according to the new version of the tool, although we have included 4 new facilities due to acquisitions in the reporting year. When we compare the total volume of withdrawal from water stressed areas there is an increase of 2.34%, both figures can be classified as "About the Same" We have chosen to use WRI Aqueduct's global water risk mapping because tool 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	3166.77	Higher	Our facility in US, Chattanooga (CH) and our two facilities in Indonesia use fresh surface water. The amount of water withdrawal from fresh surface water increased by 23.87% compared to the withdrawal figure reported for the previous reporting period. The main reason behind this increase is our facility in CH-US which is responsible for 70.87% of our total withdrawals for 2019. Withdrawal from fresh surface water in this facility increased by 28.14% due to the speed increase in CP Line 4 resulting in higher flow. The production volume of CH has also increased considerably. The use of fresh surface water has decreased by 2.33% in our Indonesia facilities due to a decrease in production. 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>	
Groundwater – renewable	Relevant	658.35	Higher	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 increased by 20.89% compared to the previous reporting period. The reason behind this increase is mainly a result of increase in withdrawal from this source in our facility in Izmit, Turkey. In our Izmit facility we have used much less water from third party sources (65.9 % less water from third-parties), and to compensate for this use we used more renewable groundwater. We have also installed new machinery and started up new units (Line4, K1 Ste, PP Line) these new production lines also require water. We expect this amount to remain 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.
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	260.6	Much lower	We have water withdrawal from third party sources (i.e municipalities) in all of our facilities except our 2 facilities in Indonesia. In 2019, we have also revised our water data for 2018. When we compare 2019 values with new data for 2018 we see a decrease of 120.85 megaliters, which equals to a 31.68% decrease. Although 4 newly acquired facilities in US, which solely use water from third parties, were added to the operational boundary in the reporting year we had a major decrease in water withdrawal from this source. The major reason behind this decrease is the use of renewable groundwater instead of water from third parties in our Izmit, Turkey plant. The water from third-parties consumed in Izmit plant made up 36.65 % of total consumption from third parties in 2018. 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	1012.25	Much higher	We discharge to fresh surface water in our Chattanooga and Indonesia facilities. Discharge to fresh surface water has increased by 30.94% in comparison with 2018. The major reason behind this increase is our facility in Chattanooga-US, which is responsible for 95.5 % of our total discharges to fresh surface water for 2019. The freshwater discharge at this facility has increased 32%, which is a direct result of the speed increase in CP Line 4, resulting in higher flow. The production volume in this facility has also increased. In our Indonesia facility, the freshwater discharge volume decreased by 10.58% due to reduction in production capacity. We found some discrepancies in our previously reported volumes; so, we revised our water footprint calculations for 2018. For comparison with the previous year we are using newly calculated withdrawal and discharge volumes. 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	1641.58	Much higher	We discharge to third party destinations in all of facilities except Indonesia. We have revised the water data for 2018. When we compare the discharge amounts with the new data for 2018, we see that there is an increase of 28.96% (from 1,272.93 ML in 2018). The major reason behind this increase is our facility in Chattanooga-US which is responsible for 72 % of discharges to 3rd Party destinations for the reporting year. The 3rd party discharge at this facility has gone up from 816 ML in 2018 to 1,183 ML in 2019 showing an increase of about 45%, which is in a direct result of the speed increase in CP Line 4, resulting in higher flow. The production volume in this facility has also increased considerably. The newly acquired 4 facilities in US also caused an increase but this increase is about 0.6%. Defined Thresholds for chosen limits are: 0%- 5% about the same 5%- 25% higher or lower over %25: much higher or lower.

**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**

Supplier Sustainability Assessment Survey We included the implementation of a more comprehensive sustainability impact assessment in addition to our current processes in 2019. We started to directly integrate the sustainability scores of suppliers to our current assessment system. 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 that we will continue in 2020 will evaluate 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).

**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 2019. 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 plan to initiate working on improvements with each supplier starting with the global ones and aim to increase the number of suppliers that we reach. 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 suppliers.

**Comment**

---

**W1.4b**

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

**Type of engagement**

Other

**Details of engagement**

Other, please specify (Awareness raising with the supplier survey)

**% of suppliers by number**

51-75

**% of total procurement spend**

76-100

**Rationale for the coverage of your engagement**

We aim to raise the awareness of our suppliers on water-related issues via our supplier sustainability assessment survey. In the reporting period, we invited more than 400 global and local suppliers from five countries in which we operate to participate in the Supplier Sustainability Assessment (SSA) Survey. This survey includes questions about the water management practices of the suppliers, which helps raising the awareness of the supplier about water-related issues. In the upcoming years we are planning to request our suppliers to support our water and climate related targets and we are starting to prepare them for this process by raising their awareness with this survey. In 2021 we are aiming to perform our SSA in 2 paths: 1. We will add sustainability part to our existing "Vendor Quality Rating" program to evaluate our suppliers' sustainability performance 2. Our critical suppliers will implement Ecovadis.

**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 2019. 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 plan to initiate working on improvements with each supplier starting with the global ones and aim to increase the number of suppliers that we reach. 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 79.5% of our suppliers. This survey also provided enormous insight on the environmental and water related performance of our suppliers.

**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 82% 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 is 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 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, 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. One of these two locations our Izmit plant, where 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. 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. On one hand, in the absence of sufficient amount of water, our production will be disrupted, on the other hand, sufficient but lower quality water will have an impact on the energy we consume to condition that water to avoid affecting the quality of our products. 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: 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. Diversification of suppliers may result in an increase in our Direct operational expenses.
Water-related regulatory frameworks	Relevant, always included	RELEVANCE: Complying with regulations is the prior mission for Kordsa. For this reason, water-related regulations covering whole value chain as well as both current and future issues. 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 requirement 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. Other facilities are all located in Low or Low-Medium reputational risk areas. The total withdrawal volume in these three facilities is 455.41 Megaliters, which makes up 11.15% 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 a 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 risk assessment with caution. 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 water management, strategy, performance etc. via CDP Water Supply Chain Programme, we can assume this requirement may be asked by increasing number of customers. 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. METHOD OF ENGAGEMENT WITH EMPLOYEES: We have set communication channels for employees to report water-related risks and opportunities.
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.
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 also actively involve 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
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 Izmit Water and Sewage Administration) in Turkey and corresponding bodies abroad. We ensure our operations at our facilities comply with all applicable regulations.
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 Izmit Water and Sewage Administration in Turkey) and implement a regional-level response in case of any problems arise. Potential suppliers are also evaluated as part of a process initiated in 2018; Sustainability Supplier 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 Izmit 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 using WRI Aqueduct Water Risk Atlas.

For Baseline water risks we assess the following parameters:

- 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 thresholds for substantive impact is given in detail under question W4.1a of this report.

The effect 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 effect as the relevant risk exposure value is taken into consideration.

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.

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:

i) **Finance:** Within one-year period more than 0.5% deviation from the budgeted EBITDA (For 2019 this ratio corresponds to 660,000 USD), or

ii) **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),

Medium-term loss a small number of customers (e.g. a maximum of 3) with an effect of 500 million USD or less on the profitability of the company, or

iii) **People:** A small number of minor injuries requiring first aid treatment

A few staff members from some units leave

5-10% negative change in the employee satisfaction survey in comparison with the previous period

Staff turnover rate is between 5%-7%

iv) **Business Continuity:** Between 4 hours and 2 days business interruption at a production line, or

v) **Legal:** Local restrictions / low amount penalties (e.g. penalties of less than 500,000 USD)

vi) **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) 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, 6 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 İzmit 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 23.69% and the percentage of water withdrawn from these 3 facilities is 23.53%. The withdrawal figure of the remaining 3 sites, namely our CTCE plant in Turkey, and two US facilities (Advanced Honeycomb Technologies and Textile Products Inc.) makes up 0.16% of our total water withdrawal. Their production levels are also minimal; therefore these 3 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)
--------	--

**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 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.

**Country/Area & River basin**

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

**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 high level baseline water stress and 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.

**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)
--------	--

**Type of risk & Primary risk driver**

Physical	Flooding
----------	----------

**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-low

**Likelihood**

Likely

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

9059232.89

**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 2019 is 905,932,389 USD, while calculating the financial impact we took 1% of our revenue which is equal to 9.05 Million USD.

**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 and maintenance costs detailed above.

**Country/Area & River basin**

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

**Type of risk & Primary risk driver**

Physical	Increased water stress
----------	------------------------

**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 our production facilities in Indonesia (Indo Kordsa) and our 4 locations in US as well. According to WRI Aqueduct global water risk mapping tool, our production facilities in these 3 countries are located in areas with high baseline water stress and with the potential to increase even further in the long-term (from 2030 on). As water is a vital source for the continuation of our operations, in the absence of sufficient amounts, our production will directly be disrupted, resulting in a revenue loss associated with reduced output. Moreover, as a secondary impact, this risk may also affect our ability to provide safe WASH services to our employees, which is a risk that we aim to avoid at all costs.

**Timeframe**

More than 6 years

**Magnitude of potential impact**

Medium-low

**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)**

3000030

**Potential financial impact figure - maximum (currency)**

15000150

**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. 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 this facility has been to implement measures to maximize water efficiency and reduce our total water intake demand to start with. In order to do so, we allocate a dedicated annual budget to realize water-related performance increasing investments. In the reporting period, we have implemented a total of 5 water-related initiatives to enhance the water efficiency of our operations. Some of the investments were to replace existing inefficient water system equipment such as wells/pumps/nozzles, we also invested in maintaining the water infrastructure to prevent water losses.

**Cost of response**

74000

**Explanation of cost of response**

The cost of response consists of water-related 5 initiatives' CAPEX realized during the reporting period. Although this is a one-time cost, we consistently allocate an annual budget to invest in measures to continually improve our water performance.

---

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)
--------	---

**Stage of value chain**

Other, please specify (Other stages in the value chain)

**Type of risk & Primary risk driver**

Reputation & markets	Increased stakeholder concern or negative stakeholder feedback
----------------------	--

**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, this demand 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, a single figure estimate

**Potential financial impact figure (currency)**

90593238.9

**Potential financial impact figure - minimum (currency)**

<Not Applicable>

**Potential financial impact figure - maximum (currency)**

<Not Applicable>

**Explanation of financial impact**

The potential financial impact of this risk is determined with the assumption that 10% 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 905,932,389 USD

**Primary response to risk**

Direct operations	Increase capital expenditure
-------------------	------------------------------

**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. 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 paid to sustainability related NGOs. Via these responses, Kordsa makes sure to meet stakeholder expectations at all times.

**Cost of response**

296305

**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)**

17710

**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 2018, 12,397 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 1.43 USD/m3 more to purchase this water and also use chemicals to condition it to be ready for the process. Therefore, we have saved  $1.43 * 12,397 = 17,710$  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 tire; 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, a single figure estimate

**Potential financial impact figure (currency)**

45250000

**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 an assumption that innovative products that need less water or that pollute less water, will increase our sales volume by 5%. The given financial impact figure represents 5% of our global revenue (905 million USD) in the reporting year.

---



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)
-----------	--

**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)**

350.23

**Comparison of total withdrawals with previous reporting year**

About the same

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

350.23

**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)**

45.63

**Comparison of total discharges with previous reporting year**

Lower

**Discharges to fresh surface water**

45.63

**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)**

304.6

**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 decreased by 2.88% which is classified as "About the same" and consumption volume decreased by 1.61% which is also classified as "About the same". Our discharge volume has also decreased by 10.58%, which is classified as "Lower". 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)
--------	--

**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)**

611.1

**Comparison of total withdrawals with previous reporting year**

About the same

**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**

562.78

**Withdrawals from groundwater - non-renewable**

0

**Withdrawals from produced/entrained water**

0

**Withdrawals from third party sources**

48.32

**Total water discharges at this facility (megaliters/year)**

297.26

**Comparison of total discharges with previous reporting year**

Lower

**Discharges to fresh surface water**

0

**Discharges to brackish surface water/seawater**

0

**Discharges to groundwater**

0

**Discharges to third party destinations**

297.26

**Total water consumption at this facility (megaliters/year)**

313.84

**Comparison of total consumption with previous reporting year**

Higher

**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 source represent the water taken from municipal utility. 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 water withdrawal has increased by 4.97% this is due to inclusion of new production lines in 2019. We have also revised our 2018 data to be more accurate and the comparisons made here are with the revised data. We have started using a new groundwater source in the reporting year, this caused our groundwater withdrawals to increase by 27.82% while reducing our withdrawals from 3rd Party sources by 65.94%. Our discharge volume has decreased by 5.24% and our total consumption volume has increased by 16.91% due to inclusion of new machinery and production lines. 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 the trend to remain about the same in the future. 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) For the facilities referenced in W5.1, what proportion of water accounting data has been externally verified?**

**Water withdrawals – total volumes**

**% verified**  
Not verified

**What standard and methodology was used?**  
<Not Applicable>

**Water withdrawals – volume by source**

**% verified**  
Not verified

**What standard and methodology was used?**  
<Not Applicable>

**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>Kordsa has a company-wide Water Policy which is publicly available. 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:</p> <ul style="list-style-type: none"> <li>• Committing to water related innovations by installing innovative technologies</li> <li>• Committing to act beyond regulatory compliance</li> <li>• Committing to cooperate with NGO's and public authorities to take collective action for water stewardship</li> <li>• Aiming to reduce waste including carbon footprint that is linked with water scarcity or water pollution.</li> <li>• Considering water-related requirements in product and supplier selection</li> <li>• Offering our customers products and solutions with less impact on water</li> </ul> <p>The policy also discloses our water related targets and details on how the progress against these targets will be reported.</p> <p>cidWaterPolicy.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&amp;D priorities</p> <p>During the reporting year, our CEO has led many water-related decisions, one of them being approval of our water related target of reducing water consumption intensity by 50% from 2019 levels until 2030.</p>
Board-level committee	<p>There is an Executive Committee named as the Executive Leadership Team (ELT) in charge of making decisions on how to take action on water-related issues. ELT consists of each Kordsa site's Chief Operation Officers (COO). Business Process Review (BPR) meetings are held monthly where all corporate targets and performance is discussed under the chairman of the CEO and the outcomes of these BPR meetings are reported to the ELT who reviews and makes decisions on these matters quarterly. Global Safety, Health and Environment (SHE) and Sustainability Manager also reports directly to the ELT on sustainability performance – sustainability roadmap progress-, including GHG emissions and water consumption, periodically.</p>
Chief Operating Officer (COO)	<p>Chief Operating Officer is the main operational responsible for the sustainability performance at plants which include but are not limited to energy and water management performance of each Kordsa facility. In the reporting year our CEO and COO's have approved our water policy.</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 Deputy General Managers and Directors (COOs) of each site. 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**

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 Deputy General Managers and Directors (COOs) of each site. ELT is responsible for plant operations and sets targets for sustainability focus areas determined biennially within the company and revises them when necessary. ELT meets quarterly. ELT reviews the outcomes of the monthly Business Process Review (BPR) conducted with the participation of each Kordsa site’s Directors (COO’s) covering all business functions. Business objectives, targets and performance against these targets are reviewed as part of BPR meetings at which current status of each Kordsa site is discussed. These reviews include strategic and emerging aspect covering topics like safety, health and environment, sustainability roadmap progress, production, supply chain, human resources, sales etc.

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

Sustainability committee

**Responsibility**

Both assessing and managing water-related risks and opportunities

**Frequency of reporting to the board on water-related issues**

Quarterly

**Please explain**

Under the ELT, there is Sustainability Committee (SC) to assess and manage water-related topics. SC is led by the Brand & Corporate Communication and Sustainability Manager, who reports directly to the CEO and ensures coordination between departments and senior management to achieve relevant goals. The Sustainability Committee consists of Global Project Leader, Global SHE Manager, Brand & Corporate Communication and Sustainability Manager, Legal Manager, Global Finance Manager, Global Quality Manager, Supply Chain Manager, Lean Manufacturing Manager, Market Development Manager, SHE Managers of all sites, Energy Committee Leaders from all sites. All sustainability-related issues, including water-related ones such as water consumption, water related performance, monitoring and assuring the achievement of targets, and management of risks and opportunities are managed by the SC.

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

Safety, Health, Environment and Quality committee

**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**

Water-related issues assessment and management is also conducted by Safety, Health and Environment Committee at a lower level which reports to the Maintenance and Utility Group Manager monthly covering mainly water consumption at each Kordsa facility, progress against targets, and improvement measures that can be included to improve water efficiency and manage water risks effectively. The Maintenance and Utility Group Manager then reports these monthly Committee meeting outcomes at the monthly Business Process Review (BPR) meetings. The outcomes of the BPR meetings are discussed at the quarterly meetings of Executive Leadership Team, where the ultimate decisions and necessary actions about water management related issues are made.

**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**

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**

In addition to the committees and Executive Leadership Team that takes active management role regarding climate-related issues, also manager level individuals are responsible of managing operational actions as part of their roles such as Energy, Safety, Health and Environment (SHE) and Sustainability Managers both on local and global level.

**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 the reporting period 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 Facility.

## 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 in consumption volumes	In the reporting year our CEO approved the following target: Reduce ton of water consumed / 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 each Kordsa facility COO.
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 globally executed Occupational Health-Safety-Environment- Sustainability Policy includes our water-related commitments. Our Sustainability Committee meets quarterly and monitors Kordsa's progress against the 5-year Sustainability Road Map which is compiled following comprehensive preparation. The Sustainability Road Map includes commitments and targets covering all material sustainability issues for Kordsa's direct and indirect operations (including water-management) which are determined following a holistic stakeholder engagement. The outcomes of the quarterly Sustainability Committee meetings are reported to the Board level Executive Leadership Team to make sure the actions taken, and the targets set are in line with overall corporate objectives. As part of our indirect activities to influence water-related policy, we actively participate with NGO's and associations such as Business Council on Sustainable Development Working Groups, through which we submit our feedback and recommendations on existing and emerging policies covering sustainability-related topics such as water/wastewater management.

Managing all activities with the Executive Leadership Team's contribution and approval, we make sure our activities are consistent with our water policy and on a broader level, long-term business objectives. By signing the UN Global Compact in 2014, we commit to implement universal sustainability principles.

## 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 consumption 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 consumption 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. Moreover, we also include our employees in our efforts to achieve water stewardship and encourage behavioural change to improve our water management practices. As a recent example, we installed a reverse osmosis system in our Izmit facility to increase our water recycling rate.
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. In the reporting period, we have used 74,000 of our CAPEX budget for water related investments in our Kordsa Izmit Plant.

### 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)

29

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

8

Water-related OPEX (+/- % change)

11

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

39

Please explain

Water-related OPEX and CAPEX change data is based on realized financial data. The given data covers the facilities that are responsible for 95% of our total withdrawals, 94% of our total discharges, and 96% of our total consumption figures. Our water related CAPEX has decreased by 29% in the reporting year with respect to the previous reporting period. As a forward trend, due to Covid 19 pandemic related financial measures taken, we expect a further decrease of 8% in the water related CAPEX. Our water related OPEX has increased 11% in the reporting year with respect to the previous reporting period. As a forward trend, due to Covid 19 pandemic related measures, we expect a further decrease of about 39% in the water related OPEX.

### 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	No, but we anticipate doing so within the next two years	

### 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 production activities. Our target is to reduce our water consumption per ton of product by 50% by the year 2030. This target has been set in the reporting year and our base year is also 2019. Therefore % of achievement is not known yet.

**Quantitative metric**

% reduction per unit of production

**Baseline year**

2019

**Start year**

2019

**Target year**

2030

**% of target achieved**

0

**Please explain**

As this is a new target we don't have any data to monitor our progress.

---

**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 Izmit plant. Our target is to reduce our water consumption per ton of product by 6% by the year 2021. This target has been set in the reporting year and our base year is also 2019. Therefore % of achievement is not known yet.

**Quantitative metric**

% reduction per unit of production

**Baseline year**

2019

**Start year**

2019

**Target year**

2021

**% of target achieved**

0

**Please explain**

As this is a new target we don't have any data to monitor our progress.

---

**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 Izmit plant which has a much more ambitious target. Our target is to reduce our water consumption per ton of product by 2% by the year 2021. This target has been set in the reporting year and our base year is also 2019. Therefore % of achievement is not known yet.

**Quantitative metric**

% reduction per unit of production

**Baseline year**

2019

**Start year**

2019

**Target year**

2021

**% of target achieved**

0

**Please explain**

As this is a new target we don't have any data to monitor our progress.

---

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 full-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.

**Baseline year**

2019

**Start year**

2019

**End year**

2019

**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.

**Baseline year**

2018

**Start year**

2018

**End year**

2030

**Progress**

Until 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 182 Megaliters of water. The indicator that is used to assess progress is the percentage of number of facilities that have an active water recycling unit. We have a goal of having water recycling units in 40% of our facilities until 2030.

---

**Goal**

Promotion of water data transparency

**Level**

Company-wide

**Motivation**

Water stewardship

**Description of goal**

We have a long-term goal of getting ISO 14046 Water Footprint Certification in all of our facilities to ensure the transparency of our water data.

**Baseline year**

2019

**Start year**

2019

**End year**

2030

**Progress**

This goal was set in 2019, therefore the progress cannot be reported for this reporting period.

---

**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.

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