



EMPLOYEE COMPENSATION POLICY

1. PURPOSE

The purpose of this Employee Compensation Policy is to establish the procedures governing the payment of severance pay and payment in lieu of notice upon the termination of employees' employment contracts, in accordance with the provisions of the Labor Law No. 4857 and the applicable legislation.

2. SCOPE

This Policy applies to all employees of Koton Mağazacılık Tekstil Ticaret ve Sanayi A.Ş.

3. RESPONSIBILITIES

The Vice General Manager of Human Resources is responsible for the administration and implementation of this Policy.

The Group Manager of Compensation and HR Analytics is responsible for the preparation of this Policy and, where necessary, for reviewing and publishing it following the approval of the Vice General Manager of Human Resources.

Managers are responsible for ensuring that the rules set forth in this Procedure are implemented by their respective teams and for fostering a fair working environment within their teams.

Employees are responsible for complying with the rules set forth in this Procedure.

4. IMPLEMENTATION

Severance Payment

Severance pay is paid to employees whose employment contracts are terminated for one of the reasons requiring the payment of severance pay under the provisions of Article 14, which remains in force pursuant to the Labor Law No. 4857, of the repealed Labor Law No. 1475, provided that they have completed at least one year of service with the Company. In the event of an employee's death, severance pay is paid to the employee's legal heirs. The amount of severance pay is calculated based on the employee's length of service with the Company.

Notice Period and Payment in Lieu of Notice



Where a notice period is required, the provisions of Article 17 of the Labor Law No. 4857 shall apply. Also, personnel's employment contracts may be terminated through a cash payment of their wages for the period until the end of the notice period. Where a notice period is observed, the employee shall be granted paid time off to seek new employment. The applicable notice periods are as follows:

- 2 weeks for employees with less than 6 months of service
- 4 weeks for employees with at least 6 months but less than 1.5 years of service
- 6 weeks for employees with at least 1 year but less than 3 years of service; and
- 8 weeks for employees with 3 years of service or more.