



KOTON

SUSTAINABILITY REPORT

2021

IKOTON

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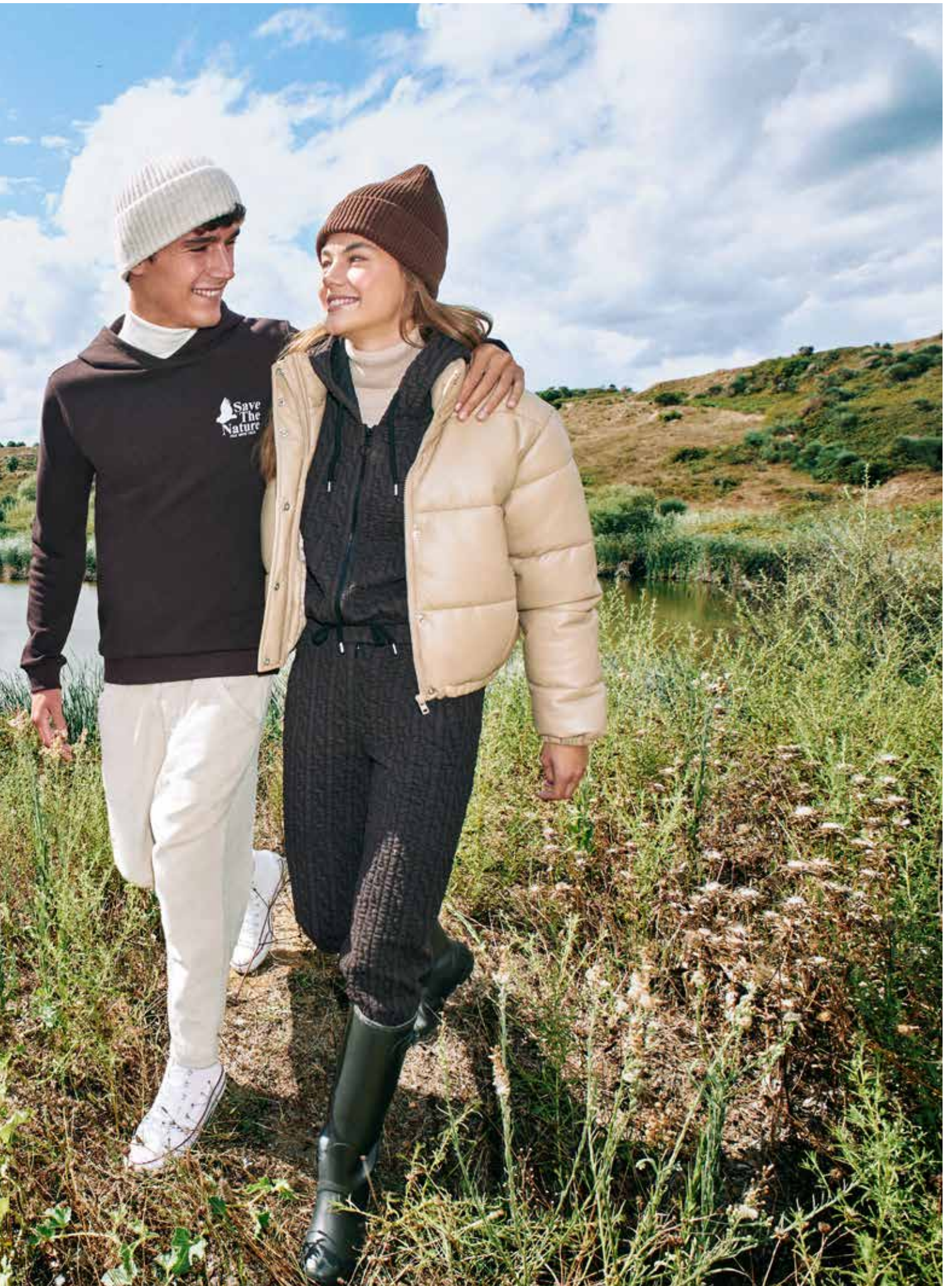
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01

CORPORATE PROFILE

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CHAIRMAN'S MESSAGE



YILMAZ YILMAZ
Chairman

Dear Stakeholders

Koton, in its journey that started in 1988 in a small store of 25 square meters, has reached the position of the leading fashion brand of our country thanks to our stable and passionate working culture. As a global brand, in 2021, we meet our customers in 45 countries through our physical stores in 27 countries and through the online channel. We are a team that works with our heart and mind. We continue to develop by learning with the experiences we have gained over the years. We take our strength from our human-oriented approach and believe in the power of open conversation and effective listening. We integrate sustainability into every step we take in line with the emphasis we put on our environment. We contribute to the country's economy with our impact and position in the sector and support Local Economy by giving priority to local employment and local suppliers. Local Economy.

We carry out trust-based relations with all our stakeholders in our country, which is one of the world's

largest ready-to-wear suppliers. We closely follow the developments in the ready-to-wear and textile sector in the world and in our country and take actions in accordance with the dynamic developments of the age. While fulfilling the requirements of our role as a pioneer in fashion, which is our main field of activity, we observe the big trends, opportunities that are closely related to the future of not only the textile and ready-to-wear sector, but also all sectors and even our world, and we focus on problems and solutions. We see the negative impact of climate change such as floods, forest fires, temperature rise, drought; we believe that we must be part of the solution in many areas of responsibility for a better world, from gender equality to regional development. In this context, we carry out our work more systematically and holistically than ever to achieve the goal of becoming a sustainable fashion brand in the field of sustainability, which we see as our priority and even the fundamental framework of our existence. When the world economy experienced a major break with the pandemic in 2021, as Koton, we defined our understanding of sustainability, which we have adopted for many years with the awareness of the responsibility brought by our 33 years of experience, under the name of "Respect for Life", put forward our concrete targets in this field and promised to share our agenda and progress steps in the field of sustainability with the public. I am happy to share with you our first Sustainability Report, which you are currently reading, which we have prepared with the efforts and contributions of our employees and all our stakeholders in order to use our impact power in the construction of a better world.

We follow the Sustainable Development Goals (SDGs) determined by the UN as guiding principles in our way of doing business, in line with our 'Respect for Life' approach which is our framework discourse in our sustainability efforts. In addition, as a signatory company of the UN Global Compact, we are trying to disseminate sustainability principles first internally and then throughout the society. Within the framework of our sustainability strategy which we have built on "Respect for Life"; and

focuses on **“Respect for Our World, People, Society and Work”**, we take remedial initiatives in different areas such as combating climate change, transition to a circular economy, an equal and inclusive working environment and gender equality. In our report, you will find our ongoing and newly launched projects in these areas, milestones in the design and implementation processes.

Our country has once again shown the seriousness of the actions it has taken for the fight against climate change by ratifying the Paris Agreement in 2021. Within the scope of the sustainable transformation we have initiated as Koton, we regularly measure our carbon footprint and continue to work to reduce our emissions. We build our collections from recyclable materials and adopt a Zero Waste approach. We are turning to the use of renewable energy in our stores and Head Office. At Koton, we aim to be a carbon neutral company in 2040.

As Koton, we adopt a working culture that is compatible with our ethical values and try to reflect these values to our relations with all our stakeholders; particularly our employees. We create a working environment together with our employees where we pursue equal opportunities and human rights and maintain an inclusive approach to differences and diversity. Our projects, which we carry out to raise awareness of gender equality, prove their success by winning awards in their respective fields.

We continue to create value for all our stakeholders in the world and society we are in with our sustainable products, collections and sustainability-oriented projects we have initiated.

As Koton, we believe that with these steps we have taken, we have demonstrated our determination to do better for both our stakeholders and the world. In our sustainability journey, we reiterate that we will continue to create innovations with our knowledgeable, passionate, dynamic and creative corporate culture to achieve our goals and to share all the steps we have taken towards sustainability with transparency.

WITHIN THE FRAMEWORK OF OUR SUSTAINABILITY STRATEGY BUILT ON “RESPECT FOR LIFE” AND CENTERED ON “RESPECT FOR OUR WORLD, PEOPLE, SOCIETY AND OUR BUSINESS”, WE TAKE REMEDIAL INITIATIVES IN DIFFERENT AREAS SUCH AS COMBATING CLIMATE CHANGE, TRANSITION TO A CIRCULAR ECONOMY, AN EQUAL AND INCLUSIVE WORKING ENVIRONMENT AND GENDER EQUALITY.

MESSAGE FROM THE MEMBER OF THE BOARD AND CHAIR OF THE SUSTAINABILITY COMMITTEE



GÜLDEN YILMAZ

Member of the Board and Chair of the Sustainability Committee

Dear Stakeholders,

We continue to grow in countries where we see the potential to reach more Koton lovers on our fascinating journey that began 33 years ago from a small boutique. We care that all the products we offer are diverse enough to adapt to all ages and styles. At the successful point we have reached today, all our stakeholders, especially our employees, have effort and passion. We are proud to be a brand that perceives trends, is competent, talented and responsible in meeting the expectations of its customers.

At Koton, we attach importance to creating value for every stakeholder we touch within our sphere of influence and we accept sustainability as the basic framework of our existence as a brand. First of all, by embracing sustainability at the highest level within the company, we make a difference in our sector with representation and spokesperson responsibility at the Board of Directors level. In line with the United Nations Sustainable Development Goals (SDGs), which serve as a guide for sustainability goals at the global level, we have created our **“Respect for Life”** Manifesto and determined the values we want to

create at the environmental, social and governance levels in this direction. We are excited to share this first report with you, believing that sharing our Environmental, Social and Corporate Governance (ESG) performance with transparency is inevitable and vital in a world where the importance of sustainability is increasing day by day. I would like to share with you here some main topics about our approach that guides our work.

In line with our **“Respect for Life”** sustainability strategy, we have established our Sustainability Committee in order to manage sustainability more effectively at Koton. With our Koton Sustainability Committee, the leadership of which I undertake with great honor, we follow up our sustainability efforts within the company and determine our goals for the future. We closely follow the intellectual and practical developments in the field of sustainability and take our place on the relevant platforms. We are proud to be among the first companies in Türkiye to sign the United Nations Women’s Empowerment Principles (WEPs). In 2022, we signed the United Nations Global Compact (UNGC). In the forthcoming period, we aim to establish related working groups under our Committee and to follow our sustainability performance and targets more closely and more focused.

We have a strong sustainability strategy at Koton with our **“Respect for Life Manifesto”** that we have published and our **“Respect for Our World, People, Society and Work”** focus areas that we have identified for our needs. We are taking concrete steps for sustainability with our roadmap.

As Koton, in our **“We Respect Our World”** focus area, we carry out studies to reduce the impact of the traces we leave on the world with the awareness of responsibility for the protection of all living things on our planet and our environment. We take actions to combat climate change and reduce emissions, and carry out different projects.

In line with our **“We Respect People”** focus area, we prioritize human health, safety and happiness. By

BEING MODERN, INCLUSIVE AND GENDERLESS IS AT THE CORE OF OUR BRAND. WE ATTACH IMPORTANCE TO EQUALITY, DIVERSITY AND INCLUSION, AND WE CONTINUE OUR EFFORTS TO ENSURE THAT ALL OUR COLLABORATIONS ARE CARRIED OUT IN LINE WITH UNIVERSAL ETHICAL PRINCIPLES.

putting equality, diversity and inclusion as the basis of our way of doing business, we offer a more fair and transparent working environment to our employees in line with Koton's corporate culture and values. We strive to add value to the lives of our employees through various personal and professional trainings.

Within the framework of our **"We Respect Society"** focus area, we take initiatives to strengthen Local Economy by increasing the importance we give to our local workforce and suppliers. As a member of international initiatives, we carry out our work in a transparent manner towards the society and take part in a wide range of projects in cooperation with NGOs. We carry out projects that contribute to the goal of gender equality, enable women to participate actively in economic life, and inspire them, and thus create social awareness with our power of influence in this field.

Within the framework of our **"We Respect Our Business"** focus area, we are rapidly adapting to the developments in our sector and reaching wider masses. It embraces the innovations brought by the digital world; we continue our success in traditional retailing through our digital applications. While doing this, we aim to add value to our company and the sector with our technology and R&D studies. By designing quality and sustainable products, we fully comply with the regulations on health and safety in the production process. While ensuring our sustainable economic growth, we are directing our investments to more sustainable resources and technologies, and we promise to increase these investments in the coming years.

At the core of our brand is being modern, inclusive and genderless. We value highly equality, diversity and inclusion, and we continue to work to ensure that all our collaborations are carried out in accordance with universal ethical principles. In order to strengthen the position of women in business and social life, we create positive value in our company and society by hosting various projects such as the **We Are Equal Project, the Handmade Project, the**

Housewives Project, and the Purple Room Conversations. In this direction, we attach importance to ensuring gender equality and empowering women in every field we influence. In line with the Gender Equality Policy we have established with our Gender Equality Committee, we offer a workplace environment where inequalities are eliminated and we are working to spread this approach to all our suppliers and business partners.

We prefer to use raw materials and technologies that have the least damage to nature in our collections. In our products, we use "Better Cotton Initiative (BCI)" cotton, which is produced by more efficient treatment of the soil, which requires less water and chemicals. Within the scope of our environmental sustainability studies, we place great value on working together with socially recognized and reliable faces that are compatible with Koton's values. In this sense, we launched the Water Respect Collection with Şahika Ercümen, the World Freediving Record Holder National Athlete and UNDP Türkiye' Advocate for Life in Water within the scope of our Respect for Water Project, which we put in motion in 2021. By using recycled materials and eco-friendly production technologies in our collection, we have saved 49 million litres of water.

As we have done so far, we will continue to stand by our customers as a brand that directs fashion in the coming years, to contribute to society and the environment and to create value for all our stakeholders. By taking initiatives for the solution of the course of our world and social problems; We will continue to see respect, goodness and sharing with people, the environment, nature, animals, all living things and life among our priorities. We will not stop working with hope, excitement and enthusiasm for a better world.

I would like to express my gratitude to the disciplined, dynamic and determined Koton employees who contributed to this journey, and to our customers and all our stakeholders who made us feel that we are not alone.

MESSAGE FROM CEO



DR. A. BÜLENT SABUNCU
CEO

Dear Stakeholders,

At Koton, we move forward with the awareness of creating sustainable value for all our stakeholders within our sphere of influence. We are aware that the environmental, economic and social problems faced by our world have progressed to very serious dimensions in recent years. With the awareness of being on the brink of major climate, environmental and social crises; we accept the fact that the consequences of these problems may affect us in a negative way if we do not be a part of the solution as a brand with a global player profile. As Koton, we believe that it will be possible to be a part of the solution by closely following these problems on our ecosystem, which is our living space, by developing business models resistant to these threats with our experience and expertise and adding value to our country.

As a result of our operations at Koton, which touches many different stakeholders from different segments in fashion retailing, we have created an important economic value for our country by reaching a sales revenue of 4,054,187,716 TRY and a production capacity of approximately 74.4 million

in 2021. Today, while ensuring the profitability of our brand, we take our strength from what we have learned through our studies in the field of sustainability and follow our new development steps with our sustainability performance in our main focus areas of **“Respect for Our World, People, Society and Our Business”**, each consisting of four sub-strategies, within the framework of our **“Respect for Life”** sustainability strategy. We have aligned our strategy and objectives with the United Nations Sustainable Development Goals (SDGs). We are proud to share our progress steps and sustainability performance transparently with our stakeholders in our first sustainability report, the “2021 Koton Sustainability Report”, this year.

As a result of our **“We Respect Our World”** focus area studies, we have reduced our energy consumption by a total of 31% with our energy saving practices in the last four years. In 2021, we reduced our Scope 1 emissions by 58% compared to 2020. By focusing on clean energy, we turned to renewable energy sources and obtained 54% of our energy consumption in our street stores from renewable energy sources. In our **Respect for Water Collection**, which we have prepared within the scope of our **Respect for Water Project**, we have saved **49 million liters of water** by using recycled materials and nature-friendly production technologies. In addition, we complied with BCI standards for 10% of all our cotton-containing products and committed to complying with BCI standards within five years in 2020, the first year we became a member of the **Better Cotton Initiative (BCI)**, which promotes sustainable cotton production. In the same year, the share of our sustainable products in our total products reached 16.5%. With our **Zero Waste** principle, we sent a total of 115.284 kg of waste to recycling in our Head Office and 773.800 kg in our Logistics Centers in 2021, creating a process that contributes to the circular economy.

With our **“We Respect People”** focus area, we strive to increase the satisfaction and loyalty of our employees with our **Koton Start, Koton Connect, Koton**

Social and Koton Stars formations that we have developed by staying in constant communication with our employees. By addressing the issue of performance management through **Koton Next**, we create opportunities for the personal development of our employees. In 2021, we provided 92,114 person*hours of training, a total of 3 times more than the previous year. We take initiatives to strengthen the position of women in business and social life and develop innovative projects in our company and society. We have 37% female managers in Türkiye, 52% female managers at the global level and 64% female employees throughout the company. We do not compromise on our occupational health and safety studies. In order to create a safe working environment, we provided 60,840 person*hours of Occupational Health and Safety (OHS) training to 6,675 employees in 2021. In the face of the risks we have identified, we continue to create a controlled business environment by communicating with our employees through **Koton Desk and EBA** platforms.

Thanks to our **“We Respect Society”** focus area studies, we transferred 3,518,727 TRY to 6,094 women in ÇATOMs (Multi-Purpose Community Centre) in the GAP region by the end of 2021 with our Handmade Project, which we started in 2016 and which has a very high impact power. With our understanding of corporate social responsibility, we carry out projects related to the protection of the environment and animals (**Koton Social – Our Pawed Friends, Koton Social – Donations, Keeping the Marmara Sea Alive Project, Tema sapling donation**). In 2021, we used more than 1 million TRY for our social responsibility projects. We support Local Economy by prioritizing our local workforce and suppliers. **92%** of our suppliers are established suppliers in the Marmara Region and thus we support the socio-economic development of our country.

With our **“We Respect Our Business”** focus area studies, we sold approximately 51 million units of products with our 27 thousand different product types in 2021. We increased the number of our stores worldwide to 448. We reach our customers outside

of our stores through many different channels. In addition to our **Koton.com website**, our customers can easily shop from our online stores thanks to our **Koton Mobile application**. In 2021, the number of annual active customers on our online shopping channels exceeded 2 million. We continue our efforts to closely follow the practices in the world of digital transformation and integrate them into our workforce. We also actively use our digital applications that increase our work efficiency such as **“Intengo, Mobiliz, EBA, Digita and Idea Cube”** specially developed by our information technologies team.

As a global sustainable fashion brand, we work with our value-oriented approach, with all our determination, faith and commitments to be an inspiring model. As we move towards our goal of growing our business by engaging more customers in the coming years, we will remain firmly committed to our improvements to the environment and society without deviating from our focus on sustainability. Reducing our total carbon emissions, becoming a carbon neutral company by 2040, using energy produced from 100% renewable energy sources in our operations until 2030, increasing our employment of female employees to increase our social contribution will be at the focus of our targets.

While carrying out our growth journey in line with our **“Respect for Life”** sustainability strategy, I am happy to share our first Sustainability Report with you by thanking our valuable colleagues, all our customers, suppliers, business partners and other stakeholders for their contributions to Koton’s sustainable value creation process.

AS A GLOBAL SUSTAINABLE FASHION BRAND, WE WORK WITH THE RESPONSIBILITY OF BEING AN INSPIRING MODEL WITH OUR VALUE-ORIENTED APPROACH, OUR DETERMINATION, BELIEF AND COMMITMENT.

ABOUT THE REPORT



WE ACCEPT SUSTAINABILITY AS A MAIN FRAMEWORK THAT ADDS MEANING TO OUR EXISTENCE.

As Koton Mağazacılık Tekstil Sanayi ve Ticaret Anonim Şirketi while continuing our activities that we started in 1988, we accept sustainability as a main framework that adds meaning to our existence and act with the awareness of the momentum we will create with the impact area we will create in the sustainable transformation of the business world. As Koton, we strive to support sustainable development with the awareness of our responsibilities to our employees, society and the world.

Our sustainability strategy, which we call **“Respect for Life”**, accompanies us in our journey to become a sustainable brand. In line with our **“Respect for Life”** Manifesto that we developed in 2020, we presented the values we want to create in the environmental, social and governance fields and our sustainability performance to all our stakeholders in Koton.com, social media channels and press releases with transparency. Within the scope of our strategy developed, in 2021, we have determined our sustainability targets and priority issues under our **“Respect for the World, Respect for People, Respect for Business and Respect for Society”** focus areas in line with our business strategy and the expectations of our stakeholders and contributing to the United Nations Sustainable Development Goals (SDGs).

Koton 2021 Sustainability Report is our first sustainability report and covers the reflections of all activities carried out by our company between January 1, 2021 and December 31, 2021 in Türkiye in terms of environmental, social and governance dimensions and our future targets.

Throughout the report, we included our strategies, projects and objectives aligned with the United Nations SDGs. In addition, in the report, we reconsidered our Koton Value Creation Model within the scope of five capital elements with an



integrated thinking perspective in order to create long-term value for all our stakeholders.

As Koton, we have reported our understanding of sustainability in our value chain in accordance with the Global Reporting Standards (GRI) and the International Integrated Reporting Framework (<IR>) carried out by the Value Reporting Foundation (VRF). This report has been prepared in accordance with the GRI Standards: “Basic” option. We also included progress on our commitments to the United Nations Woman’s Empowerment Principles (WEPs) and the United Nations Global Compact (UNGC), of which we are signatories. We aim to report our sustainability progress annually in the coming years.

For your ideas, suggestions and questions about our 2021 Sustainability Report and sustainability performance, you can contact us via kurumsaliletisim@koton.com e-mail address.

ABOUT KOTON

As Koton, we continue our story, which started with a 25 square meter store opened in Kuzguncuk, Istanbul in 1988, as an international fashion retail brand today. We are Türkiye' fashion and retail pioneer with our rich product collections and original designs. After opening our first overseas showroom in Munich in 1996, we opened our new stores in the Middle East, Russia and the Balkans in 2002. In 2021, we continued to expand our sales network through different channels such as master franchise and franchise wholesale sales while continuing our activities in 45 countries through our online sales channel Koton.com and marketplaces, in a total of 448 stores, 179 of which were abroad, 269 of which were domestic, and at more than 800 sales points worldwide.

With our large and talented design team, we have created a variety of collections that can adapt to all ages and styles, and we offer the most fashionable and trendy designs in many different categories such as women, men, children, accessories, dolls, beauty to our customers in Koton.com since September 2015. With our wide range of products and creative, innovative and customer-oriented approach, we continue to grow rapidly in the fashion and retail sector as a global brand.

In every field in which we operate at Koton, we respect Human, Our Business, Society and the World and realize our production and designs with the priority of "Respect for Life". With our understanding of sustainability and policies that create equal opportunities, we are trying to fulfill our responsibilities to the environment, society and all our stakeholders. While we have been operating in the sector for 33 years with the sensitivity of adding value to people and society and leaving a more livable world to future generations, we have continued to expand our sales network through different channels such as master franchise wholesale.

We prioritize customer satisfaction in every step we take focused on understanding our customers. As a result of our customer and technology-oriented working approach, we are moving towards the future with an increasing momentum. In this process, we bring together seasonal trends with original designs, incorporate differences into our organizational culture and continue to add value to our stakeholders with our work by feeding on these differences while continuing our business.



ABOUT KOTON

OUR VALUES

WE WORK
WITH OUR
HEART AND
MIND.

WE DEVELOP
BY LEARNING.

WE OPENLY
SPEAK AND
EFFECTIVELY
LISTEN.

WE
THRIVE ON
DIVERSITY.

WE WORK FOR
OUR
CUSTOMERS.

OUR PRODUCT GROUP

KOTON

KOTON
BUSINESS

olé
by **KOTON**

KOTON
JEANS

KOTON
KIDS



KOTON
SPORT

KOTON
PARTYWEAR

KOTON
lingerie

KOTON
BEAUTY

KOTON
ACCESSORIES

KOTON
Beachwear

OUR COLLABORATION COLLECTIONS



LIMITED-EDITION COLLECTIONS

- Respect for Life Collection
- Respect for Water Collection
- License Collection
- Handmade Collection
- Mother's Day
- Overseas Special Collection (products suitable for women of different countries, reflecting the trends of countries)
- Valentine's Day
- Christmas Collection
- Gender Collection
- Father's Day
- April 23rd Limited Collection
- Back to School

ABOUT KOTON

KOTON FROM PAST TO PRESENT

1988

We opened our first store in Istanbul.



1995

We restructured our organization to focus on design and production.



1996

We opened our first overseas showroom in Munich.



1999

We started the trademark franchising working model.



Koton.com started to offer online shopping services to our customers.

2015



2016

We launched the Design Lab, which determines the design, color, pattern, fabric and trends of the season. We opened our ambitious brand categories “Koton Jeans” and “Koton Kids” stores. We opened our first street store in Romania and increased the number of stores in Romania to 16. We opened our first stores in France (Paris), Croatia, Morocco and Germany (Hamburg). We launched our “Koton Handmade” collection.



2017

Türkiye’ 38th Anniversary
We opened the Design Center.



2001

We expanded our design team, increased the product range, switched to a large-scale store concept and took the first steps towards becoming a Fast Fashion brand.

2005

We reached 100 stores in Türkiye and 39 stores abroad.

2002

We opened our first stores in the Middle East, Russia and the Balkans.

2010

We established Koton Radio, which broadcasts live in all our Koton stores.

We established a partnership with Turkven, Türkiye' leading venture company.

2012

We added many new categories such as BeachWear, Koton Kids to our product portfolio.

2011

We implemented the "EQUAL Project", one of our gender equality projects in our supply chain. We launched the "Koton Love Project" and created resources to improve the living conditions of stray animals with the Keep an Eye on Me Association.

2019

We launched our "Respect for Water Collection". Within the scope of our Occupational Health and Safety practices, we were selected as the world champion in the "Wholesale and Retail Services" category at the British Safety Awards. We transferred half of the income from the "Let's Keep the Marmara Sea Alive" T-shirt project to TURMEPA (DenizTemiz Association) "Clean Shore Project".

2021

2020

We have started to take steps to accelerate our sustainability efforts. We have published our "Respect for Life" Manifesto. We became the first brand to sign Better Cotton (BC) in Türkiye. During the COVID-19 period, we became the first retail brand to be entitled to receive the "Safe Service Certificate" in our Head Office, logistics and all our stores. For the first time, we have prepared a special collection together with TikTok celebrities. We became the Apparel Sector Leader in the "Platinum Global 100 Index".

ABOUT KOTON

OUR AWARDS



Women Friendly Brands Awards
Women's Employment in the
Workplace and Equal Opportunity
and Gender Equality Awareness
Category Winner ("Purple Room
Talks", "We Are Equal" and
"Housewives" projects)
March 2021

Mixx Awards
Europe Silver / Koton
TVC «Remove Labels»
May 2021

Gold Effie Award
Koton TVc
(Remove Labels)
2021

Golden Effie
Awards
Full My Style
Commercial
2021

33rd Crystal
Apple Award
2 Silver and 1 Bronze
Award Winner / Koton
TVC «Remove Labels»
December 2021

Council
of Shopping
Centers (CSC)
Türkiye' Number One
Brands Award Ceremony
8th Most 7th Most Admired
Women's Brand
Award
2020

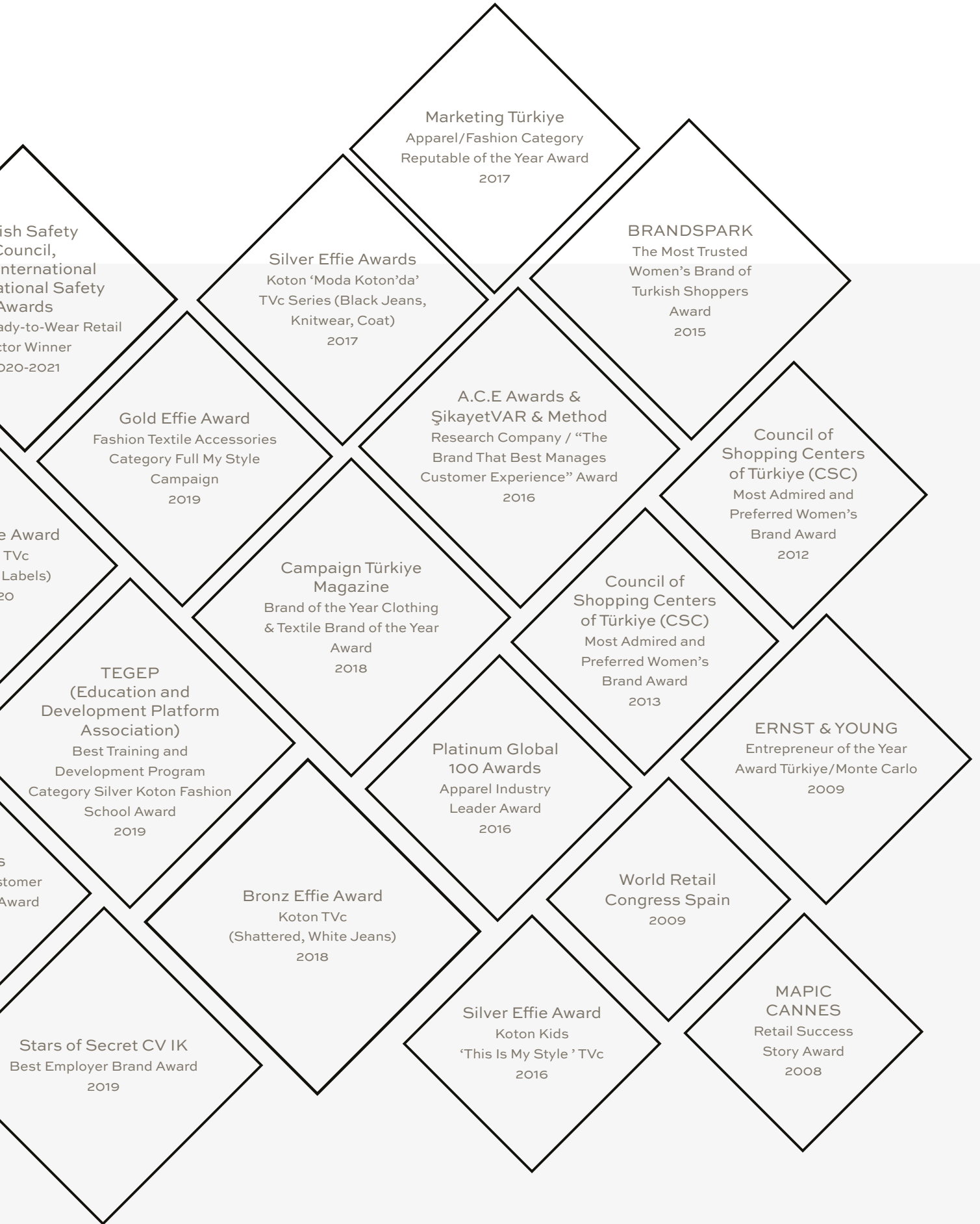
Lead Network Gender
Diversity Scorecard
Research
"Housewives Project" Bronze
Award & "Future is in Koton"
Category Winner
2021

Stevie International
Business Awards
"Housewives Project" Bronze
Award & "Future in Koton"
Bronze Award
2021

ACE Awards
Best Managing Cus
Experience Brand /
2019

AYD Türkiye'
Number One Brands
Award Ceremony
8th Most Admired
Women's Brand Award
2021

Mixx Awards
Türkiye
Türkiye Bronze / Koton
Jeans TVc «Anlaması
Lazım» Jingle
January 2020



KOTON IN NUMBERS IN 2021

As Koton, we continue to grow steadily and rapidly with new investments in Türkiye and abroad. With our dynamic, passionate and opportunity-presenting organizational structure, we prioritize creating value across our stakeholders with new projects. While doing this, we attach importance to our nature, the people we do our work with, the society we serve and the work we do, respect and prioritize sustainability.



WE RESPECT THE WORLD



We reduced our Scope 1 emissions by **58%** compared to 2020.

In 2021, our sustainable products reached **16.5%** of our total products.

40% of our energy consumption consists of renewable sources

100% of our packaging is made of recyclable materials.

We have reduced our water consumption by **48%** in the last 5 years

WITH OUR RESPECT FOR WATER PROJECT

we have saved **49 MILLION LITERS** of water,

recycled **90 THOUSAND** pet bottles,

achieved **623 THOUSAND KG** less carbon emissions,

and used **825 KG** less pesticides.

WE RESPECT THE PEOPLE

We have a 37% female manager ratio in Türkiye and 52% in global; and **64%** female employee ratio in the company.

We have provided **92,114 PERSON*HOURS** of training in 11 different areas, reaching 77.5% of our total employees.

We provided a total of **60,840 PEOPLE*HOURS** of OHS training to our 6,675 employees.



WE RESPECT THE SOCIETY

With the Handmade Project that started in 2016, we transferred **3,518,727 TRY** to 6094 women in ÇATOMs (Multi-Purpose Community Center) until the end of 2021.

We provided a total of **1,071,551 TRY¹** in aid to Corporate Social Responsibility Projects.

With the Koton Housewives Project, we brought **208 WOMAN** into business life.

Created employment for **6,034 PEOPLE** in Türkiye.



WE RESPECT OUR BUSINESS

We have **448** stores worldwide and 269 stores in Türkiye.

The share of our sustainable products in our total turnover has reached **9%**

With our **27 THOUSAND** different product ranges, we have sold a total of 50.9 million products.



In 2021, we reached **2,1 MILLION** active customers on our online shopping channels.

We reached a production capacity of **74,38 MILLION** units.

We have reached a sales volume of approximately **4 BILLION TRY** in Türkiye.

We opened **16** new stores in 2021.

We invested **16,751,320 TRY** in our R&D and innovation activities.

Compared to 2020, access to our online stores has increased by **100%**

¹ Total quantity with cash and aids.



02

SUSTAINABILITY AT KOTON

- OUR MANIFESTO FOR RESPECT FOR LIFE
- WE RESPECT OUR WORLD
- WE RESPECT SOCIETY
- WE RESPECT PEOPLE
- WE RESPECT OUR BUSINESS



OUR MANIFESTO FOR RESPECT FOR LIFE

As Koton, we accept sustainability as a main framework that adds meaning to our existence.

We are taking strength from what we have learned from the studies we have carried out in the field of sustainability so far and we are gathering our new development steps under the title of 'Respect for Life'.

At the heart of our 'Respect for Life' approach is respect for the world, society, people and our work.

Respect for our world, our society in which we exist, all the people we touch and our business, which is the basic source of our brand value, constitute the essence of our understanding of sustainability.

We say Respect for Life, we align our strategies and goals with the United Nations Sustainable Development Goals.

We say Respect for Life; we use our power of influence in the construction of a better world by developing collaborations with our stakeholders,

We say Respect for Life; we are committed to sharing our development steps and experience with transparency.

FOR OUR COMMON FUTURE...

Respect for the
World,
Society,
People,
Our Work...

Respect for Life!



OUR MANIFESTO FOR RESPECT FOR LIFE



WE RESPECT OUR WORLD (Respect Planet)

We know that the world is home not only to humans, but to all living things. We respect the right to live of our planet and all living things on it.

We are aware that taking care of our environment and our planet is not a choice, but an obligation. As an effective player in the fashion industry, we see it as a responsibility to contribute to the solution in the protection of natural resources, especially water.

We share the responsibility of leaving a livable world to future generations. We set targets and take initiative to reduce the effects of the traces we leave on the world with our activities.



WE RESPECT SOCIETY (Respect Communities)

We work with the belief that every fashion product we offer makes a contribution to social life. We believe that good and great deeds can only find their true value in healthy and strong societies. For this reason, we accept it as our primary responsibility to give what we receive from the society to the society and to strengthen the communities.

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We aim to contribute to social development with projects with high impact power. Gender equality and women's empowerment continue to be the area where we contribute to the solution from past to present.

We are enthusiastic about walking arm in arm with all our stakeholders in our sustainability efforts. We become members of initiatives in the international arena and share our commitments with the society. We are committed to sharing our information and resources about all our work with transparency.

With our 'Respect for Life' Manifesto;

- We are entering a new era in our sustainability journey.
- We are ready to learn and share together on the new path we have opened.
- We promise to beautify life and
- our world with respect...



WE RESPECT PEOPLE (Respect People)

Human health, safety and happiness are our top priority.

Dressing, a basic need, is today a symbol of self-expression, freedom and more. We serve people. We make people feel better while responding to one of the most basic needs. That is part of our job.

The other side is the person we do our job with. Our people who take part in all processes starting from production to after-sales customer satisfaction are our most important value. We strive to improve the equipment and skills of our employees.

We feel responsible to everyone involved in our ecosystem. We care about being connected and sharing with a focus on learning. We share the UN Sustainable Development Goals, which we have adopted as a guide, with all our suppliers and we are committed to making our cooperation even stronger with our target union.



WE RESPECT OUR BUSINESS (Respect Business)

The point we have reached encourages us to grow our business. We are a growth-oriented company. We see growing our business and ensuring profitability as necessary for both our own future and the ecosystem we are at the center of. We aim to be the leader in our sector with digitalization, simplicity and agility. Every day, we see the necessity of respecting our work to design, produce and present it to wider masses in the most innovative way. We are at a pace that can keep up with the speed in our sector and manage the change. In addition to our retail expertise, we aim to add value to both our company and our sector with our technology and R&D studies.

OUR SUSTAINABILITY STRATEGY AND CONTRIBUTIONS TO THE UN SUSTAINABLE DEVELOPMENT GOALS

<p>We Respect Our World</p> <p>Combating Climate Change and Ensuring Emission Management</p>  	<p>We Respect People</p> <p>Increasing Employee Satisfaction and Loyalty</p> 	<p>We Respect Society</p> <p>Contributing to Gender Equality</p> 	<p>We Respect Our Business</p> <p>Designing Quality Sustainable Products</p> 
<p>Circular Economy Applications and Developing Ecodesigned Products</p> 	<p>Providing Talent and Performance Management</p>  	<p>Acting with the awareness of corporate social responsibility</p>  	<p>Developing in Digitalization and Innovation</p> 
<p>Improving Water and Wastewater Management</p>  	<p>Ensuring Equality, Diversity and Inclusion</p>   	<p>Supporting Local Economy</p> 	<p>Ensuring Responsible Supply Chain Management</p>  
<p>Reducing the Chemical Impact</p> 	<p>Not Compromising on Occupational Health and Safety Standards</p> 	<p>Ensuring Stakeholder Engagement</p> 	<p>Achieving Sustainable Economic Growth</p> 



OUR SUSTAINABILITY GOVERNANCE

In 2020, we reshaped our sustainability management structure with our Respect for Life approach. We have established our Sustainability Committee at the Board of Directors level to improve our environmental, social and governance performance and to manage our work more effectively within the scope of our efforts to develop our sustainability strategy for 2020. Koton Sustainability Committee acts as the structure responsible for integrating sustainability into our way of doing business at Koton and reports directly to the Board of Directors.

In our committee led by Board Member Gülden Yılmaz, 15 members working in different units take an active role. In addition to our committee, we have a total of 700 sustainability representatives, including 188 people in our head office, 33 in our logistics centers and 479 in our stores. In line with our Respect for Life sustainability strategy, the committee that coordinates our goals and work meets regularly every month and the developments for the integration of sustainability practices into Koton are actively followed by our Board of Directors. In the meetings, the current status of our sustainability goals, the relevant risk and opportunity assessments, and our work on the future in the light of local and global trends are our topics. In addition, we aim to establish a sustainability department in 2023 in order to carry out social compliance assessments, monitoring and reducing environmental impact and carrying out projects to be developed in our company.

In order to strengthen our sustainability structure at Koton, we become members of various initiatives and make new commitments. While carrying out our activities, we accept the SDGs determined by the UN as a guide in our business steps. Within the framework of the importance we attach to sustainable development in our business processes, we have been a signatory of the UN Global Compact since 2022. We are a signatory to the WEPs of the United Nations Global Compact and the Women's Empowerment Principles jointly established by the United Nations Gender Equality and Women's Empowerment Unit. Since 2020, we have become a member of the platform as the first brand in Türkiye of the Better Cotton Initiative (BCI) initiative, which was created to ensure sustainable cotton production.

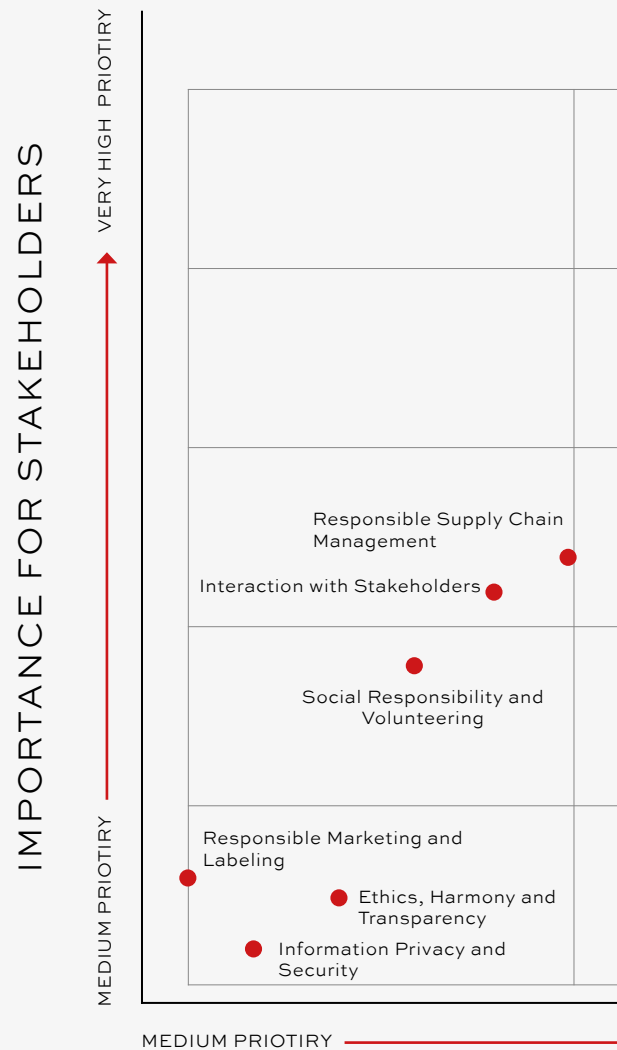


OUR MATERIALITY MATRIX FOR 2021

At Koton, while determining our sustainability priority issues, we closely follow sectoral trends, national and international standards and frameworks, and evaluate the opinions and expectations of our employees and stakeholders with precision.

Within the framework of our Respect for Life Manifesto, we have completed our initial prioritization analysis to identify strategic areas that our company should focus on for sustainability management and organization.

As a result of our prioritization analysis, we classified the issues into three categories as very high priority, high priority and priority. By gathering our priority issues under our main strategic topics, we started to plan our work on the issues together with our employees working in our Sustainability Committee. In the coming years, we plan to advance our prioritization analysis more comprehensively, with the participation of all our stakeholders and with the same sensitivity.



Very High Priority

- Product Quality and Safety
- Water and Wastewater Management
- Customer Satisfaction
- Equality, Inclusion and Diversity
- Digitalization and Innovation
- Circular Economy and Ecodesign

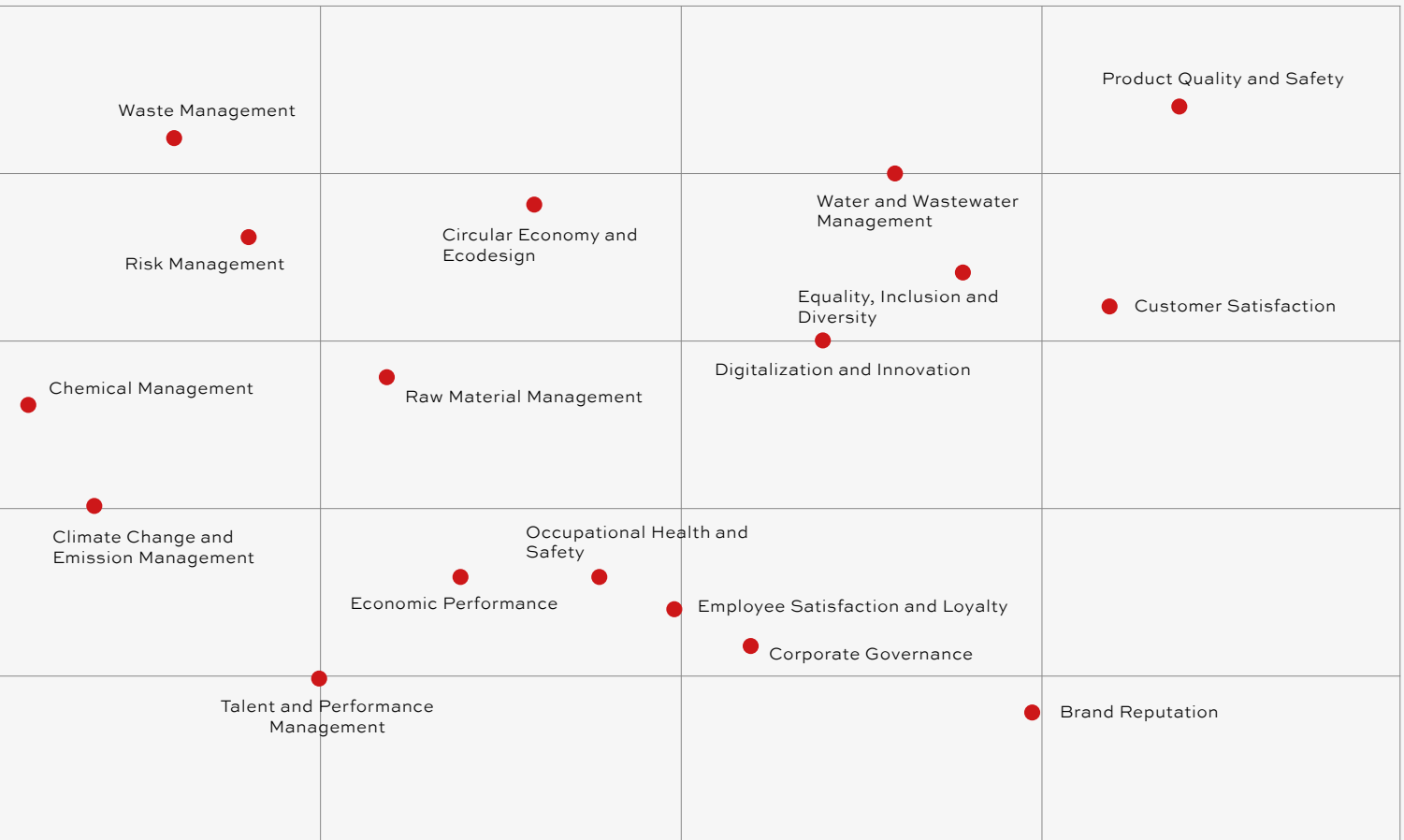
High Priority

- Risk Management
- Waste Management
- Raw Material Management
- Chemical Management
- Climate Change and Emission Management
- Responsible Supply Chain Management
- Talent and Performance Management
- Economic Performance
- Corporate Governance
- Employee Satisfaction and Loyalty
- Occupational Health and Safety

Medium Priority

- Brand Reputation
- Interaction with Stakeholders
- Social Social Responsibility and Volunteering
- Responsible Marketing and Labeling
- Ethics, Harmony and Transparency
- Information Privacy and Security

KOTON MATERIALITY MATRIX

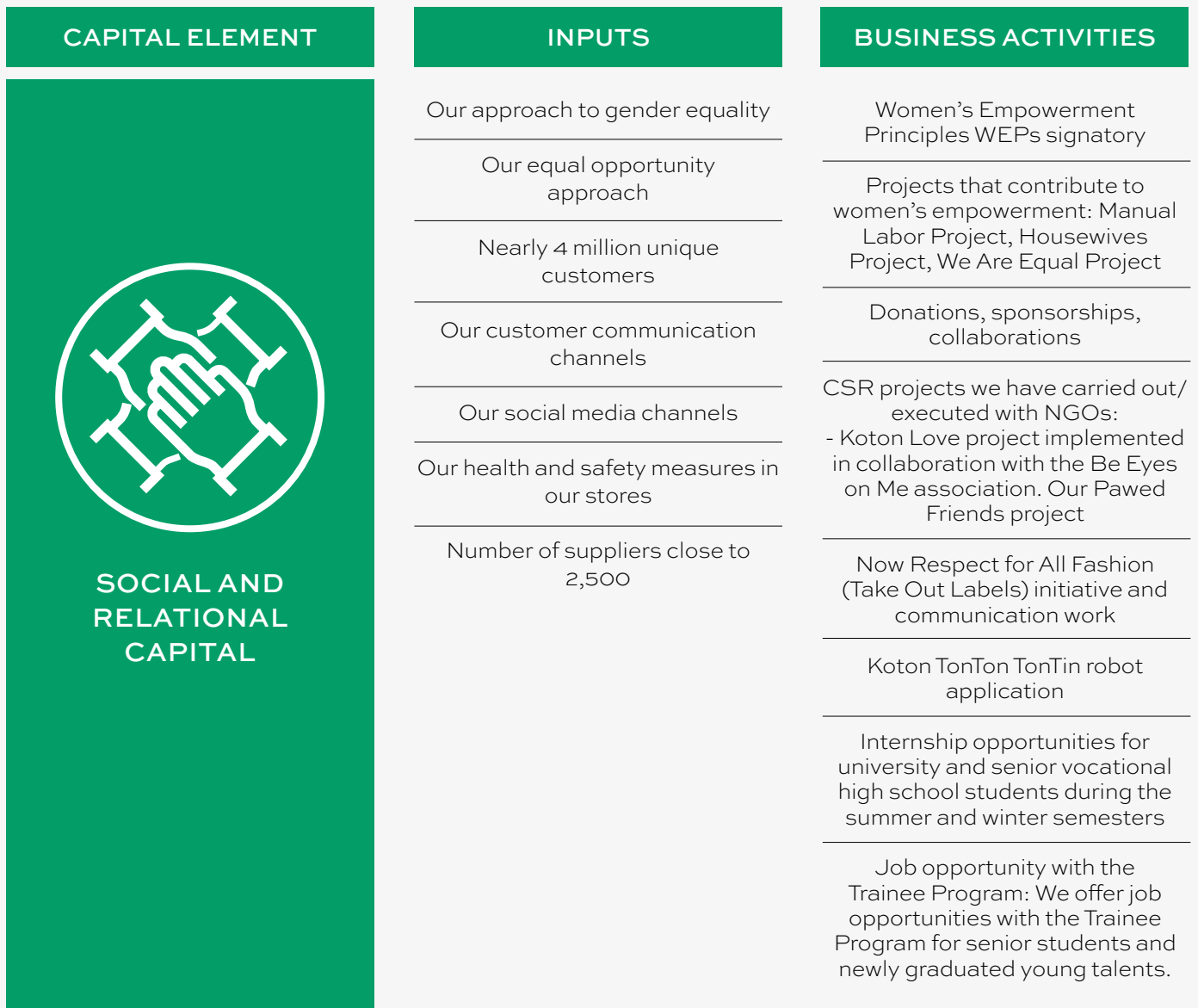


→ VERY HIGH PRIORITY

KOTON IMPACT SIZE

OUR VALUE CREATION MODEL

In parallel with the sustainability targets we have set at Koton, we aim to create long-term value for all our stakeholders. We care about the outputs we put forward throughout our activities and the value we create for our stakeholders. In this context, with the integrated mindset and value creation perspective we have adopted, we have reconsidered our business model under the headings of social and relational, human, intellectual, natural and financial capital elements in accordance with the International Integrated Reporting Framework proposed by VRF (Value Reporting Foundation). The value analysis that we create for all our stakeholders throughout our activities through our value creation model consisting of 5 capital elements is as described in the diagram below.



OUTPUTS	VALUE CREATION	RELEVANT STAKEHOLDER GROUP
<p>With our Handmade Collection project, 281,438 TRY was transferred to the women producing in the region through ÇATOMs (Multi-Purpose Community Center) in 2021.</p>	<p>Gender equality awareness and women's empowerment</p>	<p>Society</p>
<p>1,345 people participating in Gender Equality Projects;</p>	<p>Cultural diversity</p>	<p>Media</p>
<p>Bringing a total of 208 women into business life in 108 Koton stores in 36 cities with the Koton Housewives Project</p>	<p>Social awareness</p>	<p>Customers</p>
<p>Amount spent on CSR Projects: 1,071,551 TRY</p>	<p>Respect for nature and the environment</p>	<p>Non-Governmental Organizations</p>
<p>Registration of "COVID-19 Safe Service Certificate", which is a first in the retail sector</p>	<p>Support for local development</p>	
<p>868 students² who are offered internship opportunities in our stores</p>	<p>Healthy and safe merchandising / shopping experience</p>	
<p>Job opportunity for 8 senior students and new graduates in Industrial Engineering, Computer Engineering, Textile Engineering, Fashion Design, Faculty of Economics and Administrative Sciences departments with the Trainee Program</p>		

² This number represents the interns working in the stores. No interns were recruited in the Head Office in 2021 due to pandemic.

OUR VALUE CREATION MODEL

CAPITAL ELEMENT	INPUTS	BUSINESS ACTIVITIES
 <p>HUMAN CAPITAL</p>	Over 7,500 employees and a creative staff of 220 people ³	KOTON Code of Ethics and Ethics Line applications
	Company culture and values	Report Card Day & First Day of School Leave for Kotonian Mothers
	Our Gender Equality Policy	Purple Room Chats
	Our approach to equality, diversity and inclusion	Our support to mothers and expectant mothers: Koton Moms & Koton Dads Project
	Our working environment for differences to work in harmony	Strengthening communication and sharing within the company with Koton Way Communication Platforms
	Our generational diversity among employees	Our career and personal development opportunities for our employees: <ul style="list-style-type: none">- Koton Way Leadership and Development Programs- Koton Way Appreciation & Rewards Programs
	Separate budget allocated to the OHS unit	OHS Trainings
		Increasing women's employment and raising awareness of women employees
	Special support for women employees	
	Fair and transparent performance and career management	
	In-house sustainability trainings, awareness activities, launches and our sustainability incentive and award mechanisms	

³ Number of people working abroad is included.

OUTPUTS	VALUE CREATION	RELEVANT STAKEHOLDER GROUP
1,206 people who participated in the Purple Room Talks	Compliance with ethical rules	Employees
A total of 7,964 hours of Internal Instructorship; Head Office + Logistics 3,350 Hours + Stores 4,614 Hours	Career and talent development	
6,675 Total Persons, 60.840 Total Hours, person*hours OHS Training	Employee engagement and satisfaction	
406 people were given Seniority Awards and 6 people were given Thank You Movement Awards.	Employee health and safety	
37% in Türkiye and 52% globally female manager ratio	Ensuring equality, diversity and inclusion	
64% female and 36% male employee ratio	Spreading the culture of sustainability in the company	
10% “Generation X” employee ratio		
44% “Y” Generation employee ratio		
46% “Generation Z” employee ratio		

OUR VALUE CREATION MODEL



OUTPUTS

76.512 total hours (person*hours) of training given through “Koton Academy Online”

Total investment of 16,751,320 TRY in R&D and Innovation

Our 27 thousand different product models

Our product collections that we offer in our physical and online stores throughout the year

With the “Idea Cube” application, 22 ideas were shared and a total of 1 idea / suggestion approved to be implemented

2.1 million annual active customers on online shopping channels

In 2020 and 2021, “Fashion Retail and Management Certificate Program” was held within ITU-SEM and 11 external students participated in this program.

100% year-on-year increase in access to online stores

VALUE CREATION

Introducing new products to the market with innovative approaches and providing competitive advantage

Customer satisfaction

Awareness of information security and privacy

Career and talent development

Ensuring operational excellence

RELEVANT STAKEHOLDER GROUP

Employees

Universities

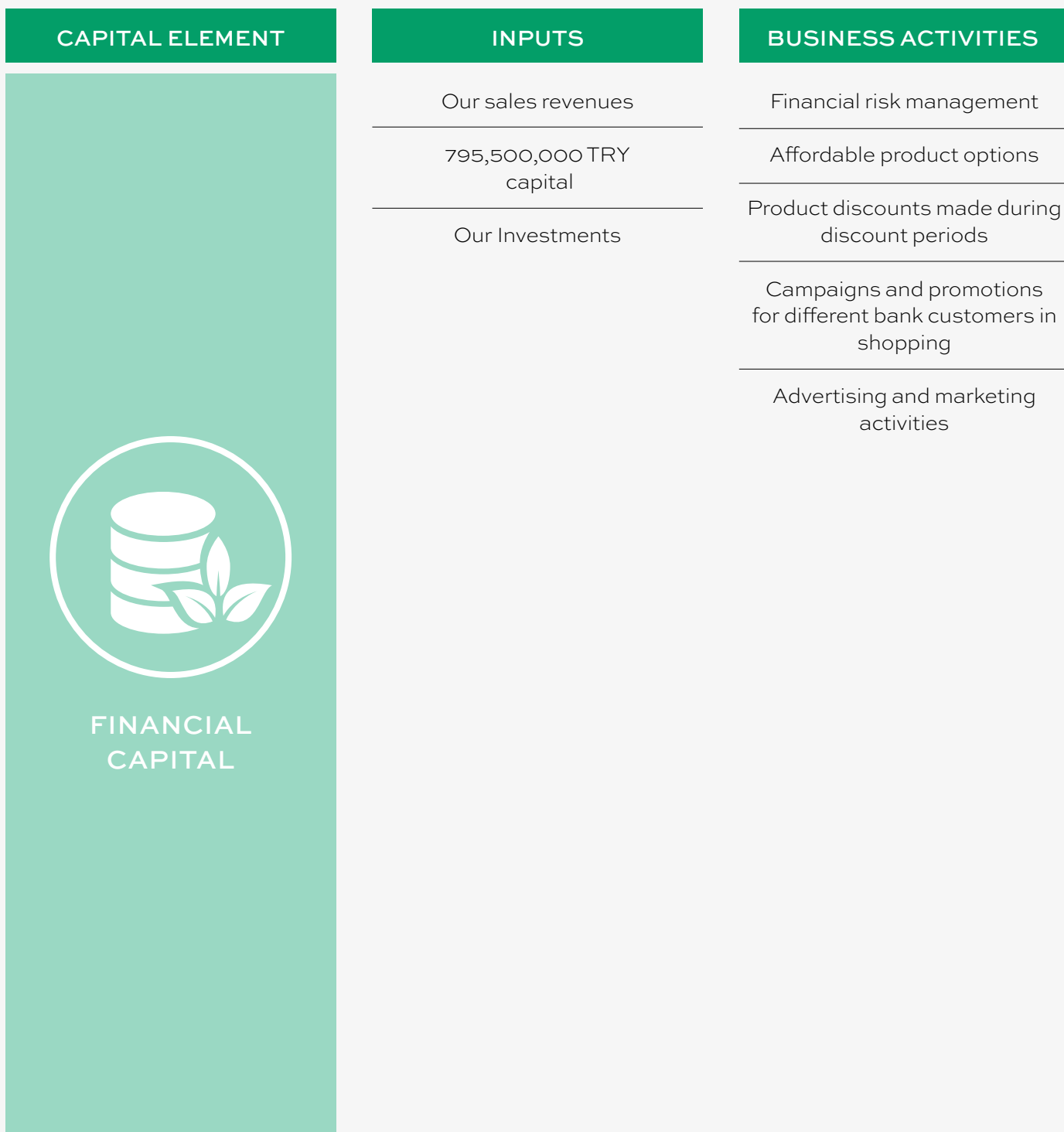
Customers

OUR VALUE CREATION MODEL



OUTPUTS	VALUE CREATION	RELEVANT STAKEHOLDER GROUP
48% decrease in water consumption values in the last 5 years	Sustainable resource management	Customers
Recycling a total of 721 thousand PET bottles and saving 150 million liters of water with the Respect for Water Project	Sustainable fashion/textile	Society
1 million 405 thousand kg less carbon emissions with the Respect for Water Collection	Sustainability awareness created in customers and within the company	Employees
54% of energy consumption is provided by renewable sources	Reducing the environmental footprint	Non-Governmental Organizations
16% sustainable product ratio in our sales collection (in the total product range)		Partners
Fabric waste (clippings) generated as a result of production		
Textile waste in our stores		

OUR VALUE CREATION MODEL



OUTPUTS

Production capacity of 74,38 million per year

Annual total sales of 50,9 million products in Türkiye

Total sales revenue of 4,416,699,327 TL

Taxes paid to the government

VALUE CREATION

Strong financial risk management

Sustainable economic value

Brand credibility and reputation

Value created by export

RELEVANT STAKEHOLDER GROUP

Shareholders

Financial Institutions

Public Institutions

Customers

Suppliers



WE RESPECT OUR WORLD

With the awareness that the world we live in is not only our home but also the home of all living things, we act sensitively to the environment and respect the right to life of all living things. As one of the major and influential fashion brands in the sector, we carry out studies to reduce our environmental impact in solving serious environmental problems such as climate change and depletion of natural resources faced by our planet. By producing sustainable solutions, we contribute to the protection of natural resources, especially water, adopt the circular business model and become a part of the solution by reducing our energy consumption.

As Koton, we continue our environmental sustainability efforts in order to add value to the ecosystem we are in. We follow and work to reduce our environmental impacts in order to leave a more livable world to future generations.



Combating Climate Change and Ensuring Emission Management

We continuously base our energy and emission management on efficiency and support the fight against climate change.



Circular Economy Applications and Developing Ecodesigned Products

We are working to increase our sustainable raw material supply and to evaluate reuse and recycling opportunities by reducing the waste we send to disposal.



Improving Water and Wastewater Management

We adopt sustainable water management to reduce the water we use for our operations and the wastewater we create.



Reducing the Chemical Impact

In our production processes, we use innovative and sustainable technologies in accordance with environmental legislation and regulations, and we keep the chemicals we use under supervision.

COMBATING CLIMATE CHANGE AND EMISSION MANAGEMENT

Climate change, one of the biggest threats facing our world, has a negative impact on our sector as well as at every point of our lives. According to the World Economic Forum 2021 Global Risks Report, the most likely risks of the next 10 years include climate change and related environmental damage. Climate change has the potential to create irreversible consequences for the environment, living things and economic activities.

As Koton, we are aware of our responsibilities against climate change and all the negative consequences caused by climate change, which is also negatively affected by the fashion sector we are in. With this awareness, in order to cope with the problems created by climate change, we take actions and carry out projects to combat climate change and reduce emissions in our strategic focus area.

As we integrate the risks and opportunities associated with climate change into our business processes, we take the European Green Deal, the SDG and other local and international current developments as a guide. You can review the risks we have identified related to climate change, the measures we have taken and the summary of the opportunities we have followed in the Risks and Opportunities section.

In the combat against climate change, we continuously base our energy and emission management on efficiency. We continuously measure our energy consumption in our stores on a daily and weekly basis with our remote monitoring systems.



In 2021, as a result of extreme air temperatures as a result of climate change, we supported the introduction of high-capacity firefighting helicopters to our country with the permission of the Ministry of Agriculture and Forestry, the cooperation of Muğla Metropolitan Municipality and the coordination of World Wildlife Fund (WWF). In the same period, we donated 25 thousand saplings to the TEMA Foundation on behalf of our employees and their families for re-greening works. We sent the clothes they needed to the officers working in the fire zone. We financially supported the firefighting aircraft procured abroad along with the Ministry of Interior and WWF

We implement a gradual consumption system in the name of energy efficiency. We have started the process of switching all lighting in our stores to LED transformation and we are continuing the transformation rapidly. We prevent excess energy consumption with the renovations made during

the closure or renewal of our stores with insufficient electrical infrastructure and old technology. Thanks to renewed technologies, we save energy by giving priority to A+++ energy consuming products. By making ambient lighting measurements, we determined the Luxury values in terms of health and efficient use and tried to reach the targeted values. With our sustainable savings initiatives and energy efficiency practices at Koton, we have reduced our energy consumption by a total of 31% in the last four years.

We support the use of renewable energy sources that provide sustainable, clean energy supply.

In our street stores, we provide 54% of our energy consumption from renewable energy sources.

We strive to minimize our carbon footprint by regularly calculating greenhouse gas emissions, one of the most critical causes of climate change. At Koton, we annually calculate the carbon footprint of our company, including both direct and indirect emissions, taking into account our environmental impact as a result of our business processes. Within the scope of our carbon footprint calculation studies that we started in 2020, we continued to calculate our Scope 1, 2, 3 emissions in accordance with the GHG (Greenhouse Gas) Protocol and GRI Standards in 2021. Our carbon footprint 2021 results indicate that our Scope 1 emissions in 2021 decreased by 58% compared to 2020.



WWF TÜRKİYE

Yaraları Sarmak #BirlikteMümkün

SOLIDARITY TIME

AS KOTON, WITH THE PERMISSION OF THE TURKISH MINISTRY OF AGRICULTURE AND FORESTRY, IN COOPERATION WITH MUĞLA METROPOLITAN MUNICIPALITY AND IN COORDINATION WITH WWF-TURKEY (WORLD WILDLIFE FUND), WE ARE SUPPORTING THE DELIVERY OF A HIGH-CAPACITY FIRE-FIGHTING HELICOPTER TO OUR COUNTRY. WE WOULD LIKE TO EXPRESS OUR GRATITUDE TO ALL OFFICIALS AND VOLUNTEERS WHO FOUGHT THE FIRE. WE WILL HEAL OUR WOUNDS TOGETHER AND GROW GREEN AGAIN TOGETHER.

respect life

KOTON

As Koton, we participate more effectively in the fight against climate change with our innovative projects and practices that aim to increase energy efficiency and reduce carbon emissions every year. Our total energy consumption for 2021 is 215.778 GJ. Within the scope of our sub-strategic focus area of Combating Climate Change and Emission Management, our targets for the forthcoming years are;

- **To be carbon neutral by 2040,**
- **Reduce our total carbon emissions by 15% by 2026 at the Scope 1 and Scope 2 levels compared to 2021,**
- **Reduce our carbon emissions per production by 6% by 2026 compared to 2021,**
- **Based on 2021, to switch to the use of electricity generated from 100% renewable energy sources in our operations by 2030**
- **To have ISO 14001 Environmental Management System Standard certification, which we have started to work on in order to manage our environmental activities and related risks and opportunities more effectively and at international standards.**
- **To be a green office in 2026.**



GREENHOUSE GAS EMISSIONS IN 2021 (TONS CO₂e)

SCOPES	2021
Scope 1*	1,903
Scope 2**	40,954
Scope 3***	13,706

* Scope 1 emissions cover activities (diesel, gasoline, natural gas, etc.) that emit emissions directly into the atmosphere, are owned or controlled.

** Scope 2 emissions cover indirect greenhouse gas emissions from purchased electricity. The total amount of location-based emissions was calculated as 40.954.19 tons of CO₂. Thanks to renewable energy, 5.203.39 tons of CO₂ emissions have been removed. 35.750.8 tons of CO₂ emissions occurred due to electricity purchased within Scope 2.

*** Scope 3 covers emissions, business flights, employee transport (excluding buses, trains, ferries and other vehicles), hotel accommodations, paper consumption, transmission distribution losses due to electricity consumed, water use (excluding wastewater), waste generation (excluding motor oil).

TOTAL FUEL CONSUMPTION FROM NON-RENEWABLE SOURCES

	2021
Natural Gas (GJ)	14,137
Petrol (GJ)	3,232
Diesel (GJ)	26,796

ENERGY CONSUMPTION

	2021
Total Energy Consumption (GJ)	215,778
Energy Density (Total energy consumed (GJ)/person)	35,36

CIRCULAR ECONOMY APPLICATIONS AND DEVELOPING ECODESIGNED PRODUCTS

Fast fashion trend and current consumption habits cause significant resource consumption and waste generation with the use, throw and retake consumption model and lead to negative environmental effects throughout the supply chain. To ensure sustainability in the fashion industry, all components must take action and transform the entire supply chain.

As Koton, we see it as one of our responsibilities to reduce the environmental impact of fast fashion and to support sustainable transformation in our supply chain. We adopt the circular economy model and strive to make our products last longer and be sustainable. We believe that the circular business model should be implemented and spread throughout the sector.

Within the scope of our sub-strategy Developing Circular Economy Practices and Eco-designed Products, we prioritize using recycled products and packaging, supplying sustainable raw materials, and having eco-designed and eco-labeled products. In order to reduce the environmental impact through our products, we carry out production with environmentally friendly technologies. We use recycled and advanced natural raw materials in our products. We communicate our sustainable products with labels that we use appropriate visuals; we bring sustainable consumption awareness to our customers.

We aim to increase our collections through the use of sustainable raw materials such as recycled cotton and recycled polyester. We aim to train our employees about the properties of our fabrics

Our Eco-Friendly Solutions

In our Fabric Department, we prefer recycled, hemp and TENCEL-Lenzing blended fabrics; In REFIBRA™ denim production, we use technologies that contribute to the circular economy, such as Waterless Indigo dyes, which reduce water consumption. All of the fabrics used in our denim product group are included in our Respect for Life collection. During denim production, we recover 84% of the water used in the factory. On the basis of projects and products, we carry out stone washing with olive seeds instead of pumice stone, and thus prevent waste formation and recover. By using anhydrous enzymes, we reduce water consumption in processes. We produce part dye products with Terra paint group using modan and 100% soluble vegetable dyestuffs. Fashion with Terra paint group and 100% soluble herbal dyestuffs and part paint product production. With Black MMS, we develop products that are both eco-friendly and do not fade at up to 40 degrees. In our production processes, we minimize our waste level with the use of chemical groups that can be disposed of to nature.

that we will use in our future collections and to raise the right awareness of our customers through our various communication channels. In this way, while supporting the circular economy system at Koton, we aim to make our designs that care about the environment a pioneer in our sector. One of our circular economy practices is to collect our waste to be used as raw material for other products. For this purpose, we collect the wastes from our activities by separating them and sell them to recycling facilities and bring them back to the economy.

In 2021, we recycled 35,03 tons of textile waste resulting from brand activities at the Head Office.

In 2021, we recycled 35,03 tons of textile waste resulting from brand activities at the Head Office. Within the framework of our circular economy business model, in addition to our sustainable use of raw materials, we take care that product labels, hangers and packaging are made of recyclable materials. We use recyclable and biodegradable packaging in our stores and prefer the use of FSC (Forest Stewardship Council) certified cartons and recycled plastic on our product labels. We repair our pallets that we use in transportation and customer service, we use second-hand parcels.

In 2021, the share of sustainable products in all Koton collections was

16.5%

RESPECT FOR WATER PROJECT

In the Spring-Summer 2021 season, we used recycled polyester, recycled cotton, recycled acrylic and recycled cotton blended fabrics in our Respect for Water Collection, which we implemented together with World Freediving Record Holder National Athlete and UNDP Türkiye' Advocate for Life in Water. In our collection, which uses leather from apple peel, organic cotton, BCI (Better Cotton Initiative) certified cotton, recycled and certified Lenzing Ecovero Viscose fabrics with 50% water consumption, we have carefully selected the sewing threads and other accessories of our products from natural and environmentally friendly products., we reduced our carbon emission to 623 thousand kg in 2 seasons with this collection, where we use less energy, water and chemicals. We have saved 49 million liters of water and recycled a total of 90,000 PET bottles by using eco-friendly materials and production techniques.

SAHIKA
ERCÜMEN

KOTON

RESPECT WATER





RAW MATERIAL MANAGEMENT

The raw materials used in the production process are responsible for a large part of the environmental impact of the textile and clothing sector. At Koton, raw material management, which directly affects the sustainability of the products we offer to our customers, is one of our priority issues. We act selectively in our raw material management and aim to increase the use of sustainable alternatives and responsible raw materials in our production and supply processes.

According to the 2015 report of the European Clothing Action Plan, cotton accounts for more than 43%³ of all fibres used for garments on the European Union market. Cotton is considered to have a major environmental impact due to the depletion of natural resources and global warming as it requires large amounts of soil, water, fertilizers and pesticides. However, due to the difficulty of accessing other raw materials supplied, especially cotton, and the raw material prices that may increase, the risk of raw material supply emerges as a significant threat in our sector. At this point, we take precautions against the risks that may occur in our value chain. We carry out our raw material management practices within the framework of the circular economy business model and give priority to sustainable materials in our procurement processes.

At Koton, we create resistance to the risk of raw material supply by choosing the use of sustainable / recycled raw materials in our products. We use organic cotton, recycled cotton, BCI certified cotton, recycled polyamide, regenerated yarn, recycled fiber in the fabric contents of our products. In this way, we ease the pressure on non-renewable resources. We reduce the risk of contamination by microplastics from synthetic fibers and at the same time contribute to the circular economy by reducing textile waste.



We are
Turkey's first
Better Cotton
member
brand.

3 European Parliament Research Service, 2019. Environmental Impact of the Textile and Clothing Industry.

Better Cotton Initiative (BCI)

The Better Cotton Initiative (BCI) is a non-profit sustainability program created to enable millions of farmers worldwide to produce cotton in healthier conditions. BCI guides millions of cotton farmers to ensure efficiency in their own production processes and to protect our planet by using less water and fewer harmful chemicals. As Koton, we are the first brand in Türkiye to become a Better Cotton member. Good cotton production, which draws attention to minimizing the harmful effects of plant protection practices, managing and effective use of water resources, taking care of soil health, protecting biodiversity, protecting fiber quality, increasing the welfare level of agricultural workers, expresses a process that allows not only the quality process of cotton but also its production to be carried out in a way that respects the environment, employees and people. With this membership, we support the application of sustainable agricultural principles in cotton production by using Better Cotton certified cotton. The trainings given by BCI aim to create a multidimensional cycle of benefits such as sustainable cotton production methods, efficient use of water, protecting the health and natural structure of the soil, and providing a fair, balanced and inclusive functioning in production processes. Today, we contribute to the production of 'Better cotton' by a total of 2.3 million farmers in 23 countries, including Türkiye. As Koton, we are very proud and happy to be a member of BCI, which aims at environmental health and the development of cotton farmers, and to stand by those who make a difference for sustainable cotton production. As Koton, we started our membership in November 2020. At the end of one year, in November 2021, we made 10% of all our cotton-containing products compliant with Better Cotton standards. We have committed to bringing 50% of our cotton-containing products into compliance with Better Cotton standards within five years.



Respect Nature with Better Cotton!

Better Cotton is obtained through a mass balance system. This means that it is mixed with other types of cotton on its journey from the field to the final product. Therefore, this product may not contain Better Cotton.

By choosing our cotton products, you support our investment in Better Cotton's mission to help cotton communities survive and thrive while protecting the environment. We believe in respecting the earth for a better future.

respect life



KOTON

WASTE MANAGEMENT

With the Zero Waste management and circular economy perspective we have adopted at Koton, we meticulously follow all stages from the formation to the recovery and disposal of our wastes in order to protect human health, the environment and future generations.

In our Head Office, in our stores and logistics center processes, we carry out prevention and improvement projects and practices to minimize waste by focusing on the prevention and recovery of our wastes at source with our Zero Waste principle.

As a result of our waste reduction efforts in our Head Office and Logistics Centers, we were entitled to receive the Zero Waste Certificate in November 2021. In our processes and during the shipment of our products to stores, paper and cardboard boxes, plastic, glass, metal, wood and other wastes and medical wastes from our infirmary are generated. In addition to these types of waste, our expired cosmetic materials or textile and derivative wastes worn out for various reasons are revealed. We regularly separate our wastes generated during our retailing activities according to their recycling and recycling suitability within the scope of the Zero Waste Regulation determined by the Ministry of Environment, Urbanization and Climate Change.

Within the framework of the circular economy based on the principles of reduce-reuse-transform and in accordance with laws and regulations, we deliver our recyclable wastes such as paper,

plastic, metal and glass to recovery; we also provide recycling of our recyclable wastes through authorized companies. We dispose of packaging wastes, fabric, organic/domestic wastes, glass, metal wastes, fluorescent and electronic wastes and vegetable waste oils generated in our Head Office, Logistics Centers and stores in a way that respects the nature through licensed recycling and disposal companies that we have contracted. We ensure the recycling of our electronic wastes by delivering them to licensed recycling companies within the framework of current environmental legislation. In addition, within the scope of our use and recycling projects, we make our electronic wastes usable with the repair support of our IT (Information Technologies) unit and donate them to various village schools in Anatolia. We monitor and declare all our wastes that we send for recovery according to the legislation of the Ministry of Environment, Urbanization and Climate Change. we create financial and circular economic benefits in our value chain with the economic gain we obtain as a result of recycling and recovery activities of our wastes. In 2021, we collected recycling waste in the categories of paper, plastic, mixed, metal, oil, glass, domestic, fabric, UPS battery and lighting.

We recycled approximately 90% of our waste generated in our Head Office and Logistics Centers. We have been working with licensed recycling companies in our Logistics Centers since 2017 and at the Head Office since 2019 and closely follow the recycling process of all our recycled wastes.

IN 2021, WE SENT A TOTAL OF 115,284 KG OF WASTE TO RECYCLING IN OUR HEAD OFFICE CAMPUS AND 773,800 KG IN OUR LOGISTICS CENTERS, CREATING A CIRCULAR ECONOMIC PROCESS.

We have zero waste bins that our employees and customers can use to control waste in our offices and stores. We also carry out awareness-raising practices in our offices to prevent paper waste. By reducing the need for printed paper, we strive to maintain our documents and workflows, mostly on online platforms. We started to use LED screens in our stores in order to reduce paper (Poster / Fashion visuals) waste. We provide waste management trainings to our employees on reducing the waste they will create and how to separate them correctly. In addition, thanks to our LED screens that we have started to use in our stores, we have reduced the use of paper posters as well as offering our brand communication to our customers in a more dynamic way. Sustainable management of our packaging and bag wastes is another issue we consider at Koton. In this context, we continue to work for a complete transition to the use of recyclable and biodegradable packaging. We continue to actively use biodegradable bags in our overseas stores.

In 2021, we generated a total of 889 tons of non-hazardous waste. We recycled 100% of the non-hazardous wastes we created in our Head Office and Logistics Centers. We carried out the disposal processes of our wastes, which are in the hazardous waste category, through licensed companies and realized the ministry declarations.

Our targets to make waste management more sustainable in the coming years;

- **To increase recycled packaging ratio by 15% by 2023 and by 50% by 2026,**
- **To reduce the proportion of single-use plastic materials by 15% by 2023 and by 50% by 2026.**

WATER AND WASTEWATER MANAGEMENT

We attach great importance to the responsible use of water resources, which are at great risk with the awareness that water use is of vital importance in our sector. In order to reduce the use of water, which starts with the production process of our products, we are turning to production techniques that use less water with fibers and raw materials that need less water. We adopt the principle of responsible and efficient use of water and continuous saving of water in wastewater management.

As a result of our activities, we realized a total water consumption of **24,953 m³** in our Head Office and Logistics Centers in 2021.

We use the water we consume in our Head Office for irrigation, cleaning, sinks and drinking water. We treat the water we receive from the municipal water network with a reverse osmosis system and offer it to use. In our tanks, we also use water from the mains in the same way. We meet our drinking water needs in our working environment by purchasing it. In 2021, a total of 78.88 m³ was installed in our Head Office; We have realized a

total water consumption of 24,953 m³, including 15,985 m³ in our Logistics Centers. Our operations do not have a significant negative impact on the biodiversity of water resources.

We carry out our wastewater discharge in accordance with legal regulations. In our Head Office, all the water we consume except drinking water is discharged through the sewage system of the municipality. In our Reverse Logistics Center warehouse, we transport our industrial waste water, which is formed as a result of cleaning and washing products with problems such as stains, to be treated through a third-party company. The wastewater we discharge is analyzed by taking samples from the points discharged into drains by the Environmental Analysis Laboratories authorized by the ministry every six months within the scope of the Water Pollution Control Regulation of the Ministry of Environment, Urbanization and Climate Change. Our analysis results are below the legal limit values.

While shopping malls continue to use water to returnable carboys in our stores, we are in the process of switching to the use of purification devices instead of using carboys in our street stores. With our efficient water consumption and wastewater management practices developed within the scope of our sustainable water management, we have achieved a 48% reduction in water consumption values in the last 5 years. You can reach our detailed water performance indicators for 2021 from the Annexes section.

WITH OUR SUSTAINABLE WATER MANAGEMENT, WE HAVE ACHIEVED A 48% REDUCTION IN WATER CONSUMPTION VALUES IN THE LAST 5 YEARS.

By the end of 5 years with the use of Better Cotton, we will have saved approximately 8 million cubic meters of water. In cooperation with NGOs and other stakeholders, we carry out water conservation and water conservation activities. In this context, we create sustainable collections and take part in WWF-Türkiye' Joint Action Committee for Change.



WITH OUR RESPECT FOR WATER PROJECT

we have saved

49

MILLION LITERS
of water.

With the aim of adding value to the future of the world, we launched the Respect for Water Collection in the Spring-Summer 2021 season together with the World Freediving Record Holder National Athlete and UNDP Türkiye' Advocate for Life in Water Şahika Ercümen. In our designs in this collection, we have applied environmentalist production techniques with our understanding of respect for water, with the aim of protecting every drop of water, and we have used certified Lenzing Ecovero Viscose fabrics with 50% less water consumption.

WATER AND WASTEWATER MANAGEMENT

We expect to see the sensitivity we show to water and wastewater management in our suppliers with whom we work closely. In this regard, we aim to provide a more transparent communication with our suppliers in the coming years and to realize new practices related to water and wastewater management in our supply chain in line with our continuous saving principle. On this basis,

- **By 2026, we aim to increase the proportion of water converted in the use of denim in the process by 12% compared to 2021.**



LET'S KEEP THE MARMARA SEA ALIVE PROJECT

In order to contribute to the solution of the mucilage problem of the Marmara Sea, we have implemented the “Let’s Keep the Marmara Sea Alive” project in the summer season of 2021. We transferred half of the income from the sale of our T-shirt collection labeled “Let’s Keep the Marmara Sea Alive”, which aims to contribute to the cleaning and protection of the Marmara Sea, to the cleaning of the Marmara Sea. We have adopted a coast in Kınalıada within the TURMEPA Blue Shores Project.



WWF- JOINT ACTION COMMITTEE FOR CHANGE

As Koton, we are the signatory of WWF-Türkiye’ “Expanding Cleaner Production in the Textile Sector” Collective Action Committee for Change in Water Management. With this signature, we declare that we support collective action for the transformation of clean production and sustainability of the textile sector, primarily the transformation of the producers in Büyük Menderes. While working to stop the pollution of water resources in these regions, we want these rich lands with industry, agriculture and water use to remain with us for many years without drying up and pollution.

In our sector, which is responsible for water pollution to a certain extent worldwide, we are aware of the need to improve production processes and turn to technologies that use less water. We will continue our savings investments in water and wastewater management with our goal of becoming a company that respects nature in this direction.

CHEMICAL IMPACT REDUCTION

In our sector, where the use of chemicals is intense, we attach importance to the controlled use of chemicals for our stakeholders under influence. In terms of the health and safety of employees, washing-painting units and dyehouses where intensive chemicals are used are included in the dangerous class. Within the scope of chemical safety and impact reduction, we follow the relevant national and international current standards and take legal regulations as a basis. By using environmentally friendly technologies to reduce chemical impact, we make our collections with fewer chemicals available to our customers.

- **We aim to ensure that the chemicals used by our suppliers in the coming years comply with the Zero Discharge of Hazardous Chemical (ZDHC) criteria in order to reduce negative chemical exposure on our relevant stakeholders and the environment.**

We do not use chemicals that are prohibited by national and international legislation at any stage of our production chain.

We focus on improving production processes, where water consumption and the use of harmful chemicals are very intense, by using innovative and sustainable technologies.

IN THE WASHING PROCESSES OF ALL OF OUR DENIM PRODUCTS IN OUR RESPECT FOR WATER COLLECTION, WHICH WE HAVE CREATED BY USING ENVIRONMENTALLY FRIENDLY TECHNOLOGIES THAT REQUIRE LESS WATER AND HARMFUL CHEMICALS, WE HAVE CONSUMED 70% LESS WATER AND CHEMICALS THAN STANDARD WASHING PROCESSES. WITH OUR RESPECT FOR WATER COLLECTION, WE HAVE REDUCED THE CHEMICAL IMPACT WITH 823 KG LESS PESTICIDE USE WITH 2 COLLECTIONS IN 2021.

As the first Turkish fashion brand to sign the Better Cotton Initiative, we also attach importance to chemical impact reduction within the scope of our 5-year BCI commitment that started in 2020. As of 2020, with the reduction of chemical effects within the scope of BCI;

- **Use of approximately 5 tons less chemical pesticides and,**
- **Approximately 750 tons less need for chemical fertilizer will be ensured.**
- **By 2026, we aim to reduce the amount of chemicals used in part dyeing and washing processes by 15% in the supply chain compared to 2021.**

At Koton, We Respect Our World within the framework of our main strategy title, we manage our environmental impacts on energy, emissions, raw materials, waste, water and chemicals in accordance with environmental legislation and regulations. We did not receive criminal sanctions for non-compliance with environmental regulations or legislation during the reporting period.





WE RESPECT PEOPLE

At Koton, we are responsible to our employees, suppliers and business partners and we care about being in constant contact with them. Ensuring human health, safety and happiness is always among our top priorities. We stay in constant communication with our employees and receive feedback, thus improving our activities in order to increase efficiency, continuity and satisfaction. While managing performance management in the best way, we create equal opportunities for our employees to improve themselves. We attach importance to diversity and inclusion and approach all our employees with the principle of equality. We never compromise on occupational health and safety, and we strive to further improve our working conditions.

We set our goals and continue to work in this direction so that the activities we implement create positive effects on each individual we work with. Thus, we strive to create an egalitarian and safe working environment for our employees that respects human rights.



Increasing Employee Satisfaction and Loyalty

We aim to work with our employees for many years by providing a fairer and transparent working environment and increasing their loyalty.



Providing Talent and Performance Management

We place great value on the development of our employees in line with various personal and professional trainings throughout their Koton careers.



Ensuring Equality, Diversity and Inclusion

In our working environment, we place equality, diversity and inclusion as the basis of the way we do business and thrive on diversity.



Ensuring Equality, Diversity and Inclusion

We do not compromise on our occupational health and safety standards, and we carry out our works with the principle of “Zero Work Accidents”.

EMPLOYEE SATISFACTION AND LOYALTY

As Koton, our Respect for People business model, which we have developed over the years, is the basis of our success. We believe that the importance we attach to employee satisfaction and loyalty reflects our corporate culture in the best way. In this direction, we carry out practices that improve our working conditions and projects in which we contribute to the development of our employees. We continue to develop our business experience with our creative staff consisting of more than 7.500 employees and 220 people who are always with us from design to after-sales customer satisfaction processes.

Within the scope of our business model, we include embracing diversity in the whole organization, feeding on differences and ensuring that our employees, who are our most valuable stakeholders, participate in processes that they can gladly realize themselves., We attach importance to the satisfaction of our employees and their loyalty to Koton in this respect.

We determine the code of conduct of our employees inside and outside Koton based on local and international standards. With the Koton Code of Business Ethics, we ensure that each of our employees adopts the highest standards of behavior as a principle, that they are respectful, honest, reliable and transparent in all their internal and external relations, and that they do not discriminate under any circumstances and conditions depending on their ethnic origin, gender, personal preferences, race, nationality, economic status, disability, age, religion and other beliefs. We carry out all processes that may significantly affect our employees within the framework of legal regulations and in accordance with our rules.

BY FOCUSING ON ORGANIZATIONAL CULTURE, WE AIM FOR OUR EMPLOYEES TO WORK WITH US FOR MANY YEARS WITH PLEASURE.

By securing our dominant and innovative position in the sector; thanks to the competencies of our employees, we develop projects with high added value that distinguish us from our competitors. With the effort to represent all our employees, we set our goals and continue our work in this direction in order to offer a better working experience and environment to our colleagues who contribute to the success of our business.

At Koton, we address the issue of employee satisfaction and loyalty within the scope of the **Koton Start, Koton Connect, Koton Social and Koton Stars** formations we have developed.

With Koton Start, we strive to ensure that our new employees have a pleasant beginner experience that will allow them to have a great start to the first day. We have in-house preparations for the first day of our employees in Koton. We welcome our new employees in their first working days, introduce them to our working environment, practices and culture and enable them to manage the adaptation process comfortably.



EMPLOYEE SATISFACTION AND LOYALTY

With **Koton Connect** Communication Platforms, we strengthen communication and sharing within the company. We know that the possibility of active and free communication within the company is an important issue that increases the satisfaction of our employees. In this context, we have different sharing meetings.

- With **Eđri Oturalım Dođru Konuřalım**, our directors get together with the employees in their departments and share business and human agenda issues.
- With **5NİK**, we ensure that our Human Resources managers and business partners meet with departments on a monthly basis.
- In our **Coffee meetings with the CEO**, our CEO comes together with our employees on the vision, strategy and goals of our company in certain periods and shares about Koton culture.
- With **Stage Is Yours**, we enable our store managers to come together with their teams in our stores and share the issues on the agenda in a week determined by Human Resources once a month.
- With **Purple Room Talks**, we aim to bring Koton women together with inspiring speakers and to create awareness and inspire with the theme of “woman”.
- With the **First Day of School Leave**, we know that children want their mothers with them on their special days and we support our working mothers to ensure this. Our mother employees share the excitement of school with their children with our application on the first day of school.
- We have a **Report Card Permit** application for our children to share the excitement they will experience on their report card days with their parents.
- At the same time, we have implemented our **Koton Moms & Dads** project, which is a first in the sector, in order to support the preparation process for prenatal motherhood for our employees who will be new parents, to facilitate their adaptation to postpartum work, to strengthen the belief in motherhood and to carry out career together and to strengthen the idea of returning to work after birth. Within the scope of the project, we organize seminars for our Koton mothers, fathers and expectant babies, and make discount agreements with various companies. With the Newborn Baby Sets offered in our stores and the Tema Foundation Certificates, we send our expectant mothers to birth with gifts. We provide maternity leave to mothers and fathers in our company and milk leave to working mothers.
- With the **Candidate Suggestion Award**, we reward our employees who have continuity during the year and who nominate our employees if they complete the 6th month after the recruitment of the candidates, they deem suitable for open positions.

Our Appreciation and Rewarding Programs, which we have created to celebrate the achievements of our employees and to reward their business outcomes and behaviors, are included under Koton Stars.

- With the **Seniority Awards**, we offer our employees who have completed their 5th, 10th, 15th, 20th and 25th years at Koton their awards, which are held once a year.
- Under the roof of **Koton Lig**, we determine our employees with the highest rated performance of that year according to the year-end “Store Carnet” scores in our stores. We reward our store employees who reach the highest score among all stores with the Super Cup.
- Through our Koton Live intranet portal with the **Acknowledgments Movement**, our employees share digital thank you cards with their teammates, managers and other function employees they collaborate with. As a result of this application, we reward the people of Koton who thank the most and receive the most thanks. With this application, we aim to increase the culture of thanks in our working environment.
- We contribute to the **Koton Employer Brand Ambassador** Program and the positive working atmosphere and support our employees who take part in certain activities with Brand Ambassadors Awards.
- We collect the ideas and suggestions of our employees with our **Idea Cube** application. We evaluate the project and idea suggestions we receive from our different departments that will enable Koton to have a more sustainable business environment. After going through the evaluation processes, we broadcast the ideas proposed by our employees and to be implemented on Koton Live. In 2021, a total of 22 ideas were shared by our employees within the application and 1 idea was approved for realization.
- With our **Koton Social** formation, we organize activities that make a positive contribution to our Head Office working environment. In these activities, our employees spend pleasant time with each other and socialize, while revealing their knowledge and skills with their individual contributions.

While the acquisition and retention of competent employees around the world poses a current risk for organizations, we manage this risk with our principle of being a constantly learning organization and our various talent and performance management practices that we offer to our employees. At Koton, we regularly monitor the talent and performance development of our employees; By putting our principle of equal opportunity at the center for talent and performance management, we offer our employees equal learning and development opportunities with our personal and professional training programs. To the process of self-realization of our employees; In line with our values, competencies and needs, we support Koton with an effective learning and development approach. We aim to enrich the competencies of our employees by focusing on experience-based learning.

TALENT AND PERFORMANCE MANAGEMENT

We believe that the development of our human resources is one of the most important factors in the sustainable development of our company. At Koton, we prepare our employees for the competencies of the future in line with our corporate culture and values, and we stand by them with various personal and professional trainings throughout their Koton careers. Thus, we move forward firmly with our strong teams that lead change, learn with pleasure and develop by learning.

While the acquisition and retention of competent employees around the world poses a current risk for organizations, we manage this risk with our principle of being a constantly learning organization and our various talent and performance management practices that we offer to our employees. At Koton, we regularly monitor the talent and performance development of our employees; By putting our principle of equal opportunity at the center for talent and performance management, we offer our employees equal learning and development opportunities with our personal and professional training programs. To the process of self-realization of our employees; In line with our values, competencies and needs, we support Koton with an effective learning and development approach. We aim to enrich the competencies of our employees by focusing on experience-based learning.

We follow a Learning Path that is structured specifically for Koton, where the learning and development needs of all our employees are met on a common ground.

OUR OBJECTIVES IN THE LEARNING PATH;

Managing and leading change,



To reveal the potential of our teams and to manage the potential,



To be able to make effective delegation,



To ensure that our teams consistently perform well and to give effective feedback,



To manage the relationship between different profiles and generations with effective communication and to motivate our teams by increasing employee loyalty.

We discuss career and development at Koton within the framework of **Koton Next**.

→ “Managing Executives”

→ “Managing Teams”

→ “Self-Managing”

We support all our employees at all levels in terms of leadership professionally with our training content. We also provide the support necessary to lead the teams and continuously improve the teams we offer to all our managers, as well as to our employees in other roles outside the executive level. With the Changemakers Development Program, we focus on enriching the talents of our employees. After our person-based evaluations, we make investments for vocational training support, one-to-one coaching interview sessions, English language course support, educational resources support on the subjects needed. Thus, our employees, the leaders of the future, prepare themselves more effectively for the next role.

With the **Merchandising Manager Training Program**, we carry out the development of the talents of our Store employees and their preparation for the top roles more effectively. In this context, we focus on competency development by including our store employees in the promotion process in the Promotion School and providing vocational and technical training support. We contribute to the talent development of our store employees in many ways and direct their career journeys with the program contents prepared by our Sales Technical Training and Human Resources Teams,

As our approach to learning and development, we are adopting the 70:20:10 model and spreading the principle of more experience-based learning throughout our organization. According to the 70:20:10 training model, 70 percent of development consists of different tasks, projects and challenging experiences. The 20th percent is created by feedback and observing people. The remaining 10 percent is supported by a structure based on education and seminars.

TALENT AND PERFORMANCE MANAGEMENT

We strengthen the Koton learning culture with the mutual transfer of knowledge, experience and experience working with our **Internal Instructorship** system. We aim to contribute to the individual and professional development of our employees, to strengthen internal communication and to increase the commitment to Koton culture.

With **Catalog Trainings**, we support our employees at all levels with different training contents determined according to demand and need.

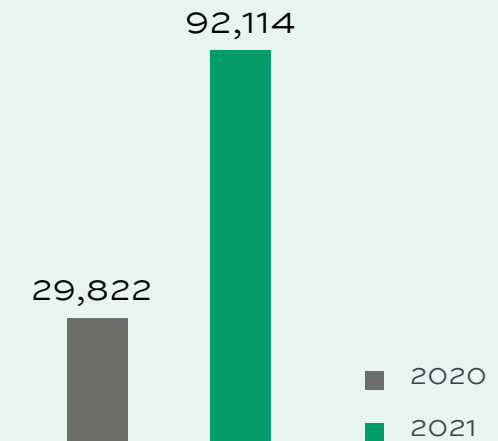
Koton Academy Online offers our employees our e-learning platform, which is our 7x24 new generation learning tool where we provide training and simulation trainings on various subjects.

With **Koton Fashion Purchasing School**, we evaluate the development of our purchasing employees (buyers) and support them professionally. Within the scope of our training program, which won the Silver Award in the TEGEP Best Training & Development Program category, we explain the unique dynamics of fashion management and fashion purchasing and transfer every information needed by our employees from fibers and fabrics to fashion history, from retail mathematics to visual merchandising principles.

IN 2021, WE PROVIDED A TOTAL OF 92,114 PERSON*HOURS OF TRAINING TO OUR EMPLOYEES ACROSS TÜRKİYE⁴, REACHING 3 TIMES MORE TRAINING TIME COMPARED TO THE PREVIOUS YEAR.

We provided a total of 76,088 person*hours of training to our store employees and a total of 16.026 person*hours to our Central Office & Logistics white collar employees.

TOTAL TRAINING TIME (PERSON*HOUR)



⁴ Employees across Türkiye include employees of head office and stores. The graph of total training periods shows the training periods received by employees in Türkiye in the last two years.

In 2020 and 2021, we have implemented collaborations that will support the career journeys of young people who aim for a career in ITU Fashion Retail. Within the scope of the “Fashion Retail and Management Certificate Program” we carried out within ITU-SEM, our fashion professionals and ITU Textile academicians; they joined forces for the education of new generations in the field of fashion and transferred their knowledge to qualified candidates.

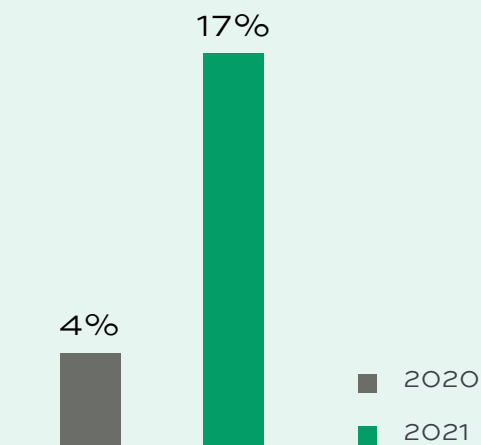
With our **Koton Intern** program, we offer internship opportunities in two different categories in summer and winter periods for university, vocational and commercial high school senior students. Thus, young talents have the opportunity to experience different areas while preparing themselves for the dynamic structure of business life. Young people who are included in our internship program at Koton have an attractive start chance for their careers in our sector, which allows them to rise rapidly while actively taking part in all relevant processes in the fashion sector. With our Trainee Program, which consists of Product Planning, Brand Management and Supply Management Programs, we offer full-time job opportunities to Trainees whose performance we are satisfied with after three months of orientation and who we believe we can create value by working together.

We meticulously carry out performance and career evaluation processes for our employees through our evaluation systems. We believe that these processes are at a very important point in the performance and career development of our employees and we aim to increase the number of employees we provide feedback to every year. In 2021, compared to 2020, we achieved a 13% increase in our employees who underwent performance and career development assessment.

WE LEAD ORGANIZATIONAL CHANGE WITH OUR KOTON-SPECIFIC APPROACH TO LEARNING AND DEVELOPMENT.



EMPLOYEE RATIOS RECEIVING PERFORMANCE AND CAREER DEVELOPMENT EVALUATION



We enrich the competencies of our employees with the talent and performance management programs we carry out and continue to support them in every aspect of their career journeys at Koton by enabling them to become more confident individuals in their business and personal lives.

WITHIN THE SCOPE OF OUR TALENT AND PERFORMANCE MANAGEMENT STUDIES IN 2021;

We provided an average of 15,23 hours of training per employee for our Head Office employees; 17,1 hours to our field workers; and 7 hours to the senior management.



We provided a total of 76,512 people*hours of training through Koton Academy Online.



In 2020 and 2021, “Fashion Retail and Management Certificate Program” was held within ITU-SEM with the participation of 11 students.



We offered internship opportunities to 868 students in our stores.



In 2021, with the Trainee Program, we offered job opportunities to 8 senior students and new graduates in the departments of Industrial Engineering, Computer Engineering, Textile Engineering, Fashion Design, Faculty of Economics and Administrative Sciences.



EQUALITY, DIVERSITY AND INCLUSION

Embracing diversity in our organization, feeding on differences and ensuring the participation of our employees in all processes are among our top priorities at Koton. We always take our strength from the Koton culture focused on respect for people and offer our employees a working environment that respects human rights and respects diversity and differences. At Koton, we do not discriminate between gender, race, color, language and religion, and we thrive on differences in our business environment.

We are aware of the increase in business efficiency in an environment where our business, people and society are treated with respect. We believe that ensuring internal employee diversity and equity is crucial. That's why we promote cultural diversity and equal opportunities. With our pioneering practices in the fashion retail sector, we offer a fair and equal working environment. Koton continues to integrate its values into our working environments and offer opportunities for the training, direction and development of our employees in order to ensure equal opportunities in our working environment.

We carry out our activities in line with the Koton Code of Business Ethics in order to ensure that all our collaborations are carried out in accordance with universal ethical principles and that each of our employees adopts the highest standards of behavior as a principle. With this code, we undertake to ensure the continuity of a working environment free from all kinds of discrimination and verbal or physical harassment within the framework of rules and codes. We support our employees to do business with ethical values, adhere to ethical

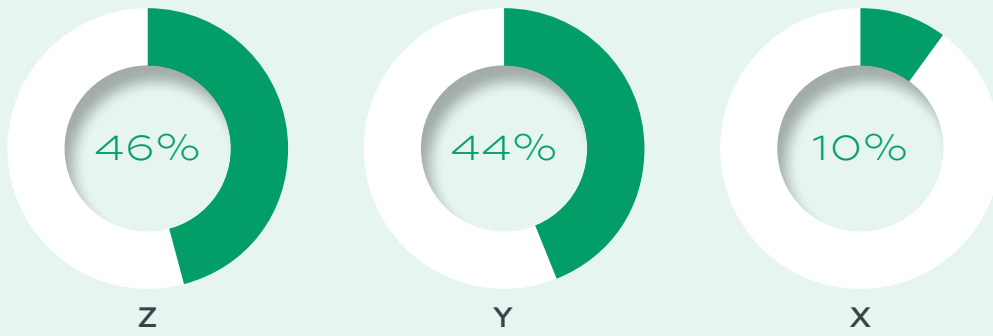
values, and strive to create and maintain a working environment that encourages mutual respect.

In line with the principle of “UN SDG 5: Gender Equality”, we carry out our work in accordance with our Gender Equality Policy. With our Gender Equality Policy, we support the training and development of our women employees and take actions to create a more equal work environment. In this context, we carry out many projects that will have a positive impact on multiple stakeholders, especially our women employees; With our awareness training programs, we aim to increase the awareness of our employees on the subject.

IN 2021, WE PROVIDED A TOTAL OF 297 HOURS OF TRAINING TO OUR EMPLOYEES WITHIN THE SCOPE OF OUR AWARENESS TRAINING AGAINST VIOLENCE AGAINST WOMEN AND GENDER EQUALITY TRAININGS.

We believe that young ideas that support youth employment will keep our company dynamic. In our business environment where differences can work in harmony, 10% of our employees are generation X, 44% are generation Y and 46% are generation Z. The overall average age of our employees is 29 and 62.5% are under the age of 30. As a company with such young employees, we attach great importance to the potential of our country's young workforce and as Koton, we continue to create new career opportunities for young people.

GENERATION DISTRIBUTIONS OF OUR EMPLOYEES



In 2020, we launched the Respect for is Fashionable/Trendy Now (Remove the Labels) advertising campaign, in which we addressed the prejudices and labeling faced by young people about their clothing choices on the basis of respect. The campaign, which we prepared as a stance against the need for young people to express themselves freely and against the judging of clothing habits with certain labels in society, was fed by our Respect for Life strategy, which is the source of our sustainability efforts. In our commercial film, we have shown that the stereotypes symbolized by the Label Factory and the end of labeling people because of what they wear can only be achieved by respecting each other, by tearing up the symbolic labels. The prejudices and labels highlighted in the commercial film are based on the results of a study conducted on 9 different groups of young people between the ages of 15-27 in order to understand the patterns that affect young people's clothing choices. In our campaign, where we took a stance against various prejudices and labeling due to clothing and life preferences with the discourse of "Remove the Labels", national taekwondo player Kübra Dağlı, social media celebrities/personalities Özgür Deniz Cellat and Ceren Yıldız contributed to the discourse.



KOTON & WOMEN

As Koton, we are proud to better understand women, their expectations, attitudes and behaviors while working on fashion and especially women's fashion for thirty-three years, and to offer them designs that they will feel better in. In the textile sector we are in, 300 million people are employed and most of them are women. We are working with all our strength by taking initiatives to improve the social and business lives of all women, especially our women employees, who have a great share in our successful journey in the textile sector⁵. As a company with a ratio of 64% female employees, we continue to carry out our awareness and awareness activities that will strengthen the position of women in business and social lives both within the company and in the society. In this context, in line with the Gender Equality Policy we published in 2018, which is one of our most important steps in contributing to gender equality, we develop projects that strengthen the position of women in the ecosystem and raise awareness about gender equality.

With the vision of including women in the society as well as our employees in the economic system and social life, we carry out various projects with our suppliers and business partners. With the We Are Equal Project, which aims to ensure gender equality in our supply chain, we encourage companies in our supply chain to improve the business environment for their female employees. We have been carrying out the Handicraft Project since 2016 in order to include women who are out of the labor force in the Southeastern Anatolia Region into the economic system. These projects, which we actively pursue and whose circle of influence is quite wide, show that the value we give to women is not only specific to our colleagues but also for

our other women stakeholders.

We are among the first companies in Türkiye to sign the Women's Empowerment Principles WEPs, which aims to strengthen existing practices for gender equality. You can reach the content of our Gender Equality Policy and detailed explanations of the projects we have realized on gender equality from the Contribution to Gender Equality section.

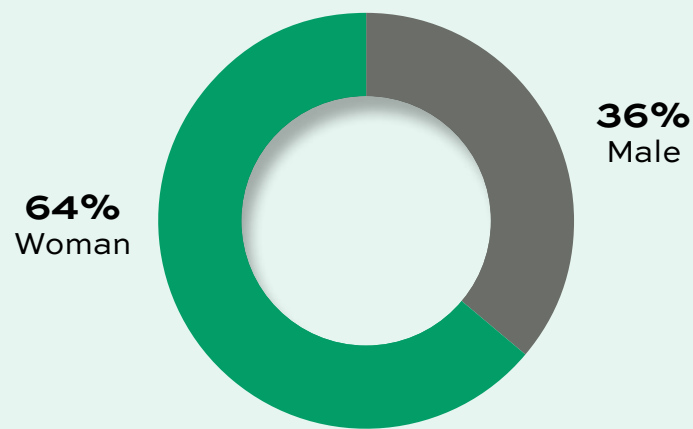
In order to increase the participation rate of women in the labor force, we give priority to women employees in recruitment. We observe the balance between men and women in our business environments.

Based on the principle of equal pay for equal work, we do not make remuneration inequality for our female and male employees, but we take into account performance-based remuneration for our employees. It offers the right to maternity leave to our employees who demand it without separating men and women; Before the birth, we financially support our mother and father candidates within the scope of our Koton Moms & Dads project. In 2021, 99 female and 54 male employees used maternity leave in Koton.

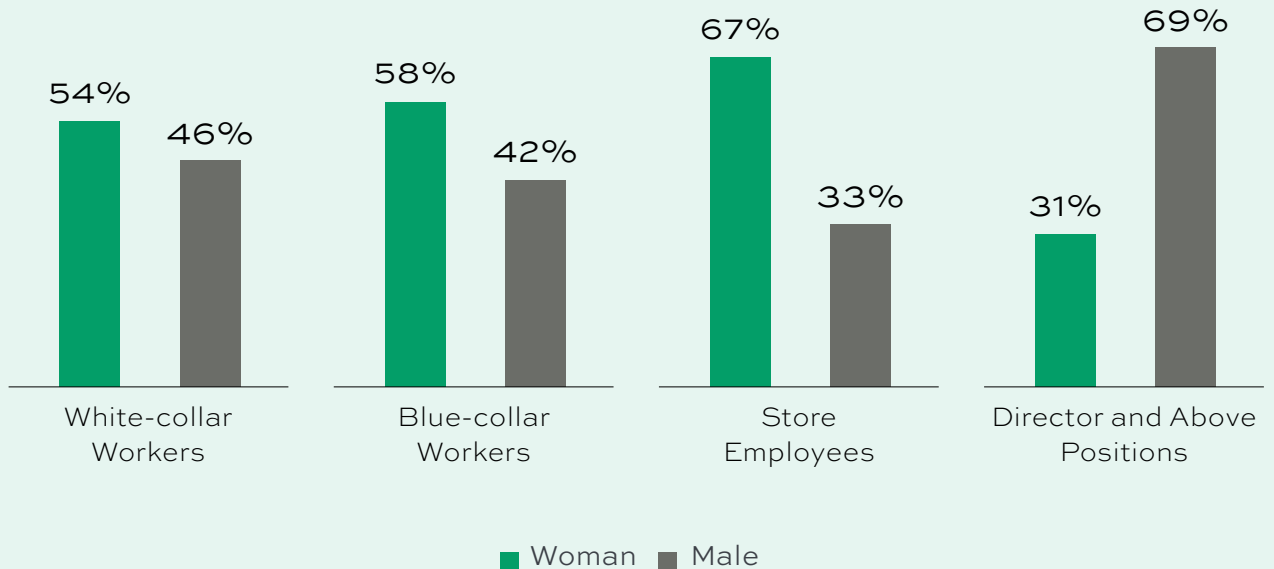
As Koton, we have a
ratio of
64%
female employees
throughout the company.

⁵ UNEP, Building Sustainability and Circularity in the Textile Value Chain

EMPLOYEE RATIO ON GENDER



GENDER DISTRIBUTION RATE BY POSITION



OCCUPATIONAL HEALTH AND SAFETY STANDARDS

Within the scope of our occupational health and safety management, our aim is to create a healthy and safe working environment and to fulfill our responsibilities in our business processes with the least damage. For this reason, we are working to create healthier and safer working environments for our employees and business partners by prioritizing health and safety criteria in all processes from the supply of the raw material used for our products to the delivery of the product to the customer.

We continue our OHS activities with a comprehensive and proactive approach to cover many of our stakeholders with full compliance with legal regulations. We proactively manage our health and safety risks. Our protective and preventive practices include the Head Office, our Logistics Centers and our store staff, subcontractors (sub-employers) and store visitors.

In our Head Office and Logistics Centers, we have 4 OHS experts responsible for carrying out OHS issues. Our OHS experts regularly make store visits and report together with our risk audit teams within the scope of risk assessments. In addition, in our stores with more than 50 employees, we receive expert and physician services from the Joint Health and Safety Units.

Our OHS team, while determining OHS Risks; It is based on the near-and-dangerous situations procedure, accident notification and assessment procedure, risk assessment procedure, employee representative procedure, management of construction maintenance, repair and renovation works in terms of OHS, accident and occupational diseases procedures. We can

detect dangerous situations in advance with our field audits, feedbacks, accidents experienced, determinations at the project stage, risk analyzes and third-party audits, corrective and preventive action (CAPA) reports, daily field audit forms. In the face of the risks we identify, we take the necessary precautions and measures by raising awareness of our employees against potential risks by communicating with them through Koton Desk, EBA, e-mail, near box and/or verbally.

IT IS OUR GREATEST HAPPINESS THAT EVERY INDIVIDUAL WHO HAS CROSSED PATHS WITH KOTON IS IN CONFIDENCE AND WELL-BEING

With the announcements published on the Koton Live platform, the procedures in the Koton Live document center and the OHS surveys, we ensure that our employees feel more aware of the risks and more safe. In our offices, we collect and meticulously examine the notifications of our employees about OHS risks through our employee representatives. In our offices, we most often encounter diseases and ergonomic problems related to the musculoskeletal system. We implement ergonomic improvements to prevent simple work accidents and diseases in the office environment.

With visual, video and Koton Radio broadcasts in our stores, we warn our customers and employees about health and safety.

In particular, we take precautions against the most common work accidents and develop prevention mechanisms.⁶

⁶ The most common ones are escalator accidents, bump-trip-fall, stack transportation operations, manual transportation, burns, personnel transportation, loading and unloading operations, B2B shelf product overturning, overturning of stands.

In our stores and offices, we offer all our employees the trainings required by the regulations, as well as occupational health and safety trainings that are not mandatory but that we have prepared by taking the initiative. We provide our OHS trainings through Koton Academy Online platform. Within the scope of emergency trainings, we organize certified first aid and fire search and rescue trainings. We also provide OHS training to our newly appointed Store Managers and employees who will be promoted to the role of Store Manager in the orientation program. Within the scope of physical and online trainings, we aim to raise OHS awareness throughout our organization with on-the-job trainings, toolbox trainings, orientation trainings and OHS week activities.

We follow the accident records in Koton through our online EBA platform. In 2021, we recorded a total of 245 work accidents caused by our employees and 117 occupational accidents by our employees who are not Koton employees but provide services to our organization. All accidents experienced in our workplaces are reported to the Head Office with registration and accident information, regardless of severity or frequency rates. We make determinations with cause analyses and immediately implement corrective and preventive measures. As a result of the examinations, the person affected by the accident is evaluated with detailed criteria such as the place where the accident occurred, age range, time and date, the activity performed, the cause and effect relationship and the lost day and the necessary arrangements are made. As a result of the analyzes and evaluations, we carry out studies to prevent the same accident from happening again and to produce permanent solutions.

In 2021,
we conducted
a total of
60,840
person*hours
of OHS training for
6,675 employees.

OCCUPATIONAL HEALTH AND SAFETY STANDARDS

IN KOTON:

We hold bi-monthly and (if necessary) instant board meetings with the Occupational Health and Safety Board, which is also attended by employee representatives.



We report our performance to senior management with the Environment, Occupational Health and Safety Performance Report annually.



We have two physicians working in our Head Office and there is an infirmary in our workplace. We provide trainings on health issues, periodic health screenings, on-the-job trainings.



In our logistics centers, health services are provided with a full-time physician and a Medical Secretary. In our stores with 50 and more employees, physician service is provided through Joint Health and Safety Unit. There are infirmaries in our stores with available physical space.



By regularly making ambient lighting measurements in our working environments, we are trying to reach the targeted values in terms of healthy and efficient use.



We ensure that 100% of the construction subcontractors are audited by Joint Health and Safety Unit consultancy companies in our new construction sites (stores).



We halt the production in environments where there is a risk of disease and danger in terms of employee health and ensure that the employer / his / her representatives take the necessary actions.

OHS MEASURES WE HAVE TAKEN DURING COVID-19

In 2020 and 2021, when the negative effects of the COVID-19 pandemic on the whole world were felt most intensely, we carried out our corrective and preventive OHS practices by taking various measures in terms of taking pandemic measures, case follow-up and field inspections. Going beyond the guidance of the Ministry of Health against COVID-19, we have become a reference to the sector with our practices at the highest level. We have prepared procedures for the measures to be taken and the rules to be followed for our employees and all our stakeholders.

WITH THE PROACTIVE MEASURES WE TOOK DURING THE PANDEMIC PERIOD, WE WERE ENTITLED TO RECEIVE THE “COVID-19 SAFE SERVICE CERTIFICATE” BY TSI AS A FIRST IN THE FASHION SECTOR. THIS CERTIFICATE, WHICH WE ARE ENTITLED TO RECEIVE, IS NOT ONLY A FASHION BUT ALSO A SOURCE OF PRIDE FOR US BY BEING A FIRST IN THE ENTIRE RETAIL SECTOR.



OCCUPATIONAL HEALTH AND SAFETY STANDARDS

During the pandemic period, we regularly informed our employees and customers with up-to-date content,

We have provided body temperature measurement at the entrances to our offices and stores. We have complied with the rules of social distancing, hygiene measures, mandatory use of masks, use of disinfectants in all working areas, plexi distance use at cash registers and cabin points in our stores

In order to increase the awareness of our employees; Within the scope of COVID-19 related trainings, we have uploaded the symptoms of COVID-19 disease, the precautions to be taken personally and the issues to be considered as video, visual and online content to the Koton Academy Platform,

In our stores, we included boards with employees on duty in emergency situations, where we summarized the emergency organization and transferred the scenarios to the employees,

We have removed all our employees with symptoms of illness from the stores and sent them to the home quarantine process and disinfected the stores where people diagnosed with COVID-19 work,

With the motto “Health Comes First”, we have warned our customers and employees about COVID-19 with visual, video and Koton Radio broadcasts in our Head Office, Logistics Centers and Stores ,

In our Head Office, Logistics Centers and stores with more than 50 employees, our workplace phy-



sicians carried out daily case follow-up related to COVID-19 pandemic measures,

With the support of our Merchandising Regional Managers, daily case follow-up has been going on for more than 2 years,

Keeping the health and safety of children before everything else, we brought together TonTon, a disinfectant robot that will ensure hand hygiene and support their awareness during the pandemic period,

In order to maintain physical distance, we gradually returned to the office and tried to keep the office employee occupancy at 50% and to provide a hybrid order and a seating arrangement suitable for social distance,

We have provided masks, disinfectants and other hygiene materials to our domestic and international stores and visibly positioned COVID-19-related precautionary visuals throughout our stores.

British Safety Council, 62nd International Safety Awards

1st of Turkey's Apparel
Retail Sector
2020-2021

As a result of the attention, care and efforts of our Occupational Health and Safety team and all our employees, we have been awarded the

BRITISH SAFETY COUNCIL AWARD FOR TWO CONSECUTIVE YEARS IN 2020 AND 2021 BY THE BRITISH SAFETY COUNCIL, KNOWN AS THE WORLD'S MOST PRESTIGIOUS INSTITUTION IN MATTERS RELATED TO OUR GOOD PRACTICES IN THE FIELDS OF HEALTH AND SAFETY/ SAFETY AND WELFARE.

The award is a first for the fashion retail in turkey.

IN 2021, WE WERE SELECTED AS THE WORLD WINNER IN THE WHOLESALE AND RETAIL SERVICES CATEGORY IN THE BRITISH SAFETY COUNCIL AWARD INTERNATIONAL OCCUPATIONAL HEALTH AND SAFETY AWARDS COMPETITION.

The development of health and safety culture within our organization is our most important requirement for the realization of our sustainability goals and for us to look to the future with confidence. We increase our budget and resources allocated to the OHS unit every year with the support of our Senior Management to meet the needs of our employees. In this direction, we will continue our OHS activities as an institution that is always ready to make the necessary effort so that our working environment is safe and healthy, and that our employees and customers in our workplaces can work and shop in health, peace and security.

Our targets within the scope of our Not Compromising on Occupational Health and Safety Standards sub-strategic focus area are; to ensure the transition to International OHS Standards, to be an organization with zero accident rate, to provide workplace conditions that will protect the welfare of our employees, to provide the necessary OHS trainings within the framework of legislation, to create and spread the safety culture within our company and to spread digital solutions in OHS Management.

As Koton, our targets in the field of occupational health and safety in the coming years are;

- Ensuring compliance of all our stakeholders and working locations with international OHS standards,
- Employees who have prioritized zero work accidents and OHS awareness,
- In order to ensure occupational health and safety, within the scope of all our working areas, it is to provide transition to application interfaces that work on artificial intelligence, provide instant support, and transmit warnings and suggestions in central, logistics and retailing activities.



WE RESPECT SOCIETY

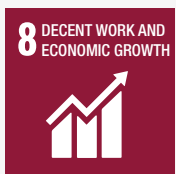
At Koton, we continue our activities with the awareness of being a responsible corporate citizen. This sense of responsibility is particularly concentrated in the topics of “Gender Equality” and “Women’s Empowerment”. Not only do we raise awareness in the community, but we also strengthen our work with projects that will support Local Economy by prioritizing local workforce and suppliers. In our sustainability journey, we carry out our work in cooperation with our stakeholders, become a member of international initiatives and share our commitments with the public with transparency.

We aim that our **Gender Equality Policy**, which was signed by our Board of Directors in 2018, will guide us and our stakeholders in our work.



Contributing to Gender Equality

We support gender equality with our projects that affect many stakeholders and contribute to the empowerment of women.



Acting with the Corporate Social Responsibility Awareness

We focus on touching on social problems.



Supporting Local Economy

We work by prioritizing not leaving women out of the projects that sustain Local Economy. Local Economy



Ensuring Stakeholder Engagement

We believe that we will create great changes together with our stakeholders.

CORPORATE SOCIAL RESPONSIBILITY AWARENESS

As Koton, we aim to contribute to social life, to develop and strengthen the society with the social responsibility projects we carry out. We care that our social responsibility projects have a sustainable identity. We do not tie our project resources to a consumable resource through direct donations. We aim for the resource to be based on production, to assume a participatory identity, and even if financial support is withdrawn, the project will survive on its own and make itself sustainable.

At Koton, while working with a focus on cooperation and solidarity within the company, we strive to create the same effect in our external activities. We are reconsidering our responsibilities to the society we are in with our sustainability perspective. Within the framework of our corporate social responsibility awareness, we carry out social, environmental and animal protection projects.



Through our cooperation with the Bana Göz Kulak Ol (BGKO) Association, we support the protection of animal rights and the better living conditions of animals. We use a significant part of our sales revenue to meet the nutrition, shelter and treatment needs of stray animals through the Bana Göz Kulak Ol Association; With the Koton Love Collection, we aim to keep an eye on 10.000 animals per year. We met with animal lovers by participating in Petival 2019, Türkiye' first pet festival, in order to carry our works for the benefit of animals to a wider and institutional structure. Every year, we organize feeding events with the BGKO Association and with the participation of volunteers, provided that one of them is October 4th Animal Protection Day.



Koton Social – Our Paw Friends

We support our paw friends to adopt the area we have opened through the Bulletin Board on our intranet portal Koton Live. With our Koton Social Responsibility Committee, we organize a Dry Food Campaign for Stray Animals and support the feeding of nearly 1,000 stray dogs in the forests of Beykoz.

Koton Social - Donations

While acting in line with our understanding of social responsibility, we aim to spread the concept of donation more. With our Koton Social Responsibility Committee, we provide computer and clothing assistance to schools in need. We collect the clothes suitable for use in the Clothing Piggy Bank positioned to be donated to those in need in our Head Office and send them to village schools. We provided aid and donations at the beginning of the pandemic and during times of disaster. During the fires in 2021, we provided 25 thousand sapling donations and financial support to the TEMA Foundation. You can find relevant details in the Combating Climate Change and Emission Management section.

In 2023, in addition to our existing projects, we aim to meet the clothing needs of 100 female university students and increase this number in the coming years. In addition, we plan to transfer 0.1% of our distributable profit to corporate social responsibility projects in 2026.

In 2021, we invested
1,071,551 TRY
in our corporate social
responsibility projects
at Koton.

CONTRIBUTION TO GENDER EQUALITY



As Koton, we consider gender equality as the creation of a working environment and society where individuals can develop all their talents fully and freely and where there is no discrimination.

In line with our sub-strategy to contribute to gender equality, we do not discriminate under any circumstances depending on the gender of the people and we act with the principle of providing equal opportunities to everyone. We make this valid in recruitment and promotion, in the working conditions provided, in all our relationships with customers, suppliers and business partners. We are subject to the Koton Code of Business Ethics to ensure that every project and application we carry out adheres to Koton's values and principles. With this code, we provide the implementation of new applications within the framework of rules and codes to improve working conditions.

In Koton; women means the individual who discovers, produces, colors, adds difference, patiently brings his thought and labor together and processes it into value. We care about increasing the colors that women add to life and supporting women who produce, renew and create value. We are among the first companies in Türkiye to become a WEPs signatory, and we attribute our value-adding approach to women in our company to the responsibilities that come with being a WEPs signatory.

We have established our **Gender Equality Policy** under the leadership of our Board of Directors for the UN Women's Empowerment Principles, which we have signed under.

**WE ARE PROUD
TO BE AMONG
THE FIRST
COMPANIES TO
SIGN WEPS IN
TÜRKİYE.**

Women Empowerment Principles (WEPs)

WEPs, which consist of 7 basic principles, aim to contribute to the private sector to strengthen their existing work on gender equality, to develop corporate policies and programs, and to report on their work in this field. The Women's Empowerment Principles include commitments such as treating all women and men fairly in the business world, respecting human rights and the principle of non-discrimination, supporting women through training, courses and professional development opportunities, and promoting equality through social initiatives and supports. As Koton, in line with these principles that we have undersigned, we take all necessary actions to strengthen all accepted and committed values and most importantly, to make them a corporate culture.

GENDER EQUALITY POLICY

GENDER EQUALITY POLICY



With our **Gender Equality Policy**, we underline that as an employer that offers equal opportunities, a fair wage and career policy will be followed and improvements for women will be prioritized. We continue to develop consistent approaches on this issue with the awareness that development cannot be achieved without achieving gender equality. Our commitments within the scope of our **Gender Equality Policy** signed by our Koton Board of Directors;



We support all efforts of our women employees to overcome the difficulties in their business and social lives and implement practices that will ensure the realization of the necessary physical conditions.



We support the training and development of our women employees, take actions aimed at increasing the number of female managers and follow up.



We support all activities that encourage the inclusion of women in the ecosystem together with our employees, suppliers and business partners, and we aim to bring producing women into the economy.



We support projects aimed at bringing girls into the world of work in the long term and contribute to the work for girls who do not have educational opportunities.



Within the framework of our inclusive business model, we continue to be a pioneer in this field by leading important projects and initiatives that will enable women to take part in the economic system and by inspiring society..

GENDER EQUALITY COMMITTEE

Our Gender Equality Committee focuses on building company policies on the principle of gender equality in order to make the Gender Equality Policy established by Koton as a signatory of WEPs sustainable and to follow its actions together with KPIs. The Committee is actively working and producing projects in the field of gender equality both inside and outside the institution. First of all, within Koton, and then as a movement that encourages gender equality in the business world and its stakeholders, creates awareness, it undertakes duties such as representing Koton in all activities, social awareness and organizations on women, following the practices in the world and ensuring that they are implemented in Koton.

In line with our understanding of gender equality, we are working to fulfill our responsibilities by taking various initiatives to improve the social lives and business lives of all women, especially our women employees, who have a great share in our

successful journey in fashion retail. We carry out projects with high impact value to ensure gender equality among our company employees and other stakeholders.

A TOTAL OF 1,345 PEOPLE PARTICIPATED IN GENDER EQUALITY AWARENESS PROJECTS AT KOTON IN 2021.

We continue to work actively to increase the awareness of our employees with these projects (Purple Room Chats, Koton Moms & Dads, GEP Awareness Trainings).

CONTRIBUTION TO GENDER EQUALITY

PURPLE ROOM CHATS



In addition to additional benefits and special projects for women, we believe that it is important to offer seminal communication and sharing opportunities in areas such as personal development, culture and art. We organize the Purple Room Chats, in which we create an inspiring environment where successful names in the field and Koton's employees meet, with at least 2 guest speakers every day during the Women's Day week, and we plan to have at least one Purple Room Chats every month throughout the year. We design Purp-

le Room Chats with content that will benefit our male employees as well as Koton women. We conduct interviews with inspiring and game-changing guests on many topics such as law, art, entrepreneurship, business world, environment and technology, and enable them to share their experiences and visions with Koton employees. We see the Purple Room Chats, where we have hosted more than 100 valuable names so far, as one of the most important initiatives of our gender equality approach. In 2021, we held 14 Purple Room Chats.

WE ARE EQUAL PROJECT

As Koton, we carry our efforts on women's empowerment in line with WEPs principles to a wider network that includes our stakeholders and suppliers with the Koton Stakeholders Gender Equality – We Are Equal Project. We are implementing our We are Equal Project, which is a first in Türkiye, in cooperation with our other stakeholders, in which we aim to raise awareness about gender equality in 16 companies determined in our supply chain and to initiate a positive transformation. With the project, we carry out studies based on increasing

the number of women employees in the companies in the Koton supply chain and improving women's working conditions. Within the scope of the project, we carry out evaluations and improvements related to the training, career development and equal opportunity opportunities provided by the companies to women employees, career support for employees with children, nursing room under hygienic conditions for mothers, prevention of harassment in the workplace.

HANDICRAFT PROJECT

With the vision of including women into the economic system and social life, the aim of our project, which started in 2016 in the GAP Region, is to include women in the disadvantaged group into the production-income chain. The project, which started with the technical support of the United Nations Development Program (UNDP) under the auspices of the GAP Administration Presidency, works with the inclusion of women in the production chain of ÇATOMs in the GAP Region. The project started to be carried out directly with ÇATOMs over time by standing on its own feet. With its inclusive business model, the project offers the opportunity to turn the handicrafts of the women in the vulnerable group into economic gain with new experiences. We reach women through a mechanism that is compatible with their life cycles, where they can evaluate their skills and earn income. Within the scope of the project, we have transferred more than 7,2 million TRY in income to the women of the region with more than 500 thousand products in 6 years. The project was also accepted into the UNDP “Business Call to Action Platform”.

WITHIN THE SCOPE OF THE HANDICRAFT PROJECT, WE TRANSFERRED 3,518,727 TRY TO WOMEN PRODUCING IN CATOMS IN THE GAP REGION UNTIL THE END OF 2021.



CONTRIBUTION TO GENDER EQUALITY

HOUSEWIVES PROJECT

Within the scope of our project, which allows housewives over the age of 30 to work part-time in our stores, women can determine their working days and hours as 3 days a week with 5 hours a day, or 5 days a week with 3 hours a day. Our project offers women who prioritize their responsibilities at home the opportunity to make a balanced start to business life with the flexibility to work on the days and hours that suit them. With our Housewives Project, which has reached 187 women as of February 2021, we have brought 208 women into business life in 108 Koton stores in 36 cities. With our Housewives Project, we aim to provide employment for housewives and to offer career development opportunities with the trainings we will provide, and to make women an active member of the economic system.

As Koton, we position our company as an ambassador on gender equality with the projects we carry out to ensure gender equality, the trainings our employees receive and the corporate culture they are fed.

SUPPORT TO LOCAL ECONOMY

As Koton, we attach importance to keeping the economic cycle alive and contributing to the local development of our country. We aim to create long-term economic value by adopting local production and employment in recruitment. With our value-added products, the employment of 6,034 people in our 269 stores in 66 cities across Türkiye and our cooperation with our local suppliers, we create local economic opportunities and support the economic empowerment of individuals in the society. 100% of the total 4,116 new jobs we provided in 2021 are made up of our local employees. In our overseas stores, we strengthen local development by prioritizing the employment of local employees in the relevant region and prioritizing employee development.

We have an approach to supporting local employment, local labor and local supply capacity in our supply chain. We prioritize purchasing the products we supply in our production stages from local suppliers. Our purchasing budget for our local suppliers accounts for 96% of our total purchasing budget. In this context, 92% of our suppliers are established suppliers in the Marmara Region. We make our remaining purchases from local suppliers in the Aegean, Central Anatolia and Southeastern Anatolia regions and thus support the socio-economic development of the country. We carry out various projects in cooperation with different stakeholders in order to ensure social development, encourage local consumption and ensure that women are financially empowered by including more in the economic system. We also support our local producers and communities with NGO and local public partnerships.

Within the scope of our contribution to gender equality projects, you can reach our projects that contribute to Local Economy by including women in business life (**Handicraft Project, Housewives Project**) from our Contribution to Gender Equality section.

In the forthcoming years, we aim to support Local Economy, increase local employment and expand our sphere of influence on local communities by developing projects in which women can actively participate in the economic system.

INTERACTION WITH STAKEHOLDERS

At Koton, within the scope of our **Respect for Life** Manifesto (our sustainability strategy), we use our power of influence in the construction of a better world by creating common values by developing collaborations with our stakeholders.

In all the processes in which we continue our company activities, we consider everyone with whom we have business interaction as our stakeholder. We prioritize integrating the key issues and thoughts of our stakeholders into our business strategy. We aim to maintain our communication accurately, consistently and on time by establishing long-term, transparent, constructive and respect-based relationships with our stakeholders.

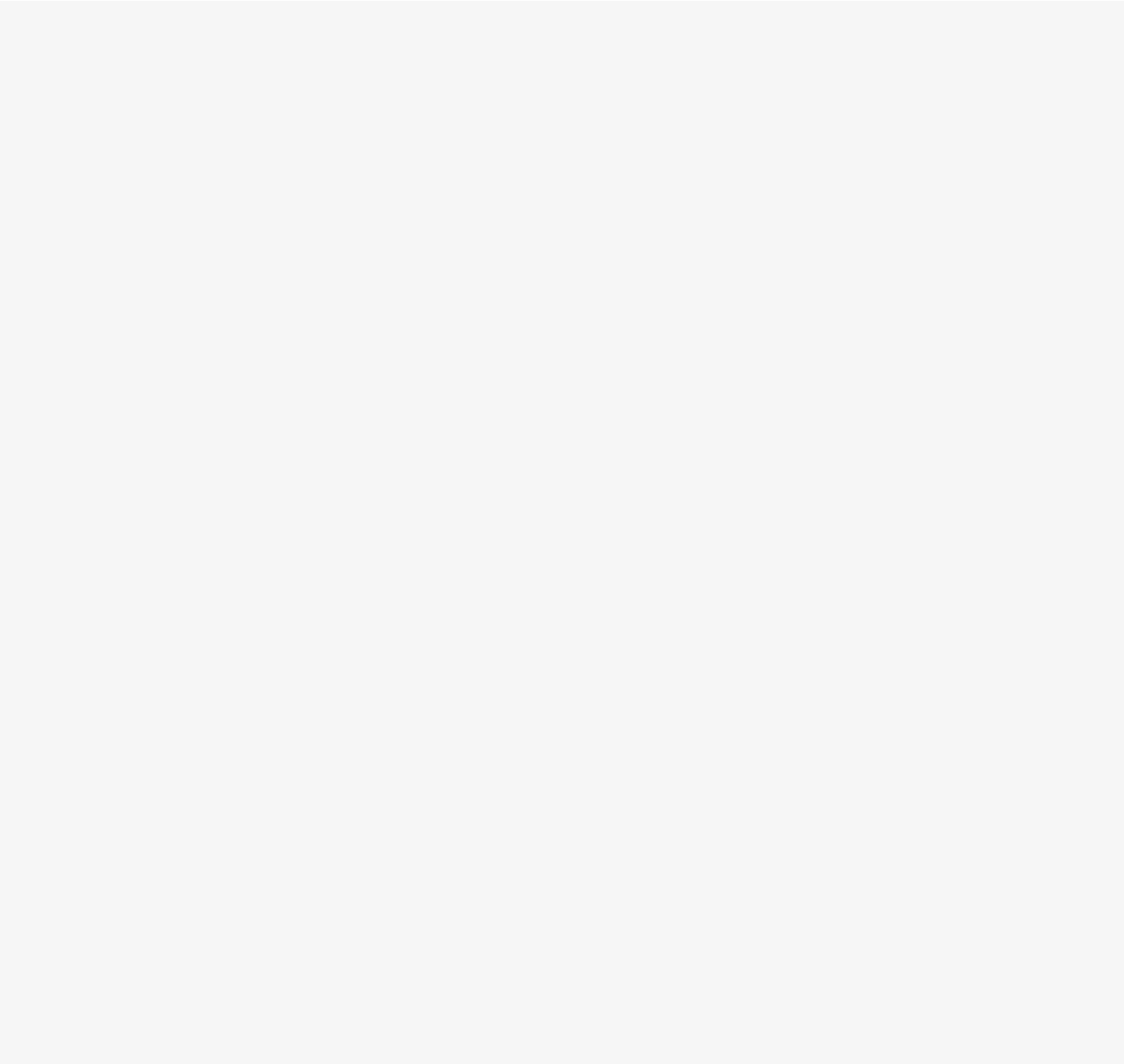
We classify our main stakeholders into 11 groups: our customers, suppliers, public institutions, media, non-governmental organizations, employees, business partners, investors and shareholders, financial institutions, universities and society:

STAKEHOLDER	COMMUNICATION METHOD	COMMUNICATION FREQUENCY
CUSTOMER	Meetings, emails, telephone, surveys and activities we conduct	Continuous and real-time communication
SUPPLIER	Our supplier meetings, audits, site visits, activity and sustainability reports	
PUBLIC INSTITUTIONS	Our press conferences, one-on-one meetings, conferences, digital channels, projects, conferences	
MEDIA	Press conferences, collection launches, interviews, press releases	Continuous communication
NON-GOVERNMENTAL ORGANIZATIONS	Regular meetings with non-governmental organizations, project development and follow-up meetings, workshops, project press conferences, seminars and conferences,	At least four times per year
EMPLOYEES	The meetings we have held, our internal communication channels, employee trainings, surveys, sustainability projects development meetings, merchandising activities and activities (December 12 Storekeepers Day), CEO Letter	Continuous communication
BUSINESS PARTNERS	Our meetings and one-on-one meetings, e-mail communication	
INVESTORS AND SHAREHOLDERS	Ordinary board meetings, annual reports and corporate sustainability report	Monthly
FINANCIAL INSTITUTIONS	One-on-one meetings, corporate activity and sustainability reports, digital channels	
UNIVERSITIES	Career days, trainings, Koton Intern Internship Program, Trainee Program, university meetings, conferences	At least three times per year
SOCIETY	Social projects we have realized, our social media channels, conferences and seminars, our activity and sustainability reports	Constant communication, more prominently on important days and weeks

MEMBERSHIPS AND INITIATIVES

As Koton, we believe in the importance of collaborating with different stakeholders in the fashion sector in line with common goals. By undertaking various international initiatives, we produce stronger sustainable solutions to global problems and maintain our up-to-date status on global developments. We are committed to sharing our development steps and experience with transparency to the initiatives we are a member of.

- Bana Göz Kulak Ol Association
- WWF- Türkiye
- Istanbul Chamber of Commerce
- The Union of Chambers and Commodity Exchanges of Türkiye-Green Deal Action Plan
- Textile and Apparel Sector Specialized Working Group
- United Nations Global Compact (UN Global Compact)
- United Nations Women's Empowerment Principles (WEPs)
- United Nations Development Programme "Business Call to Action Platform"
- Better Cotton Initiative (BCI)
- DenizTemiz Association TURMEPA
- Istanbul Textile and Apparel Exporters Association
- Istanbul Ready Made Garment and Apparel Exporters Association
- Association of Women in Technology
- Advertisers Association
- Lead Network
- Sales Network
- United Brands Association - UBA





WE RESPECT OUR BUSINESS

As a global fashion brand, the address of trends, we focus on making our achievements sustainable. Our aim to grow our business with studies that will add value to our country for many years to come encourages us. On this path, we consider it necessary for both our own brand and our stakeholders to proceed towards our goals in a sincere and transparent manner and to ensure sustainable profitability while growing our business. We respect our business by aiming to improve our product quality, reach wider masses and become the first fashion retailer that comes to mind in ter-

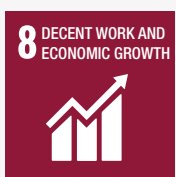
ms of digitalization, simplicity and agility. In addition to our retail expertise in the sector, we aim to develop sustainable products by keeping up with the change rapidly with our R&D studies.

We determine our remedial targets and continue to work in this direction in order to increase the positive effects of the activities we implement with the focus of “We Respect Our Business” throughout our business processes. Thus, we strive to create a more sustainable infrastructure for our business partnerships and collaborations.



Designing Quality and Sustainable Products

We prioritize quality, health and sustainability in our products; we aim to increase the share of sustainable products in our portfolio.



Achieving Sustainable Economic Growth

We prioritize local employment to create sustainable economic value and move towards achieving sustainable profits.



Ensuring Responsible Supply Chain Management

We are working to increase traceability in the supply chain.



Developing in Digitalization and Innovation

In order to carry out our activities in a more sustainable way, we digitalize our business processes and take initiatives in R&D and innovation.

DESIGNING QUALITY AND SUSTAINABLE PRODUCTS

Product quality and safety are one of our main priorities at Koton. We know that designing our products, which our customers are with at every moment of their lives, in a quality and sustainable way is not a choice but an obligation. Knowing the demands of our customers regarding product quality and safety, we shape our work with the goals of meeting customer expectations and keeping customer satisfaction high

AS A GLOBAL FASHION BRAND WITH A PRODUCTION VOLUME OF APPROXIMATELY 74,3 MILLION UNITS PER YEAR, WE ARE AWARE THAT WE HAVE A DIRECT IMPACT ON THE HEALTH AND SAFETY OF OUR CUSTOMERS WITH EACH OF OUR PRODUCTS.

With this awareness, we take care to ensure that the health and safety criteria are fully met at every stage of our products. Our Supply Planning & Quality Assurance unit acts as the team responsible for the control of health and safety criteria and quality level in every process from the production stage of our products to the end use of our customers.

We strictly comply with the regulations on the health and safety effects of our products in the production process. In particular, we follow health and safety regulations on all of our children's products and adult knitted swimwear and bikinis; we evaluate all health and safety effects and approve production processes that meet the criteria. We also rigorously comply with the regulations and rules regarding labelling in our products.

We act with the awareness of sustainable production and consumption, and increase the share of sustainable products in our collections. To reduce our impact on the world, we use recycled raw materials and sustainable technologies

As Türkiye' first brand to become a member of the **Better Cotton Initiative**, we support the use of 'good cotton' produced in a way that respects the environment, employees and people in accordance with the principle of sustainable agriculture. Thus, we change the consumption habits of our customers and direct them to circular and sustainable consumption and bring our quality and sustainable designs to them. We share the materials used in our products in our sustainable collections, their recycling rates and the certificates they have on the inner labels of our products. In this way, our customers can see the sustainability effect of the products they buy and their awareness of the subject increases. At the same time, we comply with the regulations and rules related to marketing communication while advertising and promoting our products. In 2021, there were no cases of non-compliance with the health and safety effects of our products in Koton.

We care about animal health and welfare. We do not tolerate products derived from materials that have arisen by harming animals. We don't have any products that have been tested on animals. We don't use real fur in any way.

In addition to product quality and safety, keeping customer satisfaction high is one of our main priorities. We continue our policy of combining seasonal trends with original designs and offering them to our customers in appropriate locations. In order to listen to our customers and to make the

products and services we offer perfect, we continue our public opinion surveys on topics such as product, trend, quality, pattern, store experience, sustainability, brand image, follow the customer recommendation score and make the necessary improvements if we have development areas. We respond to all kinds of complaints and suggestions through customer service, social media channels, and marketing teams. In order to ensure the satisfaction of our customers and maintain their loyalty, we have a Product Exchange and Return Procedure in which we include our Seasonal/EOL/Fsm stores and employees. With this procedure, we aim to determine and systematize the exchange and return processes to be carried out in our stores within the framework of the rules, to control and follow up, to apply the rules clearly and to prevent losses. Within the scope of the procedure, we have responsibilities under the headings of Store Manager, Cash Register Training and Inspection / Loss Prevention, Human Resources and Customer Services in order to ensure that the processes proceed smoothly.

As Koton, we are moving forward with the aim of creating awareness in our customers with our quality and sustainable products and special collections.

- **Establishment of our R&D department that will work on sustainable products,**
- **By 2030, our entire supply chain system will be 100% traceable,**
- **In 2026, 50% of Viscose, Lyocele use will be from responsible sources.**



SUSTAINABLE ECONOMIC GROWTH AND ECONOMIC PERFORMANCE

As a fashion retail brand operating both domestically and abroad, we attach importance to creating long-term environmental, social and economic value for our stakeholders with our sustainability focus. We support local development and create economic sustainable value with the value-added products we offer to our customers, the employment opportunities we create and our local supplier selections.

We direct our investments to more sustainable resources and production technologies. While working to spread sustainability awareness in our company, we attach importance to the economic well-being of our employees, who are our most important stakeholders. In this direction, we determine our employee wages without any discrimination on the gender basis and follow appropriate remuneration policies that will improve the quality of life of our employees.

Our business development department works with a proactive understanding in order to correctly position our store network in our store opening processes and to avoid possible risks. We aim to increase the perception of sustainability in our new stores to be opened and to redesign our store design with a sustainable concept. Within the framework of our business strategies, we determine the locations of our new stores and make brand use (franchise) and main brand use (master franchise) agreements. In the investment phase; we offer support on issues such as time and cost feasibility, trainings required for the operation of the store, know-how about brand, infrastructure and system installation, planning and implementation of the architectural design and decoration of the store, and personnel selection. We consider the characteristics of the persons or institutions requesting the right to use the brand (franchise),

having experience in the sale of retailing and retail textile products, having the infrastructure and strong financial structure to ensure continuity and forming corporate staff.

In our showcases, stores, Koton.com and Koton mobile application, we pay great attention to the visual display of our products and regular-accurate price communication. We create action plans by creating our strategic plans and examining the profitability rates in our operations in detail through financial instruments. Considering the current economic conjuncture in the light of local and global trends, we regularly evaluate the financial situation of our company under the leadership of our senior management.

Our Outlet Stores, which are suitable for changing customer clothing habits and various budgets, continue to serve. We continue to serve with our seasonal and end-of-life (EOL) products that are suitable for the demands of our customers, trendy and affordable.

We increase the profitability level of our company by reaching more and more customers every day. Physically, we meet our customers in our stores in 104 cities around the world. In addition, we offer our products for sale through different channels in order to make it easier for our customers to reach our products. Today, we provide easy access to our products by sending products to the most remote geographies of the world through marketplaces, which are an important branch of e-commerce. Through our desktop, mobile web and mobile application, our users can access our online store 24/7.

In 2021, access to our online stores increased by 100% compared to the previous year due to the pandemic and changing consumption habits.

We continue to create a stronger economic performance by developing our domestic and foreign market operations with the understanding of sustainable economic growth. In 2021, we reached a total sales volume of 4,054,187,716 TRY with sales of 50,9 million units in Türkiye.

IT IS EASY TO SHOP FROM OUR ONLINE STORES AND KOTON MOBILE APPLICATION, WHERE WE HAVE A TOTAL OF 2,7 MILLION MEMBERS AND 2,1 MILLION ACTIVE CUSTOMERS ANNUALLY.

Economic Performance	2021
Economic Value Created (Total of Net sales)	4,054,187,716 TRY
Distributed Economic Value (operating expense, employee wages, benefits, payments, investments, etc.)	3,892,625,001 TRY
Operating Profit	161,562,715 TRY

In order to create economic value for all our stakeholders, especially our employees, we use all our resources sustainably and effectively every day. Our recent targets to increase sustainable economic growth in Koton;

- **To provide the financing needs of our company from sustainable tools, and**
- **To increase the share of our “Respect for Life” products in turnover by 10% every year.**

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

The success of our thousands of suppliers is behind the products we offer to our customers. We are based on establishing long-term, ethical and respectful relationships with our suppliers. We contribute to the sustainable growth of our supply chain with our various practices and work to improve social and environmental audits and traceability.


At Koton, we manage our collaborations with our suppliers in accordance with laws and national regulations; we encourage the adoption of Koton Code of Business Ethics principles in our supply chain. For all suppliers who start working with Koton, we require them to fill out an undertaking stating that they have read the Code of Ethics and agree to comply with its provisions and that they have registered their approval. In order to ensure regular communication with our suppliers, to be informed about the current developments in the supply chain and to follow the performance of our suppliers, we organize monthly evaluation meetings and negotiate with suppliers for our product demands. We believe that our communication with our suppliers should always be accurate, consistent and reliable.

We attach importance to responsible supply chain management practices with the awareness that a significant part of the impact of our activities occurs throughout our supply chain network. We put our suppliers through social compliance audit criteria. These audit criteria include topics such as child labour and occupational health and safety. In our supplier selections, we take into account criteria such as price, quality, timely fulfillment of obligations. In line with our Koton Code of Business Ethics principles, we decide to work with suppliers who can meet our standards.

As Koton, we care about the safety, quality and transparency of the products we deliver to our customers, so we believe that there are areas where we can improve our supply chain network, which is the first step. We review and update our supplier agreements according to social compliance audit criteria and environmental requirements. With the routine social and environmental compliance audits to be carried out within the scope of the work of our Sustainability Department, which we aim to establish in 2023, we plan to evaluate the compliance of our suppliers with our criteria and to provide our suppliers with training for development areas. In addition, we aim to evaluate our suppliers according to the supplier evaluation criteria in line with ISO 9001-Quality Management System Standard in the coming years and we have started to work on this direction. We aim to encourage our suppliers to effectively use the Higg Index, developed by the Sustainable Apparel Coalition (SAC), which provides self-assessment standards to rate environmental and social sustainability, and to increase the proportion of suppliers included in this index.

We believe that it is important to work with local suppliers in our production chain to support local development. We prioritize working with local suppliers in all successive processes of our supply chain ring. Local suppliers account for 96% of our total payments.

We believe that achieving gender equality in our supply chain is an important step. Within the scope of gender equality, we carry out the **We Are Equal Project**, which aims to improve the working conditions of women in the supply chain.



Our project includes raising awareness and guiding our suppliers on the establishment of the procedures of our suppliers in our supply chain, the establishment of a balance between the number of employees between men and women, fair and equal remuneration, and taking facilitating steps (such as pregnancy and breastfeeding leave, nursing room) for female employees to remain in business life.

With every step we take, every agreement and cooperation we make, we aim to reduce our negative impact on the ecosystem in the coming years and to continue our supplier collaborations with increasing momentum for sustainability in our supply chain.

DEVELOPING IN DIGITALIZATION AND INNOVATION

At Koton, we closely follow digital transformation practices and work to integrate them into our business processes. We prioritize strengthening our IT infrastructure day by day. We see innovation as a solution to the environmental and social problems we face while responding to the changing needs of our customers.

By integrating developing technologies, which we consider as an operational risk, into business processes, we take measures against the risk of digital solutions not being adopted in the company culture and the cyber security threat risks that may occur against the information assets (customer, product and employee data), infrastructure and systems of the companies and turn the current risks into opportunities with our good practices. The Koton Information Technologies (IT) team is responsible for the IT infrastructure of all departments at Koton and supports the redesign of our ways of doing business with up-to-date technologies. With the support of our IT team, we change and revise the inefficient systems in our company and address the new technologies and systems that have not yet entered the institution during the research, learning and installation phase. It takes many actions necessary for the integration of new technologies into business processes; we support many steps of our sustainability management and reporting processes such as data collection, data compilation and data control processes with digital solutions.

ÖWe consider all information we painstakingly collect and process as critical and attach importance to data protection within the scope of information privacy and security. In our services and agreements, which are diversified according to the needs of our customers, we sensitively monitor issues related to the breach of customer privacy and the loss of customer data. For this purpose,

we provide information security trainings to our employees to raise awareness. In accordance with the Law on the Protection of Personal Data, we share our information text with our customers on our corporate website. With the ISO 27001- Information Security Management System Standard, which we have started to work to implement in the coming years, we will provide information security in our company with a risk management in more reliable and international standards.

With the Big Data environment we have adopted throughout Koton, it creates retail sales data in the Big Query environment; provides integration methods with Big Query so that data can be used in on-premises reports; We actively use digital systems such as Item Plan and SAS Viaduct systems in our business planning processes. Our IT Team enables the establishment of analytical environments for Big Data, artificial intelligence and machine learning, encourages our employees to gain relevant competencies and integrates Master Data Management applications into our company.

Important applications that we actively use within the organization developed by our IT team as a result of digital processes;

- **Intengo**, used by our purchasing department, where the materials for which sales requests are created are tracked such as delivery date, delivery status, quantity of product requested,
- **Mobiliz**, where the fuel ratios of our working vehicles are monitored,
- **EBA**, which ensures that the remaining materials such as expense notification, permit entries, overtime applications, scrap reach the right places,
- **Digita**, where our purchasing processes are monitored,

- **Idea Cube**, where our employees share their ideas and suggestions.

While taking firm steps towards becoming a sustainable company with digitalization, we continue to search for innovative solutions that will improve our activities in this direction. Our use of leather from apple peel as a raw material within the scope of our Respect for Water Project is an example of our innovative solutions. In line with our circular economy business model projects, we adopt the innovation culture throughout our company and aim to increase our R&D and innovation investments for sustainability.

The original and rich design and product development work in our collections, which are carried out by our design and business development teams, gives us a competitive advantage in the sector. We create our creative and innovative designs together with Design Lab at our Koton Design Center, which received the first R&D incentive for design

In 2021, we invested
16,751,320 TRY
FOR OUR R&D
AND INNOVATION
ACTIVITIES.

With the various office applications we used during the pandemic period, we did not allow the pandemic to prevent our workflow and we ensured that productivity was provided uninterrupted by moving our activities such as meetings and employee trainings to online environments. We have facilitated shopping experiences by improving our online platforms for our customers;

Koton Design Center

Koton Design Center, which started its activities in 2017, is a physically separated unit established to carry out design activities and encourage research studies. With the Design Center, it is aimed to adopt the R&D and design culture in the enterprises, to increase productivity, to offer new products to the market with continuous improvement, development and innovative approaches. Our innovative projects that have the potential to create a competitive advantage in our Koton Design Center and that aim to increase, develop, improve and differentiate the functionality of the product or products are evaluated and rewarded by the Design Center Evaluation Committee.

WE RECEIVED TURQUALITY SUPPORT FROM THE MINISTRY OF ECONOMY IN 2021 IN ORDER TO SUPPORT OUR DEVELOPMENT IN OUR INNOVATION EFFORTS.

we've made them easier to access with our mobile app. In line with these practices, we aim to increase the number of our digitalized processes and services by responding quickly to customer demands and focusing on improving the quality of our internal operational service.



03

OUR CORPORATE GOVERNANCE AP

- CORPORATE GOVERNANCE
- ETHICS, COMPLIANCE AND TRANSPARENCY
- RISK MANAGEMENT



APPROACH

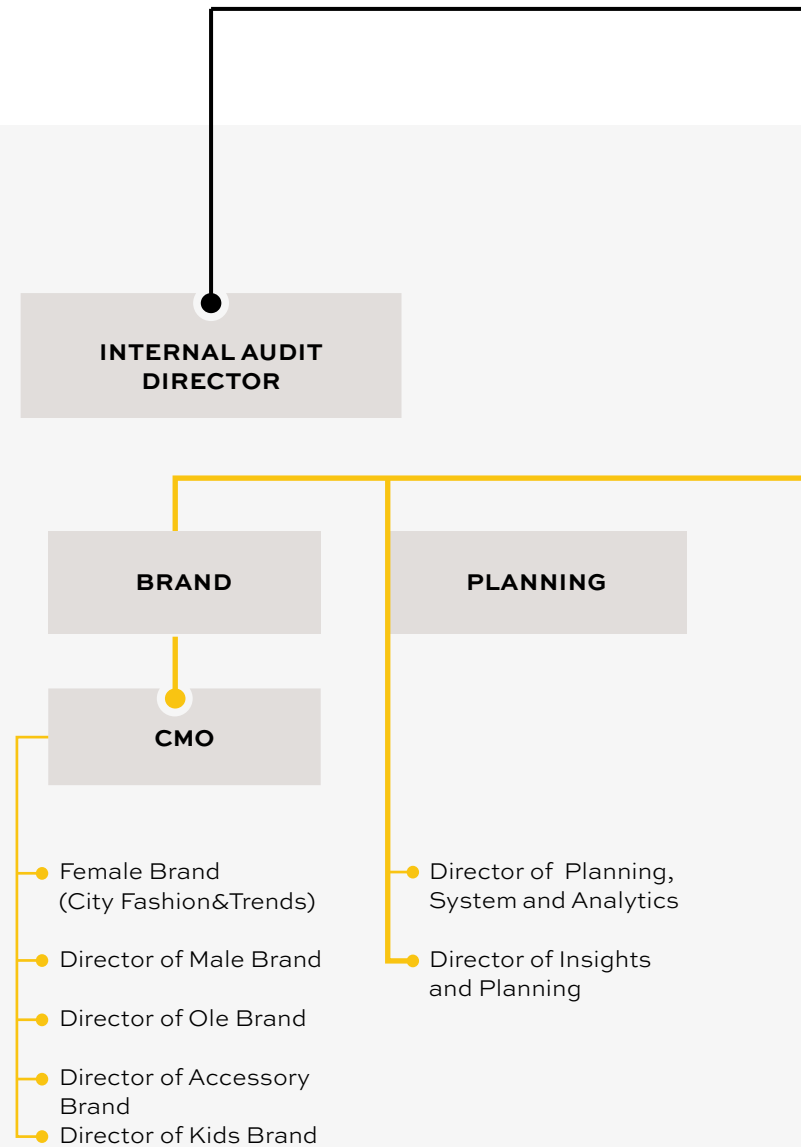
CORPORATE GOVERNANCE

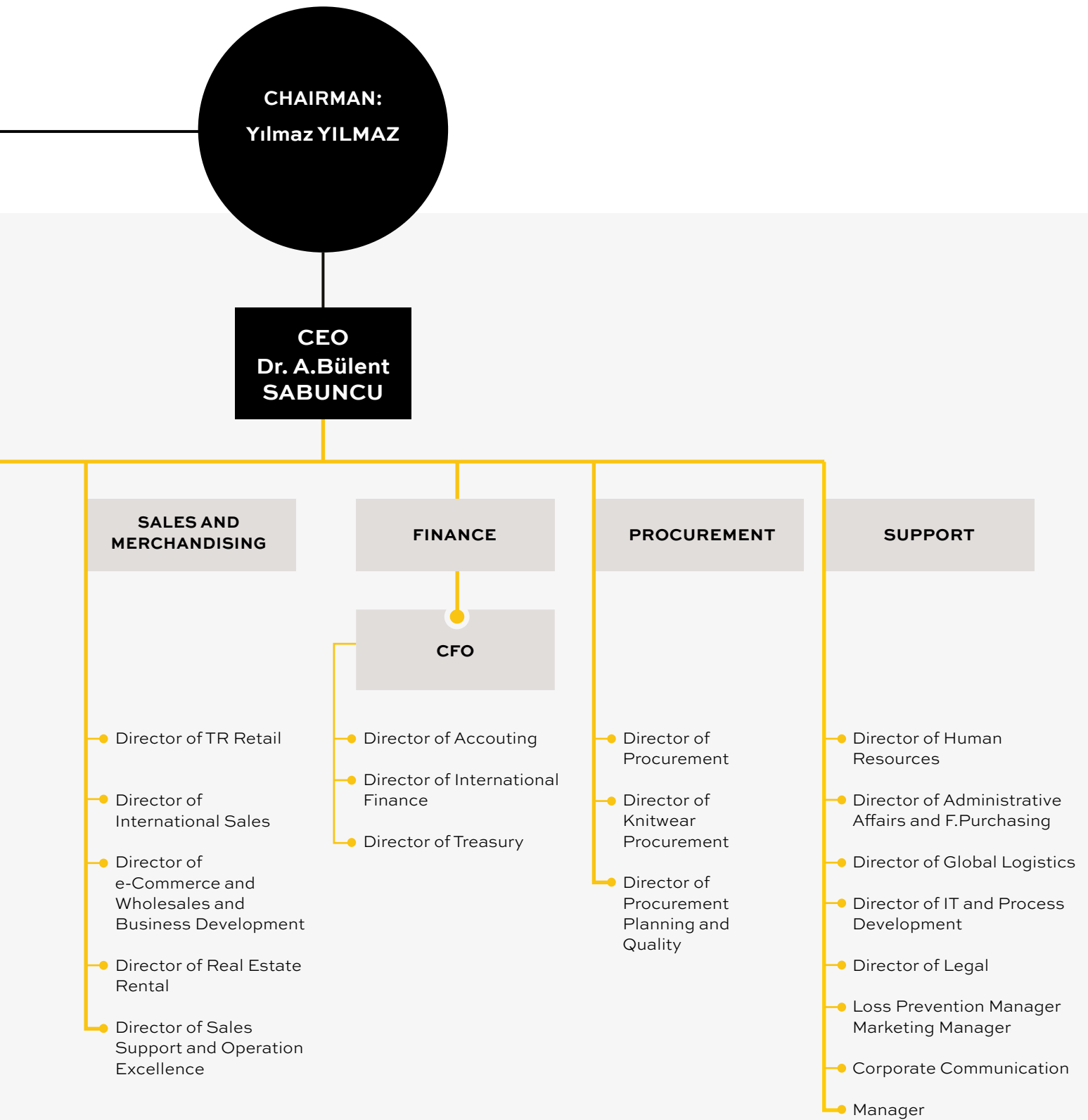
As Koton, we maintain our corporate structure within the framework of fair, transparent, accountable and responsible brand understanding, which are the four basic principles of corporate governance. While continuing our activities within the scope of these principles, we have strengthened our governance model with our goal of creating long-term value for all our stakeholders. Within the framework of our corporate governance approach, we carry out our work in accordance with legal requirements and actively monitor our environmental, social and financial performance.

While maintaining our customer-oriented approach thanks to our corporate culture and basic principles, we carry out our activities with the principle of respect for the environment and society. Our strong and dynamic governance structure makes our company more resilient to internal and external risks.

Our Board of Directors, which is responsible for the management of our company activities at the highest level, meticulously supports the goals and strategies decided in line with our governance model and the integration of Koton into sustainability, taking into account the benefit of our company. Although there are 4 members in our Board of Directors⁷, we have a 25% female membership rate. In our company, the duties of Chairman of the Board of Directors and CEO are performed by different people.

⁷ Our Board of Directors consist of Chairman: Yılmaz Yılmaz, Vice Chairman: Lucas Jules Marie Duijsens (NEMO APPAREL B.V), Board Members: Şükriye Gülden Yılmaz and Paul Zwagerman (DARLA B.V.)





ETHICS, COMPLIANCE AND TRANSPARENCY

We are a global company that values conducting our operations in accordance with universal ethical principles. We support and encourage our employees, suppliers and business partners to do business with ethical values and to adhere to ethical values. In this way, we ensure the loyalty and happiness of our employees and strengthen the trust of our suppliers, business partners and customers. Transparency and honesty are the building blocks of the way we do business at Koton. We strive for the continuity of our mutual trust relations with all our stakeholders.

We take a 100% compliance approach to local and international regulations. We pursue this compliance through our Legal Department. The “Koton Business Ethics Code” that we have has been put into effect in our company with the approval of our Board of Directors with the recommendations of our Ethics Committee. Honesty, accuracy and transparency, compliance with the law, confidentiality of company information, use of company assets, conflict of interest, human rights, bribery and corruption, competition, gift receiving, and hospitality, environment, health and safety issues are the ethical rules and working principles that we attach primary importance to within the framework of Koton Business Ethics Code. Our Board of Directors, which carries out the commercial, financial and operational affairs of our company, is responsible for the implementation of the Code of Business Ethics throughout our company in our Head Office, Logistics Center and stores and the creation of a corporate culture that supports the rules under the Code.

We provide Business Ethics Code information through many different communication channels in

order for our employees to read and understand the Koton Code of Business Ethics, to agree to comply with its provisions and to show encouraging behaviors within Koton. We include the Code of Business Ethics in all orientation trainings we perform. Through Koton Academy Online, all our employees receive mandatory online trainings. We apply guidance and surveys in the form of questions and answers about the Code of Business Ethics.

IN 2021, WE PROVIDED A TOTAL OF 1,270 HOURS OF CODE OF ETHICS-BUSINESS ETHICS TRAINING TO 93% OF OUR EMPLOYEES.

In order for our employees to work in an environment where they will not hesitate to apply for ethical issues, we are working to create a workplace environment with a culture of acting in accordance with the Code of Business Ethics and the rules set by our company under the leadership of our managers. Our managers make employee evaluations by considering the Code of Business Ethics.

If our employees learn or suspect that the Koton Code of Business Ethics or the laws and regulations to which the company is subject have been violated; can communicate with the senior supervisor or the management levels in the function to which they are affiliated depending on the situation, or with the Legal Directorate, Human Resources Directorate, Internal Audit Directorate. Using the Ethics Line, they can anonymously report concerns and violations without the obligation to report identification. Notifications received by the Ethics Line, which is carried out by an indepen-

dent organization, are investigated on the basis of full confidentiality within the framework of the functioning of the Ethics Committee.

The Ethics Committee acts as the body responsible for investigating and resolving the issue in cases of violation of the Code of Business Ethics. In this context, the Board carries out the activities of investigating violations, taking disciplinary measures and necessary decisions, and reporting decisions and investigations related to violations. Our employees who violate the Code of Business Ethics are subject to various disciplinary sanctions that may lead to termination of their employment contract. Disciplinary sanctions are also applied to other persons who approve, direct or have knowledge of these matters and do not make the necessary notification appropriately in the acts that cause inappropriate behavior and breaking the rules. In 2021, a total of 240 notifications were sent to our Ethics Line from our Stores, Logistics warehouses and Head Office, and each notification was meticulously evaluated and the necessary examination and solution stages were operated.

We strive to reflect our sensitivity on ethical values to all our stakeholders. We require all our suppliers who have started to work with Koton to sign a letter of undertaking stating that they have read the Supplier Code of Ethics and agree to comply with its provisions and that they have registered their approval.

OUR EMPLOYEES CAN ACCESS THE ETHICS LINE BY PHONE AT 0212 401 37 88, BY KOTON@ETIKHAT.COM E-MAIL ADDRESS AND THROUGH THE WWW.REMEDETIKHAT.COM.TR WEBSITE AS WELL AS ETIK@KOTON.COM.TR E-MAIL ADDRESS.

RISK MANAGEMENT

While continuing our activities at Koton, we closely follow our risks and opportunities. The purpose of our risk management is to monitor and control all kinds of risks that may occur within the company. We strive to develop a disciplined and constructive control environment at all levels by identifying financial and non-financial risks that may affect our company and developing appropriate solutions.

The framework of risk management at Koton is determined within the framework of the evaluations that the Executive Board regularly carries out with all directorates within the company. The financial, operational, commercial, strategic, technological and legal risks that we are / may be exposed to are developed by taking into account the impact and probability values and the approach to the management of these risks. In coordination with the framework and approach determined by the management, the Internal Control and Risk Management Department within the Deputy General Manager in charge of Finance takes part in the determination of risks, the assessment of risks, the measurement and analysis of risks, the assignment of risks to those responsible, the monitoring and reporting of risks on the basis of departments and processes.

We categorize the financial risks to which we are exposed. Within the scope of financial risk management; credit risk, liquidity risk and market risk are among our defined risks that may arise due to the use of financial instruments. We have redesigned our approach to our non-financial risks in 2022 in order to reduce our financial losses and environmental negative impacts by addressing them in an integrated way with environmental, social and governance dimensions and to create sustainable value for our stakeholders in our company and society at large.

INTERNAL CONTROL

At Koton, we operate a strong internal control structure that operates comprehensively and agile to support the management of risks. Within this structure, we determine company policies, procedures, regulations and job descriptions. The units that undertake and manage risk constitute the first control line of the risk management and internal control structure by being responsible for performing and maintaining the internal control activities determined in their fields. In addition, management has established a strong second line of control to identify, monitor and control the activities of the first line of control. Quality Assurance, Operational Audit, Loss Prevention, Finance Internal Control and other control / surveillance departments carry out continuous control and audit activities in critical risk areas. Management encourages and supports the use of technological solutions in these internal control processes.

INTERNAL AUDIT

The Internal Audit Directorate at Koton operates directly under the Board of Directors in accordance with the principles of independence, objectivity and impartiality. The scope of work of the Internal Audit Directorate includes Koton and all its subsidiaries.

The Internal Audit Directorate carries out audit and consultancy activities for the effectiveness of risk management, internal control and corporate governance processes in accordance with the Internal Audit Regulation approved by the Board of Directors. The results of the audit are shared with the Board Members, the CEO and the relevant company executives together with the executive agreed action plans, and the reporting of the realization status of the action plans is secured by follow-up audits.

Internal Audit activity; aims to provide added value to the company by conducting the company's activities in accordance with the objectives, policies, business plan principles and legislation, using resources effectively, economically and efficiently, ensuring that important financial, administrative and operational information is reliable, that risks are appropriately identified and managed, and that the actions of the company's employees comply with the relevant procedures, business ethics and legal regulations.





RISK AND OPPORTUNITIES

The fashion and apparel sector we are in has a great impact on both the environment and people. Studies indicate that global textile production (clothing and footwear production) is responsible for 10% of global greenhouse gas emissions, with a more negative environmental impact than all international flights and shipping. However, as a result of intensive water use, approximately 500,000 tons of microfibers are released into the oceans every year during synthetic washing⁸. In addition to negative environmental impacts, people working in the sector; child and forced labor, low pay in retail and factories, exposure to harmful chemicals and poor occupational safety practices.

In addition to these, changing consumer trends in the rapidly developing world, digitalization and climate change are among the important issues that concern our sector. In this context, as a dynamic, fast-growing fashion brand in the sector, we closely follow the national and international developments, strategies and regulations that concern the sector we are in, and we are responsible for making the works in our sector more sustainable. We contribute to the sustainability of our sector through risk and opportunity assessments and Koton's sustainability transformation.

While conducting our risk and opportunities assessment analysis, our aim is to identify the risks we are exposed to, to take measures proactively and to turn these prevention efforts into an opportunity area. Within the scope of our sustainability strategy, we have listed our sustainability risks and opportunity areas that we have identified in the environmental, social, reputational, operational and economic fields. Within the scope of the study, in addition to the analysis of our relevant units, we benefited from the 2022 Global Risks Report prepared by the World Economic Forum (WEF), global and sectoral trends and prominent issues in current developments such as the European Green Deal. We matched our Sustainability Risks in the table with the relevant capital elements and Koton Strategic Focus Areas identified in the Integrated Reporting Framework.

8 European Parliament, 2020. The Impact of Textile Production and Waste on the Environment .

RISK AND OPPORTUNITIES CHART

RISK AREA	PRIMARY RISK	EXPLANATION	OPPORTUNITIES AND MEASURES TAKEN
ENVIRONMENTAL	DAMAGE CAUSED BY HUMANS TO THE ENVIRONMENT	It refers to the possible negative environmental consequences (waste, water pollution) that occur as a result of our activities.	Sustainable water management
			Zero Waste management
			A collection of sustainable products produced by using recycled, eco-friendly, ecovero, antibacterial and organic fabrics
			Waste bins in stores that customers can also use
			Recycling of fabric residues
			Trainings for employees
			Textile Waste Collection Project for Customers
			Use of recyclable and biodegradable packaging
			Environmental protection projects carried out with NGOs
			NATURAL RESOURCE CRISES
Sustainable water management			
Energy consumption monitoring			
Energy saving work in stores			
CLIMATE CHANGE	It expresses the negative effects of physical risks such as fire, drought, flood, extreme weather events caused by climate change on Koton activities. As a result of various legislation and practices enacted as a result of local and global developments due to climate change, the risks of carbon reduction obligations / sanctions can be evaluated in this context.	Total Scope 1, Scope 2 and Scope 3 work to reduce carbon emissions	
		Increase renewable electricity consumption	
		Efforts to improve energy efficiency	

RELATED VALUE CREATION AREA	KOTON STRATEGIC FOCUS AREAS	SUB-STRATEGIC FOCUS AREAS
Natural Capital	We Respect our World	Improving Water and Waste water Management
Natural Capital	We Respect our World	Circular Economy Applications and Developing Ecodesigned Products
Natural Capital	We Respect our World	Circular Economy Applications and Developing Ecodesigned Products
Natural Capital	We Respect our World	Circular Economy Applications and Developing Ecodesigned Products
Natural Capital	We Respect our World	Circular Economy Applications and Developing Ecodesigned Products
Natural Capital	We Respect our World	Circular Economy Applications and Developing Ecodesigned Products
Natural Capital	We Respect our World	Circular Economy Applications and Developing Ecodesigned Products
Natural Capital	We Respect our World	Circular Economy Applications and Developing Ecodesigned Products
Social and Relational Capital	We Respect Society	Acting with the awareness of corporate social responsibility
Natural Capital	We Respect our World	Improving Water and Waste water Management
Natural Capital	We Respect our World	Improving Water and Waste water Management
Natural Capital	We Respect our World	Combating Climate Change and Ensuring Emission Management
Natural Capital	We Respect our World	Combating Climate Change and Ensuring Emission Management
Natural Capital	We Respect our World	Improving Water and Waste water Management
Natural Capital	We Respect our World	Combating Climate Change and Ensuring Emission Management
Natural Capital	We Respect our World	Combating Climate Change and Ensuring Emission Management
Natural Capital	We Respect our World	Combating Climate Change and Ensuring Emission Management

RISK AND OPPORTUNITIES CHART

RISK AREA	PRIMARY RISK	EXPLANATION	OPPORTUNITIES AND MEASURES TAKEN
SOCIAL	HUMAN RIGHTS OF EMPLOYEES	It is associated with the fact that the company does not compromise on the protection of the fundamental human rights of its employees and suppliers while carrying out its activities. Child labor and forced labor, which are a serious threat throughout the sector, can be evaluated in this context.	KOTON Code of Ethics and Ethics Line applications
			OHS Trainings
	ACQUIRING AND RETAINING TALENTED EMPLOYEES	It is related to the difficulties that may be experienced in finding competent employees who are suitable for the current needs of the company and the risk of leaving the current talented employees.	Koton Way Leadership and Development Programs, Koton Way Appreciation & Rewarding Programs, Educational Supports, Talent Pool
			Employee benefits (Koton Moms & Koton Dads Project, School Report Card Day for Koton Mothers & First Day of School Leave)
	GENDER INEQUALITY	It is associated with the unequal and inappropriate behaviors and attitudes that the company's employees are exposed to in the work environment due to their gender identity.	Gender Equality Policy
			Women's Empowerment Principles WEPs signatory
Recruitment to increase the number of female managers			
Special applications for women employees			
Koton Stakeholders Gender Equality to cover stakeholders and suppliers - We Are Equal Project	Awareness projects supporting Gender Equality (Purple Room Talks, Moms Project, School Report Card for Koton Mothers, First day of school leave)	Koton Stakeholders Gender Equality to cover stakeholders and suppliers - We Are Equal Project	
		Awareness projects supporting Gender Equality (Purple Room Talks, Moms Project, School Report Card for Koton Mothers, First day of school leave)	
REPUTATION	REPUTATIONAL RISKS	Employee engagement resulting from the company's activities (e.g., quality of products, copyright, compliance with environmental and social standards throughout the supply chain, human rights violations by employees or suppliers) or circumstances beyond the company's control (attacks by competitor companies, uncontrollable events) is associated with customer loyalty and the risk of damage to brand equity.	KOTON Code of Ethics and Ethics Line applications
			Customer service activities (return and exchange procedure)
			Customer Complaints and CRM
			Quality and safe product design studies

RELATED VALUE CREATION AREA	KOTON STRATEGIC FOCUS AREAS	SUB-STRATEGIC FOCUS AREAS
Human Capital	We Respect People	Ensuring Equality, Diversity and Inclusion
Human Capital	We Respect People	Not Compromising on Occupational Health and Safety Standards
Human Capital	We Respect People	Providing Talent and Performance Management
Human Capital	We Respect People	Increasing Employee Satisfaction and Loyalty
Human Capital	We Respect Society	Contributing to Gender Equality
Social and Relational Capital	We Respect Society	Contributing to Gender Equality
Social and Relational Capital	We Respect Society	Contributing to Gender Equality
Human Capital	We Respect Society	Ensuring Equality, Diversity and Inclusion
Social and Relational Capital	We Respect Society	Ensuring Equality, Diversity and Inclusion
Social and Relational Capital	We Respect Society	Ensuring Equality, Diversity and Inclusion
Human Capital	We Respect Society	Ensuring Stakeholder Engagement
Social and Relational Capital	We Respect Society	Ensuring Stakeholder Engagement
Social and Relational Capital	We Respect Society	Ensuring Stakeholder Engagement
Intellectual Capital	We Respect our Business	Designing Quality and Sustainable Products

RISK AND OPPORTUNITIES CHART

RISK AREA	PRIMARY RISK	EXPLANATION	OPPORTUNITIES AND MEASURES TAKEN
OPERATIONAL	SUPPLY CHAIN AND LOGISTICS DISRUPTIONS	It refers to delivery and production delays as a result of disruptions in the supply chain and the sales risks that may occur as a result. The risks of delivering the products to the consumer in the promised time and delivering the products to the stores on time can also be evaluated in this context.	Following all necessary legal procedures throughout the supply chain, working to ensure transparency and traceability
			Wide and diverse supplier network
			Year-round communication with suppliers, supplier surveys
			Quality and safe product design work
	RAW MATERIAL SUPPLY	It refers to the risk of difficulty in accessing the raw materials supplied, especially cotton, and the risks that may arise due to the prices of raw materials that may increase.	Better Cotton Initiative (BCI) membership (first in Türkiye)
	REDUCED PRODUCTIVITY AND BUSINESS CONTINUITY RISK	It refers to the risk of continuity of activity endangered by natural disasters (earthquake, fire, etc.), epidemics, emergencies and inefficient vehicle use, which may adversely affect the continuity of operation of the company.	Health and safety measures in stores and work environments for customers and employees during COVID-19
Contingency plans			
Remote work app			
Digital technology solutions offered by the IT department			
TECHNOLOGY AND DIGITALIZATION AND INFORMATION SECURITY RISKS	It is associated with the risk that the company will not be able to integrate emerging technologies into its business processes and adopt digital solutions throughout the company culture. In addition, information security risks also express the negative consequences that may be brought about by cyber security threats that may occur against the company's information assets (customer, product and employee data), infrastructure and systems. It refers to the risks of economic and social disruption caused by infectious diseases such as the COVID -19 pandemic, which prevails worldwide, in society and business processes.	Measures taken by the IT department against information security risks and the capacity to intervene immediately against adverse situations	
INFECTIOUS DISEASES	It refers to the risks of economic and social disruption caused by infectious diseases such as the COVID -19 pandemic, which prevails worldwide, in society and business processes.	Health and safety measures in stores and work environments for customers and employees during COVID-19	
		Aid and donations made during COVID-19 döneminde yapılan yardım ve bağışlar	

RELATED VALUE CREATION AREA	KOTON STRATEGIC FOCUS AREAS	SUB-STRATEGIC FOCUS AREAS
Social and Relational Capital	We Respect our Business	Ensuring Responsible Supply Chain Management
Social and Relational Capital	We Respect our Business	Ensuring Responsible Supply Chain Management
Social and Relational Capital	We Respect our Business	Ensuring Responsible Supply Chain Management
Intellectual Capital	We Respect our Business	Designing Quality and Sustainable Products
Human Capital	We Respect our Business	Designing Quality and Sustainable Products
Social and Relational Capital	We Respect People	Not Compromising on Occupational Health and Safety Standards
Social and Relational Capital	We Respect People	Not Compromising on Occupational Health and Safety Standards
Human Capital	We Respect People	Not Compromising on Occupational Health and Safety Standards
Intellectual Capital	We Respect People	Developing in Digitalization and Innovation
Intellectual Capital	We Respect our Business	Developing in Digitalization and Innovation
Intellectual Capital	We Respect our Business	Developing in Digitalization and Innovation
Social and Relational Capital	We Respect People	Not Compromising on Occupational Health and Safety Standards
Social and Relational Capital	We Respect People	Acting With the Awareness of Corporate Social Responsibility

RISK AND OPPORTUNITIES CHART

RISK AREA	PRIMARY RISK	EXPLANATION	OPPORTUNITIES AND MEASURES TAKEN
ECONOMIC	PHYSICAL ASSETS AND CAPITAL RISKS	It refers to the risks associated with the company's physical assets and financial capital structure.	Regular monitoring of financial risks
			Sustainable sources of financing
	LEGAL RISKS AND REGULATORY COMPLIANCE	It refers to the financial impact and commercial disadvantages that may occur in operational processes during legal process activities and in the face of renewed legislation. As a result of non-compliance with national and international policies, strategies and current developments such as the European Green Deal (EIC), the Paris Climate Agreement, the Carbon Regulation Mechanism at the Border (CBAM), the risk of non-compliance in the sector can be evaluated in this context.	Close follow-up of national and international current legislation and efforts to ensure rapid adaptation to changes
			Respect for Life Manifesto published in 2020
			Preparations for the first Sustainability Report in 2022
			Periodic monitoring and reporting of sustainability risks
	ECONOMIC FLUCTUATION RISK	COVID-19, which prevails worldwide, and the economic slowdown affect product pricing, which expresses the risk of consumers not being able to meet their purchasing preferences.	Reasonable pricing of products and economical appeal to consumers
			Store and showcase applications made on behalf of customer perception, strengthening of online sales channels
			Koton Outlet Stores offering reasonable prices
	CHANGES IN CONSUMER BEHAVIOR AND PURCHASING AND RISK OF ECONOMIC FLUCTUATION	COVID-19, which prevails worldwide, and the economic slowdown affect product pricing, which expresses the risk of consumers not being able to meet their purchasing preferences.	Customer satisfaction surveys
			Products with detailed labels to inform about product ingredients and the procurement process
			Koton Outlet Stores offering reasonable prices and periodic discount periods
Regular tracking of sales and customer data and fashion trends			
Koton online stores			
Products made up of sustainable raw materials in the collection (organic, BCI, recycled cotton, etc.) / Homage to Water Collection			
Reasonable pricing of products and economical appeal to consumers			

RELATED VALUE CREATION AREA	KOTON STRATEGIC FOCUS AREAS	SUB-STRATEGIC FOCUS AREAS
Financial Capital	We Respect our Business	Achieving Sustainable Economic Growth
Financial Capital	We Respect our Business	Achieving Sustainable Economic Growth
Social and Relational Capital	We Respect Society	Ensuring Stakeholder Engagement
Social and Relational Capital	We Respect Society	Ensuring Stakeholder Engagement
Social and Relational Capital	We Respect Society	Ensuring Stakeholder Engagement
Intellectual Capital	We Respect Society	Ensuring Stakeholder Engagement
Financial Capital	We Respect our Business	Achieving Sustainable Economic Growth
Financial Capital	We Respect our Business	Achieving Sustainable Economic Growth
Financial Capital	We Respect our Business	Achieving Sustainable Economic Growth
Social and Relational Capital	We Respect Society	Ensuring Stakeholder Engagement
Intellectual Capital	We Respect Society	Ensuring Stakeholder Engagement
Financial Capital	We Respect Society	Ensuring Stakeholder Engagement
Intellectual Capital	We Respect Society	Ensuring Stakeholder Engagement
Intellectual Capital	We Respect Society	Ensuring Stakeholder Engagement
Natural Capital	We Respect our World	Circular Economy Applications and Developing Ecodesigned Products
Financial Capital	We Respect our Business	Ensuring Stakeholder Engagement

RISK AND OPPORTUNITIES CHART

RISK AREA	PRIMARY RISK	EXPLANATION	OPPORTUNITIES AND MEASURES TAKEN
ECONOMIC	INCORRECT STORE LOCATION SELECTIONS	It is associated with improper positioning of the physical store network and the financial losses that may occur as a result.	Location analyses carried out in the process of determining new stores, feasibility update
			To increase the perception of sustainability in the new stores to be opened and to renew our aging store face with a sustainable concept
			Regularly reviewing the profitability reports of the stores every month and creating action plans
			Regular monitoring of sales rates in physical stores and feasibility studies
	CREDIT RISK ⁹	It is the risk that a customer or counterparty will not fulfill its obligations in the contract and is significantly due to customer receivables.	To support sustainable trade, each customer's financial performance, the guarantees they provide to Koton and the purchases they make from Koton
			Working with a significant part of the customer portfolio for many years
	LIQUIDITY RISK ¹⁰	It is the risk that the company will encounter difficulty in fulfilling its financial obligations to be paid by issuing cash or other financial assets.	Managing by obtaining adequate financing opportunities from various financial institutions
			Manage the cash cycle by collecting from our customers at maturity
	MARKET RISK	It is the risk that changes in the money market, such as foreign currency rates and interest rates ¹¹ , will change the value of the company's income or financial assets and liabilities.	Implementation of hedging accounting under IFRS9
			Minimizing exchange rate risk ¹² by monitoring foreign currency positions on a daily basis
The ability to make analyses according to loan types (fixed and variable interest) on a daily basis and to predict any risk in advance			
FOCUSING ON THE SINGLE MARKET	It refers to the risk of underperformance in other geographical markets as a result of the company's focus on only certain regions from its fields of activity.	Sales activities in 45 countries, including cotton stores, Koton.com and marketplaces	
		Active communication with overseas stores / Sustainability projects implemented in overseas stores	
COMPETITIVE FASHION RETAILING ENVIRONMENT	In fashion retailing, where there are many competitors, competitive practices express the risk of adversely affecting the profitability and market position of the company with faulty sales and marketing practices and the inability to meet the demands of consumers at an adequate level.	Regular market and competitor analysis	
		Investment in R&D and innovation for the creation of creative/innovative collections	
		Reflection of sustainability efforts in the media	

⁰⁹ Koton has established a credit policy that requires the creditworthiness of each customer to be analyzed separately before the payment and delivery terms and conditions are proposed. The company has been working with a significant part of the existing customer portfolio for many years.

¹⁰ Liquidity risk: Koton manages its liquidity position by obtaining sufficient financing opportunities from various financial institutions in a way that will not cause a financial loss or damage its reputation, so that current and future debt requirements can be funded under normal conditions or in crisis situations.

RELATED VALUE CREATION AREA	KOTON STRATEGIC FOCUS AREAS	SUB-STRATEGIC FOCUS AREAS
Financial Capital	We Respect our Business	Ensuring Stakeholder Engagement
Financial Capital	We Respect our Business	Ensuring Stakeholder Engagement
Financial Capital	We Respect our Business	Ensuring Stakeholder Engagement
Financial Capital	We Respect our Business	Ensuring Stakeholder Engagement
Social and Relational Capital	We Respect our Business	Ensuring Stakeholder Engagement
Intellectual Capital	We Respect Society	Ensuring Stakeholder Engagement
Intellectual Capital	We Respect our Business	Developing in Digitalization and Innovation
Social and Relational Capital	We Respect Society	Ensuring Stakeholder Engagement

11 Interest rate risk: For some of the risk arising from changes in loan interest rates, a fixed rate Turkish Lira loan usage policy is tried to be implemented within limits

12 Currency risk: Hedging accounting is applied within the scope of IFRS9 in order to protect the financial statements of the company from the income / expense effects arising from currency fluctuations.

A young man wearing a white beanie, a plaid jacket over a white t-shirt, and green corduroy pants is smiling and holding a white lamb. He is standing in a field with a river and hills in the background. A large blue circle with the number '04' is overlaid on the left side of the image.

04

APPENDIX

- PERFORMANCE TABLES (TÜRKİYE OPERATIONS)
- SOCIAL PERFORMANCE INDICATORS
- ENVIRONMENTAL PERFORMANCE INDICATORS
- UNGC AND WEPS REFERENCES
- GRI STANDARD CONTENT INDEX
- COMMUNICATION



PERFORMANCE TABLES

SOCIAL PERFORMANCE INDICATORS

NUMBER OF EMPLOYEES BY GENDER AND CATEGORY				
	2020		2021	
	Female	Male	Female	Male
White Collar Workers*	596	510	562	478
Blue Collar Workers**	345	296	296	216
Store Staff	2,985	1,612	2,984	1,472
Director and Above Positions	8	18	8	18
Total Number of Employees	6,370		6,034	

* White Collar Employees include Koton Head Office Employees and Logistics White Collar Employees.

** Blue Collar Employees include Logistics Warehouse Employees.

NUMBER OF WHITE COLLAR WORKERS BY AGE GROUP AND GENDER				
	2020		2021	
	Female	Male	Kadın	Male
30-	185	67	223	77
30-50	387	386	323	350
50+	24	57	16	51

NUMBER OF BLUE COLLAR WORKERS BY AGE GROUP AND GENDER				
	2020		2021	
	Female	Male	Female	Male
30-	118	141	97	103
30-50	207	129	181	90
50+	20	26	18	23

NUMBER OF STORE STAFF BY AGE GROUP AND GENDER				
	2020		2021	
	Female	Male	Female	Male
30-	2079	1109	2203	1070
30-50	872	495	751	396
50+	34	8	30	6

NUMBER OF EMPLOYEES IN DIRECTORIAL AND ABOVE POSITIONS BY AGE GROUP AND GENDER

	2020		2021	
	Female	Male	Female	Male
30-	0	0	0	0
30-50	5	13	4	14
50+	3	5	4	4

TOTAL NUMBER OF NEWLY HIRED EMPLOYEES

	2021	
	Female	Male
30-	2,479	1,228
30-50	258	137
50+	6	8

TOTAL NUMBER OF EMPLOYEES' EXIT

	2021	
	Female	Male
30-	2,348	1,296
30-50	469	306
50+	19	19

RATES OF RETURNING TO WORK AND STAYING AT WORK AFTER MATERNITY LEAVE

	2021
	Female
Number of Employees Entitled to Maternity Leave	99
Number of Employees Taking Maternity Leave	99
Number of Employees Taking Maternity Leave*	82
Total Number of Employees Who Returned to Work After the End of Maternity Leave and Are Still at Work minimum 12 Months After Their Return to Work**	28
Number of Employees Who Have Completed Maternity Leave and Are Actively Working	41
Return to Work and Retention Rates of Employees Who Take Maternity Leave	82.8%

* Included are those who leave immediately after maternity leave ends, and those whose maternity leave ends and whose departure date is up to 10 days after maternity leave.

** Maternity leave ends and employees who have been working for at least 12 months are included.

TOTAL TRAINING HOURS RECEIVED BY EMPLOYEES (PER PERSON*HOUR)						
	2020			2021		
	Female	Male	Total	Female	Male	Total
Head Office Workers	4,389	4,149	8,538	10,184	5,660	15,844
Firstline Workers	13,393	7,826	21,219	54,346	21,743	76,088
Senior Management	40	25	65	93	89	182

AVERAGE TRAINING HOURS RECEIVED BY EMPLOYEES (TOTAL TRAINING HOUR/TOTAL NUMBER OF EMPLOYEES)						
	2020			2021		
	Female	Male	Total	Female	Male	Total
Head Office Workers	7,36	8,13	7,71	18,12	11,84	15,23
Firstline Workers	4,5	4,9	4,6	18,2	14,7	17,07
Senior Management	5	1,4	2,5	11,6	4,9	7

PERCENTAGES OF EMPLOYEES SUBJECT TO REGULAR PERFORMANCE AND CAREER DEVELOPMENT ASSESSMENT BY GENDER AND EMPLOYEE CATEGORY				
	2020		2021	
	Female	Male	Female	Male
Head Office Workers	2.21%	2.26%	6.80%	10.67%

OCCUPATIONAL HEALTH AND SAFETY	
	2021
Number of Accidents	245
Number of Fatalities	0
Number of Occupational Diseases	0
Absenteeism (Total Lost Labor Force)	250
Absenteeism Due to Accident	250
Injury Frequency Rate* (IR)	20.02
Occupational Disease Rate (ODR)	0.00
Lost Day Rate** (LDR)	0.01

* The injury frequency rate was calculated by multiplying the ratio of the total number of accidents to the total working time by the value of 1 million.

** Lost days rate; calculated by dividing the lost working hours by the daily working time.

OHS TRAINING HOURS	
	2021
Average Training Hours Per Employee	9,1
Total Training Hours (person*hours)	60,840

ENVIRONMENTAL PERFORMANCE INDICATORS

GREENHOUSE GAS EMISSIONS IN 2021 (TONS CO ₂ e)	
Scopes	2021
Scopes 1*	1,903
Scopes 2**	40,954
Scopes 3***	13,706

* Scope 1 emissions cover activities (diesel, gasoline, natural gas, etc.) that emit emissions directly into the atmosphere, are owned or controlled.

** Scope 2 emissions cover indirect greenhouse gas emissions from purchased electricity. The total amount of location-based emissions was calculated as 40,954,19 tons of CO₂. Thanks to renewable energy, 5,203,39 tons of CO₂ emissions have been removed. 35,750,8 tons of CO₂ emissions occurred due to electricity purchased within Scope 2.

*** Scope 3 covers emissions, business flights, employee transport (excluding buses, trains, ferries and other vehicles), hotel accommodations, paper consumption, transmission distribution losses due to electricity consumed, water use (excluding wastewater), waste generation (excluding motor oil).

TOTAL ENERGY CONSUMPTION (GJ) FROM NON-RENEWABLE SOURCES	
	2021
Natural gas	14,137
Petrol	3,232
Diesel	26,796

ENERGY CONSUMPTION	
	2021
Electricity consumption - plant internal consumption and office consumption (kWh)	47,510,000
Electricity consumption (GJ)	171,612
Total Energy Consumption (GJ)	215,778
Energy Density (Total energy consumed (GJ)/person)	35.36

LOGISTIC CENTERS TOTAL WASTE(TONS)	2021	OPERATIONAL SCOPE	2021
Wooden Pallet	49.08	GDLC*	45.76
		RLC**	3.32
Paper/Cardboard	250.21	GDLC	149.65
		RLC	100.56
Plastic	25.77	GDLC	24.49
		RLC	1.28
Glass	0.54	GDLC	0.34
		RLC	0.2
Metal	06	GDLC	0.04
		RLC	0.02
Textile Waste	3.96	RLC	3.96
Medical Waste	0.2	GDLC	0.02
Total Waste	889	ton	773.8

* GDLC=General Distribution Logistics Center

** RLC=Renovation Logistics Center

HEAD OFFICE TOTAL WASTE (TONS)	2021 TOTAL (TONS)
Paper Waste	25.2
Plastic Waste	18.85
Mixed Waste	25.9
Glass Waste	0.3
Metal Waste	4.6
Oil Waste	0.51
Household Waste	4.6
Fabric Waste Waste (Large Piece)	19.7
Fabric Waste (Slaughterhouse-Cartel Crop)	15.2
UPS Battery	0.16
Lighting	0.01
Total Waste (tons)	115.29

WATER AND WASTEWATER MANAGEMENT

	2021	
	Administrative Affairs	Logistics
Total Water Volume Drawn (m ³)		
Third Party Water (Mains Water etc.)	23.353	15.038
Waste Water Discharge (m ³)		
Surface Waters, Including Wetlands, Rivers, Lakes and Oceans	1.600	0
Third Party Waters (Sewerage etc.)	23.353	15.038
Water Consumption (m ³)		
Total Water Consumption	24.953	15.038

UNGC AND WEPs REFERENCES

FIELD AND PRINCIPLES		RELEVANT SECTION OF THE REPORT	
Human Rights			
Principle 1	Businesses must support and respect the protection of internationally proclaimed human rights.	Risks and Opportunities; Ethics, Harmony and Transparency; Contribution to Gender Equality	
Principle 2	Businesses must ensure that they are not complicit in human rights violations.		
Working Standards			
Principle 3	Businesses must promote freedom of association and effective recognition of the right to collective bargaining.	Risks and Opportunities; Employee Satisfaction and Engagement, Talent and Performance Management; Equality, Diversity and Inclusion; Contribution to Gender Equality, Responsible Supply Chain Management	
Principle 4	Businesses should support the elimination of all forms of forced and forced labor.		
Principle 5	Businesses must support the effective elimination of child labour.		
Principle 6	Businesses should support the elimination of discrimination in terms of employment and occupation.		
Fight Against Corruption - Environment			
Principle 7	Businesses should support a prudential approach to environmental challenges.		Climate Change Response and Emission Management; Circular Economy Applications and Ecodesigned Products, Water and Wastewater Management; Chemical Impact Reduction
Principle 8	Businesses should take initiatives to promote greater environmental responsibility.		
Principle 9	Businesses should encourage the development and dissemination of environmentally friendly technologies.		
Fight Against Corruption			
Principle 10	Businesses must fight against all forms of corruption, including extortion and bribery.	Ethics, Compliance and Transparency	

FIELD AND PRINCIPLES		RELEVANT SECTION OF THE REPORT
Principle 1	Building senior corporate leadership for gender equality	Contribution to Gender Equality
Principle 2	Treat all women and men fairly in the workplace – respect and support human rights and discrimination	Employee Satisfaction and Loyalty; Equality, Diversity and Inclusion; Contribution to Gender Equality
Principle 3	Ensuring the health, safety and well-being of all female and male employees	Employee Satisfaction and Loyalty; Occupational Health and Safety Standards
Principle 4	Promoting education, training and professional development for women	Employee Satisfaction and Loyalty; Equality, Diversity and Inclusion; Contribution to Gender Equality
Principle 5	Implementation of corporate developments, supply chain and marketing practices that empower women	Contribution to Gender Equality; Support to Local Economy
Principle 6	Promoting equality through community initiatives and advocacy work	Contribution to Gender Equality; Corporate Social Responsibility Awareness
Principle 7	Assess and publicly report on progress to achieve gender equality	Contribution to Gender Equality

GRI STANDARD CONTENT INDEX

GRI STANDARD	INDICATOR	RELATED REPORT SECTION AND/OR DIRECT ANSWERS
GRI 101: Foundation 2016		
GRI 102: General Disclosures 2016		
Organizational Profile	102-1 Name of the organization	About the Report, sf.13
	102-2 Activities, brands, products, and services	About Koton, sf.14-19
	102-3 Location of Head Office	Communication, back cover
	102-4 Number of countries in which the organization operates and the names of countries where the organization has significant activities or that are relevant to the sustainability topics covered in the report	About Koton, sf.14
	102-5 Ownership and legal form	GRI Standard Content Index: 25% of Koton Shareholding Structure Yılmaz Yılmaz, 25% to Şükriye Gülden Yılmaz, 50% is owned by Nemo Apparel B.V.
	102-6 Markets served	About Koton, sf.14-19
	102-7 Scale of the organization	About Koton, sf.14-23 ; Social Performance Indicators, sf.136
	102-8 Information on employees and other workers	Equality, Diversity and Inclusion, sf.78-81; Social Performance Indicators, sf.136-137
	102-9 Supply chain	Responsible Supply Chain Management, sf.110-111
	102-10 Significant changes to the organization and its supply chain	GRI Content Index: Koton 2021 Sustainability Report is the first sustainability report of Koton.
	102-11 Precautionary Principle or approach	Risk Management, sf.120; Risk and Opportunities, sf.123-133
	102-12 External initiatives	Memberships and Initiatives, sf.102
	102-13 Membership of associations	Memberships and Initiatives, sf.102

Strategy	102-14 Statement from senior decision-maker	Message from Chairman of the Board, pp.6-7; Message from the Member of the Board of Directors and Chairman of the Sustainability Committee, pp.8-9; Message from CEO, pp.10-11
	102-15 Key impacts, risks, and opportunities	Risk Management, pg.120; Risk and Opportunities , pp.123-133
Ethics and Integrity	102-16 Values, principles, standards, and norms of behavior	About Koton, pg.16; Ethics, Integrity and Transparency, pp.118-119
	102-17 Mechanisms for advice and concern about ethics	Ethics, Integrity and Transparency, pp.118-119
Governance	102-18 Governance structure	Corporate Governance, sf.16-17
	102-30 Effectiveness of risk management processes	Risk Management, pg.120; Risk and Opportunities, pp.123-133
	102-31 Review of economic, environmental and social topics	Corporate Governance, sf.116-117
Stakeholder Engagement	102-40 List of stakeholder groups	Interaction with Stakeholders, pp.100-101
	102-41 Collective bargaining agreements	GRI Content Index: Collective bargaining agreement in Koton does not exist.
	102-42 Identifying and selecting stakeholders	Interaction with Stakeholders, pp.100-101
	102-43 Approach to stakeholder engagement	Interaction with Stakeholders, pp.100-101
	102-44 Key topics and concerns raised	Our Respect for Life Manifesto (Our Sustainability Strategy), pp.26-31; Our Materiality Matrix for 2021, pp.34-35

Reporting	102-45 Entities included in the consolidated financial statements	About the Report, sf.13
	102-46 Defining report content and topic Boundaries	About the Report, sf.13
	102-47 List of material topics	Our Materiality Matrix for 2021, pp.34-35
	102-48 Restatements of information	GRI Content Index: Koton 2021 Sustainability Report is the first sustainability report of Koton.
	102-49 Changes in reporting	GRI Content Index: Koton 2021 Sustainability Report is the first sustainability report of Koton.
	102-50 Reporting period	About the Report, sf.13
	102-51 Date of most recent report	GRI Content Index: Koton 2021 Sustainability Report is the first sustainability report of Koton.
	102-52 Reporting cycle	About the Report, sf.13
	102-53 Contact prior for questions regarding the report	About the Report, sf.13
	102-54 Claims of reporting in accordance with the GRI Standards	About the Report, sf.13
	102-55 GRI content index	GRI Standard Content Index, sf. 102
	102-56 External assurance	GRI Content Index: No external assurance has been received.

Materiality Topics

GRI 200: Economic Performance Series 2016

Economic Performance

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Our Respect for Life Manifesto (Our Sustainability Strategy), pp. 26-31; Sustainable Economic Growth and Economic Performance, pp.108-109
	103-2 The management approach and its components	Our Respect for Life Manifesto (Our Sustainability Strategy), pp. 26-31; Sustainable Economic Growth and Economic Performance, pp.108-109
	103-3 Evaluation of the management approach	Our Respect for Life Manifesto (Our Sustainability Strategy), pp. 26-31; Sustainable Economic Growth and Economic Performance, pp.108-109

GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Sustainable Economic Growth and Economic Performance, pp.108-109
	201-2 Financial Implications and other risks and opportunities due to climate change	Risk Management, pg.120; Risk and Opportunities, pp.123-133
Risk Management		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Our Respect for Life Manifesto (Our Sustainability Strategy), pp. 26-31; Risk Management, pg.120; Risk and Opportunities, pp.123-133
	103-2 The management approach and its components	Our Respect for Life Manifesto (Our Sustainability Strategy), pp. 26-31; Risk Management, pg.120; Risk and Opportunities, pp.123-133
	103-3 Evaluation of the management approach	Our Respect for Life Manifesto (Our Sustainability Strategy), pp. 26-31; Risk Management, pg.120; Risk and Opportunities, pp.123-133
Product Quality and Safety		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Our Respect for Life Manifesto (Our Sustainability Strategy), pp. 26-31; Designing Quality and Sustainable Products, pp.106-107
	103-2 The management approach and its components	Our Respect for Life Manifesto (Our Sustainability Strategy), pp. 26-31; Designing Quality and Sustainable Products, pp.106-107
	103-3 Evaluation of the management approach	Our Respect for Life Manifesto (Our Sustainability Strategy), pp. 26-31; Designing Quality and Sustainable Products, pp.106-107
GRI 416: Customer Health and Safety 2016	416-1 Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Designing Quality and Sustainable Products, pp.106-107
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Designing Quality and Sustainable Products, pp.106-107

Social Social Responsibility and Volunteering		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Our Respect for Life Manifesto (Our Sustainability Strategy), pg. 26-31; Corporate Social Responsibility Awareness, pg.90-91
	103-2 The management approach and its components	Our Respect for Life Manifesto (Our Sustainability Strategy), pg. 26-31; Corporate Social Responsibility Awareness, pg.90-91
	103-3 Evaluation of the management approach	Our Respect for Life Manifesto (Our Sustainability Strategy), pg. 26-31; Corporate Social Responsibility Awareness, pg.90-91
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investmens and services supported	Corporate Social Responsibility Awareness, pg.90-91; Support to Local Economy, pg.99
	203-2 Significant indirect economic impacts	Corporate Social Responsibility Awareness, pg.90-91; Support to Local Economy, pg.99
Interaction with Stakeholders		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Our Respect for Life Manifesto (Our Sustainability Strategy), pp.26-31; Interaction with Stakeholders, pp.100-101; Responsible Supply Chain Management, pp.110-111
	103-2 The management approach and its components	Our Respect for Life Manifesto (Our Sustainability Strategy), pp.26-31; Interaction with Stakeholders, pp.100-101; Responsible Supply Chain Management, pp.110-111
	103-3 Evaluation of the management approach	Our Respect for Life Manifesto (Our Sustainability Strategy), pp.26-31; Interaction with Stakeholders, pp.100-101; Responsible Supply Chain Management, pp.110-111
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Support to Local Economy, pg.99; Responsible Supply Chain Management, pp.110
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Support to Local Economy, pg.99

Ethics, Integrity and Transparency

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Our Respect for Life Manifesto (Our Sustainability Strategy), pp.26-31; Ethics, Integrity and Transparency, pp.118-119
	103-2 The management approach and its components	Our Respect for Life Manifesto (Our Sustainability Strategy), pp.26-31; Ethics, Integrity and Transparency, pp.118-119
	103-3 Evaluation of the management approach	Our Respect for Life Manifesto (Our Sustainability Strategy), pp.26-31; Ethics, Integrity and Transparency, pp.118-119
GRI 205: Anti-Corruption 2016	205-1 Operations assessed for risks related to corruption	Ethics, Integrity and Transparency, pp.118-119
	205-2 Communication and training about anti-corruption policies and procedures	Ethics, Integrity and Transparency, pp.118-119

GRI 300: Environmental Standards Series 2016

Circular Economy and Ecodesign

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Our Respect for Life Manifesto (Our Sustainability Strategy), pp.26-31; Circular Economy Applications and Ecodesigned Products, pp.52-54 ; Raw Material Management, pp.56-57
	103-2 The management approach and its components	Our Respect for Life Manifesto (Our Sustainability Strategy), pp.26-31; Circular Economy Applications and Ecodesigned Products, pp.52-54; Raw Material Management, pp.56-57
	103-3 Evaluation of the management approach	Our Respect for Life Manifesto (Our Sustainability Strategy), pp.26-31; Circular Economy Applications and Ecodesigned Products, pp.52-54; Raw Material Management, pp.56-57
GRI 301: Materials	301-1 Materials used by weight or volume	Circular Economy Applications and Ecodesigned Products, pp.52-54; Raw Material Management, pp.56-57
	301-2 Percentage of recycled input materials used to manufacture the organization’s primary products and services.	Circular Economy Applications and Ecodesigned Products, pp.52-54; Raw Material Management, pp.56-57

Raw Material Management		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Our Respect for Life Manifesto (Our Sustainability Strategy), pp.26-31; Raw Material Management, pp.56-57
	103-2 The management approach and its components	Our Respect for Life Manifesto (Our Sustainability Strategy), pp.26-31; Raw Material Management, pp.56-57
	103-3 Evaluation of the management approach	Yaşama Saygı Manifestomuz (Sürdürülebilirlik Our Respect for Life Manifesto (Our Sustainability Strategy), pp.26-31; Raw Material Management, pp.56-57
Water and Wastewater Management		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Our Respect for Life Manifesto (Our Sustainability Strategy), pp.26-31; Water and Wastewater Management, pp.60-63
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	303-4 Water discharge	Water and Wastewater Management, pg.60; Environmental Performance Indicators, pg.141
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Our Respect for Life Manifesto (Our Sustainability Strategy), pp.26-31; Combating Climate Change and Emissions Management, pp.48-51
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