



SUSTAINABILITY REPORT

2014/2015



 **DeFacto**
Sustainability
Report
2014/2015



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THE FOUNDATION OF OUR APPROACH TO SUSTAINABILITY CONSISTS OF MANAGEMENT OF THE ENVIRONMENTAL, SOCIAL AND ECONOMIC IMPACT OF OUR ACTIVITIES AND OUR PRODUCTS AND SERVICES IN AN EQUILIBRIUM THEREBY CREATING VALUE FOR OUR STAKEHOLDERS

ABOUT THIS REPORT

This is our first comprehensive Sustainability Report covering our environmental, social, ethical and economic commitments, practices and performance between 1 January 2014 and 31 December 2014 as well as major practices we carried into effect in 2015. The contents of the report was developed in accordance with our corporate priorities and the expectations of our employees, suppliers, clients and the society, in compliance with the G4 “core” option of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

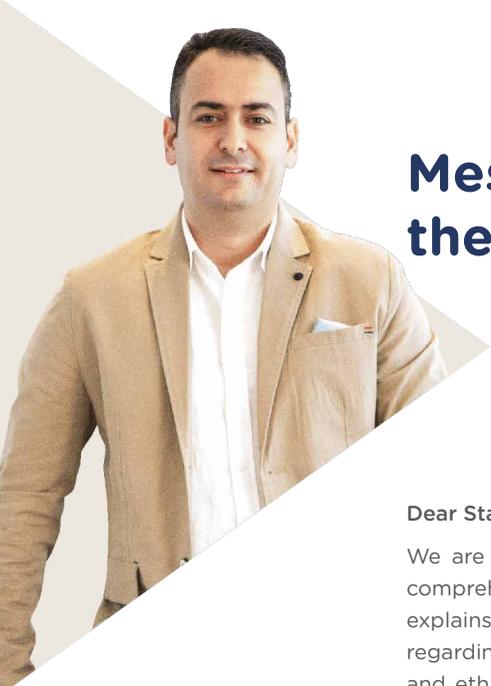
The terms “DeFacto”, “us” and “our company” as used herein refer to DeFacto Perakende Ticaret A.Ş. the detailed boundaries of which are explained in section “Reporting Guidelines.” Even though our practices described herein with regard to ethics, environment and occupational health and safety pertain to all retailing activities, the performance data belongs to the head-

quarters, stores and warehouses located in Turkey, unless otherwise indicated. We also included the performance data of our stores in Kazakhstan as much as obtainable.

This report is also the second Communication on Progress Report prepared in accordance with our participation to the United Nations Global Compact, the world’s largest corporate sustainability initiative for private sector to align strategies and operations with universal principles and to take actions that advance societal goals.

We aim to publish our second comprehensive Sustainability Report in June 2017 which shall include a detailed account of our activities and the results thereof in terms of the goals and commitments set in the first report. Please contact us at sustainability@defacto.com.tr for any suggestions, comments or questions about our sustainability performance and practices.





Message from the President

Dear Stakeholders,

We are happy to share with you our first comprehensive Sustainability Report which explains our performance and practices regarding social, environmental, economic and ethical matters from the beginning of 2014 to mid-2015, and was prepared on the basis of the GRI G4 Sustainability Reporting Guidelines widely accepted in the world as an international reporting standard.

With an awareness of its responsibility towards our stakeholders, we executed the United Nations Global Compact (UNGC) in 2014. UNGC is a global initiative encouraging private sector establishments to operate in compliance with 10 basic principles based on universally accepted treaties. By becoming a signatory to this voluntary initiative, we have made a start on fulfilling our commitment to be one of the leading organizations in our industry in the matter of sustainability.

While determining the content of our report, in addition to the GRI Guidelines, we also took into consideration the four elements of the UNGC (labor, human rights, environment, anti-corruption) and the 10 related principles. We prepared and published this report also as a communication on progress in the framework of our commitment to the UNGC.

ECONOMIC

We plan to open 80 new stores in 2015 thereby continuing with our rapid growth which has been going on since our establishment. We have initiated a comprehensive organizational transformation in order to build flexible and efficient business units structured according to the needs of all locations in compliance with our domestic and foreign growth targets and to customize our existing structures to this strategic point of view. This activity has started in 2015 and shall continue throughout 2016.

SOCIAL

We established the DeFacto Happiness Ambassadors Group at the beginning of 2015 in order to develop and carry out projects for creating social benefits and awareness with the aim of enhancing employee loyalty, belonging and personal competence. This group, in which our employees may participate on a voluntary basis, develops volunteerism and awareness projects through cooperation with the leading non-governmental organizations of Turkey. By September 2015, 130 employees volunteered in seven projects dedicating 326 working hours and 34 out-of-work hours in total.

Considering that about 48% of our employees are women, we executed the United Nations Women's Empowerment Principles (WEP) at the beginning of 2015 in order to strengthen the participation of women employees in business life. In the scope of this commitment, we developed and submitted to our employees the "Happy Women Movement" involving practices such as extra three months of unpaid maternity leave. In the coming term, we shall continue with such activities towards our female employees in an expanded scope.

ENVIRONMENT

In 2014, we prepared our first ecological products consisting of products involving fibers made up of recycled material and organic cotton, and we added the category "ecological line" to our 2014 Autumn/Winter collection. We shall see to it that these products with lower environmental impact are constantly available in our stores in 2016.

ETHICS

With respect to ethics which is another dimension of sustainability, we conducted comprehensive activities in 2014: We published the DeFacto Ethics Values and established the DeFacto Independent Ethics Line. We prepared posters in the languages of all countries we are active in for the aim of informing our employees about the Ethics Line and updated the country managers in this regard. We enhanced awareness by ensuring that these posters are exhibited in our headquarters and foreign central offices as well as common areas in all warehouses and stores open to the use of the employees only. We plan to renew and continue with this activity in 2016.

RESPONSIBILITY IN THE SUPPLY CHAIN

We place much importance on the matters of human rights, labor practices, occupational health and safety, environment and anti-corruption in not only our own activities but also our supply chain. We determined the minimum standards in these matters in our DeFacto Supplier Code of Conduct and shared it with all ready-to-wear apparel suppliers. As of 2014, all main suppliers abroad have been subject to social compliance audits run by third parties. Further, as of 2015, our suppliers operating in Turkey were also included thereby making social compliance audits obligatory for all our main suppliers. Through these audits and our support, we aim to improve the sustainability performances of our suppliers yearly.

I thank all DeFacto employees who took part in the preparation of this report which was published as a result of extensive work in the context of "transparency" and "accountability" principles that form the basis of sustainability.

We shall continue to improve our sustainability management processes and performance with the help of the opinions, suggestions and comments of our stakeholders. Accordingly, we will be pleased to receive your feedback about the content of this report and our practices on sustainability.

Şahin Demir

Product Group President,
Member of the Executive Board





DeFacto Profile



About DeFacto

DeFacto was established in 2003 and started retailing operations with the first store opened in 2004. Since the day it was established, DeFacto has been carrying out its investments with the vision of becoming a global brand and has become a success story thanks to the correct business model it adopted. The company has grown at an average of 49% annually reaching a turnover of TRY 1,180 million in 2014 and aiming to close year 2015 with a turnover of TRY 1,631 million. DeFacto has become one of the leading brands in the Turkish ready-to-wear apparel and fashion industry only within 11 years.

As of September 2015, DeFacto has been providing services through 281 domestic and 50 foreign stores, progressing rapidly on its way to become a global brand. In addition to physical stores, an e-commerce website at the address www.defacto.com.tr was also opened in consideration of the developing technology and changing consumer needs. The company considers e-commerce as one of its strategic priorities and key areas of investment.

DeFacto has become the first Turkish brand in Omnichannel with the widest network where all communication and sales channels are operated in an integrated way through high technology. In its global pathway, the company determined the following goals for the next decade: In 2025, becoming a fashion brand that operates in 50 countries through physical stores and in 100 countries through e-commerce website.

DeFacto has succeeded in becoming the first brand that comes to mind about “accessible fashion” since the day it was founded, and provides its collections to those who wish to look stylish and modern in any occasion with affordable prices. During the branding process, it was determined through the surveys conducted regarding the expectations and needs of the target consumer group, that the motto that explains DeFacto the best as a brand with the ability to provide stylishness in any occasion is “accessible fashion.” Warmth, sincerity and style are the three benchmarks of the DeFacto culture. .

THE MOTTO THAT EXPLAINS DEFACTO THE BEST IS **ACCESSIBLE FASHION**. WARMTH, SINCERITY AND STYLE ARE THE THREE BENCHMARKS OF THE DEFACTO CULTURE.

**277 DOMESTIC STORES IN 63
CITIES IN TURKEY
35 FOREIGN STORES
IN 9 COUNTRIES**



Vision, Mission and Values

OUR VISION

We will be a global fashion brand creating a “Wow!” effect.

OUR MISSION

We make luxury accessible to create happiness.

OUR VALUES

- ▶ We think different, run hard
- ▶ We stay close to our customers
- ▶ We achieve more with less
- ▶ We proceed shoulder to shoulder and work with passion
- ▶ We care about the environment and humans

2014 - DeFacto in Figures



1,180 billion TRY
Turnover

146 million TRY
Operating profit

50 milyon TRY
Equity capital

12,8 milyon TRY
Accrued tax
Istanbul'daki vergi mükellefleri listesinde 35. sırada



36 million
Number of products sold annually

60
Number of new products entered into stores daily



2nd biggest brand
in the ready-to-wear apparel industry



172.000 m²
Sales area

217 million
Number of annual visitors to the stores

57
Number of stores opened in 2014



5
Number of countries with stores

238
Number of domestic stores

20
Number of foreign stores

5.932
Number of employees

111
Number of ready-to-wear apparel suppliers

Not: Bu veriler 31 Aralık 2014 yılı itibarıyla geçerli olan verilerdir.

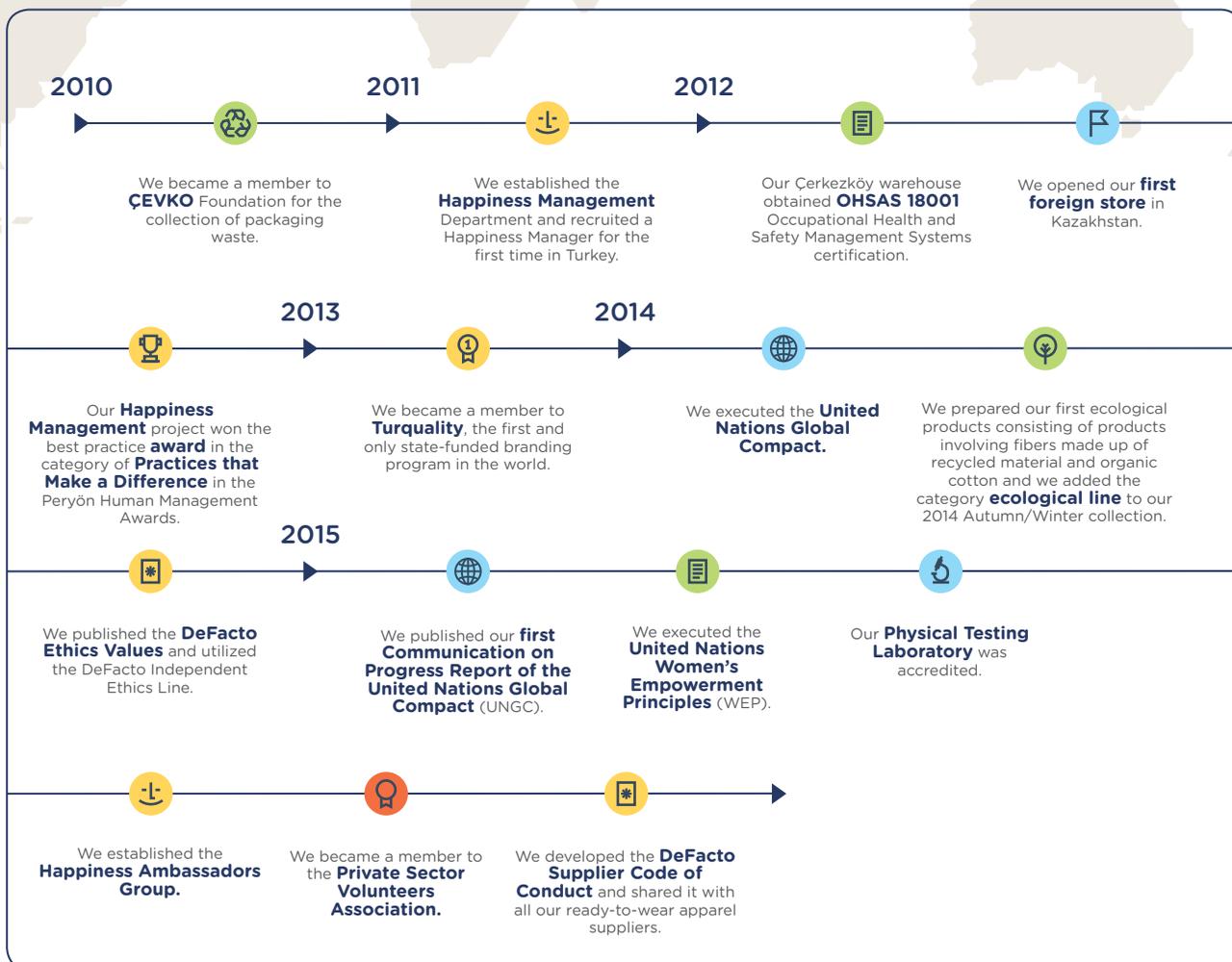
Operations Map

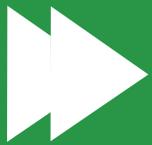
Belarus 1 
 Turkey 238 
 Egypt 2 
 Iraq 5 
 Kazakhstan 12 



In 2015
 Albania, Kosovo,
 Morocco, Georgia,
 Russia

Milestones in Sustainability





Our Approach to Sustainability

HIGHLIGHTS FROM 2014-2015



We became a signatory to the UNGC in 2014 and published our first UNGC Communication on Progress Report on January 2015.



We executed the United Nations Women's Empowerment Principles (WEP).



We conducted a reputation research by including different stakeholder groups.

Our Approach

The foundation of our approach to sustainability consists of management of the environmental, social and economic impact of our activities and our products and services in an equilibrium thereby creating value for our stakeholders. In other words, while we reduce our environmental and social impact, we also take care of criteria such as resource saving and employee satisfaction. In this way, we take as priority the practices that will create value for our company as well as key stakeholders including the natural environment. We determine areas of strategic priority and develop policies and systems accordingly that will manage our impact and monitor the outcome of our practices through performance indicators.

Our sustainability strategy developed in the framework of our approach to sustainability has two focus points, namely the environment and humans. We strive to reduce the negative impact of not only our own operations but also those of our suppliers on the environment and humans to a minimum. Further, compliance with laws and regulations in the countries we operate in and ethical implementations are also included in the important issues we manage in relation to our own operations as well as our suppliers'.

The four main topics of the United Nations Global Compact (UNGCC) to which we are a signatory, i.e. "human rights, labor, environment and ethics" overlap with the basic implementation areas of our approach to sustainability. Additionally, our corporate strategic focus areas are in parallel to our approach to sustainability.

Our corporate strategic focus areas include "enhancing customer satisfaction," "becoming the most preferred business partner for all our stakeholders" and "operational excellence" which are directly related to sustainability. In the scope of becoming the most preferred business partner for all our stakeholders, we plan to improve our implementations in the following areas:

- **Developing strategic cooperation with suppliers**
- **Enhancing supplier satisfaction**
- **Becoming a more transparent and responsible institution**

WE DEAL WITH OUR ENVIRONMENTAL AND SOCIAL IMPACT IN A WAY TO INVOLVE NOT ONLY OUR OWN ACTIVITIES BUT ALSO THOSE OF OUR SUPPLIERS THAT WE WORK IN CLOSE COOPERATION WITH AND EVEN OUR CUSTOMERS WHO USE OUR PRODUCTS.

FOCUS OF DEFACTO SUSTAINABILITY STRATEGY



Environment

- Reducing operational environmental impact
- Reducing environmental impact of products



Humans

- Respect for human rights in the supply chain
- Occupational health and safety
- Product safety
- Diversity and equal opportunity in the workplace
- Employee volunteerism

Sustainability Management

The integration of our environmental, social, economic and ethical responsibilities to corporate strategies are realized under the leadership of our corporate senior management whereas the reflection of these strategies to our daily activities are realized by the participation of all our employees.

The Corporate Governance Committee comprising of DeFacto Executive Board members is responsible for the final performance of our company in environmental, social and ethical issues. Product Management Group President is responsible for sustainability practices and their monitoring. Different departments take part in the development and implementation of sustainability practices. Sourcing and Buying Departments under the Product Management Group; Marketing, Operation and Construction and Technical Services Departments under the Retail Group; and Human Resources and Logistics Departments under the Finance Group take part in the management of operational and product-related environmental and social impacts. Key performance data is reported to the Executive Board.

Departments of Administrative Affairs, Construction and Technical Services, Operation and Logistics are responsible for the management of environmental and OHS factors in working areas which are classified as headquarters, stores and warehouses in Turkey. Foreign Operations Department handles the management of these matters at foreign stores. Those implementations that concern our employees are managed by our Human Resources (HR) Department whereas matters of corporate governance and work ethics are handled in cooperation with Internal Audit and HR. It is among the duties and responsibilities of the Sourcing and Buying Departments to manage the environmental and social impact of the products throughout the process from design to display of the products in the stores.

OUR PROSPECTIVE GOALS

Within the scope of our sustainability reporting activity, on the one hand we evaluated our past implementations and the performance we achieved, on the other hand we determined our material areas for the future. In the framework of this study, we mapped the actions of different departments of our company in order to improve our implementations and performance. We aim to carry these actions into effect in 2015 and 2016 and improve our sustainability performance a step further. Moreover,

in order to contribute to the management and reporting of sustainability components in a more integrated way, we established a Sustainability Working Group within DeFacto. As of 2016, the Working Group, which we foresee will develop proposals about sustainability and build action plans to put the important and material ones into action, will get together regularly under the leadership of the Production Management Group President.

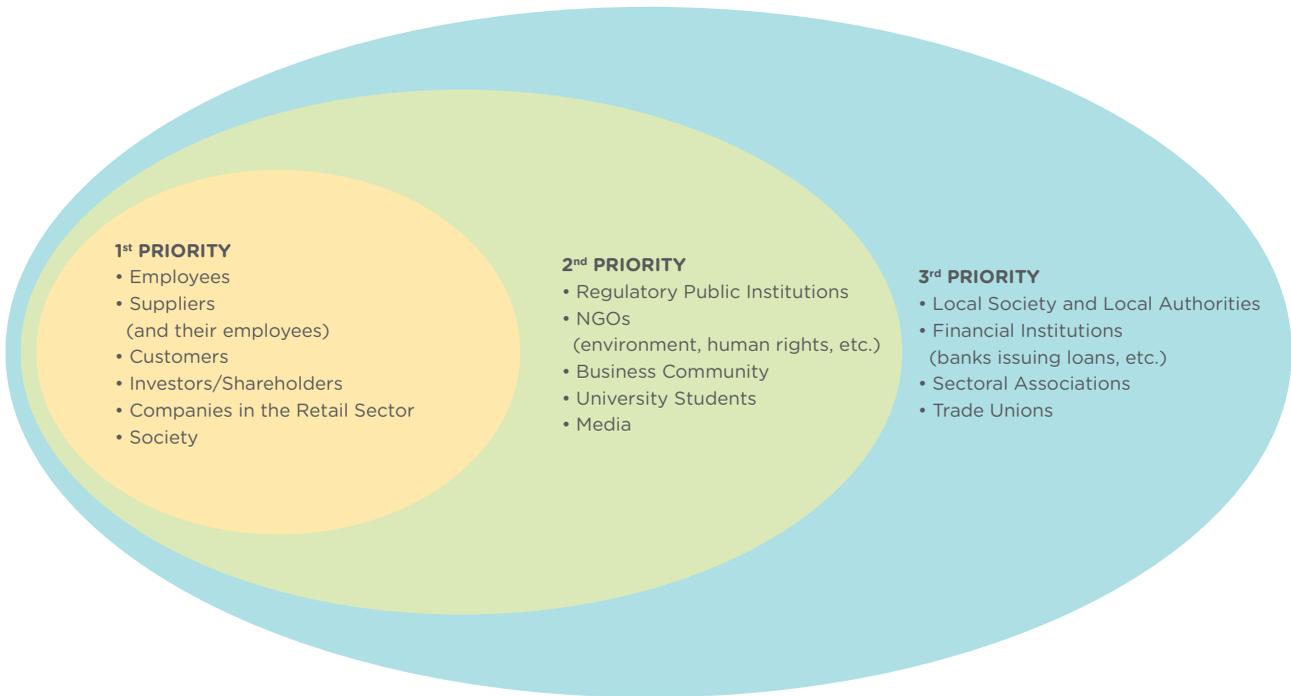


WITHIN THE SCOPE OF OUR SUSTAINABILITY REPORTING ACTIVITY, ON THE ONE HAND WE EVALUATED OUR PAST IMPLEMENTATIONS AND THE PERFORMANCE WE ACHIEVED, ON THE OTHER HAND WE DETERMINED OUR MATERIAL AREAS FOR THE FUTURE.

Stakeholder Engagement (G4-25)

Those institutions and organizations, persons and communities which influence and are influenced by the activities of our company constitute our stakeholders. We organized a workshop called “Stakeholder Analysis and Materiality” at the beginning of the reporting process with the participation of senior and mid-level managers representing different departments in order to determine our main stakeholders and

important and material sustainability topics. Upon the assessment conducted in the workshop, employees, suppliers, customers, shareholders, companies in the retail sector and the society were determined as the stakeholders which we influence the most and influence us the most. The second and third priority stakeholders with respect to sustainability are listed in the table below.



Stakeholder Engagement Platforms (G4-24, G4-26, G4-27)

We use various engagement platforms in order to find out about the expectations of our stakeholders such as customers, suppliers and employees from our company in matters related to sustainability and keep them informed in this regard. The information as to the communication platforms we use in order to keep in touch with our material stakeholders is provided in the table below.

In addition to the below, we communicate with the business community and other companies active in the retail sector in various platforms, with university students in career days, with the media through interviews and press releases and in general through social media.

Material Stakeholders	Stakeholder Engagement Platform	Content/Implementation	Engagement Period
 <p>Suppliers</p>	Supplier assessments	It is a part of the environmental and social compliance assessment in the supplier selection process. We determine the areas that require improvement and share the results with our suppliers and together determine the actions that will improve their performance.	Social compliance assessment is applied in the selection of all suppliers to be newly worked with and subsequently semi-annually.
	Trainings for suppliers	We provide trainings to our suppliers in order to inform them on the standards internally implemented or updated on matters such as product responsibility, etc.	Provided when necessary.
	Supplier events and awards	We organize events in order to inform our suppliers about the developments in DeFacto, and give quality and innovation awards.	Organized annually.
	Supplier satisfaction surveys	We determine improvement areas in order to measure the satisfaction level of our suppliers and develop long-term cooperation.	Performed regularly semi-annually.
 <p>Customers</p>	Customer satisfaction follow-up	We organize focus group meetings in order to assess the expectations and feedback of our customers regarding our products.	Carried out regularly for different product groups.
	Grievance and complaint management system	Our customers can communicate to us their wishes and complaints about our products and services through our call center or corporate website. Further, we answer wishes and requests transmitted through social media (Twitter, Instagram and Facebook).	Necessary actions are taken regarding the wishes, requests and complaints communicated, and feedback is provided.
	Customer experience survey	We conduct surveys for assessing the experience of the customers from the moment they enter our stores until they leave our premises.	Carried out in pilot stores at regular intervals.

Material Stakeholders	Stakeholder Engagement Platform	Content/Implementation	Engagement Period
 Employees	Employee satisfaction survey	We conduct surveys measuring the loyalty, satisfaction and motivation of our employees.	Performed annually.
	Departube	A platform where we share our e-training modules with store employees.	Updated in accordance with training plans.
	Depar TV	We prepare video newsletters and share them with our employees in order to communicate corporate developments.	Updated monthly.
	Newsletter	We publish internal communication newsletters for our employees in order to enable internal communication.	We inform our employees constantly throughout the year.
	I'm all ears	We organize sharing meetings enabling employees to come together with senior management.	Organized quarterly.
	Platform for innovation proposals	We offer a communication platform for our employees to share their innovative ideas. The ideas communicated herein are assessed by the innovation team. The owners of the ideas which are put into effect are rewarded.	Continues throughout the year.
 Investors/ Shareholders	Meetings, informative correspondence	DeFacto being a private capital company, shareholders and investors are regularly informed on the financial, environmental and social performance of the company.	Continues regularly throughout the year.
 Society	Volunteerism activities	Our Happiness Ambassadors Group organizes volunteerism activities that will create social benefits in cooperation with NGOs.	Continues throughout the year with at least one event organized per month.

CORPORATE MEMBERSHIPS



REPUTATION RESEARCH

In 2014, we conducted a reputation perception research with the participation of our main stakeholders such as our suppliers, customers, employees, business community and university students. The research conducted by a third-party company consisted of face-to-face and telephone interviews with chosen stakeholder groups. The results of the study were analyzed under the following titles: general corporate perception, corporate perception based on criteria, improvement proposals, effectiveness of information sources, relationship success, social responsibility and reputation index. Our stakeholders provided us with the feedback that about social responsibility, we may primarily handle activities in the matters of “support for the protection of the environment and nature” and “support for education.”



Material Sustainability Issues (G4-18, G4-19, G4-20, G4-21)

The main content of our 2014 Sustainability Report was brought out during a workshop organized with the participation of senior and mid-level managers representing various departments. In this workshop titled “Stakeholder Analysis and Materialization” major issues of material importance about sustainability were defined. During this assessment, two basic criteria were taken as the basis: Is the issue in question 1) influences our corporate success and one we have environmental, social and economic impact on? 2) one which our stakeholders who are influenced by our activities the most and influence our corporate success the most care about and wish to be informed on? As a result of this workshop, we determined the important and material issues that would constitute the content of our report and generated the materialization matrix below.

The matters listed in the upper right corner of the graph below are our important and material issues. The management approach implemented with regard to these issues and the performance results achieved are handled in detail in the report. The issues important for our stakeholders are at the upper mid quadrant of the graph whereas issues with high impact on the DeFacto corporate success but with low importance for the stakeholders are placed at the lower right quadrant. Our management approach on these issues is handled in the related sections of the report.

In accordance with the GRI G4 Guidelines, we assessed all factors in terms of their internal and external (throughout our supply chain) impact. For example, issues handled in the scope of human rights including child labor and issues such as water consumption and waste water management are important issues for our stakeholders. We highlighted the important issues outside of the corporate borders of DeFacto in red in the graph below and provided detailed information in these issues in the related sections of the report.

WHILE DEVELOPING THE CONTENT OF OUR SUSTAINABILITY REPORT, WE TOOK INTO CONSIDERATION THE **REPORTING PRINCIPLES FOR DEFINING REPORT CONTENT** OF THE GRI G4 GUIDELINES. IN THIS REGARD, WE EVALUATED THE GRI G4 COMPONENTS IN THE FRAMEWORK OF OUR CORPORATE PRIORITIES AND THE EXPECTATIONS OF OUR STAKEHOLDERS.



Corporate Governance and Ethics



HIGHLIGHTS FROM 2014-2015



We published the DeFacto Ethics Values.



We established the DeFacto Independent Ethics Line.



We prepared posters in the languages of all countries we are active in for the aim of informing our employees about the Independent Ethics Line and updated the country managers in this regard.

Corporate Governance

The material issues handled in the framework of the corporate governance structure we have established in order to ensure the continuity and improvement of our corporate activities include compliance with laws and DeFacto Ethics Values, and risk management.

DEFACTO'S CORPORATE GOVERNANCE APPROACH IS BASED ON THE PRINCIPLES OF TRANSPARENCY AND ACCOUNTABILITY.

DeFacto being a private capital company, its corporate governance approach is based on the principles of transparency and accountability.

The DeFacto Executive Board consists of a total of five members. Under the DeFacto Executive Board, there is the Presidents' Team consisting of the presidents of the three groups. The Presidents' Team is appointed by the Executive Board and makes decisions within the framework predetermined on behalf of the Executive Board. The agenda is jointly determined and followed by the presidents. It provides recommendations and directions to the DeFacto senior management team in carrying out the operations, and monitors business results in accordance with the performance criteria defined. Daily operational matters are carried out by the senior management team that reports to the Presidents' Team.

The Corporate Governance Committee of the DeFacto Executive Board is responsible for the final performance of the company in environmental, social and ethical issues. Product Management Group President is responsible for sustainability practices and their monitoring. Different departments take part in the development and implementation of sustainability practices.

SUB-COMMITTEES OF THE EXECUTIVE BOARD

There are three committees active under the Executive Board which are the Supervisory Committee, Committee for the Early Detection of Risks and Corporate Governance Committee, the duties and responsibilities of which are explained below.

SUPERVISORY COMMITTEE

The Supervisory Committee is responsible for supervising, on behalf of the Executive Board, the effectiveness and adequacy of the internal control, risk management and internal audit systems, the operation of these systems together with accounting and reporting systems as well as the integrity of the information produced, thereby providing added value to the company. The committee evaluates the corporate needs arising from legal regulations and company procedures, and provides guidance in defining the risks and opportunities to be managed and proposing suitable solutions.

The Supervisory Committee consists of three members: Committee Chairman and two independent members. Chairman and members are appointed by the Executive Board. It convenes at least four times annually.

COMMITTEE FOR THE EARLY DETECTION OF RISKS

The Committee for the Early Detection of Risks is responsible for the management of the risks the company may be subject to due to its activities. The aim of the committee is to prepare the risk management strategy and policies to be adopted by the company and to submit them to the Executive Board for approval, diagnose probable threats that may endanger the existence, improvement and continuity of the company, enable the management of all kinds of risks arising from the defined threats in compliance with the corporate risk-taking profile of the company, supervise and evaluate that they are taken into consideration in the decision-making mechanisms and effective internal audit systems are formed accordingly, and monitor implementations in this regard.

At least one member when the committee consists of two members, and the majority of members when the committee consists of more than two members consist of those Executive Board members who are not responsible for execution, and chairman of the committee are elected among the independent Executive Board members. The committee convenes at least four times annually.

CORPORATE GOVERNANCE COMMITTEE

The main aims of the Corporate Governance Committee are classified under five main headings: 1) Adapting Corporate Governance Principles to DeFacto and ensuring that they are put into practice; 2) In accordance with the prospective strategies of DeFacto, ensuring that the Executive Board bears the right human resources composition having knowledge and competences that would maximize the performance of the company; 3) Creating and constantly improving internal processes regarding performance assessment, orientation and committee activities; 4) Determining Executive Board membership candidates and submitting them to the approval of the General Assembly; 5) Providing support to the Executive Board in the formation of remuneration and reward systems for members of the Executive Board and company senior management.

The Corporate Governance Committee consists of three members at least one of whom shall be an independent member. Chairman of the Board and members are appointed by the Executive Board. The committee convenes at least four times annually.

Risk Management

By means of the corporate risk management approach, DeFacto defines, evaluates and manages the threats and opportunities regarding uncertainties with a common corporate risk perception. Corporate risk management aims to create a reliable infrastructure for all decision-makers so that they can make the right decisions during the processes. By means of this infrastructure, it is aimed to run operations uninterruptedly and with minimum loss, achieve turnover and profitability stability, fulfill sustainable growth and social responsibilities and comply with legal regulations.

The Risk and Management Systems Directorate established in July 2015 works with the aim of providing a firm and sustainable structure for the institutionalization of DeFacto. In order that the issues of quality, customer satisfaction, information safety, business continuity and occupational health and safety are handled in a holistic approach, all management system processes regarding these issues are managed single-handedly by this Directorate.

Within 2015, we plan to form a corporate risk management policy and in parallel to this, carry out activities that would enhance awareness about corporate risk. In addition, within the same year, we shall lay the foundations for Corporate Risk Management software application so that the corporate risk indicators to be determined are continuously monitored through this software. As for our activities on management systems process development, we plan to build and implement our business continuity management system according to ISO 22301.

Ethics

WE ENCOURAGE AND SUPPORT OUR EMPLOYEES AND SUPPLIERS TO ACT ACCORDING TO ETHICAL VALUES AND INDIVIDUALS AND CORPORATIONS TO STAY LOYAL TO ETHICAL VALUES.

On our way to become a multi-national company, we do our best to conduct our business manners in compliance with universal values. We encourage and support our employees and suppliers to act according to ethical values and individuals and corporations to stay loyal to ethical values. In this regard, the DeFacto Rights and Obligations Document we prepared for employees and Supplier Code of Conduct prepared for suppliers are guiding. The DeFacto Rights and Obligations Document is the fundamental document involving the principles all employees must embrace in their relationships with each other, the company and suppliers.

The DeFacto Ethics Values prepared in 2014 was disclosed to all stakeholders through our website defactokurumsal.com and all suppliers through the “Code of Ethics.” We consider this Code of Ethics as a prerequisite for working with potential suppliers and expect that each new supplier executes it. Explanations with regard to the rules of conduct specified in the Ethics Values and penalties for inappropriate conduct are stated in the DeFacto Disciplinary Regulations shared with all employees.

Conduct or situations that are believed to be against the Ethics Values may be communicated anonymously through the DeFacto Independent Ethics Line, through telephone verbally or through the e-mail address defacto@etikhatti.com in written form. The DeFacto Independent Ethics Line run by an international audit firm is open to the use of all domestic or foreign employees and suppliers. Although it is allowed to remain anonymous, it is preferred that the identity of the notifying person is indicated, taking into consideration the possibility that the matter notified requires a thorough investigation or a detailed interview with the notifying person. Calls or e-mail messages are recorded by a specialized team which regularly reports the notices to the authorized persons in the Internal Audit unit and these notices are meticulously evaluated by the related personnel. Matters requiring investigation are transmitted to the DeFacto Ethics Committee whereas other matters (such as the assessment of

the matter outside of the scope of ethics violation) are transferred to the director of the related business unit. The employee who is determined to have acted against the Ethics Values shall be subject to various disciplinary penalties from warning to dismissal.

In 2014, in order to inform our employees about the Independent Ethics Line, we prepared posters in the languages of all countries we are active in for the aim of informing our employees about the Ethics Line and updated the country managers in this regard. We enhanced awareness by providing that these posters are exhibited in our headquarters and foreign central offices as well as common areas in all warehouses and stores open to the use of the employees only. We plan to renew and continue with this activity in 2015.

In 2016, we aim to revise the “DeFacto Rights and Legal Obligations” document and Disciplinary Regulations and publish them in the DeFacto intranet page for easy access of all employees. We plan to back all this updated information with various trainings, panels and computer applications in a way to enhance awareness about the DeFacto Independent Ethics Line. Further, we plan to share the Ethics Values and Disciplinary Regulations with each employee by signature and create computer applications and trainings regarding the promotion, scope and function of the Independent Ethics Line.

ETHICS VALUES

- ▶ Honesty requires doing the right thing in every situation. DeFacto employees maintain all their relationships on the basis of honesty.
- ▶ DeFacto strictly adheres to the laws of every country. Employees also conduct their business activities in the framework of laws.
- ▶ DeFacto pays attention to the private information of customers, employees and business partners in accordance with confidentiality.
- ▶ As a part of its commitment to the United Nations Global Conduct, DeFacto fully complies with universal principles on human rights, working conditions, environment and decent society.
- ▶ DeFacto employees stay away from potential or actual conflicts of interest that would influence their business activities.



Product Responsibility



HIGHLIGHTS FROM 2014-2015



We developed the DeFacto Supplier Code of Conduct and shared it with all our ready-to-wear apparel suppliers.



As a result of the Supplier Satisfaction Survey participated by 88% of our suppliers, 96% of our suppliers indicated that they were happy to work with DeFacto.



Our Physical Testing Laboratory was accredited.



Water-free products developed by a special production method saves us about 4,500 tons of water annually.



At the first half of 2015, we recovered about 40 tons of clips by producing fabrics from recycled fibers.



We produce one t-shirt by recycling 7.5 PET bottles.

Our Approach

In the retail sector which we are active in, a significant part of environmental and social impact is generated by our suppliers outside our operational borders. With the awareness of the fact that our responsibilities continue throughout the product chain, we make it a material issue to manage these impacts generated by our suppliers.

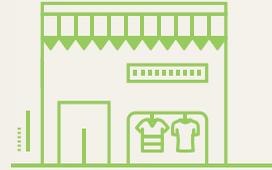
Our strategic focus areas defined throughout the product value chain include “enhancing customer satisfaction” and “becoming the most preferred business partner for all our stakeholders” the latter involving three aspects: developing strategic cooperation with suppliers, enhancing supplier satisfaction and becoming a more transparent and responsible corporation. Therefore, we handle our activities in the product value chain in accordance with these focus areas.

We consider our suppliers an inseparable part of our business thus provide the necessary infrastructure for their growth and improvement and support them in technical, environmental and social issues. For the aim of further strengthening our cooperation with our suppliers, we conduct supplier satisfaction surveys regularly and revise our processes and practices in the light of mutual expectations.

It is an important component of the management of supply chain to manage the probable impact of our products on the health of our customers with specific emphasis given on the safety of kids’ products. In this regard, we comply with the laws of Turkey and also take into consideration product standards implemented in European countries especially about kids’ products. Through regular customer satisfaction surveys and other communication platforms, we evaluate those practices that will enable our customers to be satisfied with our products and services, determine areas open for improvement and take action in this regard.

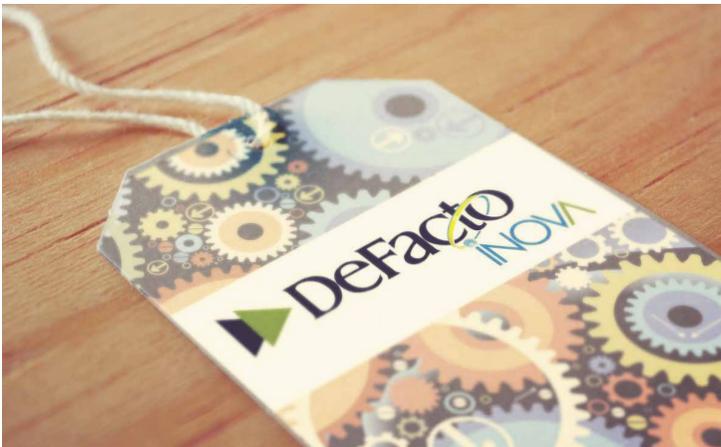
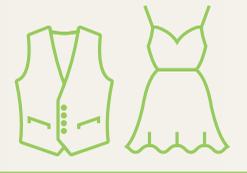
INNOVATIVE STORES

In 2015, we started building wheelchair accessible changing rooms in certain pilot stores which we now plan to utilize in all new stores within 2015. There are also applications for visually impaired citizens in various stores located at malls. These applications not only facilitate the lives of our consumers but also enhance the sensitivity of our store employees.



INNOVATIVE PRODUCTS

A young company open to innovation brings about the need for young employees and innovation in products that appeal to young people. At the beginning of 2014, in order to manage the internal innovation process more systematically, we established the DeFacto Inova Team. The team, active in three different lines, namely women, men and accessory product groups, gets together weekly accompanied by team leaders. In these meetings, new and creative ideas that come from store or headquarters employees or team members are assessed as to their feasibility. In addition, all innovation teams get together monthly under the leadership of the product manager in order to share new ideas and the performances of innovative products in the stores. For those innovative products that receive approval, a second stage begins which requires effort and investment, involving the commercialization and the product process planning of the ideas. Innovative products are offered to our customers in our stores with “DeFacto Inova” swing tags or in our website under heading “Inova.” All employees who have new products in their minds which they think will be popular can share their ideas by e-mail with the Inova Team. The owners of the ideas brought to life are rewarded.





EMPLOYEE OPINION

Ahmet Sönmez, Graphic Design Supervisor/Inova Team

How do you define DeFacto?

With its rapid growth, DeFacto provides constant improvement to employees in all aspects. Today, DeFacto is a huge company with stores in many countries and plans to expand further. It is very pleasant to be a part of such a company.

How do you define being a DeFacto employee?

First of all, this place is more like a second home to me rather than a workplace. We have great communication among colleagues and DeFacto genuinely encourages this. In addition, DeFacto is an unequalled firm for those with career goals. For example, I started as a graphic designer in 2009 and now I am the director of a department. This is an important sign that success is never ignored here.

What are the two main features that distinguish DeFacto from the other companies in Turkey and/or active in this field?

I think the greatest distinguishing feature of DeFacto is that it is an innovative company. This is not only about releasing innovative products but also about organization. For example, in DeFacto, we have the first Happiness Director in the world.

Which project of DeFacto excites you most?

I was extremely excited about products that change color and pattern because when we do the planning, we talk about six-week shelf life and cycle of a product whereas these products were sold out in 0.2 days. So we understood how right we were for doing it.

What would be your recommendations for DeFacto regarding the themes to focus on in the coming terms?

We are now becoming a global firm. Therefore, rather than trends to focus on, we should think about how to market and what to market. In the coming terms, I don't think that we can get results only through trendy products. So, we can get better results by approaching the innovational product line with a more professional point of view.

Commitments

Material Areas

Commitments for 2015 and 2016

Supplier Audits	By the end of 2015, the audits of our main suppliers will be finalized in accordance with accredited standards. By the end of 2016, we will include our fabric and accessory manufacturers to the audit process.
Supplier Trainings	By the end of 2016, we will provide development program trainings to our suppliers including “social compliance and ecological values” modules directed to relevant employees of all domestic and foreign manufacturers.
Product Safety	We will update our kids’ products safety manual and share it with our suppliers. We will train our employees responsible for buying about the use of chemicals.
Environmentally Friendly Products	We will keep products manufactured with organic cotton constantly available in our stores throughout the year.

Supply Chain Management

Ready-to-wear apparel products offered to our customers in our stores are designed in our offices located in Turkey and Spain, manufactured by our suppliers and dispatched to our warehouse in Çerkezköy and our stores. More than 60% by volume of our products are supplied by our suppliers manufacturing in Turkey whereas products supplied from abroad are manufactured by our suppliers in 6 countries mainly Bangladesh and Egypt.

We have certain practices for ensuring that our suppliers active in different countries work under the same and expected high standards. In the process starting from the selection of suppliers, environmental and social compliance approvals also have a critical role in addition to quality, technical and financial approvals.

Before working with a supplier which does not comply with our code of conduct and social compliance criteria, nonconformities and/or risks should be eliminated and notified to our company with evidences.

DeFacto Supplier Code of Conduct

We developed the DeFacto Supplier Code of Conduct determining the minimum standards about human rights, labor practices, occupational health and safety, environment and anti-corruption not only in our own activities but also those of our supply chain and we shared these principles with all our ready-to-wear apparel suppliers.

While developing the Supplier Code of Conduct consisting of 11 basic principles, we took as the basis internationally accepted standards such as the UNGC principles, Universal Declaration of Human Rights and International Labor Office (ILO) Conventions in addition to our corporate values.

WE BELIEVE THAT THE FUNDAMENTAL PRINCIPLE IN THE IMPLEMENTATION OF THE SUPPLIER PRINCIPLES IS THE ESTABLISHMENT OF BUSINESS RELATIONS BASED ON THE PRINCIPLE OF **TRANSPARENCY** WITH OUR SUPPLIERS.

THE MAIN PRINCIPLES OF THE DEFACTO SUPPLIER CODE OF CONDUCT ARE AS FOLLOWS:

- ▶ Compliance with Laws, Rules and Regulations
- ▶ Prohibition of Child Labor
- ▶ Prohibition of Forced Labor
- ▶ Discrimination
- ▶ Humane Treatment
- ▶ Wages and Social Benefits
- ▶ Working Hours
- ▶ Freedom of Association
- ▶ Healthy and Safe Working Conditions
- ▶ Environment
- ▶ Anti-corruption

Performance Assessment

Once they are approved and the collaboration begins, all suppliers are subject to DeFacto Performance Assessment System semi-annually. Upon assessments conducted in terms of criteria such as quality, timely dispatch, environmental and social compliance, compliance with packaging and warehouse standards and efficient business partnership, supplier performance scores are calculated. Our suppliers are grouped under categories from A to E according to their scores. We provide privileges

to our manufacturers with high performance scores whereas we determine corrective activities and training programs to our suppliers with low performance scores. In accordance with our continuous improvement approach, we expect our suppliers to increase their performance scores and move up to a higher category in the next assessment process. We cease cooperation with those suppliers which remain in category E and fail to improve.

Supplier Audits

In the scope of ready-to-wear apparel manufacture which constitutes the largest and most labor-intensive part of our supply chain, our main suppliers go through a social compliance audit annually in accordance with internationally accepted standards thereby having an updated risk assessment covering the DeFacto Supplier Code of Conduct in its entirety. Our suppliers receive feedback in line with the standards, determine areas of improvement necessary for both DeFacto and other clients and find the opportunity to focus their corrective and preventive actions on these areas.

As of 2014, we included all main suppliers abroad into the scope of our audits. As of 2015, with the inclusion of all domestic main suppliers, the complete set of main suppliers is now under the obligation of social compliance audits. We plan to complete the audits of all main suppliers in accordance with accredited standards by the end of 2015 and include our fabric and accessory manufacturers into the audit process in 2016.

DeFacto Social Risk Scoring System

Through the DeFacto Social Risk Scoring System we have developed, we regularly assess current risks of our suppliers in the scope of their compliance with the DeFacto Code of Conduct. During this assessment, in addition to social compliance audit reports, we also take into consideration other criteria such as building and fire audit reports, num-

ber of employees, order volume, corrective action plans and registration of all subcontractors. The manufacturing process is suspended until the risks are eliminated by those suppliers in the high risk category. Corrective actions on improvement areas determined by audit results are conducted in cooperation with our suppliers.

Supplier Satisfaction Survey

Supplier satisfaction is important to us for the sake of long term business partnerships. In order to measure as to whether our suppliers are satisfied in working with DeFacto, as of 2014 we have been regularly conducting a semi-annual Supplier Satisfaction Survey which is run by the Internal Audit Department and to which all domestic and foreign suppliers are invited. In accordance with the results of the survey, we prepare and implement action plans directed to the improvement areas determined.

The survey conducted in the second term of 2014 was answered by 88% of our suppliers. According to the survey results, 96% of our suppliers indicated that they were happy to work with DeFacto. Further, 95% of the attendees stated that DeFacto is open to suggestions and indeed utilize these suggestions.

Product Safety

WE ARE AWARE THAT THE EFFECT OF GARMENT AND ACCESSORIES ON HUMAN HEALTH SHOULD BE MANAGED AS FROM THE BEGINNING OF THE PROCESS. IT IS ONE OF OUR PRIMARY AIMS TO INCREASE THIS AWARENESS OF THE TEXTILE INDUSTRY AND THE CONSUMERS.

A wide range of products including garments, shoes, bags and accessories are offered to our customers in our stores. As is the case in many products we use daily, chemical substances are used in the manufacture of garment and accessories. As DeFacto, we firstly disclose our DeFacto ecological compliance standards to our manufacturers and work with only those manufacturers who commit to production in accordance therewith. In addition, products to be put up for sale are tested in our laboratories accredited by independent institutions. These tests are conducted through samples taken at both pre-manufacture and post-manufacture stages. In this way, we guarantee that no residues or chemicals that are noncompliant to international health standards exist in our stores.

Among the chemical substances which we control and restrict are phthalate, azo colorants and heavy metals that are known to be harmful to human health. Since 2014, we have been supplying our products according to “OEKO-TEX 100” and the EU standards even before the introduction of relevant restrictions by government agencies. In this way, we have become one of the rare Turkish brands in Turkey that can offer to consumers safe products that comply with the standards adopted by global brands.

We are aware that the effect of garment and accessories on human health should be managed as from the beginning of the process. We know that we should make the right choices while designing the products, determining the materials and deciding on the places to buy them. We also provide trainings for creating the same awareness in our manufacturers and ensuring maximum safety and the use of unarmful components not only in DeFacto products but all products offered to consumers. It is one of our primary aims to increase this awareness of the textile industry and the consumers.





Kids' Products

As DeFacto, we launched our first collection for children in the 2014 Winter season. Ever since then, we have been renewing our collections by increasing product variety. Starting from the fact that children are open to innovation, we have been preparing color-changing and glow-in-the-dark t-shirts as innovative products which have become very popular among children.

Textile products for children are subject to stricter health and safety criteria than those of adults. In this regard, we

ensure that all kids products launched under DeFacto brand are prepared in accordance with the conditions set in our "Manual for Safety Tests and Physical Test Methods Implemented in Kids Garments" which is distributed to our suppliers. We have been regularly updating the contents of this manual in 2015 on the basis of the EU standards. In addition, we aim to provide trainings to our teams responsible for kids' products and related suppliers in accordance with the contents of this manual to be updated.

ACCREDITED LABORATORIES

The physical test laboratory established within DeFacto received accreditation certificate at the beginning of 2015 upon approval of the Turkish Accreditation Agency. Within 2016, we shall also receive an accreditation certificate for our analytical test laboratory. While these certificates have both national and international validity as reliable indications of technical efficiency, they also reveal the responsibility DeFacto takes for its customers and business partners. Namely, sending product samples to outsourced laboratories is a more time-consuming process compared to the process conducted in our in-house laboratories. Therefore, the existence of in-house test laboratories shortens the product approval process, enhances product safety and increases supplier satisfaction.



Environmentally Friendly Products

We strive to decrease our environmental impact as from the beginning of the product value chain. In this respect, we focus on three main areas for decreasing the environmental impact of our products put up for sale in our stores:

- ▶ Products involving organic cotton
- ▶ Products involving recycled fibers
- ▶ Products manufactured with water-saving technologies (water-free products)

We also make use of any opportunity other than these focus areas for decreasing our environmental impact. For example, fabrics manufactured from Tencel® fiber are used in the manufacture of a part of our products. In 2014, this type of fabrics was used in 2.8 per mille of our products and we plan to increase this rate in the coming years.

It is one of the new issues in our agenda to manufacture not only our products but also product accessories in the framework of environmental features. In addition to practices such as re-use of hangers and product packaging, we shall also ensure starting from kids' products that the tags of all products are manufactured from recycled paper as of 2016.



Tencel® fiber, a cellulose-based raw material, has much less impact on the environment compared to cotton and synthetic fabrics. Cellulose is an edible raw material obtained from trees. The high level of water and chemical material used in the production of cotton is minimal in the production of Tencel® fiber. For example, only 1/10 of the water used in the product of cotton is used in the production of Tencel® fiber.

Organic Cotton

Most of the product fabrics we offer to our customers in our stores are made of cotton which is a natural fiber. On the other hand, cotton production necessitates high levels of irrigation, disinfection and use of agricultural land. Therefore, cotton is a raw material that has relatively high negative impact on the environment. Production of cotton through organic agricultural practices enables the reduction of these impacts to a certain extent. In addition, due to the fact that synthetic pesticides and synthetic fertilizers are not used in the production of organic cotton, it is also preferred for its effect on human health.



Organic cotton is produced from non-genetically modified plants without using synthetic fertilizers and pesticides. Since no chemicals are used during its production, organic cotton enables sustainability of soil quality and protection of biological diversity.

Recycling

In order to use limited natural resources in an economical manner, we research technological alternatives for re-using in our products clips that are generated during the manufacture of textile products, textile products unused by consumers and even raw materials obtained from PET bottles and put the suitable ones into practice.

For example, clips that are generated during the manufacture process at the workshops of our suppliers are recovered in new products. We use fabrics manufactured from recycled fibers in certain sweatshirts that make 50% of the product weight. In this way, for instance, we recovered 40

thousand tons of clips in the first half of 2015 and prevented that they are eliminated as wastes.

Another example is the recycling operation where we make use of PET bottles and textile wastes together. Thanks to the technology that enables the recovery of PET packaging as PET chips in recycling facilities, about 7.5 recycled PET bottles can be used in the manufacture of a single t-shirt. We aim to provide products the raw materials of which include recycled plastic material in our stores in Turkey and abroad more often.



Recycling is the process of regaining recyclable waste materials into manufacture processes as raw materials through various methods.

Water-free Products

At the final stage of production, products are washed in order to bring them into the softness that the customers will enjoy. During washing, silicone softeners are added into the water. Our products, produced with a special softening method used throughout the fabric manufacture process instead of washing, are called water-free products. Since this new process does not include washing and ironing pro-

cedures like the classical method, we can save both water and electricity.

By means of the water-free products we have developed with a special production method, we provide 4,500 tons of water savings annually. About 40% of the trousers in a given season manufactured using this method.

Customer Satisfaction

FEEDBACK FROM OUR CUSTOMERS IS AN OPPORTUNITY FOR IMPROVING OUR PRODUCTS AND SERVICES.

When we provide our customers “accessible fashion,” we measure the satisfaction levels about their shopping experience in our stores in addition to their satisfaction with the products they purchase. We conduct “store exit survey” at regular intervals in our stores in order to measure and assess the experience of our existing and potential customers in our stores from the moment they enter our premises. In the light of the outcome of this survey, we determine the areas that will enable us to improve our stores as well as our products and services, and take action about them.

Grievance Management

Our customers may communicate their views and wishes about our products and services to us through various channels. Feedback from our customers is an opportunity for improving our products and services. Wishes and complaints transmitted to the customer services through the call center and the website www.defacto.com.tr are handled in the framework of our certified ISO 10002:2004 Customer Satisfaction Management System. Complaints recorded by our customer representatives are solved instantly if possible. In cases where no instant solution is possible, the matter is directed to the related department and the complaint is assessed there. The result is communicated to the customer and where necessary, actions for improving the product, service or process are determined and implemented.

Confidentiality of Customer Information

We may request certain personal information (e.g., name and e-mail address) from our customers for the aim of providing a better service. Such information collected in the DeFacto servers are used only internally in activities such as planning seasonal offers and promotion activities specific to customer profiles. DeFacto does not share with third parties any information collected through membership forms without informing the member or without contrary instruction to do so.

For the aim of keeping the safety of our on-line customers at the highest level, credit card information requested at the payment stage is not kept in the servers of DeFacto or the companies providing services to DeFacto. In this way, all payment procedures are realized between the bank and the computers of the customers through the DeFacto interface.



Environment



HIGHLIGHTS FROM 2014-2015



We achieved energy savings of 35% in our stores thanks to the changes implemented on the air conditioning and lighting systems of new stores. .



Eighty-eight percent of the packaging waste in our stores in Turkey is delivered to licensed disposal firms. In this way, 660 tons of cardboard and 132 tons of plastic packaging were recollected and recovered in 2014.



At the first stage of our e-waste campaign initiated in 2014, we donated 860 kg of electrical and electronic wastes..



By means of a new implementation in our headquarters, we achieved water savings of 153 m3 monthly and about 1,836 m3 annually.

Our Approach

Our environmental approach is based on the prevention and reduction of our impact on the environment as much as possible. The main environmental elements managed by us resulting from our operations dominated by retailing and storing activities include energy consumption and packaging wastes. Since these elements are important not only due to the environmental impacts they cause but also in terms of operational expenses, it is among our material issues to efficiently use energy and materials obtained from natural resources such as paper, cardboard and plastic.

THE MAIN ENVIRONMENTAL ELEMENTS MANAGED BY US RESULTING FROM OUR OPERATIONS INCLUDE ENERGY CONSUMPTION AND PACKAGING WASTES.

In the retail sector which we are active in, a significant part of the environmental impact comes outside of our operational borders, i.e. suppliers that produce textiles. The material sustainability issues in the textile industry include water and energy consumption, use of chemicals, waste water and solid wastes. As DeFacto, we expect our suppliers to use their resources efficiently and also operate all environmental impact generated during production in accordance with local laws and regulations. For exam-

ple, the economical use of water consumed at high amounts during the manufacture of fabrics by means of innovative practices and the discharge of waste water in compliance with regulations are important issues for our supply chain. In addition, energy and water consumption due to washing of the products during their use by customers is a relevant matter. Environmental implementations for our suppliers (and partly for our customers) are handled in section "Product Responsibility."

Our Commitments

Material Areas	Commitments for 2015 and 2016
Energy	We will report energy consumption data at the warehouse. We will complete feasibility works for the installation of systems producing electricity from solar energy to be implemented in a pilot store.
Packaging and Waste	We will switch to plastic bags made of biodegradable plastic in all domestic and foreign stores.

Energy

In the course of our activities, we consume energy in various ways such as lighting, air conditioning, transportation of employees and the running of the automation system used in sorting of products in the warehouse. We monitor our consumption in each location and implement various practices for reducing the consumption amounts throughout the year.

Energy management is the responsibility of the Construction and Technical Services in our domestic and foreign stores, Administrative Affairs in the Headquarters and Logistics Department in our warehouse in Çerkezköy.

STORES

About 60% of the electrical energy consumed in our stores is for air conditioning and 30% for lighting. In stores where elevators and escalators are available, about 10% of the total energy consumption is used for this aim.

HEADQUARTERS AND WAREHOUSE

We use electrical energy and natural gas for lighting and air conditioning purposes in our headquarters whereas in our warehouse, electrical energy is used for the automation system and lighting while diesel fuel is used for forklifts and similar vehicles.

VEHICLES

Fuel consumption of the vehicles of DeFacto is monitored per vehicle. As of 2014, our rented vehicle fleet consists of 60 passenger vehicles and 4 commercial vehicles consuming diesel fuel registered for the headquarters and assigned to our employees. In addition, there are three forklifts, one tractor and one tank truck used in our warehouse.

Internal energy consumption amount in Turkey (GJ) 2014

Headquarters	Diesel (generator)	234
	Natural gas	867
	Electricity	9,947
Stores	Electricity	154,113
Warehouse	Diesel (generator)	43
	Electricity *	-
Vehicles	Diesel (Warehouse and HQ)	5,800
Total		170,961

* Detailed explanation in this matter may be found in the "Reporting Guidelines."



Energy consumption amount per surface area used (m²) varies as to whether the store is located on the street or in a mall. However, as a result of the calculation we made based on the surface areas of all stores active as of 31 December 2014 in order to monitor our energy consumption

per unit within years, the energy amount consumed in our stores in 2014 was revealed as 0.92 GJ per meter square. The calculation methodologies for energy data are explained in the “Reporting Guidelines” at the back of the report.

Electricity consumption per m² at stores

kWh/m²

GJ/m²

Turkey	2013	254.2	0.915
	2014	255.6	0.920

IN ORDER TO INSTANTLY MONITOR THE ENERGY CONSUMPTION AT OUR STORES, WE HAVE INSTALLED A REMOTE MONITORING SYSTEM IN ABOUT 75 STORES AS OF JUNE 2015 WHICH WE USE ACTIVELY.

Energy Saving Practices

We implement various saving practices in all locations for the aim of efficient use of energy consumed during our activities.

ENERGY-SAVING LIGHTING

In our headquarters, warehouse and stores, light bulbs used for lighting purposes are converted to LEDs if suitable when it is time to change them, whereas in new stores only LED luminaires are used.

In functionally suitable locations where semiconductor ballasts and LED luminaires are utilized, we use photocell-controlled lighting systems. For example, 5% of a total of 2,600 bulbs in the main warehouse have photocells.

MONITORING INSTANT ENERGY CONSUMPTION

In order to instantly monitor the energy consumption at our stores, we have installed a remote monitoring system in about 75 stores as of June 2015 which we use actively. Thanks to this system, we can immediately intervene in cases where unnecessary energy consumption is detected thereby reducing the energy consumption.

ENERGY-SAVING AIR CONDITIONING SYSTEMS AT THE STORES

Air conditioning systems are used at our stores for heating and cooling purposes. It is important that these systems are highly efficient with respect to energy consumption and involve environmentally friendly refrigerants (R604). As of 2010, we began switching our air conditioning systems to high efficiency VRF (variable refrigerant flow) system starting from suitable stores.

In addition, we make sure that these systems are regularly maintained in order to keep the ambient air quality at the limits determined for human health and to guarantee that air conditioning systems work at high efficiency.

OUR RESULTS

Thanks to the choice of low electricity consuming VRF system as the air conditioning system and the use of new generation environmentally friendly LED luminaires at our stores, we achieved an energy saving of 35% compared to other stores of similar size.

The electric energy we consume causes greenhouse gas emissions that lead to the global problem of climate change. Therefore, reduction in energy consumption also provides reduction in greenhouse gas emissions. Theoretically, switching a single light bulb from metal lighting to LED enables a reduction of about 67% in greenhouse gas emission whereas switching from split air conditioners to the VRF system enables a reduction of about 50% in greenhouse gas emission.

Packaging and Waste

Our work necessitates the use of cardboard boxes as well as paper and plastic packaging material in the transportation of our products. It is among our material issues to reduce the use of such material thereby decreasing the amount of waste generated and disposing the waste generated according to laws and regulations.

Management of packaging and waste is run by Domestic and Foreign Operations at our domestic and foreign stores, Administrative Affairs at our headquarters and Logistics Department in our warehouse.

Cardboard boxes used in the transportation of the products constitute wastes when they are no longer used. For the past two years, we have achieved enhanced durability of cardboard boxes purchased and at least three or four times of use under normal conditions thereby reducing both operational expenses and the amount of waste generated.

Expired cardboard boxes and plastic packaging used for the packaging of products are delivered by our stores to licensed waste collection and separation firms active in the provinces and municipalities the stores are located in. The validity of the licenses of these firms is regularly checked. In some malls, wastes are collected by mall managements and appropriately disposed.

Eighty-eight percent of our stores in Turkey deliver their packaging waste to licensed disposal firms. In this way, 660 tons of cardboard and 132 tons of plastic packaging were recollected and recovered in 2014.

Wastes generated at our headquarters and warehouse is separated in a way deemed suitable by local administrations and delivered to licensed waste firms. In both locations, wastes consist of domestic wastes and also wastes categorized as dangerous in accordance with the related regulations in Turkey. Laboratory wastes and electrical and

electronical wastes in the headquarters as well as wastes generated during the maintenance and repair of the vehicles at the warehouse fall into the dangerous category.

In accordance with the applicable regulation in Turkey, plastic bags used by our customers when purchasing products from the stores are collected and recycled by ÇEVKO at a rate of at least 35%.

Another implementation we put into practice in 2014 was the switch to plastic bags made of biodegradable plastic in our stores located in Istanbul. We plan to spread this practice to all domestic and foreign stores in 2015.

We also work on reducing the use of paper during our operations and increasing operational efficiency. For example, all printers at the headquarters work with a user code and therefore the amount of paper consumed can be traced in terms of the user and the department in order to step in should excessive usage occurs. Another implementation reducing paper consumption is that we have started using digital communication screens instead of printed posters at suitable stores.

Further, we initiated an e-waste campaign in November 2014 involving also our employees, in the scope of which in exchange of 860 kg of electrical and electronical waste 46 trees were planted. In addition, we planted 350 trees in the area where our warehouse is located again in 2014.

Water

Even though water consumption is not among our material environmental issues, in accordance with our sustainability approach, we have been implementing various precautions in order to decrease our water consumption as much as possible. For example, in 2014, for the aim of reducing water consumption by toilet flushes at our headquarters, we reduced the reservoirs up to 30-20% depending on the population of the floors. Thanks to this implementation, we

have been achieving monthly water saving of 153 m³ on average and an annual saving of about 1,836 m³. Additionally, we prefer faucets with photocells in both our headquarters and newly established stores for keeping water consumption at low levels.

Domestic waste water exiting our warehouse is purified at two water purification facilities belonging to our company and discharged to a stream near the premises.



Employees



HIGHLIGHTS FROM 2014-2015



The average age of our employees is 28 at the headquarters and 21 at the stores.



The rate of female employees is 48% in Turkey.



We implemented the “Happy Women Movement” project.



Training hours per employee in Turkey increased by 30% compared to 2013.



We provided Occupational Health and Safety trainings to all employees (including subcontractors) working at the Çerkezköy warehouse for an annual average of 6 hours per person.



Accident frequency rate in our stores decreased by 30% compared to 2013.

Our Human Resources Approach

It is our principle to be fair, transparent and efficient in every human resources (HR) process. Our human resources approach is based on providing the trainings and technological support our employees need on our way to become a global brand and revealing the talents of our employees during this process. It is also another fundamental aspect of our human resources approach to provide a working environment that is respectful to human rights and focused on employee satisfaction.

Developments in 2015

There are structural and system-related projects we have accelerated internally in order to enable strategic approaches that global growth necessitates and sustainability of implementations and policies resulting from these approaches. In this regard, we started a comprehensive organizational transformation at the beginning of 2015. We are working with a global management consultancy firm for the aim of building flexible and efficient business units structured according to the needs of all locations and suitable for domestic and foreign growth goals and transforming our existing structures in compliance with this strategic perspective.

Within the scope of the related projects, we work on the existing and future configuration of organizational structures and at the same time, review all human resources systems, processes and policies in accordance with the needs of these transforming structures and support them with new systems, policies and implementations simultaneously

planned. In addition, governance models which will allow growing organizational structures to go hand in hand with common goals at the same pace are also handled within the scope of these structuring activities.

While we go after our goals as a company, we are aware that our greatest power is our human resources and therefore aim to grow by adding talented and creative employees to the DeFacto family who wish to improve their career and build an international one. In this regard, we started the Success Factors Project which will enable us to manage our HR processes in a completely integrated way and at the same time support our employees in terms of professional development through customized data to be accumulated while experiencing HR processes to be run through these systems. As a result of this work, not only our performance and talent management processes but also basic processes such as recruitment, training and talent-backup will be implemented through this integrated system.

OUR HUMAN RESOURCES POLICY

- ▶ We do not discriminate; we provide equal opportunities to everyone
- ▶ Right person for the right job
- ▶ Efficient performance assessment and fair pricing
- ▶ We offer trainings based on personal and professional development
- ▶ We implement various practices for the aim of keeping the employee motivation and satisfaction high
- ▶ We develop a system and practices for creating maximum value with limited resources in the framework of business efficiency principle

Our Commitments

Material Areas	Commitments for 2015 and 2016
Employee Satisfaction	<p>We will continue to implement practices that enhance employee satisfaction so that the results of the employee satisfaction survey 2015 increase compared to those of the 2014 survey.</p> <p>We will launch the Employee Support Program.</p> <p>We will establish “happiness rooms” in about 120 stores.</p>
Diversity and Inclusiveness	<p>We will improve the working conditions of female employees by implementing the Happy Women Movement.</p>
Training	<p>We will provide English language lessons for all managers and higher ranked personnel by the end of 2015.</p> <hr/> <p>We will launch the DeFacto Business School in 2016 which will provide function-based trainings about leadership.</p>
Performance Management	<p>As of 2016, we will start implementing a performance management system for domestic and foreign headquarter employees consisting of three terms (determination of targets, interim assessment, year-end assessment).</p> <hr/> <p>We will build a platform for rewarding success.</p>
Talent Management	<p>We will conduct a promotion process of one term at the Headquarters and four terms at the stores by getting to know the competences of our employees more closely. In addition, we will keep the internal transition process constantly alive.</p>
Occupational Health and Safety	<p>By the end of 2016, we will receive occupational safety experts and occupational physician services in all stores in Turkey through OHS Units.</p> <p>We will implement mandatory e-training about OHS for all store members in Turkey and grant certificates to all attendees upon a post-training test.</p> <p>We will share our occupational health and safety policy in all foreign stores by translating it in local languages.</p> <p>The Çerkezköy warehouse operates under OHSAS Occupational Health and Safety Management System and we will continue to improve our implementations and processes accordingly.</p>

Employee Profile

As of the end of 2014, we employed a total of 5,932 people in our Istanbul Headquarters, 236 domestic stores, 20 foreign stores and our offices in several countries. Our company ranks second in the Fortune 500 employees list. As a young and dynamic company, most of our employees belong to the “Generation Y.” The average age is 28 in our Headquarters and 21 at the stores.

Demographic information about our employees is given in the table below. We plan to renew our data systems on human resources in 2015 to correspond to our goals of growth and becoming active in different regions thanks to which we aim to report

data about our employees in the coming years broken down by gender and regions. This report covers detailed demographic information with respect to our operations in Turkey and Kazakhstan which cover 96% of our employees.

Total number of employees by region		Location	2013	2014
Turkey	Headquarters		522	616
	Stores		3,823	4,497
	Warehouse		191	283
Kazakhstan	Stores		129	268
	Central Office		17	14
Egypt	Stores		48	39
	Sourcing Office		6	10
Spain	Design Office		14	16
Iraq	Stores		54	95
Iran	Stores		19	27
Belarus	Stores		0	27
Bangladesh	Sourcing Office		26	28
China	Sourcing Office		0	12
Headquarters and Offices			585	696
Total	Stores		4,073	4,953
	Warehouse		191	283
Grand Total			4,849	5,932

Age distribution per employee category (%)		2013			2014		
		Below Age 30	Ages 30-50	Above Age 50	Below Age 30	Ages 30-50	Above Age 50
Turkey	Senior Management*	0.0	89.5	10.5	0.0	91.7	8.3
	Mid-level Management**	37.1	62.9	0.0	28.6	71.4	0.0
	Lower Management***	71.6	28.2	0.2	70.8	28.9	0.3
	Other****	94.4	5.5	0.1	94.1	5.8	0.1
Kazakhstan	Senior Management	0.0	0.0	0.0	0.0	0.0	0.0
	Mid-level Management	100.0	0.0	0.0	100.0	0.0	0.0
	Lower Management	95.5	4.5	0.0	97.2	2.8	0.0
	Other	99.1	0.9	0.0	99.6	0.4	0.0

* Senior Management: Chairman of the Executive Board, Executive Board Member, President, C-Level, Director

** Mid-level Management: Senior Manager, Manager, Executive, Area Manager and Store Manager

*** Lower Management: Specialist, Assistant Specialist, Store Submanager

**** Other: Other store employees

About 60% of our store employees work part-time. Considering our employee profile and due to the suitability of working conditions, individuals working at our stores especially as customer consultants prefer part-time employment. In accordance with

staff vacancies, we provide full-time employment opportunities to a part of our part-time employees at later stages so that they can develop their careers accordingly.

Total number of employees in terms of labor contract, type of employment and gender		2013		2014	
		Male	Female	Male	Female
Labor contract	Permanent	2,572	2,110	2,931	2,747
	Temporary	0	0	0	0
Type of employment	Full-time	1,496	1,067	1,780	1,413
	Part-time	1,076	1,043	1,151	1,334

Note: Data in this table includes only our employees working in Turkey and Kazakhstan.

Diversity and Inclusiveness

We believe that diversity among our employees strengthens us. In all human resources processes, we provide equal opportunities to all employees without any discriminations of gender, age or ethnicity. With this awareness, we became a signatory to the United Nations Women’s Empowerment Principles (WEP) on March 2015. With the aim of promoting participation of women in business life, we developed the “Happy Women Movement” which will be put into practice in mid-2015. Some of the innovative practices in the framework of the Happy Women Movement covering female employees working at the Headquarters and stores in Turkey are as follows:

- ▶ Extra three months of unpaid maternity leave
- ▶ Opportunity to take one day of the week off as breastfeeding leave in accumulated form
- ▶ For mothers, half day off on the first and last days of each school term
- ▶ Management Trainee Groups for women only.

In addition, for our employees working at our headquarters, the Happy Women Movement includes parenting coaching, free-of-charge kindergarten services in urgent situations (for mothers who do not have any place to leave their children for that

day) for all mothers and home office once a month for female employees. In our stores, we will start a new practice that will allow all pregnant employees to have an extra break time in addition to our legal obligations.

Gender distribution per employee category (%)		2013		2014	
		Male	Female	Male	Female
Turkey	Senior Management	94.7	5.3	91.7	8.3
	Mid-level Management	74.8	25.2	75.9	24.1
	Lower Management	57.8	42.2	56.7	43.3
	Other	53.6	46.4	50.1	49.9
Kazakhstan	Senior Management	0.0	0.0	0.0	0.0
	Mid-level Management	91.7	8.3	91.7	8.3
	Lower Management	54.5	45.5	58.3	41.7
	Other	42.9	57.1	38.0	62.0

As of the end of 2014, the rate of female employees in Turkey is 48%. This rate is about 23% at the level of mid and senior level management in Kazakhstan and Turkey in general. In accordance with the WEP, we aim to increase this rate and offer a better working environment to our female employees.

Distribution according to gender in Turkey (%)	2014	
	Female	Male
Headquarters	44.3	55.7
Stores	49.0	51.0
Warehouse	38.5	61.5
Total	47.9	52.1

Another matter we handle in the scope of our approach to diversity and inclusiveness is the participation of disabled individuals in business life. We believe that active participation of disabled individuals in business life will positively contribute to their social life. As of the end of 2014, the number of disabled employees working in our operations in Turkey is 96 some of whom are part-time and some are full-time employees. The disabled employee percentage shows that the number of disabled employees we employ in some regions exceed legal necessities. In addition, our disabled employee quote increases continuously in accordance with our employment needs increasing in parallel to our growth. We try to employ more disabled individuals by keeping constant contact with employment agencies.

Number of disabled employees and ratio to total number of employees	2013	2014
Number	69	97
Ratio (%)	1.5	1.8

Note: The table above covers our operations in Turkey. There are no disabled employees in our foreign operations.

DEFACTO ADOPTS AS A MISSION TO ENCOURAGE STUDENTS TO WORK IN THE COURSE OF THEIR STUDIES IN ORDER TO GAIN EXPERIENCE. WITHIN THIS FRAMEWORK, WE PROVIDE PART-TIME JOB OPPORTUNITIES TO UNIVERSITY STUDENTS.

Recruitment and Placement

We are aware that the most important factor in the corporate success of DeFacto is human power, namely intellectual capital. Accordingly, it is a material concern for us to seek and choose this capital from the most accurate sources and in the most rational fashion. The basic principle we adopt in all stages of the recruitment process is “Right person for the right job.”

On the one hand we train internal personnel for all domestic and foreign positions and on the other hand we externally recruit experienced personnel. In addition, DeFacto adopts as a mission to encourage students to work in the course of their studies in order to gain experience. Within this framework, we provide part-time job opportunities to university students.

Our recruitment process starts with posting adverts on career portals when there is a vacancy. Knowing that the most important

factor in the road to success is the individual’s performance and competences, we run a meticulous recruitment and placement process. It is important for us that individuals wishing to work at our company have social and moral values. Additionally, in accordance with our aims of growth and becoming a global company, competences of adjustment, flexibility and adaptation are also required in candidates. Our aim is to carry DeFacto to the future together with team mates who will share our corporate values and vision.

Total number and ratio of newly recruited employees according to age		2013			2014		
		Below Age 30	Ages 30-50	Above Age 50	Below Age 30	Ages 30-50	Above Age 50
Turkey	Number	2,452	119	1	2,612	128	1
	Ratio (%)	95.3	4.6	0.0	95.3	4.7	0.0
Kazakhstan	Number	103	1	0	208	0	0
	Ratio (%)	99.0	1.0	0.0	100.0	0.0	0.0

Total number and ratio of newly recruited employees according to gender		2013		2014	
		Male	Female	Male	Female
Turkey	Number	1,408	1,164	1,368	1,373
	Ratio (%)	54.7	45.3	49.9	50.1
Kazakhstan	Number	48	56	82	126
	Ratio (%)	46.2	53.8	39.4	60.6

MANAGEMENT TRAINEE (MT) PROGRAM

Through the DeFacto MT Program regularly run since 2011, we aim to discover young talents wishing to start their professional lives at the retailing sector and bring up the retailers of the future. Attendees to the program are employed as beginner-level staff following a training process of four months. Since the commencement of the program, a total of 66 individuals were trained who were later assigned to our specialist positions pursuing their career paths accordingly.

CAREER OPPORTUNITIES ABROAD

We offer career opportunities abroad for all employees working in retailing. Since 2012, a total of 32 DeFacto employees have been employed in foreign operations. Similarly, expats work at our Headquarters in Turkey.

Number of expats	2013	2014
Turkey	4	9
Kazakhstan	14	9

Performance Management and Pricing

Our employees are subject to regular performance assessments in accordance with the personal performance targets determined in compliance with corporate goals.

Within the framework of Performance Management, in the new structure built as of 2015, we plan to develop solutions that will render our current system more useful, focused on SMART targets that measure business efficiency and also that will enable the internal performance culture handled integrally and in a continuous way. Through this new system, strategic targets will be broken from top to bottom, targets specified according to individual roles and responsibilities will be periodically measured, and an easy-to-use parametric infrastructure will be implemented that will render periodic feedback processes between managers and employees systematic.

In 2014, performance assessments and bonus practices as a result of such assessment were implemented as shown in the table below throughout Turkey whereas in foreign locations, a monthly performance and bonus assessment is applied to all store employees similar to Turkey. In addition, as of 2016, we aim to conduct performance assessments for employees working at domestic and foreign offices as well as the Headquarters in Turkey annually through a performance management system consisting of three terms.

Employees who regularly go through performance and career development assessment (According to workplace in Turkey)

Scope and Frequency

Headquarter employees	Applied to all employees quarterly.
Store and field employees	Applied to all employees monthly.
Warehouse employees (only white-collar employees)	Applied to only white-collar employees quarterly.

In accordance with our wage management policy, our target is to appraise roles that create the real business value and build suitable pricing and rewarding strategies. Within the scope of our pricing process, we

use professional calculation methods, conduct comparisons with global databases and review the implementations annually on the basis of the conditions of the company.

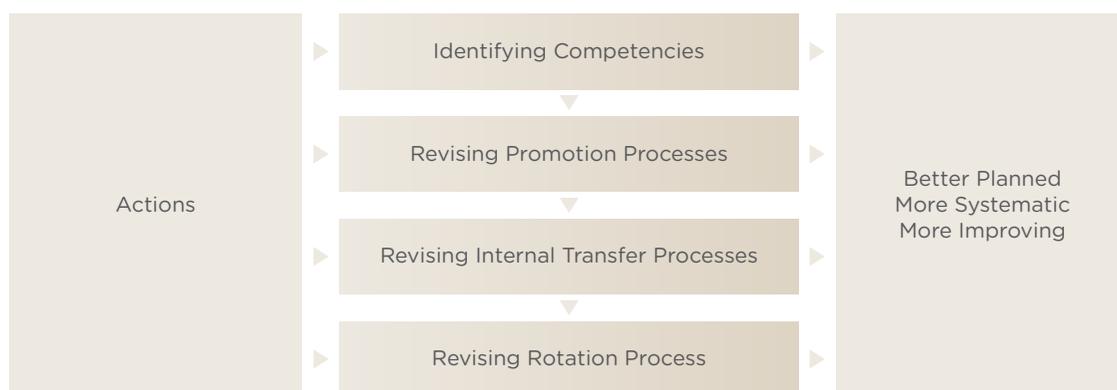


Talent Management

Our aim in the talent management process is to get better acquainted with the competences and potentials of our employees thereby realizing career management in the most effective manner, keeping internal career opportunities open and correctly analyzing the competences of our employees for their improvement. In this regard, we review the competences of our employees and assess them according to the new competence model. The promotion criteria and internal transition processes of the new model have been under revision in 2015.

In the scope of talent management, we take actions at the end of each year such as 360 degrees competence assessment, external assessment center implementations, internal announcement of free positions,

separate announcements to the stores and announcement of career opportunities abroad. Promotion process is applied annually at the headquarters and quarterly at the stores.



Training and Education

In parallel to our rapidly growing and developing corporate structure, it is a material concern for us to provide professional and personal trainings that will enable our employees to adapt themselves to this change and development. We aim to be the leading company in the sector in the matter of employee improvement.

We fulfill the training needs of our employees through internal trainings or by cooperating with leading training consultancy firms and universities in the framework of the annual training plan determined for store, warehouse and Headquarter staff in Turkey.

As a continuously growing company, we offer significant opportunities to young people who will newly start their careers. We put new graduates to a serious training process providing them with the career opportunity of acquiring a profession in a short time.

OUR AIM IS TO BE A CONTINUOUSLY IMPROVING AND LEARNING ORGANIZATION.

Training hours to employees (Turkey)		2013		2014	
		Total training hours (person.hour)	Average training hours per employee	Total training hours (person.hour)	Average training hours per employee
In-class training	Headquarters	9,448.2	18.1	9,764.0	15.9
	Stores	51,747.5	13.5	61,135.0	13.6
	Warehouse	622.2	3.3	2,895.5	10.2
E-training		23,382.1	5.2	57,110.0	10.6
Total		85,200.0	18.8	130,904.5	24.3

Note: Trainings abroad have not been separately recorded.

Training hours according to employee category		Turkey	
		2013	2014
Total training hours (person.hour)	Senior Management	0	20
	Mid-level Management	2,052	9,672
	Lower Management	16,206	18,447
	Other	43,478	42,760
Average annual training hours per person	Senior Management	0.0	0.8
	Mid-level Management	10.2	47.6
	Lower Management	33.8	28.3
	Other	11.3	9.5

We organize in-class trainings for personal and managerial development of our Headquarters and warehouse employees. For

trainings that require technical expertise, we train our own personnel as certified internal trainers.

TRAININGS PROVIDED TO HEADQUARTER AND WAREHOUSE EMPLOYEES ARE CLASSIFIED UNDER SIX MAIN HEADINGS:

- ▶ Trainings about our vision, mission and values for all employees
- ▶ Technical trainings
- ▶ Trainings provided in the scope of legal necessities (e.g., occupational health and safety and first aid)
- ▶ Personal development trainings
- ▶ Management trainings
- ▶ Foreign languages and computer knowledge



RETAILING TRAININGS

We use distance training system in all retailing trainings in order to be able to reach all store employees independently from constraints of time and space. Before starting to work, newly recruited customer consultants firstly complete their induction training through distance training system and receive their certificates. Additionally, when a new store is opened, our Area HR experts provide a two-day in-class training to all store employees. Our Area Training Coaches, the sole duty of whom is training retailing staff, provide in-class technical training five days a week whereas they act as sales coaches in on-the-job trainings for one day at the weekends.

EXECUTIVE TRAINING PROGRAM

DeFacto has been running a retailing executive training program since 2007 involving six-month theoretical and applied trainings with four new programs each year. These trainings are divided into three categories as “professional development,” “personal development” and “management development.”

Those who complete their six-month trainings successfully are assigned as “Store Submanagers.” At the end of one year, they obtain the right to be promoted as Store Managers. According to the principle of meeting the need for specialists and managers at every level, DeFacto provides significant carrier opportunities to young people who are at the start of their careers. An average of 10,000 candidates applied to each program in 2014.

The career road map offered to a person who starts as a Sales Consultant at DeFacto stores is as follows:



ON-THE-JOB TRAINING PROGRAM

Since 2011, we have been attending Turkish Employment Agency Training Programs in 12 provinces which present many important advantages such as bringing professional experience to new graduates and preparing them to business life.

The profile of the participants is mostly new graduates at the age of 18-25. Since 2011, a total of 1,430 people attended the program 608 of whom were employed as DeFacto employees. Analyzing the profile of the candidates who prefer this program, we observe that the majority consist of students with no long-term career plans or those who want to be employed in temporary jobs. DeFacto provides work experience to these people through this program and also informs them on the working conditions offered by our company. We recruit the participants to the program based on mutual agreement after they graduate or after the program ends.



DEPARTURE TO THE FUTURE PORTAL

DeFacto Departure to the Future Portal provides effective online internal communication and e-learning experience to the DeFacto personnel in all stages of career development processes starting from the orientation period.

We have established our own candidate follow-up and training content management system (DeFacto HR-Online E-Learning System-LCMS) for providing the best training and communication opportunities to our employees. In this way, we have become one of the first private companies building and using such a system in Turkey. The Candidate and Personnel Portals within this platform carry out the following activities:

- ▶ Publication of beginner-level digital trainings in countries where DeFacto is active
- ▶ Publication of follow-up trainings for behavioral and professional development
- ▶ Establishment of corporate digital training database
- ▶ Organization and monitoring of beginner, follow-up and promotional e-tests
- ▶ Organization and monitoring of e-surveys
- ▶ Corporate internal communication activities
- ▶ Online trainings and their follow-up



Employee Happiness

Companies can reach their goals only through loyal and high performing employees. We believe that loyalty and high performance can only be achieved by happy employees.

The Human Resources Department, the main job of which is to provide a happy and peaceful working environment for employees, may sometimes lack sufficient time to fulfill this goal due to the burden of daily operations. Therefore, we decided to establish a unit solely devoted to the happiness of the employees in order to keep this matter continuously on the agenda and pay the special attention it deserves. The Happiness Department was hence established on April 2011.

In the framework of the Happiness Project, taking into consideration all factors that motivate employees, we determine our actions in a way to improve all processes that concern our employees (Communication, Motivation, Physical Environment, Working Hours, Socialization, Transportation, Wages, Food&Beverages, Development, and Justice). In the light of the feedback we receive from our employees as well as existing conditions, we revise and implement our action plans monthly.

The task of the team led by the Happiness Manager is to provide that the employees are happy in terms of job satisfaction, to listen to them, find solutions to their problems and plan necessary actions for keeping their motivations high. In addition, all department managers have been positioned as happiness managers. The project covers employees working at the headquarters and stores. The mere announcement of the news that a person with the sole job of making employees happy was employed showed our employees their value for DeFacto. It was reassuring for them to know that they could consult to a hierarchically independent department and individuals with whom they can share their ideas, suggestions and complaints and this made our employees more confident about sharing.

Our Happiness Management project received the “Best Human Resources Practice” reward at the Retail Days in 2011. This reward was not a final destination for us but only a station on our way. In 2012, we also planned our actions which we have been implementing gradually. For example, we established happiness rooms where our employees can spend pleasurable time during their breaks and organized food days under special concepts. We celebrated special days such as Women’s Day, Hidrellez and Valentine’s Day with various surprises. In addition, we received the best practice award at the category “Practices that Make A Difference” in the Peryön Human Resources Awards. Happiness Management has become one of the main processes of DeFacto Human Resources.

We established the DeFacto Happiness Ambassadors Group based on voluntary attendance of employees in 2015 with the awareness of our corporate social respon-

sibilities and for the aim of enhancing employee loyalty, belonging and personal competence. Detailed information in this regard may be found in section “Community Investment” herein.

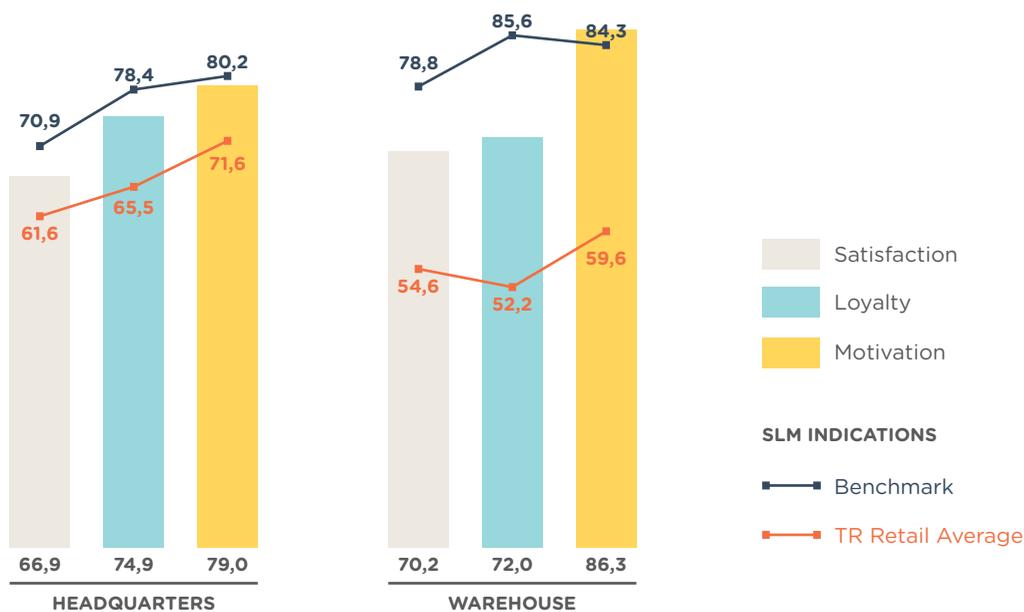
EMPLOYEE SURVEY

Since 2010, we have been regularly conducting annual satisfaction surveys to employees working at the headquarters, stores and warehouse in order to see the results of our activities about employee happiness, the last one of which was conducted in 2014 with the attendance of 4,515 employees including those working at foreign stores. In general, this survey measures the indications of satisfaction, loyalty and motivation. We observe that the survey results increase each year and hence we are on the right path. In addition, we make comparisons with the other companies in the sector. Our aim is to continuously improve the survey results every year.



WE ESTABLISHED THE DEFACTO HAPPINESS AMBASSADORS GROUP BASED ON VOLUNTARY ATTENDANCE OF EMPLOYEES IN 2015

INDICATIONS OF SATISFACTION, LOYALTY AND MOTIVATION





SUCCESS STORY

Mehmet Kaan GÜNERİ, Executive Candidate

I started working as a part-time employee in DeFacto in 2012 and turned full-time eight months later. In those days, DeFacto was only a store, a workplace for me where I could work at my spare time during my university studies. When I completed my first year at the company, with the help of my store manager and Human Resources Department I realized that DeFacto was full of opportunities for employees to develop themselves, so I was also presented with various career opportunities.

I attended plenty of trainings during my time as a customer consultant and unit manager. I found out that the trainings improved me not only in terms of improving professional efficiency but also for my personal development. Thanks to these trainings, I made many important decisions about my relationships with my family and friends and developed a different perspective. In addition, my loyalty to my workplace improved as I observed the importance DeFacto places on the personal development of its employees.

Through the opportunities offered by DeFacto, I became a submanager at the 3rd year of my professional life. I thank the DeFacto family for opening the doors of a new world to me and offering me unique opportunities at the retail sector.

Work - Life Balance and Employee Engagement

WE STRIVED TO BUILD OUR WORKING ENVIRONMENT AS A LIVING SPACE. WE BUILT **HAPPINESS ROOMS** SO THAT OUR EMPLOYEES CAN SPEND THEIR BREAKS MORE ENJOYABLY.

Starting from the fact that 95% of our employees belong to generation Y and that this generation places much importance on socialization in business life, we strived to build our working environment as a living space. For the aim of helping our employees to achieve work-life balance, we offer services they can always enjoy such as sports, massage, hairdresser and healthy nutrition consultancy. We established internal yoga, aikido, chess, dance, music, rowing, basketball and football clubs and built “happiness rooms” and “happiness hallways” so that they can spend their breaks more enjoyably.

Additionally, we take care of keeping our employees’ motivation high through implementations unique to DeFacto such as Happiness Hour and I’m All Ears. Happiness Hours are one-hour meetings conducted every Monday and Thursday during which employees receive one-to-one coaching service in order to share their private or business processes.

I’m All Ears is the name for meetings organized for employees to communicate their ideas to managers. Before these meetings, departments conduct internal communication meetings and gather employees’ opin-

ions. The feedback received is transmitted to the management and necessary explanations are provided to all employees about these matters in the “I’m All Ears” meetings.

An example to our practices for work-life balance is flexible working hours. Our employees may start working between 7 to 9 am and stop working between 5 to 7 pm.

All these activities are conducted for the aim of keeping the employee motivation high, revealing their potential strength for creating value for themselves and the company and enhancing their loyalty to the company.



HEALTHY LIFE PROGRAM

In September 2014, we started the “Healthy Life Program” for encouraging our employees to be healthier on the basis of voluntary participation. We worked with a physician specialized in quality living for the preparation of healthy menus. Knowing that nutrition is not sufficient for leading a healthy life but also regular exercise is needed, we opened up a gym center in November 2014 for the use of all employees. Personal exercise programs are created with the support of an expert trainer. 60 voluntary DeFacto employees participated in this program and lost a total of 461 kg at the end of four months. In addition, we organize Smoking Cessation Seminars for our employees.



Occupational Health & Safety

It is one of our material issues to enable that our employees work under healthy and safe conditions. In all workplaces of DeFacto, our Occupational Health and Safety (OHS) policy approved by the Chairman of the Executive Board is implemented. We plan to translate this policy into local languages and share it in our stores at other countries we are active in.

As of 2014, 91% of DeFacto employees are located in Turkey whereas 5% are located in Kazakhstan. This report was prepared to include these countries about our OHS performance and practices. In addition, our

OHS policy and OHS audits are valid and implemented for all country operations. In the coming years, we plan to handle in more detail our OHS practices and performance data especially in growing markets.

OUR OCCUPATIONAL HEALTH & SAFETY POLICY

At every level of our company, we adopt the opinion that “No task is important or urgent enough to risk human health and life safety.”

It is our main aim to prevent occupational accidents and diseases that may take place in our company.

For this aim, we will;

- ▶ Minimize nonconformities at the working environment about occupational safety,
- ▶ Continue with occupational safety trainings effectively,
- ▶ Provide health and safety of our customers, personnel, subcontractors and all related parties throughout the time they spend at our premises,
- ▶ Focus on preventive health services rather than remedial ones at our health unit, continue with and provide durability to preventive health services and periodical health examinations of our personnel,
- ▶ Fulfill our legal obligations and the determined OHS conditions,
- ▶ Provide durability through continuous improvement activities,
- ▶ • Keep our policy open to all related parties.

As a founding policy, we have committed to becoming a leading corporation in the sector causing minimum harm and maximum benefits to humanity during and at the end of all activities.

OHS Management

In Turkey, our OHS management is carried out in cooperation with Administrative Affairs Department, Logistics, Domestic Operations and Common Health and Safety Unit whereas in foreign stores, it is under the responsibility of Foreign Operations Department.

Factors that would influence the health and safety of our employees and customers are rather limited at the offices and stores. On the other hand, activities conducted at the Çerkezköy warehouse require by nature and legal obligations a more comprehensive management of OHS.

There are occupational physicians and occupational safety experts working at our Headquarters and Çerkezköy warehouse. As of 2016, we aim to employ occupational physicians and occupational safety experts in all stores through Common Health and Safety Unit irrespective of the total number of employees working at a given store thereby going beyond the requirements of the OHS regulations in Turkey. Throughout our operations in Turkey in general, OHS committee meetings are conducted three times a month separately for the Headquarters, the Çerkezköy warehouse and the stores.

STORES

Primarily store managers but also all store employees are responsible for OHS management at the stores. In this regard, we provide OHS trainings to all employees in accordance with related laws and regulations as well as corporate practices. Further, we prepared an OHS manual for informing employees working at the stores and collecting criteria to be checked in the framework of OHS audits. In 2010, we shared this manual with all employees through our documentation system which includes detailed instructions for preventing all kinds of risks at the stores.

We evaluate all stores in Turkey in terms of OHS risks which are audited three times a year by two OHS service providing expert firms in accordance with the audit plans prepared. As a result of these audits, corrective and preventive action forms are issued about nonconformities. Within six months at the latest, these precautions are to be taken by the stores. All issues to be improved in terms of OHS and

the yearly store OHS performance are among the material issues of domestic and foreign store managers so much so that the results are reflected on their personal financial performances.

As of the beginning of 2015, our domestic and foreign supervisors started to conduct OHS audits in accordance with an audit list consisting of 45 criteria in addition to the general store compliance audits. In these operational visits conducted at each store monthly, the situation at the store is assessed in terms of the listed criteria and the compliance with the criteria in the OHS control list is shared with store managers. In addition to these audits, as of 2015, OHS audits based on Turkish Occupational Health and Safety Law are conducted yearly by an independent audit firm, which we call the “third eye OHS audits.”

All foreign stores are subject to OHS audits by DeFacto supervisors in which the OHS control list used in the store audits in Turkey are also utilized. New items may be added based on the legal arrangements of each country. In case the legislation of a given country is not mature enough, then the control list of Turkey is identically utilized. For instance, new items have been added to these criteria in Kazakhstan in accordance with local legislation. The compliance of our stores in Kazakhstan to local legislation is ensured by a professional OHS consultancy firm.

As a result of the OHS audits and risk analysis, it was revealed that the greatest risk in our stores in terms of OHS was fire due to electrical leakage. This matter is also handled in detail in the OHS manual covered by instructions such as having fire extinguishers in every 150 m², i.e. exceeding the legislative requirements at the stores and placing carbon dioxide fire extinguishers next to electrical panel boards. In addition, again at the beginning of 2015, we prepared a control list for conducting electrical system checks at the stores and a specialized firm started these checks accordingly. Further, in 2014, we provided that all stores were audited in terms of criteria put forward in the control list for emergency exits. We closed down two stores which were found to be noncompliant as the building structure could not be changed.

OHS MANUAL FOR STORES

Our instructions in the OHS manual include the following headings: Periodical checks, occupational safety about electricity, occupational accidents, store information board, occupational safety working environment, fire prevention, duties of emergency staff, emergency action plan, emergency preparations and response, occupational safety in manual transportation and general occupational safety.

For example, the heading periodical checks include our instructions as to what the periodical checks to be made in the framework of legislation at our stores are, how they will be conducted and by whom they will be monitored. In accordance with this instruction, periodical and/or service maintenance checks of electricity grounding, elevators, fire extinguishers, electrical devices, water dispensers, air conditioners, generators, warning and direction signs at the stores and panic buttons are conducted, deficiencies are determined and necessary actions are taken at our stores.

As stated in the manual, we provide updated information and general instructions about OHS in the information boards at the stores. For example, emergency action plan and emergency team lists are kept updated on the information boards at all times.

Occupational instructions about working environments include store audit criteria of OHS experts and supervisors.



WAREHOUSE

In order that our activities at the Çerkezköy warehouse are managed and monitored in accordance with international standards, we obtained the OHSAS 18001 Occupational Health and Safety Management System certificate for this location in 2012. This management system is audited by a third audit firm every year in compliance with OHSAS standards and our certificate is renewed accordingly. We provide 6 hours of OHS training per person annually to all employees at the Çerkezköy warehouse including subcontractors.

OHS Trainings

We organize OHS trainings for the aim of informing our employees about OHS and enhancing their awareness in this regard also with the consideration of legal obligations. We provide that not only our own employees but also our subcontractors such as the cleaning staff at the stores or subcontractors working at the warehouse receive the trainings. The trainings include basic OHS, fire and first aid.

The six-month development program provided to newly recruited store manager candidates also includes a full day of OHS training. In addition, four hours of OHS training is provided in the orientation training mandatory for all employees who are newly recruited in the Headquarters staff. Additionally, we plan to implement a mandatory e-training program for our store employees in 2015.



OHS trainings provided in Turkey

- ▶ An annual average of 4 hours to the entire personnel working at the Headquarters
- ▶ An annual average of 3 hours to the entire personnel working in the stores
- ▶ An annual average of 6 hours to the entire Çerkezköy warehouse personnel

OUR OHS PERFORMANCE

It is one of our material aims to enable that the occupational health and safety culture is adapted by our employees and our performance in this regard continuously improves. We keep records of performance data such as accident frequency rate, absence rate and number of non-productive days, we include in our business plans the necessary precautions to improve our performance and implement them accordingly.

Our OHS performance for our operations in Turkey is explained in the table below. As for the OHS data of foreign operations, we plan to report them in the coming term.



Our OHS Performance	Turkey	Accident Frequency Rate	Absence Rate	Number of Non-Productive Days
2013	Headquarters	0.146	0.005	1
	Warehouse	2.823	0.022	6
	Store	0.275	0.010	8
	General	0.388	0.010	15
2014	Headquarters	0.000	0.007	0
	Warehouse	5.024	0.029	17
	Store	0.183	0.012	3
	General	0.485	0.012	20

Accident Frequency Rate = Number of accidents / (Total working hours - Lost working hours) * 200,000

Absence Rate = Lost days / Total days

Lost time = Occupational Accident + Other Health Reasons

DeFacto



Community Investment

HIGHLIGHTS FROM 2014-2015



A total of 85 employees voluntarily participated in the DeFacto Happiness Ambassadors Group established at the first half of 2015.



By September 2015, our employees in the Happiness Ambassadors Group spent a total of 326 working hours and 34 out of work hours in seven projects.



We became a member to the Private Sector Volunteers Association.

Our Approach

We reviewed the areas in which we can contribute to the society and make a difference in the light of our corporate strategic material aspects and values. In this regard, we decided to focus on the employment of women and put into practice our action plan in 2015.

Further, through our Happiness Ambassadors Group and cooperation with various NGOs, we develop and implement social contribution projects focused on many different matters such as disabled individuals and environmental issues.

Moreover, we directly and indirectly contribute to local economy in developing regions through our staff employed in the stores and our long-standing suppliers.



Employee Volunteerism

At the beginning of 2015, we established the DeFacto Happiness Ambassadors Group aiming to enhance employee loyalty, belonging and personal competences by developing and implementing projects that create social benefits and awareness. The Group which was firstly established by the participation of employees working at the Headquarters, expanded with participations from field staff reaching a total of 85 participants as of September 2015.

Membership to Happiness Ambassadors Group, which is the name for our Social Responsibility Club, is based on volunteerism the activities of which are again carried out by voluntary employees. Employees may contribute to volunteerism and awareness projects created in cooperation with leading NGOs of Turkey which we have established contacts with. In addition, volunteers can also develop their own projects and are encouraged for the planning and implementation of such activities.

We became a member to the Private Sector Volunteers Association with the aim of obtaining support for more effective structuring of the activities of the Happiness Ambassadors Group and benefiting from their specialization about implementation. In addition, we will provide trainings about volunteerism to our Club members in order to provide sustainability of volunteerism works in a disciplined manner.

PRIMARY GOALS OF THE DEFACTO HAPPINESS AMBASSADORS GROUP:

- ▶ **Social Benefit and Awareness:** Increasing the type and number of projects all employees can contribute to for maximizing social benefits.
- ▶ **Enhancing Employee Competence:** Carrying out at least one project per month, assigning different project leaders within the company to each project thereby enhancing planning, analysis, problem solving and management skills of both the project leader and the volunteers.
- ▶ **Enhancing Employee Loyalty:** Creating opportunities and an environment that would motivate our employees for enhancing loyalty in the mid and long term thereby contributing to the sustainability of our company.

The members of Happiness Ambassadors Group develop and implement social contribution projects based on their areas of interest in the light of DeFacto corporate values. Institutions which they have started cooperation with by mid-2015 include The Hope Foundation for Children with Cancer (KAÇUV), The Spinal Cord Paralytics Association of Turkey (TOFD), Autism Strong Families Association (OGAD), Boğaziçi University Technology and Education Laboratory for the Visually Impaired (GETEM), Foundation for Children with Leukemia (LÖSEV).

Taking advantage of the geographical extensiveness of DeFacto employees, we receive the support of volunteers who are close to the particular locations of the projects. Further, we increase the number of projects which can be handled independently from location so that the activities that can be organized within the scope of the Club include the whole company.

Volunteers may take part in the projects within working hours or out of working hours. Two days of extra volunteerism leave is allotted to volunteers during working hours. By September 2015, 130 employees spent a total of 326 working hours and 34 out of working hours in seven volunteerism projects.

Partner Institution / NGO	Volunteerism Projects	Volunteer Contribution	Number of Volunteers	Hours per Project
The Hope Foundation for Children with Cancer (KAÇUV)	Companionship / spending time together	Volunteers spent a nice day with children from KAÇUV at an amusement park within a pre-determined program.	14	84
Foundation for Children with Leukemia (LÖSEV)	Bicycle assembly and donation	Volunteers assembled a total of 12 bicycles and donated them to the LÖSEV village.	85	212.5
Boğaziçi University Technology and Education Laboratory for the Visually Impaired (GETEM)	Reading audio books	Volunteers will read and record the chosen books for the use of visually impaired people. We aim to spread participation in this ongoing project throughout the company.	3	10
The Spinal Cord Paralytics Association of Turkey (TOFD)	Preparation and delivery of gifts	Volunteers took part in the preparation and the delivery of gifts to the participants at the clubhouse of the association.	4	8
The Hope Foundation for Children with Cancer (KAÇUV)	Donation of books	Volunteers donated books through the system of suspended books and delivered them to KAÇUV.	3	3
Yeşilyuva Secondary School	Preparation and delivery of gifts	Volunteers took part in the preparation and the delivery of gifts to the children at the school.	13	18.5
Autism Strong Families Association (OGAD)	Taking part in operational works of an event organized by the association	Volunteers took part in activities such as greeting the guests, taking photos and recording videos at an event organized by the association.	8	24

Contribution to Local Economy

Another example to our practices for social contribution is the investment to developing regions of Turkey by Ozon Textile, one of our main suppliers in which DeFacto holds 100% of the shares. Ozon Textile established a factory in Sivas in 2005 taking into consideration the opportunity to support local development which employs a total of 564 people as of 31 December 2014, 42 of whom are white-collar employees. As most of the employees are locals, Ozon Textile directly contributes to local economy. Further, subsidiary industry supplying

to Ozon Textile also takes part in the local development of Sivas. In addition to the Sivas factory which will employ more than a thousand people in 2019, the construction of a factory in Batman has been continuing in 2015 which will provide employment to 500 people when it starts to operate in full capacity. In addition to providing employment opportunities, we also contribute to the local public by helping them acquire professions through on-the-job trainings and vocational programs.



**EXTERNAL STAKEHOLDER VIEW**

Nurettin Köksal, Provincial Director of Sivas Branch of the Turkish Employment Agency

What is the role of the textile industry in the development of Sivas?

The textile industry comes second in the development of Sivas. We provide positive discrimination to the textile firms at the organized industrial zone for their employment of women. Ozon Textile is one of the leading firms in Sivas in this matter. We also observe that Ozon Textile cares about employment rights.

What are your views on Ozon Textile?

It is one of the firms that create highest rates of employment and receive minimum complaints from workers. We are happy to work with Ozon Textile due to their mode of operation, staff and common sense in their approach to workers.

What are your expectations from Ozon Textile about the management of its economic, environmental or social impact?

We expect more investments from Ozon Textile, which is in fact building its second factory in Sivas. So, we expect increase in these investments and the employment created therewith. We expect you to take action before the laws about labor rights and lead the way in this regard because the most heated matters of the coming terms will be work life and occupational health and safety. We think that you should be a step beyond.

Do you think there are any matters that Ozon Textile pioneers?

The employee-employer culture did not settle fully in Sivas. Therefore, we experience problems about both employers and employees. In addition, it is very difficult to be employers in a city where labor does not prevail. The parties cannot fully understand each other. A kind of family bonding should occur between the company and its employees. Ozon Textile does well in this regard despite its relatively new existence in the city, and we predict that it will improve even further in the near future.

What are your suggestions to Ozon Textile about sustainability? Do you have any recommendations on areas open to improvement?

We expect Ozon Textile to start new practices for the advantage of workers and improve wages further. Companies active in the organized industrial zone will be preferred by employees at higher rates if they pay more than the minimum wage.



EXTERNAL STAKEHOLDER VIEW

Sami Aydın, Mayor of Sivas

When talking about textile industry, employment comes to mind first, which is a very important issue in Anatolian cities such as Sivas. Sivas has made a move and gained momentum about production in the recent years. In this regard, it is very important that Ozon Textile celebrated a decade in Sivas. Ozon Textile was founded in Sivas for manufacturing for the DeFacto brand and made a positive impact on attracting other investors to Sivas. Ozon Textile's added value to the economy in Sivas is exceptionally significant. In addition, Ozon Textile not only provided employment for unskilled individuals but also brought skilled labor to Sivas.

Companies must transfer a part of their income to the circles in need. In this regard, Ozon Textile takes active role in social organizations. We also bring together people in need and companies like Ozon Textile through social welfare centers such as Life Tree and Food Bank. I thank Ozon Textile for its support to our projects and institutions that provide social contribution.

Reporting Guidelines (G4-17)

This reporting guidelines was prepared for providing information as to the methodology, approach and standards used in the calculation of data declared in the 2014 DeFacto Sustainability Report. This report is our first comprehensive Sustainability Report involving our commitments, implementations and performance on environmental, social, ethical and economic issues between 1 January 2014 and 31 December 2014.

Borders:

Terms “DeFacto,” “us” and “our company” used in the report refer to DeFacto Perakende Ticaret A.Ş. The list of companies included in the consolidated financial statements is provided below. Our approach to ethics, environment and occupational health and safety as explained herein are implemented in all operations including both the domestic

and foreign ones. On the other hand, performance data included herein belong to the Headquarters, stores and warehouse of DeFacto Perakende Tic. A.Ş. in Turkey, unless otherwise indicated. Performance data of our company in Kazakhstan were included herein as much as the data could be supplied.

Companies included in the 2014 Consolidated Financial Statement of DeFacto Perakende Tic. A.Ş.:

DOMESTIC:

- ▶ DeFacto Perakende Tic. A.Ş.
- ▶ DeFacto Teknoloji Hizmetleri A.Ş.
- ▶ Ozon Tekstil Konfeksiyon Sanayi ve Ticaret A.Ş

FOREIGN:

- ▶ De Facto Retail KZ: Kazakistan (stores and central office)
- ▶ Ak Ozon Genel Tic. İth. Ve İhr. Ltd. Şti.: Irak (stores)
- ▶ De Facto Egypt For Trade Ltd.: Mısır (stores)
- ▶ Llc Ozon Retail: Belarus (stores)

Energy Data:

Headquarters: Electricity and natural gas consumption at the Headquarters are calculated on the basis of monthly bills.

Stores: About half of our stores are located in shopping malls in which electrical energy consumption is included in the service fee paid to shopping mall management. Therefore, in these stores, electricity consumption cannot be calculated based on bills. The consumption at the stores located in shopping malls was calculated by estimation according to the consumption rate per m² of stores located at the streets for which electricity consumption is monitored on the basis of bills.

Diesel fuel consumed by generators used during power cuts at the stores cannot be monitored yet.

Warehouse: It was not possible to monitor the amount of electrical energy consumed at the warehouses until 2015 because until this date, service supply we received involved electrical energy consumption. However, as of mid-2015, we shall start monitoring such consumption and provide the relevant data in the next report.

Vehicles: Diesel fuel consumption of all vehicles registered in the name of DeFacto are recorded by those gas station we have agreements with on the basis of license plates and provided to us for the requested terms.

Delivery of products to the warehouse is conducted by suppliers whereas distribution of products from the warehouse to the stores is made by third party service providers. Therefore, fuel consumption during third party service is external consumption which is not reported.

GRI G4 “Core” Content Index

This Report has been prepared and issued in order to disclose DeFacto’s sustainability performance and practices. The contents of the Report are developed in accordance with the G4 version of the GRI (Global Reporting Initiative) Sustainability Reporting Guidelines, which is an internationally recognized reporting standard. Containing qualitative and quantitative data to meet the requirements of GRI G4 “Core” option, the Report was submitted for the GRI Content Index Service, and GRI confirmed the accuracy of the GRI G4 Content Index.

The table below shows the information and data provided in the Report for each relevant GRI G4 indicator and the page numbers where related information can be found. Unless mentioned otherwise, GRI indicators cover issues material to the Company. External issues with materiality are indicated as “External” in the table below.

GENERAL STANDARD DISCLOSURES

STRATEGY AND ANALYSIS

PROFILE DISCLOSURE	DESCRIPTION	REPORTED IN	SCOPE OF REPORTING	REFERENCE PAGE / EXPLANATIONS	EXTERNAL ASSURANCE	UNGC PRINCIPLES
G4-1	Statement from the CEO	Message from the President	●	6-7		

ORGANIZATIONAL PROFILE

G4-3	Name of the organization.		●	DeFacto Perakende Tic. A.Ş.	-	
G4-4	Primary brands, products, and services	DeFacto Profile	●	10-11	-	
G4-5	Location of the organization’s headquarters.		●	Atatürk Mah. Bahariye Cad. DeFacto Plaza No:31 Halkalı, Küçükçekmece/ İstanbul, Turkey	-	
G4-6	Names of countries where the organization has significant operations.		●	Stores in Turkey, Kazakhstan, Egypt, Iraq and Belarus. Sourcing from Turkey, Bangladesh, China and Egypt. Design Office in Spain	-	
G4-7	Nature of ownership and legal form.	DeFacto Profile	●	Privately-owned joint-stock company	-	
G4-8	Markets served.	DeFacto Profile	●	Stores are in Turkey, Kazakhstan, Egypt, Iraq and Belarus.	-	
G4-9	Scale of the organization.	DeFacto Profile	●	10-11	-	
G4-10	Breakdown of workforce.	Employees	●	46-49	-	Principle 6
G4-11	Percentage of total employees covered by collective bargaining agreements.		●	There is no employee within the scope of collective bargaining agreements	-	Principle 3
G4-12	Describe the organization’s supply chain	Product Responsibility	●	30	-	

G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain		●	This our first comprehensive Sustainability Report. Therefore no comparison can be made with previous periods. In addition new stores has been opened in domestic and foreign markets during the reporting period with expanding supplier base.	-	
G4-14	Addressing the precautionary approach or principle.	Product Responsibility	●	Practices aiming product safety and actions for reducing environmental impact of our products are available.	-	
G4-15	External charters, principles or initiatives endorsed.	Milestones in Sustainability	●	11	-	
G4-16	Membership of associations and advocacy organizations.	Our Approach to Sustainability	●	18	-	

ORGANIZATIONAL PROFILE: IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

G4-17	Report coverage of entities included in the consolidated financial statements.	Reporting Guidelines	●	69	Not Assured	
G4-18	Process for defining the report content and the aspect boundaries.	Our Approach to Sustainability	●	19-20	Not Assured	
G4-19	Material Aspects identified.	Our Approach to Sustainability	●	19-20 Material Aspects are provided in the top left quadrant of the graphic found on page 20.	Not Assured	
G4-20	For each material Aspect, report the Aspect Boundary within the organization.	Our Approach to Sustainability	●	19-20 Material issues within the company are explained in the notes section of the graphic found on page 20.	Not Assured	
G4-21	For each material Aspect, report the Aspect Boundary outside the organization.	Our Approach to Sustainability	●	19-20 Material issues outside the company are explained in the notes section of the graphic found on page 20.	Not Assured	
G4-22	The effect of any restatements of information provided in previous reports.		●	This our first comprehensive Sustainability Report.	Not Assured	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.		●	This our first comprehensive Sustainability Report. Therefore the Scope and Aspect Boundaries are identified for the first time.	Not Assured	

PAYDAŞ KATILIMI

G4-24	List of stakeholder groups engaged by the organization.	Our Approach to Sustainability	●	17	Not Assured	
G4-25	Basis for identification and selection of stakeholders.	Our Approach to Sustainability	●	16	Not Assured	
G4-26	Approaches to stakeholder engagement.	Our Approach to Sustainability	●	17	Not Assured	
G4-27	Response to key topics and concerns raised	Our Approach to Sustainability	●	17	Not Assured	

REPORT PROFILE

G4-28	Reporting period.		●	1 January 2014 - 31 December 2014	-	
G4-29	Date of most recent previous report		●	This our first comprehensive Sustainability Report.	-	
G4-30	Reporting cycle.		●	We aim to publish our second comprehensive Sustainability Report in June 2017.	-	
G4-31	Contact point for questions.		●	sustainability@defacto.com.tr	-	
G4-32	'In accordance' option, the GRI content index and external assurance.	GRI content index	●	GRI content index for "In accordance-Core". Not Assured	-	
G4-33	Policy and current practice regarding external assurance		●	Not Assured	-	

GOVERNANCE

G4-34	Governance structure of the organization	Corporate Governance and Ethics	●	22-25	-	
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ETHICS AND INTEGRITY

G4-56	Values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	Corporate Governance and Ethics	●	24-25	-	Principle 10
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SPECIFIC STANDARD DISCLOSURES

PROFILE DISCLOSURE	DESCRIPTION	REPORTED IN	SCOPE OF REPORTING	REFERENCE PAGE / EXPLANATIONS	EXTERNAL ASSURANCE	UNGC PRINCIPLES
Economic						
Aspect: Economic Performance		DeFacto Profile		2nd Priority		Principle 7
G4-EC1	Direct economic value generated and distributed.	DeFacto Profile	●	10	-	
Aspect: Indirect Economic Impact		DeFacto Profile		2nd Priority		
G4-EC8	Significant indirect economic impacts, including the extent of impacts.	Community Investment	●	66-68	-	
Environmental						
Aspect: Energy		Environment		2nd Priority		Principle 7,8 and 9
G4-EN3	Energy consumption within the organization.	Environment	●	39-40	-	Principle 7 and 8
Aspect: Water		Environment		2nd Priority External		Principle 7 and 8
Aspect: Effluents and Waste		Environment		2nd Priority External		Principle 8
Aspect: Product and Services		Product Responsibility		2nd Priority		Principle 7, 8 and 9
G4-EN27	Mitigation of environmental impacts of products and services. (Chemicals, recycled materials, organic cotton etc.)	Product Responsibility	●	34-35	-	Principle 7, 8 and 9
Aspect: Supplier Environmental Assessment		Product Responsibility		2nd Priority External		Principle 8
Aspect: Environmental Grievance Mechanisms		Corporate Governance and Ethics Product Responsibility		2nd Priority External		Principle 8

Social: Labour Practices and Decent Work

Aspect: Employment		Employees		1st Priority		Principle 6
G4-LA1	New employee hires and employee turnover by age group, gender and region.	Employees	●	49	-	Principle 6
Aspect: Occupational Health and Safety		Employees		1st Priority Internal and External		
G4-LA6	Injuries, lost days, absenteeism and fatalities.	Employees	●	61 OHS data is reported only for DeFacto employees.	-	
Aspect: Training and Education		Employees		2nd Priority		Principle 6
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Employees	●	51-52	-	Principle 6
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Employees	●	50-54	-	
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	Employees	●	49-50	-	Principle 6
Aspect: Diversity and Equal Opportunity		Employees		2nd Priority		Principle 6
G4-LA12	Composition of governance bodies and breakdown of employees.	Employees	●	46-48	-	Principle 6
Aspect: Supplier Assessment for Labour Practices		Product Responsibility		2nd Priority External		
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria.	Product Responsibility	●	All of the new garment suppliers	-	
Aspect: Labor Practices Grievance Mechanisms		Corporate Governance and Ethics Product Responsibility		2nd Priority Internal and External		

Social: Human Rights

Aspect: Investment		Product Responsibility		1st Priority External		Principle 1, 2
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Product Responsibility	●	All of the new garment suppliers	-	Principle 2
Aspect: Child Labor		Product Responsibility		1st Priority External		Principle 5
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Product Responsibility	●	30-31	-	Principle 5
Aspect: Aspect: Forced or Compulsory Labor		Product Responsibility		1st Priority External		Principle 4
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	Product Responsibility	●	30-31	-	Principle 4

Aspect: Supplier Human Rights Assessment		Product Responsibility		1st Priority External		Principle 2
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Product Responsibility	●	All of the new garment suppliers	-	Principle 2
Aspect: Human Rights Grievance Mechanisms		Corporate Governance and Ethics Product Responsibility		2nd Priority External		Principle 1

Social: Society

Aspect: Anti-Corruption		Corporate Governance and Ethics		2nd Priority		Principle 10
G4-SO4	Anti-corruption training.	Corporate Governance and Ethics	●	24-25	-	Principle 10
Aspect: Compliance		Corporate Governance and Ethics		2nd Priority		
Aspect: Grievance Mechanisms for Impacts on Society		Corporate Governance and Ethics		2nd Priority		Principle 10

Social: Product Responsibility

Aspect: Customer Health and Safety		Product Responsibility		1st Priority		
G4-PR1	Assessment of health and safety impacts of products	Product Responsibility chemicals that may be harmful to health or the environment	●	All product groups undergo various tests to ensure they do not contain chemicals that may be harmful to health	-	
Aspect: Product and Service Labelling		Product Responsibility		2nd Priority		
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	Product Responsibility	●	The composition of the products are clearly indicated on product labels according to the related regulations.	-	
G4-PR5	Results of surveys measuring customer satisfaction	Product Responsibility	●	36	-	

Reporting Consultancy

**3P Sustainability
Consulting** ●●●

www.3psustainability.com.tr

Report Design

DENK

www.denkdesign.net

For more information
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