WORKING PRINCIPLES OF THE EARLY DETECTION OF RISK COMMITTEE

Article 1: Scope and Legal Basis

These Working Principles (the "**Working Principles**") set forth the scope of authority and working principles of the Early Detection of Risk Committee (the "**Committee**") of the Board of Directors of Koton Mağazacılık Tekstil Sanayi ve Ticaret A.Ş. (the "**Company**").

The Committee was established by a resolution of the Board of Directors of the Company (the "**Board of Directors**") in accordance with the Capital Markets Law No. 6362, the Turkish Commercial Code No. 6102, the Corporate Governance Communiqué No. II-17.1, the corporate governance principles set forth in the annex thereto, the regulations of the Capital Markets Board of Türkiye, and the relevant provisions of the Company's Articles of Association.

Article 2: Purpose

The Committee assists the Board of Directors in the early identification of risks that may jeopardize the existence, development, or continued operations of the Company, the implementation of appropriate risk management strategies, the adoption of necessary measures to address identified risks, and the establishment of an expert committee for risk management, and performs such other duties as may be assigned to it under the applicable legislation.

The Committee shall also be responsible for:

i. Preparing recommendations for the identification of existing and potential operational, strategic, and other risks, and for the adoption of appropriate measures to address such risks;

ii. Preparing recommendations for the establishment of risk management systems, the establishment of organizational infrastructure within the Company, and the development of the relevant systems to enhance their effectiveness; and

iii. Making recommendations to the Board of Directors and the Audit Committee on measures to address identified risks.

Article 3: Establishment and Membership

The Committee shall consist of at least two members. The Chair of the Committee shall be elected from among the independent members of the Board of Directors. If the Committee consists of two members, both members shall be non-executive members of the Board of Directors. If the Committee consists of more than two members, a majority of its members shall be non-executive members of the Board of Directors. The Chief Executive Officer (CEO)/General Manager may not serve as a member of the Committee. Committee members should preferably possess sufficient commercial experience and industry expertise to identify, understand, and assess the risks that may arise in the sectors in which the Company and its subsidiaries operate.

In addition, individuals who are not members of the Board of Directors but possess expertise in their respective fields may also be appointed as members of the Committee, provided that the requirements set forth above are satisfied.

Following the election of a new Board of Directors at the Company's ordinary General Assembly meeting, the Board of Directors shall appoint the members of the Committee for a term corresponding to the term of office of the Board of Directors. The current Committee members shall continue to serve until their successors are appointed. Committee members whose terms have expired may be reappointed.

The Board of Directors shall provide the Committee with all resources and support necessary for the performance of its duties. The Committee may invite any executive or other individual whose participation it deems necessary to attend its meetings and may seek their opinions.

The Committee may, where necessary, seek the opinions of independent experts. The cost of any advisory services required by the Committee shall be borne by the Company. In such cases, the annual report shall disclose information regarding the individual or organization providing such services and whether such individual or organization has any relationship with the Company.

Article 4: Meetings

The Committee shall meet as necessary to ensure the effective performance of its duties and, in any event, at least once every three months, for a minimum of four meetings each year. Meetings shall be held at the Company's headquarters or at such other location where the Committee members are present. The scheduling of Committee meetings shall, to the extent practicable, be coordinated with the schedule of meetings of the Board of Directors.

The Committee shall meet and adopt resolutions with the presence of a simple majority of its members. Resolutions may also be adopted without holding a meeting, provided that all members unanimously approve such resolutions.

The Committee shall prepare written records of all its activities, maintain such records, and report to the Board of Directors on its activities and the outcomes of its meetings. The Committee shall promptly submit its findings and recommendations relating to matters within its scope of responsibility to the Board of Directors in writing. The minutes of Committee meetings shall be approved by the Committee members and maintained together with the Committee's resolutions.

Article 5: Duties and Responsibilities

The Committee shall perform the following duties:

- Identifying, assessing, and monitoring existing and potential risk factors that may affect the achievement of the Company's objectives within the framework of the corporate risk management system, and ensuring that principles governing the management of such risks are established and incorporated into the Company's decision-making processes in accordance with the Company's risk appetite;

- Identifying, based on assessments of likelihood and impact, the risks that should be retained and managed by the Company, shared, or eliminated;

- Providing recommendations to the Board of Directors for the establishment of risk management, information, and internal control systems, including the related processes, that are capable of minimizing the impact of risks that may affect the Company's stakeholders, particularly its shareholders;

- Ensuring the integration of the risk management and internal control systems into the Company's corporate governance structure;

- Reviewing the risk management systems at least once a year and overseeing whether the practices implemented by the relevant departments responsible for risk management are carried out in accordance with the Committee's decisions;

- Identifying the risk of technical insolvency at an early stage, ensuring that the Board of Directors is promptly informed, and developing recommendations regarding the measures to be taken;

- Preparing a report to be submitted to the Board of Directors every two months, evaluating the current situation, identifying any risks, and setting out the measures to address them, and providing a copy of such report to the independent auditor; and

- Preparing and submitting to the Board of Directors an annual evaluation report, including information on the Committee's membership, meeting frequency, and activities, to serve as the basis for the Board of Directors' assessment of the Committee's Working Principles and effectiveness, for inclusion in the annual report.

The Committee shall act within the scope of its authority and responsibilities and shall prepare and submit to the Board of Directors a report containing its recommendations. Copies of the reports submitted to the Board of Directors shall also be provided to the independent auditor. The ultimate responsibility for decision-making rests with the Board of Directors.

Article 6: Amendments

Any amendments to these Working Principles shall be subject to the approval of the Board of Directors.

Article 7: Effective Date

These Working Principles were approved by the Board of Directors pursuant to Resolution dated 5 February 2024 and numbered 2024/12, and entered into force on that date.