



ANNEX – 1 PRINCIPLES OF OPERATION OF THE AUDIT COMMITTEE

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Article 1: Scope and Legal Basis

These principles of operation (“**Principles of Operation**”) set forth the scope of duty and principles of operation applicable to the Audit Committee (the “**Committee**”) of the Board of Directors of Mavi Giyim Sanayi ve Ticaret Anonim Şirketi (the “**Company**”).

The Committee has been established pursuant to the resolution of the Company’s Board of Directors (the “**Board of Directors**”) in accordance with the relevant provisions of the Capital Markets Law No. 6362, the Turkish Commercial Code No. 6201 (the “**TCC**”), and the regulations of the Capital Markets Board of the Prime Ministry of the Republic of Turkey (the “**CMB**”), including the “Corporate Governance **Communiqué** No. II-17.1 (the “**Communiqué**”) and the Corporate Governance Principles attached thereto (the “**CGP**”), and the Articles of Association of the Company (the “**Articles of Association**”).

Article 2: Definitions

“**Balance Sheet**” means the balance sheet included in the financial tables.

“**Ethical Rules**” means the ethical rules of the Company.

“**General Assembly**” means the general assembly of the Company.

“**Related Party Transaction(s)**” has the meaning ascribed thereto in the **Communiqué**.

“**Principles Regarding Related Party Transactions**” means the principles adopted by the Board of Directors pursuant to the Board resolution dated 13.04.2017 No.15.

“**Profit and loss Statement**” means the profit and loss statement included in the financial tables.

“**Continuous Related Party Transactions**” refers to the Related Party Transactions constantly conducted by the Company within the scope of its activities.

“**Non-continuous Related Party Transactions**” refers to one-off Related Party Transactions, which are not constantly conducted by the Company within the scope of its activities.

Article 3: Purpose

The main purpose of the Committee is to monitor the accounting system and practices of the Company, public disclosure of the financial information regarding the Company, the conduct and efficiency of the Company’s internal and external audit, and the compliance of the Company with the applicable legislation and the corporate Ethical Rules. The Committee also carries out the duties imposed on it

under the Articles of Association and the **Communiqué**. Within this framework, the Committee performs the duties and functions specified in the Principles of Operation.

By virtue of the monitoring function it performs and the advice it provides in relation to the Company practices, the Committee aims to achieve a constant improvement in the Company's level of compliance with the applicable legislation and the internal regulations, and to enhance the transparency, accountability, fairness, predictability and efficiency within the Company.

The Committee is also responsible for the following:

- i. Subject to the approval of the Board of Directors, appointment of the independent audit firm, and monitoring of the independent audit process and the conduct of activities by the auditor;
- ii. Submitting its written evaluation to the Board of Directors in order to ensure the accuracy of the interim and annual reports of the Company and the accounting procedures;
- iii. Monitoring of the Company's compliance with the Principles Regarding Related Party Transactions and performance of the responsibilities imposed on it within the scope of such principles, and in particular, fulfilment of the duties and responsibilities stated in Article 8 of these principles;

Article 4: Establishment and Members

The Committee shall consist of at least two members, who shall be elected from among the independent members of the Board of Directors.

At least one of the Committee members must have minimum of five years of experience in the fields of audit/accounting and finance.

The members of the Committee are annually appointed by the Board of Directors latest during the first Board of Directors meeting to be held following the Company's annual general assembly. The Board members who have completed their term of duty may be appointed to serve again.

Article 5: Meetings

The Committee shall convene and take decisions with the simple majority of its members. Provided to have unanimous vote, the members may also take decisions without holding a meeting.

Except for the urgent meetings held by the Committee in accordance with the Principles Regarding Related Party Transactions, the Committee shall convene at least four times a year, holding a minimum of one meeting per quarter. To the extent practically possible, the timing of the Committee meetings shall be synchronized with the meetings of the Board of Directors, and held prior to each Board meeting that is scheduled, at the Company's headquarters or at such other location where the Committee members might be located.

All activities of the Committee shall be put in writing, their records shall be duly kept and the Committee shall report to the Board of Directors, which reporting shall be inclusive of the activities of the Committee and information on the results of the Committee meetings. The Committee shall promptly notify the Board in writing of its findings and recommendations that are related to the Committee's

duties and responsibilities. The minutes of the Committee meetings shall be approved by the Committee members and shall be kept together with the Committee decisions.

Unless invited by the chairperson of the Committee, no person other than the Committee members may attend the Committee meetings.

Article 6: Monitoring of Reports, Documents and Financial Data

The annual and interim financial tables of the Company (including the footnotes) that are to be disclosed to the public shall be evaluated by the Committee to monitor whether or not they comply with the accounting principles applied by the Company and are true and accurate, by consulting the responsible managers and independent external auditor as well, upon which the Committee shall report to the Board of Directors in writing, together with the Committee's own opinion. In addition to the foregoing, the Committee shall review the other reports or financial information submitted or disclosed to the administrative authorities or public (except for the information derived from the financial tables reviewed and approved by the Committee) in accordance with the principles stated above.

Article 7: Independent Audit

Election of the independent audit firm, preparation of the independent audit agreements and initiation of the independent audit process, and all activities of the independent audit firm at each and every stage shall be carried out under the supervision of the Committee.

The independent audit firm to be contracted by the Company and the services to be obtained from such firm shall be determined by the Committee and submitted to the approval of the Board of Directors, in order to be eventually submitted to the Company's shareholders. The Committee shall obtain from the independent external auditor a written statement confirming that they indeed act independently when performing the independent audits, and to the extent any factors which might prejudice the independence of the external auditor exists prior to the recommendation of the external auditor to the Board of Directors, the Committee shall report to the Board of Directors its analysis of such factors.

The Committee may also invite the independent external auditor to its meetings in order to discuss the independent external auditor's evaluation of the financial tables and to receive information on the activities of the independent external auditor.

The Committee monitors the independent external audit firm to ensure that it shares with the Committee the significant matters relating to the accounting policies and practices of the Company, the alternative practices and public disclosures in line with the accounting standards and accounting principles previously communicated to the Company, the potential consequences thereof and the recommended course of action, and the significant correspondence between the Company's management and the independent audit firm.

The Committee shall take into account the restrictions under the applicable legislation regarding the appointment of the independent external auditor repeatedly.

Article 8: Duties Regarding Related Party Transactions

Organizing extraordinary meetings to discuss the terms and conditions of each Non-continuous Related Party Transaction, the value of which exceeds 1% of the Company's gross profits in the Profit and Loss Statement for the previous year, or the total assets of the Company as per the Balance sheet for the previous year, and submitting a report to the Board of Directors for each Non-continuous Related Party Transaction that exceeds the aforementioned thresholds.

On occasions where the Communiqué or other relevant rules or regulations require the preparation of an independent valuation report, the Committee shall ensure that such independent valuation report is obtained, and the references to the independent valuation report are included in the report of the Committee.

During the meetings to be held by the Committee following the announcement of the relevant quarterly financial tables, the Committee shall review the Related Party Transactions within the scope of the Continuous Related Party Transactions, the annual approval of which have been granted for the relevant period (in other words, as per the Board Resolution of a general nature). Following its annual review of the Related Party Transactions, the Committee shall submit a report to the Board of Directors, which shall later on be included in the annual activity report of the Company.

Article 9: Internal Control System

The Committee shall communicate its opinions and recommendations relating to the internal control system, also taking into account the submissions of the senior management of the Company and the independent external auditor.

The Committee shall ensure that all kinds of measures necessary to ensure the transparent and sufficient performance of both the internal audit and the independent external audit are duly taken. The Committee is further responsible for taking the necessary measures to ensure that the officers in charge of signing the financial tables and annual reports have access to the material information regarding the Company as well as the subsidiaries, affiliates and entities under common control with the Company, which are covered by the financial tables. The officers in charge of signing the aforementioned are required to notify the Board of Directors, the Committee and the independent external audit firm of their criticism and recommendations regarding the Company's internal control and the system through which they have gained access to information, and to submit information in relation to the internal control system employed by them when reviewing the annual report.

Article 10: Compliance with the Legislation and the Ethical Rules

The Committee shall prepare, review and regularly revise the Ethical Rules of the Company. Whether or not the Company's senior management has established the system necessary for ensuring compliance with such Ethical Rules shall be monitored by the Committee.

The Committee shall further monitor the compliance of the Company's senior management with the Ethical Rules.

In relation to the communication of the financial tables, reports and other financial information to be transmitted to the administrative authorities and the public, the Committee shall evaluate whether or not a sufficient and thorough system is in place, which also fulfils the applicable legal requirements.

The Committee monitors compliance with the internal regulations aimed at preventing potential conflicts of interest between the members of the Board of Directors, the senior management and other related parties, and the abuse of information which constitutes commercial secrets or could influence the value of the Company's shares.

If deemed necessary, the Committee shall, together with the independent external auditor, investigate the violation of the rules set forth herein by the officers performing material duties in the Company's accounting or internal control systems, and shares its findings and recommendations on the matter with the Board of Directors.

The Committee shall, together with the legal advisors, monitor the compliance with law within the Company, including compliance in relation to the policies applicable to the purchase and sale of securities.

The Committee shall, together with the legal advisors, evaluate the legal disputes which may have a material effect on the financial tables.

The Committee shall evaluate the efficiency of the risk management system operated within the Company, and for such purpose, share information and cooperate with the other committees established by the Board of Directors.

Article 11: Other Responsibilities

The Committee shall determine the methods and criteria applicable to the review of the complaints received by the Company in relation to the accounting and internal control system and the independent audit, resolving of such complaints, and, subject to the principles of confidentiality, the evaluation of the submissions and declarations of the Company's employees on the accounting and independent audit related matters.

The Committee shall establish the mechanisms necessary to communicate to the Company the Complaints received by the Committee from the persons who hold interests, which are related to the Company's actions that violate the law or are unethical. The Committee has full authority to conduct investigations relating to such investigations.

Upon being required by the Board of Directors, the Committee shall also assume other duties and responsibilities, which would be considered to remain within the scope of its duties.

The Committee shall ensure that the Board of Directors is sufficiently informed of the matters that fall within the scope of the Committee's duties and responsibilities. The decisions of the Committee constitute recommendations to the Board of Directors, and the activities and recommendations of the Committee do not release the members of the Board of Directors from their liability stemming from the TCC.

In accordance with the legislation in effect, the Board of Directors is responsible for the preparation and submission of the financial tables and reports in accordance with the financial reporting standards and for ensuring that they are true and accurate.

Article 12: Access to Resources and Information

The Board of Directors shall provide the resources and support necessary for the fulfilment of the Committee's duties and responsibilities.

The Committee may, in relation to the matters investigated by it or if it deems necessary, require information from the managers and employees of the Company (in confidence, if necessary), and may invite the relevant persons to the Committee meetings.

If needed in relation to the Committee's activities, the Committee may refer the matters in question to independent consultants for their opinion. The costs of the consultancy services required by the Committee shall be paid by the Company.

Article 13: Amendments

Amendments to the Principles of Operation of the Audit Committee are subject to the approval of the General Assembly.