

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE COMPLIANCE REPORT

This Corporate Governance Compliance Report of Mavi Giyim Sanayi ve Ticaret A.Ş. (henceforth “Mavi” or the “Company”) was prepared in the format stipulated in the Capital Markets Board (henceforth “CMB”) regulation No. 2/35, published in the CMB’s *Weekly Bulletin* of 27 January 2014, No. 2017/2, and is presented below.

1. Declaration Of Compliance With Corporate Governance Principles

Mavi’s corporate culture is defined by remaining close to its customers, being passionate for its product quality, and reliable towards its employees. At Mavi, business partners are regarded as permanent and the company seeks to establish a deep connection with its customers. Mavi conducts its operations in accordance with the principles of transparency, fairness, responsibility, accountability and sustainability.

The Company began trading on Borsa Istanbul on 15 June 2017 (ticker symbol “MAVI”) and henceforth it has been subject to CMB regulations. As a matter of policy, Mavi fully complies with the mandatory principles stipulated under the Corporate Governance Communiqué Serial II No. 17.1. Mavi also aims to achieve full compliance with non-mandatory Corporate Governance principles and work is in progress on applying those principles Mavi has yet to implement. Once Mavi completes its implementation of the legal and technical infrastructure, the Company will be fully compliant with all Corporate Governance principles, mandatory or not.

The non-mandatory Corporate Governance principles Mavi has yet to implement are indicated below, including the reasons for non-implementation. Mavi has no conflict of interest arising from not having achieved full compliance with these principles.

Article 1.5.2. Under the Articles of Association, minority rights are not granted to shareholders who hold less than one twentieth of capital and, in accordance with general practice, minority shareholders hold rights accorded by the general provisions of law.

Article 4.2.5 The posts of Chairman of the Board of Directors and General Manager (CEO) are held by separate directors in Mavi and the Mavi’s Internal Directive clearly delineates their respective scope and limitation of authority. The differentiation between these roles will be detailed in the Articles of Association during the next reporting period.

Article 4.3.9 Mavi’s Board of Directors currently has one female member. Mavi is working towards increasing the number of female members on its Board of Directors.

Article 4.4.7 The members of our Board of Directors are trusted individuals due to their successful careers, and their competencies bring essential contributions within the principles of confidentiality. No restrictions were introduced regarding the duties of the board members outside the Company and likewise, in the General Assembly, the intra-group and non-group duties assumed by the candidate members and underlying rationales were not indicated specifically under the relevant agenda point. Such a restriction is not deemed necessary, particularly taking into account that the work experience and sector insights of independent members delivers an essential contribution to the Board of Directors.

Article 4.5.5 Mavi has determined the number of its independent Board members at two. In so doing, the Company considered various factors such as the volume of its operations and its administrative needs. Currently, the Board has three committees. In respect of the principle requiring committee chairs to be independent members, it is necessary to delegate multiple committee chairs to the independent members. This does not give rise to any conflict of interest within the Company.

Article 4.6.5 The General Assembly determines remuneration rates payable to members of Mavi's Board of Directors. In line with general practice, remunerations of Board members and senior executives are disclosed to the public in the Company's financial table footnotes.

2. Shareholders

2.1 Investor Relations Department

Shortly after its initial public offering, Mavi established an Investor Relations Department. Mavi's Investor Relations Department's function is to inform local and foreign investors in an accurate, consistent and timely manner (while protecting trade secrets and confidential information and with a view to ensuring equality in communicating information), raise the Company's profile and increase its credibility, ensure communication and information flow between the Board of Directors and the capital markets regulators and participants, compliance with legislation and the Articles of Association in respect of shareholders' rights, and to fulfil obligations of public disclosure in compliance with applicable legislation and the Company's Public Disclosure Policy. The Investor Relations Department reports to the CFO, Ms. Tuba Toprakçı Yılmaz. Ms. Duygu İnceöz was appointed Senior Director of Investor Relations on 26 July 2017. Ms. İnceöz holds a Capital Markets Activities Level III License and a Corporate Governance Rating License and she is a member of Mavi's Corporate Governance Committee. She is in charge of ensuring the Company's compliance with its obligations under Capital Markets legislation and coordinating corporate governance practices within the Company.

In 2017, the Investor Relations Department organized two analyst meetings to share Mavi's financial, operational and strategic developments, attended 10 investor conferences and roadshows, and held 87 teleconferences and meetings. At these events and meetings, the Company had contact with 237 unique investors and analysts from 160 local or international institutions. Additionally, over the year, the Department held three earnings webcasts aimed at investors and analysts, announcing quarterly financial results. For investors and analysts unable to participate in the webcast replays of the webcasts, presentations, and transcripts of the questions addressed to the management and the answers were posted on the Company's website.

Between 15 June 2017 and 31 January 2018, the Company received approximately 370 requests for information. Mavi replied to all of these in accordance with the Company's Public Disclosure Policy and in line with publicly available information. In addition to these emails, the Company informed many investors via telephone.

On 1 March 2018, the Investor Relations Department submitted a report on its activities to the Corporate Governance Committee and the Board of Directors. The Investor Relations Department constantly informs the Board of Directors on the developments in the business sector and the competition.

The Investor Relations Department contact information:

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2.2. Use of Shareholders Rights to Obtain Information

There is no discrimination between shareholders in respect of rights to examine and receive information, and all information, other than trade secrets, is distributed to shareholders in accordance with the Company's Public Disclosure Policy to avoid inequality in receiving information.

Mavi's Investor Relations Department responds to shareholder and other stakeholders' information requests and questions, via various means of communication, promptly via the most efficient means of communication. Furthermore, to enable shareholders to exercise their right to receive information in the most efficient manner, the Department maintains an Investor Relations webpage which provides investors and other stakeholders with all publicly available financial and operational information, all the Company's material disclosures and public announcements and notifications. The webpage, in English and in Turkish, can be accessed via the corporate website (www.mavicompany.com) or via Mavi's official website (www.mavi.com). Additionally, the Department emails the latest operational and financial announcements to those people or institutions that register for the Investor Relations distribution list.

Although the right to request a special auditor is not regulated as a personal right in our articles of association, under Article 438 of the Turkish Commercial Code and in order to exercise their rights properly, when they deem necessary, each shareholder is entitled to ask the General Assembly for clarification of certain instances through a special audit even if this is not included in the agenda in case they had previously used their rights to take information and to inspect. To date, shareholders have not asked for such an audit. Besides, the Company operations are being regularly audited by an Independent Auditor appointed by the General Assembly.

2.3. General Assemblies

Amendments to the Company's Articles of Association that ensure compliance with the CMB's objectives and principles and its regulations were adopted at an Extraordinary General Assembly held 22 March 2017, prior to the Company's initial public offering. This General Assembly took place at the Company's headquarters, Sultan Selim Mah., Eski Büyükdere Cad. No. 53, 34418 Kağıthane, Istanbul. This action was pursuant to the approval of the CMB and the Ministry of Customs and Trade. Mavi's Ordinary General Assembly for the 2016 fiscal year was held on 26 April 2017, prior to the Company's initial public offering of the Company's shares, at the Company's headquarters.

2.4. Voting Rights and Minority Rights

The Company's Articles of Association do not grant privileges regarding voting rights. Each share is entitled to one vote at Ordinary and Extraordinary General Assemblies.

Shareholders may appoint proxies to attend General Assemblies from among the shareholders or third parties. Proxy holders who are shareholders in their own right may exercise the voting rights accruing to their own shares and to each share for which they hold proxy. The form of the proxy documents shall be determined and announced by the Board of Directors in accordance with capital markets legislation.

The Company refrains from practices that inhibit shareholders' exercise of their voting rights and it has established mechanisms to ensure every shareholder, including international ones, can exercise voting rights in the simplest and most convenient manner possible.

Shareholders may attend the Company's General Assemblies via electronic media in accordance with Article 1527 of the Turkish Commercial Code and pursuant to Article 10, paragraph (e) of the Articles of Association.

Although the Articles of Association do not provide for a ratio lower than 5% for the exercise of minority rights, Mavi pays utmost attention to enabling the exercise of the minority rights in accordance with the provisions of the Turkish Commercial Code. Mavi has no mutual shareholding relationship with its main shareholders.

2.5. Dividend Rights

The Company sets forth its dividend distribution principles in its Articles of Association, Article 15 "Determination and Distribution of Profit." The Article stipulates that the Company shall adhere to the provisions of the Turkish Commercial Code and capital markets legislation when determining and distributing profit. The Articles of Association do not grant any privileges to shareholders in respect of profit distribution.

The Company's Board of Directors adopted a dividend distribution policy, subsequently included in the Offering Circular announced on Public Disclosure Platform on 5 June 2017, and this is set forth below. The Company's Dividend Distribution Policy, following the Ordinary General Assembly's approval, shall also be announced to the public on the corporate website.

Dividend Distribution Policy

The purpose of the dividend distribution policy is to ensure implementation of a balanced and consistent policy, between the interests of the investors and the Company, adequately informing investors and maintaining a transparent dividend distribution policy towards them, pursuant to the applicable legislation.

The Company's General Assembly shall pass a resolution on dividend distribution, and its manner and timing, upon the proposal of the Board of Directors. The Company aims to distribute to the shareholders and others sharing the profit at least 30% of the distributable net profit, as calculated for the relevant period pursuant to the Articles of Association, the Turkish Commercial Code, the Capital Markets Law, No., to the extent the relevant regulations and the Company's financial resources permit, and considering market expectations, the Company's long-term strategies, the capital needs of subsidiaries and affiliates, investment and financing policies, profitability and cash reserves. Dividends may be distributed in cash or shares without consideration or as a combination of both in certain ratios.

Dividends are distributed equally to all shares in existence at the time of distribution, pro rata to their respective ratios and regardless of their date of issuance or their date of acquisition.

Dividend payments may be made in equal or varying instalments, provided that this is resolved upon during the general assembly meeting where the general assembly has resolved to make dividend distribution.

The dividend distribution shall commence on the date determined by the General Assembly, provided that the distribution is initiated before the end of the accounting period within which that General Assembly occurs.

The General Assembly's dividend distribution resolution, passed in accordance with the Articles of Association, may not be revoked unless permitted by the applicable law. Should the Board of Directors propose not to distribute dividends, the reasons for this proposal and the manner in which the retained profit is to be used shall be explained under the agenda item concerning dividend distribution, and this information shall be submitted to the information of shareholders during the General Assembly.

The Board of Directors' dividend distribution proposal or the Board resolutions relating to the distribution of advance dividends shall be announced to the public in accordance with the relevant regulations, with the form and content of the relevant proposal/resolution, and the tables showing the dividend distribution or the advance dividend distribution, as applicable. Furthermore, to the extent any amendments to this dividend distribution policy are to be introduced, the Board resolution regarding such amendments shall be announced to the public with the reasons of amendment."

2.6. Transfer of Shares

The Articles of Association do not obstruct the transfer of shares. CMB regulations shall apply to Mavi share transfers for shares traded on Borsa Istanbul.

3. Public Disclosure And Transparency

3.1. Company Website and Its Contents

Mavi's corporate website is www.mavicompany.com and its purpose is to inform shareholders, other stakeholders and the general public concurrently, clearly, fully, and accurately. This site can also be accessed via a link on the Company's official website, www.mavi.com. The website's Investor Relations section includes all information the CMB stipulates for disclosure and this information is constantly updated. The information on the Company's corporate website and its investor relations section is the same as or consistent with those disclosures made under the provisions of the applicable legislation; there is no conflicting or missing information. This information is provided in Turkish and English on the website.

3.2. Activity Reports

Mavi's annual and interim activity reports are detailed enough to provide the public with full and accurate information on the Company's activities. At a minimum, they include all the information required by the relevant Communiqué of the CMB and under the Corporate Governance Principles. They are published on Mavi's corporate website, www.mavicompany.com.

4. Stakeholders

4.1. Informing Stakeholders

In addition to the shareholders and capital markets participants, Mavi briefs its employees, customers, dealers, suppliers, financial institutions, potential investors and all other stakeholders on a continuous basis via press conferences, press releases, activity reports, Mavi's website and its practices under its Public Disclosure Policy. Furthermore, to the extent deemed necessary and practical, the Company regulates its relations with such persons under written contractual arrangements.

To the extent that stakeholders' rights are unregulated by law or contract, the interests of the stakeholders are safeguarded by goodwill and to the extent the Company is able so to do while maintaining the Company's reputation.

The Company constantly briefs the public via press conferences, press releases and interviews. Press statements on financial issues are concurrently released on Mavi's corporate website.

Mavi communicates its notifications and employee briefings to all employees via email at the same time and simultaneously posts them on Mavi's intranet (Maviletişim), which is accessible to all Mavi employees. The Corporate Communications Department also publishes a corporate magazine, *Maviletişim*, to enhance communication with the employees.

The Company designed its communication channels to ensure access for all stakeholders, access details are posted on the Company's website.

Stakeholders may communicate with the Company via the Corporate Governance Committee, the Investor Relations Department or directly via email, post or telephone. Stakeholders may inform the Corporate Governance Committee or the Audit Committee of actions they deem to violate applicable legislation or to be unethical. The Audit Committee is charged with examining and resolving complaints communicated in relation to accounting, internal control and independent auditing of the Company and, similarly, to respond to notifications from Company employees concerning accounting and independent auditing. The Audit Committee preserves confidentiality in these cases.

To the extent any conflict of interest arises among the stakeholders or a stakeholder is at the same time included in multiple groups of interest, the Company adheres to a balanced strategy to the extent possible to safeguard its interests.

4.2. Stakeholders' Participation in Management

Mavi has numerous practices aimed at facilitating and supporting stakeholders' participation in the Company's management and it strives to enhance these practices.

Employees:

Numerous regular meetings are held to brief employees and to ensure their participation in management.

The most notable ones are:

- **MassMavi meetings:** These meetings, open to all headquarters employees, are a platform for departments to share their monthly business plans.
- **Management Forum Meetings:** These biannual meetings, open to all headquarters employees, present the Company's activities over the previous six months.
- **GoForward Meetings:** Thanks to the achievements and inspiration of the Adizes methodology, which proved to be efficient in 2015, Mavi implemented a series of workshops in nine "Go" groups. The workshops, initially held with the participation of directors, evolved into multi-functional, solution-oriented project groups including managers. The workshops' scope extended to cover all functions of the Company. The nine workshops—GoJeans, GoWomen's & Accessories, GoMen's, GoCustomer, GoSales, GoOperations, GoInternational, GoSystem & E-commerce, and GoTalent—invite outside experts from various fields.
- **GoSeason Meetings:** These are biannual meetings providing training to store managers on the forthcoming season's collection and product information. During these meetings, managers of the relevant categories inform the store managers directly about the prominent products of the season and the store managers' feedback is received.
- **Marketing Direction Meetings:** These are seasonal meetings that determine brand strategy and priorities through customer, market, product and competition analyses, and they share results with management teams.
- **Mavi Strategy and Target Meetings for Mavi Stores:** These are annual, outdoor, three-day meetings for the store managers and two days for deputy store managers. During these meetings, Mavi's directors make presentations that facilitate the formation of a common Mavi culture and of common targets.

Dealers:

Mavi holds meetings with its domestic and foreign dealers four times a year to present the Company's strategy and targets, and collections. The dealers have briefings on current developments and the dealers' opinions and suggestions are considered.

Suppliers:

Mavi has approximately 130 direct and indirect suppliers, who form an important part of the supply chain. There are various practices in place to increase the Company's cooperation with its suppliers, including supplier trainings, audits and visits, during which general information on the Company's vision, strategy, business targets and future actions are presented, and Mavi's expectations of suppliers in respect to corporate responsibility and occupational health and safety are communicated.

Customers:

One of Mavi's most important priorities is the 'Happiest Mavi Customers' approach. This approach is focused on continuously achieving the highest customer satisfaction. To embed this approach in its operations, Mavi established a special project group, GoCustomer, to channel the energies of Marketing, HR, Sales and Training

department employees into this endeavour year round and thereby ensure Mavi customers enjoy superior product and service quality, and perfect shopping experiences.

Mavi customers can contact Mavi by telephone, email, and social media or through Mavi stores to comment on the Company's products and services, communicate their thoughts and feelings about Mavi, or to make suggestions. The Company's in-house call centre team manage the entire multi-channel flow of information Mavi receives and the team responds to the customers appropriately. Customer complaints about products and other matters are recorded and reported. Meetings are held to share these reports with all departments of the Company.

Additionally, a third-party firm monitors all customer social media posts and conversations about Mavi and communicates these to Mavi so it can respond as appropriate and gain valuable insights. Approximately 97% of the content shared and the conversations held on social media regarding Mavi are positive.

Mavi conducts regular surveys to collect information on its customers' perceptions and on consumer habits relevant to the Mavi brand, and Mavi's products and advertising campaigns. The Company's Secret Customer visits of Mavi stores and franchises aim at inspecting, monitoring and reporting each retail point and on its service quality.

4.3. Human Resources Policy

Mavi's main Human Resources (HR) targets are to ensure its human resources, its most valuable asset, functions in the most efficient and productive manner possible, to monitor motivation and job satisfaction in terms of remuneration and morale, and to produce relevant policies and measures. Mavi established its Human Resources Policy with the aim of becoming the most favoured employer.

Mavi's HR processes are developed and conducted by teams from Human Resources and Organizational Development, Talent Acquisition and Employment, Retail Human Resources and Administrative Affairs, all of which operate under the supervision of the Global Human Resources Directorate. An employee representative has not been appointed to handle employee relations, but all means of communication are available to all employees of the Company.

HR policies and practices are developed to comply with Mavi's business strategies and to support its sustainable growth. They are defined by the organizational competency and behavioural pattern ("Mavi Competence Model") and are managed accordingly.

Mavi's HR principles consist of the following:

- To recruit both young employees who have the potential to carry Mavi forward, and experienced professionals
- To establish and maintain systems that enable employees to advance, develop, succeed and move forward
- To invest constantly in the development of Mavi employees, to determine their training needs and to prepare and implement relevant training programs
- To ensure Mavi employees perform tasks compatible with their particular knowledge and skills, to establish regulations that improve labour efficiency and productivity
- To nurture employees' loyalty to the Company through career opportunities and reward mechanisms
- To create and maintain a safe, healthy and peaceful working environment in accord with Environment and Occupational Health and Safety

- To cater for employee needs for new positions by seeking to fill vacant positions with existing employees to the extent possible
- To recruit the most appropriate candidates by taking into account both the Company's current and future needs, to offer equal opportunities to the candidates, and to maintain cultural diversity.

The Company has written policies and procedures relating to all Human Resources processes; including employees' job descriptions, and performance and reward criteria. These documents are available on Maviletişim, which is a portal accessible to all employees. Employees are provided with periodical briefings via the Company's email system and intranet platform.

All employees are treated equally and free of discrimination on grounds of ethnic background, language, religion, race or gender across all human resources processes, including recruitment, training and development, performance and talent management, career management, and remuneration. The Company received no complaints of discrimination from employees in 2017.

4.4. Rules of Ethics and Social Responsibility

Mavi communicates its understanding of ethics under the Code of Conduct, 'Us and Our Principles in Mavi' (*Mavi'de Biz ve İlkelerimiz*), which is available to all stakeholders via the Company's corporate website and its intranet. If Mavi employees witness unethical conduct at work, they may submit an anonymous complaint via the dedicated Ethics Line. Mavi's customers, suppliers, and other stakeholders or groups may submit complaints of unlawful or unethical practices to the Ethics Board via telephone or email.

Mavi's Ethics Board is charged with investigating and resolving complaints of and notifications about ethics violations. The Ethics Board consists of three permanent and two substitute members and it operates under the supervision of the CEO. The Ethics Board's chairperson and members perform their duties independently from the hierarchy within their own departments and departmental managers, and free of external influence. The Ethics Board shall not be exposed to pressure from anyone and its decisions are implemented promptly.

Through social responsibility events inspired by youth, Mavi aims to create sustainable social benefit and empower young people. The Company is engaged in various social responsibility projects, including the following:

- Supporting the Ecological Research Association's (*Ekolojik Araştırmalar Derneği, EKAD*) Indigo Turtles project, assisting the preservation of sea turtles facing extinction, from 2014
- Granting scholarships annually to female students, the number of which equals the age of the Company. In 2017, 27 students received grants under the Mavi Scholarship project and they shall receive support throughout their university education
- Participating in the United Brands Association's (*Birleşmiş Markalar Derneği*) project, Turkey's Children Dressed by Turkey's Brands, which supports the provision of clothing to thousands of students each year.

5. Board Of Directors

5.1 Board of Directors' Structure and Composition

The duties and responsibilities of Mavi's Board members are clearly set forth in the Company's Articles of Association. The Board of Directors principally defines the Company's strategic targets, determines the personnel and financial resources the Company requires, and supervises the performance of the management.

The Board of Directors consists of two types of members: executive members and non-executive members. Non-executive members, free of any other administrative duties at the Company, shall constitute the majority of Board members.

Mavi is managed and represented by a Board of Directors consisting of six members. Half of Mavi's Board members are elected from among candidates proposed by the Class-A shareholders. The Chairperson of the Board of Directors is elected from among those Board members proposed by Class-A shareholders.

A sufficient number of independent members are appointed to the Board of Directors by the General Assembly, in line with the principles concerning independence of the members of Boards of Directors, as set forth in the CMB's Corporate Governance Principles. These independent members must possess the qualifications sought under the CMB's Corporate Governance Principles. CMB regulations also govern the terms of office of the independent members of the Board of Directors. During 2017, no circumstances that would impair the independence of the independent members occurred.

Currently, only one woman sits on Mavi's Board of Directors. The Corporate Governance Committee has recommended to the Board of Directors increasing the number of female Board members and work is progressing on this matter.

The curricula vitae of the Board members are included in the 2017 Annual Report under the section headed 'Board of Directors' and they are publicly available on the Company's website.

In Mavi, the positions of the Chairperson of the Board of Directors and the CEO are assumed by separate people. While Board members are required to pay sufficient time to the Company's affairs, there is no restriction on their duties outside of the Company. Considering the significant contribution Board members make to Mavi's Board of Directors with their professional and sector specific experience, imposing restrictions on their external duties is not deemed necessary. Prior to each General Assembly, the curricula vitae of the Board members and their duties external to the Company are submitted for the attention of shareholders.