WORKING PRINCIPLES OF THE EARLY DETECTION OF RISK COMMITTEE

Article 1: Scope and Legal Basis

These Working Principles set out the scope of duties and working principles of the Early Detection of Risk Committee ("Committee") of the Board of Directors of SUN TEKSTİL SAN. VE TİC. A.Ş. ("Company").

The Committee was established within the framework of the Capital Markets Law No. 6362, Turkish Commercial Code No. 6102, Prime Ministry Capital Markets Board ("CMB") regulations including the "Corporate Governance Communiqué" numbered II-17.1 ("Communiqué") and the corporate governance principles contained in its annex and the relevant provisions of the Company's Articles of Association ("Articles of Association"), by the decision of the Company's Board of Directors ("Board of Directors") in accordance with Article 378 of the Turkish Commercial Code (TCC).

Article 2: Purpose

The Committee assists the Board of Directors in the early detection of existing and potential strategic, operational, financial, legal, etc. risks that may jeopardize the existence, development and continuity of the Company, in the implementation of appropriate risk management strategies in accordance with the Company's risk-taking profile and risk appetite (assessment, management, reporting and implementation of measures, etc.) and in the establishment of an expert committee for risk management and fulfills other duties assigned to it by the legislation.

In addition, this policy aims to define as standard the functioning of the process designed to identify, define, measure, prioritize, manage, monitor, control and track the risks/opportunities that the Company is/may be exposed to during its operations. In addition to these; within the scope of this regulation, the duties that Corporate Risk Committees must fulfill in order to achieve Corporate Risk Management (CRM) objectives, their authority levels and responsibilities in order to fulfill these duties are defined.

Article 3: Concepts and Definitions

- **Workshop:** A disciplined idea-generation and decision-making tool that enables a group to efficiently generate solutions together.
- **Natural (Inherent) Risk:** The risk arising from the nature of the business in the relevant activity/process, regardless of the controls in place and the impact of those controls.
- **Escalation:** Bringing to higher authorities/notifying higher authorities.
- **Impact:** The degree of inherent risk faced before any measures are taken, before controls are designed.
- **Opportunity:** The possibility of an event having a positive impact on the achievement of the company's objectives.
- **Residual Risk:** The risk that persists after measures and controls have been taken.
- **Key Performance Indicator (KPI) :** A measure used to improve future performance and measure past performance.
- **Corporate Risk Management:** A management tool that provides stability in organizations by making it possible to identify, prioritize, mitigate and measure the effects of decisions taken.
- **Probability:** The chance of an event occurring or not occurring.

- **Risk:** The probability of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and probability.
- **Risk Exposure:** Refers to residual risk. Residual risk indicates the risk that persists after the measures and controls taken.
- **Risk Appetite:** It is the "expression of acceptable and unacceptable risks" by management. Risk appetite reflects a company's "willingness to take risk" in relation to its risk-taking capacity.
- **Risk Capacity:** A company's ability to "bear and resist risk".
- **Risk Category:** Defined groups of risks that help identify, assess, measure and monitor risks.
- **Risk Portfolio:** Risk inventories/risk registers in which companies systematically identify and list their risks.
- **Risk Response**: Choosing one of the following actions: avoiding risk, transferring risk, accepting risk as it is, or mitigating risk.
- **Risk Tolerance:** The degree of acceptable deviation that a company determines for each major risk in order to achieve its objectives.
- **Risk Transfer:** The assumption of part or all of a risk by another party or parties.
- **Risk Mitigation:** Reducing the likelihood of adverse effects of events and/or reducing the magnitude of adverse effects to reduce potential losses through appropriate controls.
- **Accepting Risk:** To knowingly/unknowingly accept responsibility for losses that may occur as a result of the occurrence of a risk.
- **Risk Avoidance:** Avoiding or discontinuing activities that create or increase risk. It may increase the importance of other risks or cause opportunities to be lost. The risks that a company may face can be classified in many different ways. The structural and sectoral characteristics of the business will significantly affect this classification. Risks can be categorized under different headings.

  o Financial risks
  o Operational risks
  o Compliance/non-compliance risks
  o Strategic risks

- **Financial risks:** Financial risks are the risks that arise as a result of an organization's financial position and choices. Among financial risks, risks such as credit, interest, cash, financial markets, commodity prices are the first ones that come to mind.
- **Operational risks:** Operational risks refer to risks that may prevent an organization from fulfilling its core business activities. Risk topics such as procurement, sales, product development, information management, legal and brand management are some of the risks included in this category.
- **Compliance/non-compliance risks:** Compliance/non-compliance risks refer to the risks of non-compliance with internal and external rules while performing an organization's core business activities. An example of an internal compliance risk is non-compliance with a policy or procedure, while an external compliance risk is the risk of loss or lost opportunities as a result of non-compliance with laws and regulations.
- **Strategic risks:** Strategic risks that may prevent an organization from achieving its short, medium or long term goals can be classified under this heading. Risks such as planning, business model, business portfolio, corporate governance, market analysis are typical examples of strategic risks.

Article 3: Establishment, Committee Structure and Membership Criteria

The Committee consists of at least two members. If the Committee consists of two members, both of them, and if there are more than two members, the majority of the members are elected from the non-executive members of the Board of Directors. The chairperson of the Committee is elected from among the independent members of the Board of Directors. Specialists who are not members of the Board of Directors may be included in the Committee.

The members of the Committee are appointed by the Board of Directors every year at the first meeting of the Board of Directors following the ordinary general assembly meeting of the Company at the latest. Board members whose term of office expires may be reappointed.

The members of the Committee shall be selected from among non-executive members, as far as possible. The Committee may include experts in accounting, finance, audit, law, management, etc.

All kinds of resources and support required for the Committee to fulfill its duties are provided by the Board of Directors. The Committee may invite the manager it considers necessary to its meetings and receive their opinions.

The Committee may benefit from the opinions of experts when necessary. The cost of the consultancy services required by the Committee is covered by the Company.

Article 4: Sub-Working Groups

In order to ensure the effectiveness of the Committee's work, sub-working groups consisting of persons with sufficient experience and knowledge in Risk Management to be selected from among its members and/or externally may be formed as needed.

Article 5: Meetings

The Committee may convene at the Company's headquarters or any other place where the members of the Committee are present, as often as required by its duties. It is also possible for the Committee meetings to be held via electronic methods (electronically or via conference call).

The Committee convenes and takes decisions with the presence of the absolute majority of its members. It is possible to take decisions outside the meeting with the unanimous vote of the members. The decisions of the Committee are advisory to the Board of Directors and the Board of Directors is the final decision-making authority on related matters.

The Committee puts all its activities in writing, keeps a record of them and reports to the Board of Directors, including information on the Committee's activities and the results of the Committee meetings. The Committee reports the findings and suggestions related to its duties and responsibilities to the Board of Directors immediately in writing. Minutes of the meetings held through physical or electronic methods shall be signed by the Committee members. In addition, it is also possible to take committee decisions by circulation, and decisions signed by all members on the same or different papers are valid. The minutes of the Committee meetings are approved by the Committee members and kept together with the Committee decisions.

Article 6: Duties and Responsibilities

The Committee fulfills the following tasks:

- To identify, evaluate and monitor the existing and potential risk factors that may affect the achievement of the Company's objectives within the framework of the corporate risk management systematic and to ensure that the principles for managing the relevant risks are determined and used in decision-making mechanisms in accordance with the Company's risk-taking profile .
- Identify risks to be retained and managed, shared or eliminated completely, based on probability and impact calculations.
- To submit an opinion to the Board of Directors to establish internal control systems, including risk management and information systems and processes that can minimize the effects of risks that may affect the Company's stakeholders, particularly shareholders.
- To ensure the integration of risk management and internal control systems into the corporate structure of the Company.
- To review the risk management systems at least once a year and to ensure that the practices of the relevant departments that assume responsibility for the management of risks are carried out in accordance with the decisions of the committee.
- Early detection of technical bankruptcy, alerting the Board of Directors and developing proposals on the measures to be taken.
- To evaluate the situation in the report to be submitted to the Board of Directors every two months, to point out the dangers, if any, and to show the remedies, and to send this report to the auditor.
- To prepare and submit to the Board of Directors an annual evaluation report that will be included in the annual report, including the members of the committee, the frequency of its meetings, its working principles, including the activities carried out, and to form the basis for the Board of Directors' evaluation of the committee's effectiveness.
- The Committee acts under its own authority and responsibility and submits a report to the Board of Directors every two months containing its assessment of the situation, recommendations and suggestions. These reports submitted to the Board of Directors are also communicated to the independent auditor. The Board of Directors is responsible for the final decision.

Article 7: Reporting Procedures

- The decisions of the Committee are kept in a decision book.
- At least the following points should be included in the minutes of the meeting:
    - Meeting Date
    - Information on the issues discussed at the meeting
    - Decisions taken
- Decisions considered necessary by the Committee are submitted to the Board of Directors.
- The Committee Secretary is responsible for the preparation and storage of the reports. The prepared meeting minutes are archived after being submitted to the information of the Committee Members.

Article 8: Enforcement and Amendment

The Working Principles of the Early Detection of Risk Committee were approved by the Board of Directors Resolution dated 06.06.2022 and numbered 2022/23. The Board of Directors is authorized to review and update the working principles when necessary.