



DeFacto

**SUSTAINABILITY
REPORT 2018**

CONTENT

ABOUT THE REPORT
MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT
EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT



ABOUT THE REPORT
03



MESSAGE FROM CEO
04



STRATEGY AND GOVERNANCE
08



DESIGN AND INNOVATION
26



PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION
30



SUSTAINABILITY IN THE SUPPLY CHAIN
38



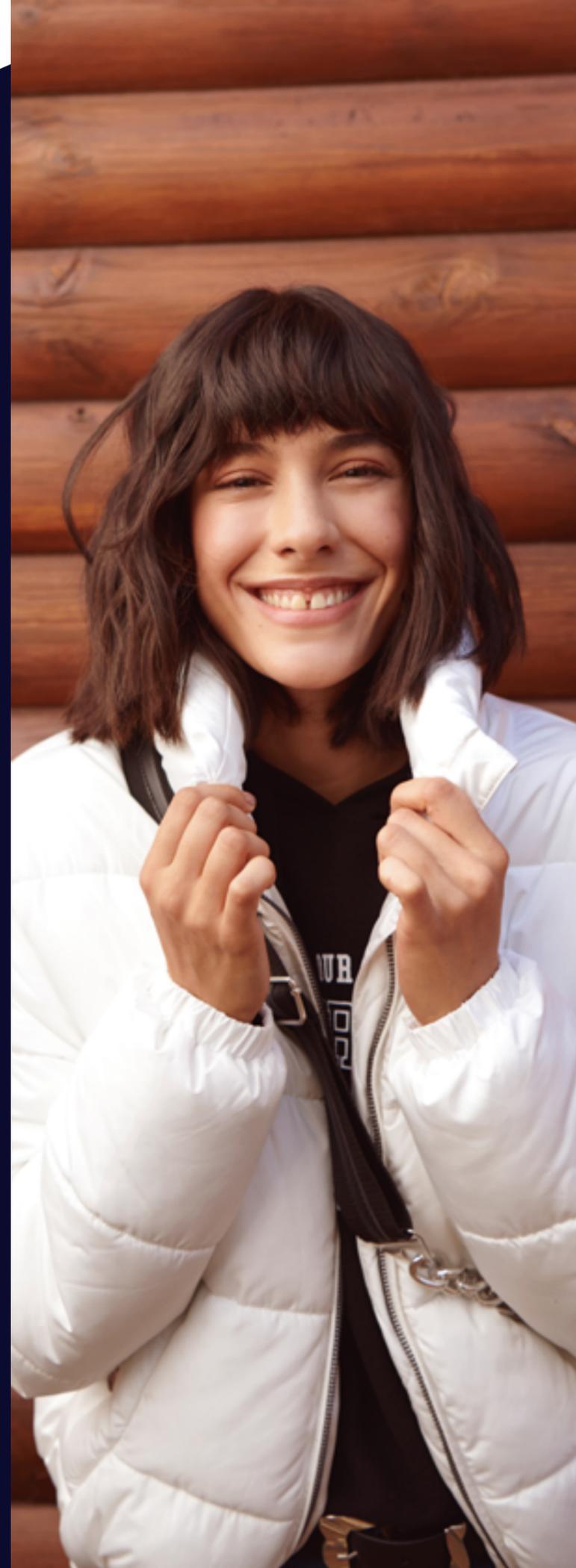
ENVIRONMENT
46



EMPLOYEES
50



COMMUNITY DEVELOPMENT
64



ABOUT THE REPORT

At De Facto, we commit both to ourselves and all stakeholders to support sustainable development primarily in Turkey and in our operational geographies. We present the studies we carried out in line with this commitment and our achievements to our stakeholders through the sustainability reports. DeFacto 2018 Sustainability Report is the fourth sustainability report we have published, covering the impacts of our activities on environmental, social, ethical and economic areas, conducted between January 1, 2018 and December 31, 2018 as well as our approach to manage these impacts.

We included the operations of DeFacto and Ozon Textiles in Turkey, and the performance data of headquarters, factory, warehouse and stores. Moreover, we covered the information on our operations outside of Turkey to better reflect the whole company in terms of content and so that data obtained conform to equivalent quality standards.

This report is prepared in accordance with "GRI Standards: "core" option requirements. In order to identify the content of this report, we conducted a materiality study in line with the principles proposed by the GRI Standards. In addition, we included information of progress in the report in line with the principles of UN Global Compact, of which we are a signatory party.

DeFacto Sustainability Report 2018 and the reports of previous years are available on our corporate website. You may reach us through sustainability@defacto.com.tr for your recommendations, comments and questions concerning our sustainability performance and practice.



MESSAGE FROM CEO



İhsan Ateş / CEO



OUR SHARE FOR FOREIGN TURNOVER ADVANCED TO **30%** IN **2018** AND OUR TURNOVER REACHED **3.53** BILLION TL.



THE NUMBER OF VISITORS IN ONLINE SALES CHANNEL REACHED **77** MILLION IN **2018**.



RECYCLING OF PAPER AND PACKAGING WASTES, WE RECYCLED **6.6** TONS OF PAPER WASTE IN OUR HEADQUARTERS AND **165** TONS OF PAPER WASTE IN OUR WAREHOUSES.

We continue our journey by adding new achievements to our successes to become a global fashion brand. Despite the challenging market conditions in 2018, we left behind a year when we continued to grow thanks to our agile business model that promptly responds to changing market conditions. As a key indicator of the appreciation of our consumers, the number of our stores and the number of countries we operate in continued to grow. In the reporting period, the number of stores reached 508. 34 out of 175 stores available abroad operate as franchise stores; moreover, we expanded to 30 countries by operating via our own website. We grew fast in the number of stores and areas of sale both in Turkey and abroad. Our share for foreign turnover advanced to 30% in 2018 and our turnover reached 3.53 billion TL.

The major factor underlying our success is the excellent customer experience we promise. In this regard, we work to make the latest fashion trends accessible for wide populations of the society. One of the key resources of motivation for us while moving forward to this target is the increasing interest of our customers to online sale channels in addition to stores. The number of visitors in online sales channel reached 77 million in 2018 and we focused on omnichannel and uninterrupted customer experience.

We support our financial growth through sustainability performance and lay our operations on a solid foundation. We handle the social, environmental and economic impacts resulting from our products and operations in a responsible manner and produce sustainable value for our stakeholders. Two key motivations lie under the reason why we build our operations on a sustainable ground: First of them is to plant the company culture of being a global fashion brand that is an example for its business model; the second is to develop a strategic approach for converting risks that may appear at our operations into opportunities.

We believe that the value we create will not only make us more powerful but will also create positive impact on the sustainable development of the societies we operate in in the meantime. In this context, we are among the supporters of UN Global Compact and Women Empowerment Principles. In addition, we continue to contribute to UN Sustainable Development Goals through studies we conduct on sustainability.

We aim to carry out our operations with minimum environmental impact in line with our responsible environmental management. We precisely follow these environmental impacts in all processes from design to sales. In 2018, we continued to obtain crucial achievements in this field. While we continue to support the recycling of paper and packaging wastes, we recycled 6.6 tons of paper waste in our Headquarters and 165 tons of paper waste in our warehouses. Moreover, we recycled 675 kg electronic waste and donated 60 saplings. We reduced annual energy consumption per m² by 10%, decreasing it to 160.7 kWh/m².

We attach importance to expanding sustainability not only in DeFacto operations but also in supplier

operations. We audit our suppliers in regards to environment, quality and social compatibility criteria and support them by preparing development plans when necessary. Thanks to our attentive efforts, the rate of approval at first audit reached 98% in our suppliers in 2018.



Operating in a labor-intensive sector in which creativity is at the forefront carries human resources to a critical point. We strive to support the development, satisfaction and happiness of our employees in the most correct way. Under the umbrella of DeFacto Academy we designed based on the needs of our employees, we offered a total of 118,678 hours training in 2018 both in domestic and foreign operations. Through applications we conduct via Happiness Department, we continued to invest in the happiness of our employees and to support work - life balance.

Offering a secure work environment is one of our fundamental sustainability priorities. We ceaselessly continue to improve our performance in occupational health and safety. We focus on increasing employees' awareness on occupational health and safety through trainings we conduct. In this context, in 2018, we presented a total of 7,376 hours occupational health and safety training.

For us, it is a social responsibility to invest in the future of societies we live in. We add value to the society and environment through social responsibility projects our happiness ambassadors conduct voluntarily.

We would like to extend our gratitude to our customers for selecting us in our voyage to sustainability and to our employees and business partners for their labor, devoted work and contributions. As we did until now, we will continue to carry out studies that create a value both for the economy and the society in the future.

SUSTAINABILITY GOALS TABLES

ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT



EMPLOYEES

2018 GOALS AND REALIZATION

- » To execute Global Retailing career journey program (Retailing global career routes were defined. Internal candidates for managerial positions for abroad retailing were assigned.)
- » To globalize and standardize selection and evaluation tools (Inventories used during recruitment and talent management processes were defined and standardized. Recruitment processes were digitalized.)
- » To launch Retailing Training School (Retailing Training School, Supply Management Portal, Product Management School Specialty Programs and digital library for retailing opened.)

2019 GOALS

- » To extend Global Retailing career journey program
- » To digitalize inventories used in recruitment and talent management processes, to complete multiple language options for global use
- » To keep back up plans up-to-date for critical positions through internal and external resources
- » To expand Retailing and Product Management schools abroad
- » To carry out a technology-integrated performance system that reveals and promotes personal success
- » To carry out Personal Development Action Forum which is integrated with performance system
- » To expand the application "Instant HR"



SUSTAINABILITY IN THE SUPPLY CHAIN

2018 GOALS AND REALIZATION

- » To increase suppliers' rate of approval at first audit by 10% compared to 2017 (increased by 22.5%)
- » To perform audits on 400 suppliers (541 suppliers were audited)
- » To improve performances of 80 suppliers (202 subcontractors received follow-up audit and 114 were improved)
- » To create subcontractor performance map (realized)
- » To organize trainings on social compliance and ecologic values for employees of local strategic suppliers (instant trainings conducted following the audits)
- » To include all strategic fabric manufacturers to the audit process till the end of 2019 (35 fabric and accessories suppliers were audited)

2019 GOALS

- » To preserve 90% level for suppliers' approval for audit
- » To apply social compatibility audit in workshops of all the strategic main and sub-contractors
- » To arrange supplier and internal team trainings regarding to technical and social compatibility red-lines
- » To enlarge quality assurance team to meet and improve quality expectations of customers



OCCUPATIONAL HEALTH AND SAFETY

2018 GOALS AND REALIZATION

- » Emergency action plans and risk evaluations for the stores were updated.
- » Technical controls in the stores were carried out.

2019 GOALS

- » To offer one-day in-class OHS training to all domestic store managers
- » To include OHS specialist and on-site doctor who are used as external resources within the company as a legal obligation



ENVIRONMENT

2018 GOALS AND REALIZATION

- » To exchange all lightings in the dining hall with LEDs (realized)
- » To increase the efficiency in air-conditioning plant by 15% through a project conducted in this plant (project is ongoing)
- » To decrease product dummy alternatives in the stores by 60% (realized)
- » To save paper by 40% by decreasing and standardizing the dimensions of visual materials in the stores (saving was achieved by sending visual materials in standard dimensions based on ceiling height)
- » To decrease electric consumption per m² in the stores in Turkey by 5% compared to 2017 (decreased by 10%)
- » To decrease packaging wastes per employee by 10% (decreased by 4%)
- » Energy audit work will be conducted under energy efficiency project for the headquarters and the Çerkezköy warehouse (realized).

2019 GOALS

- » To change administrative warehouse heating system
- » To save 10% in working time lines of central building lightings
- » To automate air-conditioning and ventilation systems of the building for self-opening and closing by attaching a time counter
- » To gain from the recycling points at the headquarters
- » To prepare visual materials in a single format during discounts and campaigns and to use the same materials alternately every period



STRATEGY AND GOVERNANCE

2018 GOALS AND REALIZATION

- » 0 Case of legal unconformity
- » To organize trainings on anti-corruption and ethics for employees (Employees joined seminars on the Law on the Protection of Personal Data and received trainings on ethics.)

2019 GOALS

- » 0 Case of legal unconformity
- » To assign online training on ethical principles to all employees of the company
- » To generalize "Plain Management" culture in the baseline of the organization



PRODUCT RESPONSIBILITY

2018 GOALS AND REALIZATION

- » To increase the share of products made of organic cotton in total products by 5% compared to 2017 (Our production of organic cotton products was 174,000.) *

2019 GOALS

- » To establish the infrastructure for Sustainable Trend Project
- » To increase the number of products in which clippings were evaluated to over 1 million
- » To continue to include waterless products in the product range

* Since 2015 when organic cotton practice was initiated, there has been a qualitative increase in the number of products in which organic cotton is used. In addition, limited number of organic cotton products were produced in 2018 due to the inconvenient market conditions.



ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT

STRATEGY AND GOVERNANCE



DEFACTO FROM PAST TO PRESENT

ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT

The fundamental vision lying under the foundation of DeFacto is to become a global brand by enabling the accessibility to fashion for broader consumer groups. Paying regard to a price & benefit balance for a happy and satisfied experience for its customers since its foundation in 2014, DeFacto has a wide product range in regards to forms, fabrics and models. This company offers one-stop-shop opportunity through its quite diverse, innovative and trendy product groups that fit to every occasion in the categories of clothes, shoes and accessories for women, men and kids that follow fashion trends.

Fast increase in the number of stores throughout the years is a crucial indicator of customer appreciation. The number of stores of DeFacto which continued to grow in the reporting period as well reached a total of 508; 333 of which are domestic, while 175 are foreign stores; and the number of customers reached 302 million. In addition to these stores, we continue to sale products via e-trade platform accessed by www.DeFacto.com.tr or www.Defactofashion.com and franchising and wholesale channels.

The number of DeFacto stores reached **508**, while the number of customers reached **302** million.

As Turkey's second largest ready to wear apparel brand, we achieved **3.53** billion TL sales.

We audit **17** main processes by focusing on critical subjects in company's risk inventory.

3.53

AS TURKEY'S **SECOND LARGEST READY TO WEAR** APPAREL BRAND, WE ACHIEVED **3.53** BILLION TL OF SALES IN 2018.

We feel proud of offering service to a wide geographical area after carrying our operations beyond Turkey. We primarily build our growth strategy abroad on MENA (Middle East and North Africa) and CIS

(Commonwealth of Independent States) regions. In addition to Turkey, we continue our journey in 30 other countries including TRNC (Turkish Republic of Modern Cyprus), Kazakhstan, Kirghizstan, Belarus, Russia, Iraq, Jordan, Georgia, Azerbaijan, Pakistan, Egypt, Morocco, Algeria, Tunisia, Albania, Kosovo, Bosnia Herzegovina, Serbia, Lebanon, Palestine, Afghanistan, Malaysia, Ukraine, Oman, Armenia, Daghistan, Moldova, Romania and Saudi Arabia.

The goal of making DeFacto a global brand and taking our promise of "affordable fashion" to all over the world motivates us to create new stories of growth and success. We aim at growing in categories such as home clothing, child-baby clothing, business clothing and underwear, increasing the number and area of our stores in Turkey and abroad, developing our e-commerce capacity and operating in new countries in the following periods. While actualizing these

objectives, we will focus on creating a globalization model that adapts to local aspects, digitalizing in operations and customer orientation in the Internet world.

DEFACTO BRAND

Our brand is our fundamental value that generate our promise to customers and their perception of our brand. The objective of strengthening our brand globally works as a propellant in improving our performance in every field due to the perception and value it represents.

OZON TEXTILE

We carry out our production activities through Ozon Textiles, wholly owned subsidiary of DeFacto. Ozon Textile which is the biggest supplier of DeFacto operates in Sivas and Batman factories. The turnover of Ozon Textile which achieved 31.8 million items of production for DeFacto in 2018 reached 501 million TL and the number of subcontractors reached 933. Ozon Textile, which carries out the cutting, sewing, printing, embroidery and ironing-packaging processes in an integrated system at Sivas Factory, is among Turkey's fastest growing industrial companies. In addition to DeFacto production, Ozon Textile produces for brands such as Primark, Promod, JP Penney, C&A and THG as well in regards to exportation.

ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT

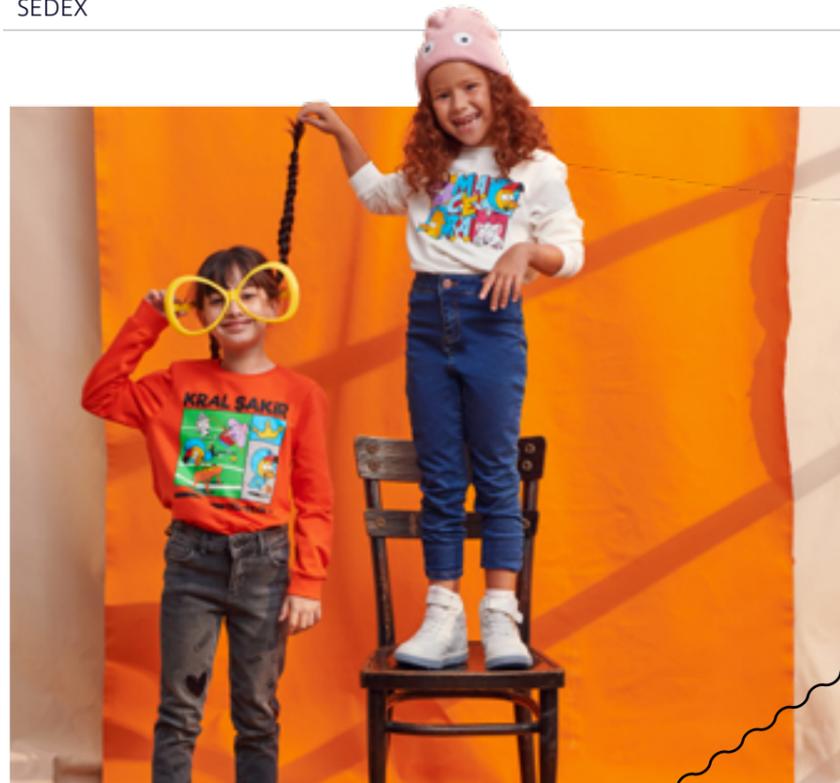
Corporate Memberships and Organizations we are Signatory of:

DeFacto

- United Brands Association of Turkey (BMD)
- United Nations Global Compact (UNGC)
- Environmental Protection and Packaging Waste Recovery and Recycling Foundation (ÇEVKO)
- Istanbul Textile and Apparel Exporters' Association (ITKIB)
- United Nations Women's Empowerment Principles (UN WEPs)
- Private Sector Volunteers Association (ÖSGD)
- Turkish Clothing Manufacturers' Association (TGSD)
- Turquality

Ozon Tekstil

- Istanbul Textile and Apparel Exporters' Association (ITKIB)
- Istanbul Apparel Exporters Association (IHKIB)
- Environmental Protection and Packaging Waste Recovery and Recycling Foundation (ÇEVKO)
- Turkish Quality Association (Kal-Der)
- SEDEX



Our Vision

We will be a global fashion brand creating a "WOW" effect.

Our Mission

We make "luxury" affordable to create happiness.

Our Values

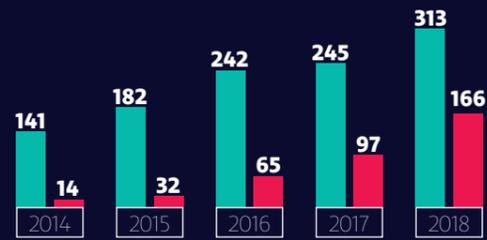
- We think different, run hard.
- We stay close to our customers.
- We achieve more with less.
- We proceed shoulder to shoulder and work with passion.
- We care about environment and humans.

DEFACTO IN FIGURES

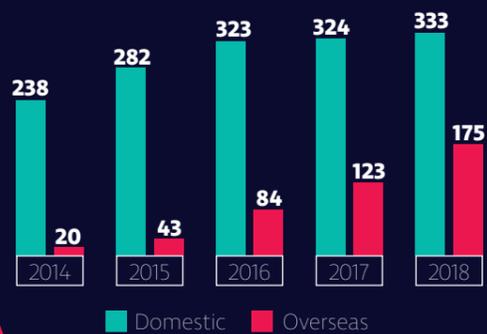
OZON TEXTILE IN FIGURES



DEFACTO STORES NET SALES AREA (1,000 M²)



DEFACTO NUMBER OF DEFACTO STORES



- ABOUT THE REPORT
- MESSAGE FROM CEO
- STRATEGY AND GOVERNANCE
- DESIGN AND INNOVATION
- PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION
- SUSTAINABILITY IN THE SUPPLY CHAIN
- ENVIRONMENT
- EMPLOYEES
- COMMUNITY DEVELOPMENT
- PERFORMANCE DATA
- GRI INDEX
- CONTACT



DEFACTO IN FIGURES



*Franchise stores included.

ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT



CORPORATE GOVERNANCE

The operational growth we accomplished in the short period of time at DeFacto required, concomitantly, a management organization that supports this growth. In line with this requirement, we structured a corporate governance approach in parallel to internationally acclaimed principles. We equipped our governance model with mechanisms that support our target of creating value for all stakeholders from Board of Directors to operations.

DeFacto Board of Directors is composed of six members, and the CEO reports to the Board. The CEO, responsible for execution, is appointed by the Board of Directors and is responsible for conducting the strategies set by the Board of Directors. This task is carried out by the senior management team reporting to the CEO. The Board of Directors is also responsible for the sustainability performance, which includes social, environmental, economic and ethical issues. While the Board determines the strategic approaches in these areas, sustainability practices are carried out by different units.



Business Continuity

One of the crucial parts of our Corporate Risk Management approach is business continuity. We identify threats that would prevent the persistence of customer satisfaction and the continuity of the operations, and we implement actions that will minimize or eliminate such threats. We have initiated DeFacto Business Continuity Management System in order to manage business continuity in a given framework and methodology. Through the Business Continuity Management System, we aim:

- To ensure the safety of the "human" we see as the most valuable resource,
- To determine and test possible emergency scenarios to ensure the continuity of critical processes,
- To reinforce our cooperation with our suppliers and reduce service interruption risks,
- To restore business and information technology processes interrupted by potential crises with minimal losses,
- To assure the continuity of information systems by information security policies and provide these from emergency centers.



INFORMATION SECURITY

Ensuring the security of the data of our employees, customers and suppliers is included among the aspects we address as part of risk management. DeFacto Information Security Management System is established in line with ISO 27001:2015. We intend for the following with the Information Security Management System:

- To manage information security risks within the scope of DeFacto Corporate Risk Management,
- To trust our employees and keep their jobs "secure" and "continuous",
- To support the decision-making mechanism by making information complete, accurate and accessible,
- To ensure that information is only accessed by authorized individuals,
- To guarantee change management while continuously developing the information systems and components,
- To detect information security violation incidents and eliminate these together with their root causes,
- To reinforce the information security awareness of the organization.

We evaluated and prioritized the information technology process risks as part of our information security studies and made improvements in accordance with our risk management methodology. Moreover, we update the privileges of critical information access for the privacy of customer information and personal information and we take precautions to ensure that the integrity and safety of this information is not compromised.

ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT

RISK MANAGEMENT

The uninterrupted continuity of DeFacto's existence and operations is possible with the reduction of the costs of potential losses, stability of its turnover and profitability, sustainable growth, fulfillment of corporate social responsibilities, compliance with legal regulations and correct management of all types of risks it is exposed to within the sector in line with corporate strategies. The Corporate Risk Management System is established in parallel with this approach.

According to the Corporate Risk Management System, the critical indicators of risks and actions are monitored by the Risk Management and Compliance Team and they are

PROJECT AND PROCESS MANAGEMENT

We adopt the culture of "management by processes" as part of our operational excellence approach. We work with a flexible and adaptable methodology on a project basis by combining project management methodology and process improvement techniques. We perform studies to generalize Continuous Improvement and Project management culture throughout the organization.

We started to use modern project planning and monitoring tools such as JIRA and WRIKE by continuously

periodically reported to the Board of Directors. Strategic, financial, operational, compliance, reputation, information security and business continuity risks are also assessed within the scope of Risk Management, in addition to potential opportunities and threats. It is aimed at providing data to decision-making mechanism of DeFacto directly. Within the framework of the risk management system, non-financial risk factors such as social, environmental, economic and ethical risks as well as traditional risk points are also monitored.

One of the fundamental principles of corporate governance is legal compliance. Compliance management is intended to ensure quick adaptations to legislation changes, to provide an application standard related with the internal regulations of DeFacto, and to provide a basis for the proactive management of compliance risks. The Risk Management and Compliance Team undertake compliance proceedings by collecting DeFacto's legal requirements and sanctions on an inventory for both domestic and international operations.

deepening project management in corporate memory.

We prepare, control, publish and revise the necessary documents for the management of our business processes through the QDMS Corporate Memory Library. With this software program, we have ensured that our management system processes are automated and traceable, data analyses are facilitated, data sharing can be managed safely and easily, data loss is prevented, and corporate memory is established.

In 2018, we laid the foundations of Plain Process Project which we aim to apply in 2020. Primary process development areas of this strategy defined with a focus on "Value" for customers are identified using Hoshin Kanri model. We apply Agile and Plain A3 approaches based on the needs while solving problems by combining project management methodology with plain process improvement techniques.

INTERNAL AUDIT

At DeFacto, through internal control systems we guarantee reaching our strategic goals, ensuring effectiveness and efficiency of our activities, reliability and accuracy of financial and operational information, protection of assets and compliance with regulations, policies and procedures. DeFacto Audit, Risk Management and Revenue Protection Directorate conducts assurance and consultancy activities to evaluate and improve the efficiency of risk management, internal control and governance processes, based on the principles approved by the Board of Directors.

Internal control activities are carried out in accordance with the international internal audit standards. The effectiveness of the current internal controls regarding elimination of risks in business processes is assessed during the audits conducted. The causes and effects of any control deficiencies detected as a result of the audits are analyzed, management action plans for eliminating the problems are received from the relevant units and these actions are monitored to check whether these actions are implemented on time. In addition, audit teams operating in the areas of retailing audits and loss prevention conduct examinations and investigations in addition to their audit activities when necessary.

In 2018, we focused on the most critical aspects in the Company's risk inventory and conducted controls in 17 main processes. Within the scope of the retailing audit activities, we performed on-site audits in 262 stores in Turkey, 141 domestic stores and 121 franchises abroad.



ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT



BUSINESS ETHICS

As we move on the path to become a multinational corporation, we strive to maintain our way of doing business in accordance with universal values. We encourage and support our employees and suppliers to act within ethical values and remain committed to the ethical values of individuals and institutions. In this direction, DeFacto Business Ethics and Principles

Manual we have prepared for our employees and the Supplier Code of Conduct prepared for our suppliers are of guiding nature. DeFacto Business Ethics and Principles Manual is a document that includes the rules that all employees are required to adopt in their relation with each other, the company and the suppliers. This Principles Manual is published in online platform and is accessible by all employees.

Any attitudes or circumstances that are deemed incompatible with Ethical Values can be notified anonymously via DeFacto Ethics Line. Notifications can be communicated through the telephone, private e-mail address, or online over a private Internet address with a corporate user name

and password. DeFacto Ethics Line is open to the use of all our domestic and international employees and suppliers and is operated by an independent company. Calls or e-mails are recorded by a team of experts. The expert team regularly reports the notifications made to the persons assigned to the Internal Audit unit and these reports are evaluated by the relevant officials. Matters, which are considered to necessitate sanctions, are forwarded to the Discipline Committee. Employees identified to act incompatible with Ethical Principles, are subject to a variety of discipline penalties ranging from a warning to dismissal as per our DeFacto Discipline Regulation that we provide to the knowledge of every newly recruited employee.



DEFACTO BUSINESS ETHICS PRINCIPLES

Honesty: Integrity and honesty are our priority values in all our business processes and relations.

Confidentiality: As DeFacto employees, we are careful about handling and protecting the confidential and private information of our customers, employees and business partners.

Compliance with the Law: We conduct all our activities and transactions that we carry out domestically and internationally within the scope of the local codes and international law, and submit accurate, complete and comprehensible information to the legal regulatory institutions and organizations on time.

Our Stakeholder Relations: As we have undertaken by signing the United Nations Global Compact, we ensure full compliance with the universal principles concerning human rights, working conditions, environment and clean society. And we take the necessary cautions for these principles we have internalized, that they are implemented by all our stakeholders.

Our Customer Relations: We work with a proactive understanding that is customer satisfaction focused, and respond to the requirements and demands of our customers within the shortest time, in the most correct way.

Our Relations with Employees: We ensure that the employees exercise their personal rights fully and correctly. We approach our employees honestly and fairly, and undertake a non-discriminating, safe and healthy work environment.

Our Relations with Suppliers: We undertake to be in fair, balanced and impartial relations based on mutual respect with all our suppliers and subcontractors, starting from the negotiation stage.

Our Relations with the Environment: With our ecological product policy, preventing the presence of any harmful coloring agent for human health is among our priorities in the supply process.

Our Relations with Public Offices and Media: We realize open and honest relations with the public offices on legal basis, in compliance with the laws and regulations, within the framework of ethics rules, while protecting the legal rights and interests of the company with respect to methods and principles.

Conflicts of Interest: We aim to refrain from relations and circumstances that might involve potential or actual conflicts of interest.

Acts Aimed to Derive Personal Benefits and for Relatives: We do not get involved in any business relations, which impart mutual or one-sided benefits, with our family members, friends or third parties.

Gifts, Dinner and Offers: We refrain from deriving any benefits or accepting any gifts that influence or might influence our impartiality, performance and decisions while performing our jobs.

SUSTAINABILITY MANAGEMENT

We believe that our sustainability performance that involves our environmental and social operations is at least as crucial as operational and financial success. As a result of our responsible sustainability approach, we manage our impact stemmed from our operations and products with an awareness on our responsibilities for the environment, our employees and the society. We attach importance to create value for our stakeholders in every step we take while growing sustainably.

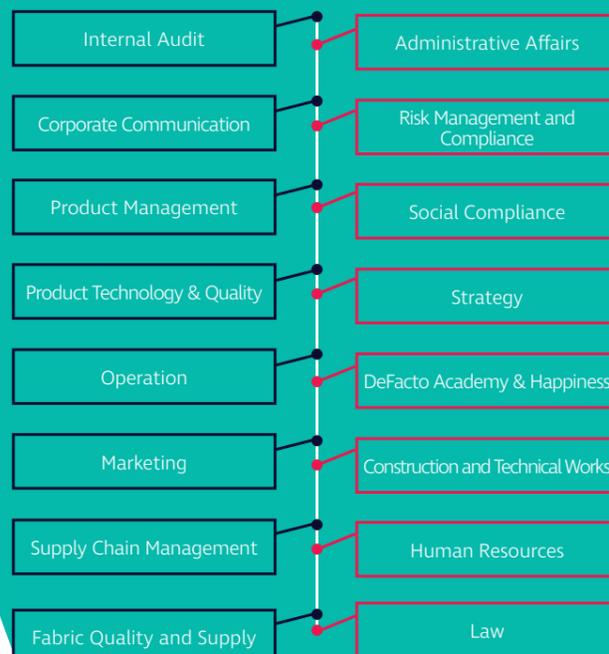
In line with our sustainability approach, we identify matters that are strategically prior through systematical methods, develop policies and systems that will

manage our impact, and monitor the results of our applications via performance indicators we identified. We aim to make our sustainability approach more dominant in DeFacto and Ozon Textile operations as well as in the operations of our suppliers, to manage the social, environmental, ethical and economic impacts across our value chain and eliminate the unfavorable ones.

Sustainability Management Organization

Board of Directors is essentially responsible for the integration of our social, environmental, economic and ethical responsibilities into our business strategies and achieving the target performance. It is the responsibility of all our employees under the leadership of the senior management to participate in this process by making the necessary business plans. We present the performance results obtained to the Board of Directors within the organization and share them with all our external stakeholders through annual sustainability reports. The Sustainability Study Group, in which various units are represented, is responsible for the preparation of business plans for the related issues, as well as the development, implementation and reporting of practices in sustainability management.

Departments Taking Part in the Sustainability Study Group:



ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

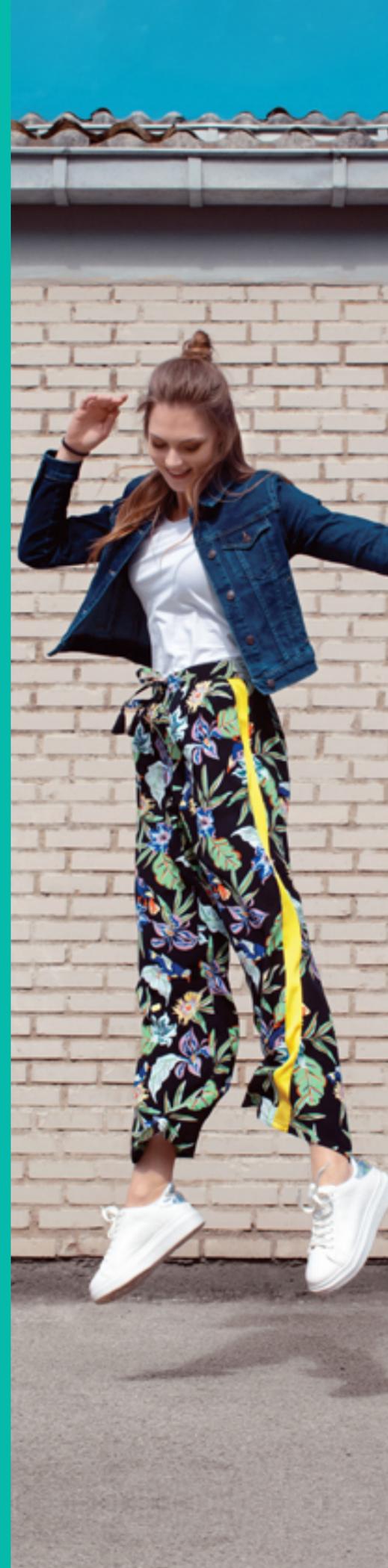
EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT



Defacto Sustainability Priorities

We identified our sustainability priorities in line with the opinions of our employees and suppliers. In this study in which we carried out under the guidance of GRI standards, we prioritized the potential impact points in terms of their size, arising from the activities of DeFacto and Ozon Textile, expectations and opinions of the

stakeholders. We gave our portfolio its final shape by evaluating the results obtained in the workshop with the Sustainability Study Group.

During the Sustainability Materiality process, we evaluated UN Sustainable Development Goals in terms of DeFacto operations. In regards to this evaluation, our employees and stakeholders stated that they considered Decent Work and Economic Growth, Quality Education, Good Health and Well-Being, Responsible Consumption and Production, Industry, Innovation and Infrastructure, Reducing Inequalities and Partnerships for the Goals as top priorities for DeFacto.

Material Aspect	DeFacto Activities	Ozon Textile	Suppliers
Supply Chain Management		✓	✓
Brand and Reputation	✓		
Occupational Health and Safety	✓	✓	✓
Business Ethics and Legal Compliance	✓	✓	✓
R&D and Innovation	✓	✓	✓
Employee Development and Talent Management	✓	✓	
Environmentally Conscious Production	✓	✓	✓



ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT



DIALOGUE WITH STAKEHOLDERS

Identifying the expectations of our stakeholders and developing the correct strategic responses to these expectations are matters we sensitively elaborate on. In order to learn about these expectations, we apply to different dialog platforms for different stakeholder groups and communicate with these groups through appropriate means and with frequency compatible with their character.

OUR PRIORITY STAKEHOLDERS	STAKEHOLDER DIALOGUE PLATFORM	CONTENT/PRACTICE	DIALOGUE TIME INTERVAL
OUR EMPLOYEES	Employee Satisfaction Survey	We conduct surveys where we measure the commitment, satisfaction and motivation of our employees.	Carried out regularly once in every two years depending on the results.
	DeFacto Academy LMS (Learning Management Systems)	A platform where we share the prepared e-training modules with our employees and monitor the trainings.	Updated in line with the training plans
	WOW Times	We publish bulletins intended for the employees in order to ensure internal communication in our Company.	We regularly inform our employees throughout the year.
	Open-Door	We organize meetings allowing the employees to get together with the senior management.	Organized every week.
OUR SUPPLIERS	Supplier Assessments	Environmental and social compliance assessment is a part of the process of choosing suppliers. We determine the areas of improvement during this assessment, share the results with our suppliers, and determine the actions that will improve their performances together with them.	Social compliance assessment is applied in the selection of new suppliers to work with and subsequently once in every six months
	Supplier Trainings	We give trainings to our suppliers in order to inform them about standards we follow at DeFacto or updated standards on matters such as product responsibility, etc.	Conducted when working with the supplier for the first time and when necessary.
	Supplier Satisfaction Surveys	We identify improvement areas to measure the satisfaction levels of our suppliers and develop long-term collaborations.	Conducted annually on a regular basis.
OUR CUSTOMERS	Supplier Days	Throughout the year, we organize private events together with our suppliers in order to view collections, share our thoughts.	Conducted throughout the year in various intervals.
	Customer Satisfaction	We organize focus group meetings in order to evaluate the expectations and feedbacks of our customers regarding our products.	Conducted regularly and on different product groups' basis.
	Request and Grievance Management System	Our customers may submit their demands and complaints regarding our products and services through our call center or our corporate website. Moreover, we respond to wishes and demands received through social media (Twitter, Instagram and Facebook).	Necessary actions are taken regarding requests, demands, wishes and complaints and feedbacks received.
	Customer Satisfaction Survey	We conduct a survey to evaluate the customer experience from the moment they enter in the store up to the moment they leave.	Applied in pilot stores at defined intervals.
OUR INVESTORS/ SHAREHOLDERS	Customer Experience Days and AMIGO Festival	The members of the Product Management team work as sales advisors at the stores for one day and find the opportunity of one on one communication with the customers.	Conducted regularly every week.
	Meetings, Informative Correspondences	The shareholders and investors of DeFacto, which is a private capital company, are regularly briefed with respect to the Company's financial, environmental and social performance.	Continued regularly throughout the year.
SOCIETY	Volunteerism Activities	Our Happiness Ambassadors Group organizes volunteerism activities that will generate social benefit, in collaboration with NGOs.	Continued regularly throughout the year.
	Presentations at Conferences	We share the sustainability practices at DeFacto with our stakeholders in various events.	Varies depending on the frequency of the relevant events organized.



ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND
GOVERNANCE

DESIGN AND
INNOVATION

PRODUCT RESPONSIBILITY
AND CUSTOMER
SATISFACTION

SUSTAINABILITY IN THE
SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY
DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT



DESIGN AND INNOVATION



THE SUBJECTS OF DESIGN AND INNOVATION ARE INDISPENSABLE COMPONENTS OF OUR VISION OF BECOMING A GLOBAL FASHION BRAND. IN LINE WITH THIS VISION, WE CREATE INNOVATIVE PRODUCTS THAT REFLECT THE LATEST FASHION TRENDS AND POSE INNOVATIVE CHARACTERISTICS IN TERMS OF ENVIRONMENTAL IMPACT AND FUNCTIONAL QUALITIES TO FULFILL CONSUMER EXPECTATIONS. WE PRODUCE ADDED VALUE TO THE PRODUCTS WE REVEAL.

PRODUCT DESIGN

performance, new season products in the fashion industry including the products of the peers are also examined. Following the research on the several fabrics and ornaments afterwards, the process consisting of seasonal product design is completed upon the final decision to reach the required product range with the approval of the design.

The macro trends evaluations are conducted every 3 months and economic, political, physical and all similar macroeconomic conditions all around the world are analyzed in this process. The micro trend evaluations are conducted seasonal and the relevant trends are analyzed and arranged to address to certain customer segments. The key inputs of designing line change based on the product category that is analyzed, including Basic Products, Current Basic Products, Well-Accepted Trend Products and New Trend Products. For instance, design performance evaluations primarily affect and change based on the durability and performance of Basic Products and New Trend Products.

Those that stand out among macro trends that affect ready to wear apparel sector we operate in include the increase in young population, the increase in the expectations of the standard of life and the diversity of needs stem from modern city

The design of a product is one of the crucial factors that specify consumer's decision to buy. Based on this awareness, we have been working with a large team consisting of 54 product designers and 16 graphic designers as of 2018. Our team conducts continuous product development studies all year round, focuses on creating new designs for basic products and current basic products and on updating. Product design studies continue on the supply unit as well, in addition to DeFacto. Our strategic suppliers that have product design teams conduct continuous product development studies all year round. Nearly 50% of the products we introduce to our customers consist of products designed by our suppliers.

Our collection development process consists of five phases. To begin with, the design team analyzes macro, micro trends and new trend warnings in depth. Along with product design

and business life. These alterations in the population structure and in the expectations and needs detract production cycles of fashion industry from the traditional structure day by day. Defacto carries out its product design processes by following the current structure of ready to wear apparel sector and by internalizing consumer expectations. Each year our design teams develop six collections designed according to a certain schedule. Small-scale capsule collections are also developed to take advantage of the opportunities arising during the season. And this means that we develop a new collection every two months at minimum and offer them to our consumers. In 2018, we offered 56,997 new collection products to the appreciation of our customers.

Another subject that is at least as crucial as design among product development studies is the practices that increase added value of a product. We apply practices that increase added value of our products during R&D studies. We have innovative and environmentally friendly product development activities such as DeFacto Inova and DeFacto Eco. On the other hand, we also develop products with various functional characteristics, using innovative raw materials.

TECHNOLOGY DEVELOPMENT

While digital technologies concern almost every sector, the retail sector, which includes ready to wear apparel sector, as one of the most dynamic and open to change sectors in the world economy, is also the cardinal sector which is affected the most by digital transformation. Digitization appears as a factor that provides great dynamism in the retail sector. At DeFacto, we closely monitor technological developments in the world and integrate these technologies into our processes through large investments.

DeFacto Techno technological company operating in Istanbul Teknopark conducts our innovation and new technology development studies. Our innovative product, "Your Design" which we conducted in the recent years and that created a flow when entered into the sector and achieved a crucial share both from domestic and international sales is the result of a study we jointly conducted with DeFacto Techno.

SMART WAREHOUSE

We carry out our domestic logistics operations with our own capabilities. We conduct our warehouse practices in a logistics center which has the capacity of 35 million pieces, with a closed area of 50.000 m² located in Tekirdağ, Çerkezköy.

Through our logistics center, we distribute to our sales points after receiving our products from our suppliers. Our center consists of four main sections including automated warehouse, manual warehouse, storehouse and transfer depository. Studies to transform this Logistics Center into a fully automated warehouse started in 2013. This center, which is the Turkey's first automatic ready to wear apparel warehouse, is established with the completion of the first phase in 2014 and the second phase in 2017. We carry out 85% of all our distribution operations in Turkey and all e-commerce shipments from this center.

ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

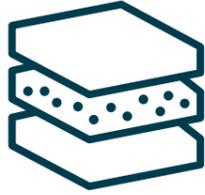
COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT





ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION



WE REEVALUATED **385** TONS OF CLIPPINGS IN **944,731** PRODUCTS DURING PRODUCTION PROCESSES.

WE SAVED **8,800** TONS OF WATER THANKS TO **1.1** MILLION WATER-FREE PRODUCTS.

77 MILLION VISITORS VISITED OUR ONLINE SALES CHANNEL.

Our goal of becoming a global fashion brand is directly related to meeting the expectations of our consumers in full. Developing products and services addressing to the appreciation of customers play a key role in establishing customer satisfaction. On the other hand, another crucial factor in establishing customer satisfaction is the management of the impact of our products on consumer health and environment. While managing these impacts, we take into account product and service standards of all countries where our products meet consumers.

We aim for excellence in business processes and take international quality system and standards as a reference. We assure consumer health by subjecting our products to testing and control. We monitor the results of these studies and follow the level of customer satisfaction through various researches.

ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT

PRODUCT SECURITY

At DeFacto, we promise to take all necessary precautions to ensure that our consumers can safely use the products they buy. For this purpose, we implement a large number of control and verification practices by setting set ourselves benchmarks beyond legal requirements.

Various types of raw materials are used in the production of clothing and accessory products. Some of these are chemical based materials such as dyes and adhesives. The amount of chemical residues is directly proportional to the amount of chemicals used. At Ozon Textile, the quantity of chemical material consumed in 0.5-3 grams per piece. With respect to consumer

health, quantities of residue in the final products are also indicated in the legal regulations. As a result of these measures, we ensure that residue of these substances in the final products are way below legal limits, in trace amount and at a level that no consumer is at risk of health and safety. In order to ensure that we test our products in our accredited laboratory. We do not dispatch any products with chemical residue above the required limits to our stores.

Phthalates, azo-dyes and heavy metals which are proven or suspected to have harmful effects on human health are chemicals that we control and restrict its use. We release our products only after testing them according to the legislation of the country we operate in, and even for higher standards.

In addition to ensuring the necessary health and safety conditions in our products, we adopt a complementary perspective in product security. In this context, we provide training to our manufacturers and employees on the use of proper and nonhazardous materials.



BABY AND KIDS PRODUCTS

Compliance of baby and kids products with safety standards is one of the crucial focus areas of our product responsibility approach. There are certain safety requirements for the products designed for children in Turkish and European Union legislation. TS EN 14682 Safety of Children's Clothing Standard and BS 7907 Safety of Children's Clothing Standard are among these reference standards.

Our standards are in compliance with the norms set by TSE and European Union standards. The DeFacto Product Safety Manual, which covers our standards, includes detailed information about the technical ready to wear apparel standards and the technical production methods that must be followed in order to meet these standards.



PRODUCT TESTS

By prioritizing customer satisfaction and trust, we subject our products to tests with respect to quality and residual chemicals at our analytical and physical laboratory within our organization, accredited in line with TS EN ISO/IEC 17025 Standard. There are some compulsory tests in products imported to Turkey. Tests we are conducting in our laboratories have a wider content that includes these compulsory tests. These tests guarantee products that pose risk for human health and the environment not to be released.

In the Analytical (ecological) Test Laboratory, raw materials in our textile and accessories products and hazardous chemicals generated by production processes are analyzed. In Physical (Textile) Test Laboratory, quality analysis is performed through physical tests on the fabrics that will be used in our ready to wear and accessory products. The purpose of

these tests is to increase customer satisfaction and reduce the return ratios by determining the errors arising from the production in advance. We follow TS EN ISO/IEC 17025 test standards as reference and use the most applicable method. In the Physical Test Laboratory, we carry out 100 pieces of fabric and 70 finished products analyses per day on average including color fastness tests, pilling, size consistency and resistance tests.

It is a crucial advantage for us to have our own test laboratories as this shortens the approval process during production, increases product safety and enhances supplier satisfaction. Moreover, in cases of excess in laboratory capacity or any breakdown, we conduct tests in accredited independent test institutions as well.

Another risk factor threatening consumer safety in textile products is the risk of broken needles. For the full safety of end users, broken needle protocols are followed in the production processes of Ozon Textile or other DeFacto suppliers. Within this context, all of our products are checked with metal detectors prior to leave production facilities and loaded on vehicles.



IN 2018, WE APPLIED **75,152** ANALYTICAL TESTS ON **19,810** SAMPLES IN TOTAL AND **274,806** PHYSICAL TESTS ON A TOTAL OF **49,980** FABRICS AND PRODUCTS.

ENVIRONMENTAL PRODUCTS

We aim to minimize environmental impacts of our products as much as possible and build the processes of supply, production and technology based on this awareness. In this context, we supply responsible raw materials, support recycling in production and prefer fabric technologies that decrease the use of natural resources. We prefer organic cotton fabrics in some of our products due to environmental impact limitation.

Recovery

Recycling processes have a crucial role in the efficient use of natural resources. As a company that aims to conduct its activities with minimum environmental impact, we prefer recycled products if they are convenient in terms of quality and human health.

We reduce the environmental impact of our products by preferring recycled

products if they are convenient in terms of quality and human health, from textile filaments to product accessories and parcels. Taking different technology alternatives into consideration, we prefer to use recycled materials when we find fit. The raw materials generated from the recycling of clippings formed during the production of textile products and old textile products are examples of recovered materials that we use in production. We offer our customers trousers that save water and sweatshirts and jerseys made of recycled fabrics.

Instead of limiting recycling practices with DeFacto operations, we endeavor to expand them in supply operations as well. We enable our suppliers to evaluate clippings formed during production in new products. In 2018,

we precluded wastes by reevaluating 385 tons of clippings in 944,731 products.

Water-free Products

Operating in textile sector in which water is densely used brings in crucial responsibilities in the responsible use of water. Thus, water saving plays an important role in reducing our environmental impacts.

A product is passed through washing by adding silicone softeners at the final stage of production in order to bring it to a softness that customers would prefer to use. In certain products, we reach a desired softness with a technique applied during fabric production instead of washing. We named these kinds of products as water-free products. Thanks to our



AT OZON TEXTILE, WE CUT **4,000** TONS OF REGENERATED WOVEN FABRIC BY RECYCLING **734** TONS OF LOSS FABRICS IN 2018.

ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT



water-free products, we ensure both water and energy savings since there are no washing and ironing operations compared to the normal production techniques. We saved approximately 8,800 tons of water thanks to our 1.1 million water-free products sold in 2018. We will continue to include water-free products in our product range in future.

Number of Water-free Products

2014	3.4 million
2015	3.5 million
2016	4.7 million
2017	1.5 million
2018	1.1 million

via these channels. Our online sales channel received 70 million visits in 2017 and 77 million in 2018. For the upcoming periods, we are working to increase both the number of visits and the number of markets we operate through our online sales channel.

We use online and offline channels in order to offer a consistent and proper experience to our consumers when and where they prefer as well as through the means they prefer. We aim to increase customer satisfaction by providing sales and support services at the same quality through different channels.

GRIEVANCE MANAGEMENT

We see all positive or negative feedback we receive from our customers as opportunities to improve our products and services. We evaluate all customer expectations and complaints that reach customer services through the call center and www.defacto.com.tr address via a grievance system certified within the framework of ISO 10002: 2004 Customer Satisfaction Management Standard. We immediately resolve complaints that are recorded by our customer representatives, if possible. If immediate solution is not possible, we refer the matter to the relevant units that will develop a solution. We notify the results of the complaints to our customers, and implement actions aimed for the improvement concerning the product, service or process.

ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT

CUSTOMER FOCUS

and views of young customers. We actively use digital platforms to learn from them and adopt an innovative approach in this regard. We use a variety of survey and research methods to test the reflections of campaigns and in-store activities when measuring store experiences of our current and potential customers.

We aim to ensure the sustainable development of the perception we create with our brand. One of the basic provisions of this is to improve customer loyalty. Thus, we pay interest to knowing our customers closely, responding accurately to their expectations, admirations and needs and listening to their feedbacks. We focus on our customers in every work we do. As a global brand and a fashion company that operates internationally, we focus on the expectations of local customers. We identify products in line with local demands and offer them to customers.

We conduct measuring studies to learn about customer brand experience. Through qualitative and quantitative researches we conduct, we monitor our brand image and the efficiency of our communication studies, the needs and expectations of our customers and feedbacks regarding our collections. We attach special importance to the opinions

With the AMIGO program we developed with a customer-oriented approach, we aim that our employees get in touch with customers. As part of the program, we organize individual interviews and shopping in which our employees accompany our customers. We obtain information that will support product development process and shopping experience.

One of the active channels we use to feel the pulses of our customers is social media. As of 2018, we have a strong social media presence with approximately 2.04 million followers on Facebook, 1.42 million on Instagram, 192,000 on Twitter, 80,000 on LinkedIn. Through these channels, we identify our improvement and development areas and receive regular feedbacks from our customers. Through DeFacto Blog, our customers can follow the latest fashion trends. We also find cross-selling opportunities by collaborating with brands from other sectors through campaigns organized





ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT

SUSTAINABILITY IN THE SUPPLY CHAIN



WE SUPPLIED **87%** OF READY TO WEAR PRODUCTS AND **90%** OF ACCESSORY PRODUCTS FROM SUPPLIERS PRODUCING IN TURKEY.

WE PROCURED **84%** OF THE PLACED ORDERS BY VOLUME FROM SUPPLIERS WHO RECEIVED A PERFORMANCE SCORE OF "GOOD" AND ABOVE.

98% OF OUR SUPPLIERS PASSED TECHNICAL AND SOCIAL COMPATIBILITY AUDITS AT FIRST ROUND.

We conduct responsible supply chain practices being aware that a significant portion of our social, economic and environmental impacts occurs across our supply chain. We support for our suppliers to ensure commercial and operational growth; we ensure social and environmental impacts are being managed through different systems and practices. We set forth mutual benefits and expectations to improve our communication and cooperation with our suppliers. We take mutual benefit and expectations as the basis while conducting our works. We learn about our suppliers' feedback concerning their working experience through supplier satisfaction surveys.

ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT

DEFACTO SUPPLY CHAIN

The prerequisite for success in the ready to wear business is to develop a supply chain that is fully in line with social and environmental norms of high productivity and quality conditions. At DeFacto, we work for a sustainable supply chain based on this awareness. We believe that our elaborative and meticulous approach in supply chain management have a crucial share in our continuous growth.

Our subsidiary Ozon Textile is one of DeFacto's main suppliers but it does not represent our whole supply chain. As of the reporting period, we have 421 different suppliers. 26 of these companies, including Ozon Textile, are described as strategic suppliers. The production of these companies for DeFacto accounted for 62% of the total purchasing volume. When selecting suppliers, we give priority to local suppliers and the strategic suppliers among these local suppliers.

We create added value for the sector and local economy through our locally qualified supply chain. 74% of our suppliers operate in Turkey. In 2018, we obtained 87% of ready to wear products and 90% of accessories products from suppliers operating in Turkey.



Companies operating in our supply chain are similar in character to the ones in the ready to wear apparel sector in general. 60% of the supplier firms are labor intensive and 40% of them produce with technology intensive processes. The matter of social compliance for suppliers is one of the crucial matters that should be monitored diligently in the ready

to wear apparel sector as this is a labor-intensive sector. At DeFacto, we take all the necessary precautions, we monitor compliance of our suppliers with social criteria in regards to supplier performance evaluation studies.

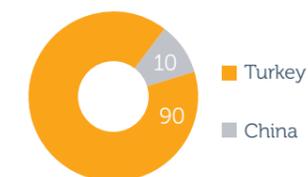
We prefer to make supply agreements with producers directly and signs

standard framework agreements with suppliers, with automatic extension provisions. In this way we ensure that our suppliers work at high standards we expect from them. Technical, quality, financial and social compliance approvals are of critical significance to ensure the same standard and quality in our procurements from various parts of the world.

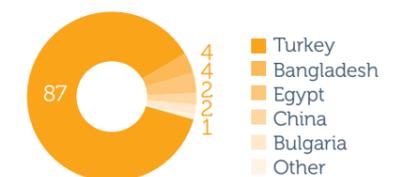
LOCAL SUPPLY RATE (%)



DISTRIBUTION OF ACCESSORY PROCUREMENT ON COUNTRY BASIS 2018 (%)



DISTRIBUTION OF READY TO WEAR APPAREL PROCUREMENT ON COUNTRY BASIS BY VOLUME 2018 (%)



ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT



SUPPLIER CODE OF CONDUCT

Our Supplier Code of Conduct consists of 11 principles, and in case of nonconformities with the principles that we identify as “Red Lines,” it is expected that the risk in that subject is mitigated or the situation is improved. As part of our code of conduct, we demand third party SEDEX audits from our main suppliers.

RED LINES

Employment of Child Labor: We do not accept the employment of child labor in our main contractors or subcontractors under any circumstances.

High Fire Risk and Building Safety: We call for the immediate resolution of nonconformities that do not comply with Occupational Health and Safety requirements and that may lead to risks such as single or collective life-threatening injuries to employees.

Employment of Illegal or Immigrant Workers: We do not accept the employment of immigrant workers under conditions that are in violation of the law.

Subcontractor Practices: Situations where there is non-registered employment, unregistered subcontractors, payment under minimum wages are not accepted.

SUPPLIER PERFORMANCE EVALUATIONS

The most effective method in performance improvement is constant follow-up and periodic evaluation of the performances of the suppliers. In this context, we subject DeFacto suppliers to the DeFacto Performance Evaluation System every year. Suppliers are classified in 5 main categories, evaluated under the titles of quality, timely dispatch and management.

In the course of their production for DeFacto, the suppliers are monitored to ensure that the products are manufactured in accordance with DeFacto’s quality expectations and

that the production processes are in accordance with the suppliers’ code of conduct, such as human rights, labor law practices, occupational health and safety, environmental management and anti-corruption. In line with our continuous improvement approach, we expect our suppliers to continually increase their performance scores and move on to the higher categories.

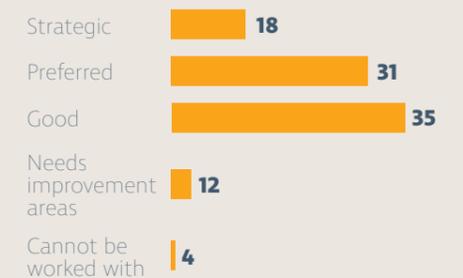
We procured 84% of the placed orders by volume in 2018 from suppliers who received a performance score of “good” and above. Our goal is to procure 90% of our production volume from suppliers who perform “good” and above.

We contribute to performance improvement by preparing development plans and training programs suitable for suppliers that show low performance. We work with manufacturers who have areas of development by limiting the number of products and on the condition of meeting the deficient aspects.

Supplier Evaluation Scale

Score	Grading	
85%-100%	Blue	Strategic
75%-84%	Green	Preferred
65%-74%	Yellow	Good
50%-64%	Orange	Needs improvement areas
0%-49%	Red	Cannot be worked with

2018 PERFORMANCE DISTRIBUTION OF SUPPLIERS (%)



ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT

SUPPLIER AUDITS

We subject our suppliers to various audits before they start to produce for DeFacto and also during our business partnership. These audits have been conducted at 2 stages such as 3rd party

DEFACTO AUDITS

We subject all main suppliers to a preliminary evaluation before they start to work for DeFacto. Afterwards, technical and social compliance teams pay a visit to the supplier in order to conduct a general evaluation in terms of quality and social compliance. These assessments take into account the use of metal detectors and standards such as metal material control, child labor, fire safety and the use of personal protective equipment as well as the ready to wear production quality. Suppliers with a passing score start working for DeFacto.

We visit the workshops of all our suppliers and give them trainings on ready to wear apparel standards. This enable compliance between the quality approach of suppliers and the technical teams of DeFacto. In 2018, 83% of our products passed from the audit in the first round. In 2017, we gave our suppliers who had audit performance over 90% the authority to conduct their own audits. In 2018, 14 suppliers are expected to carry out their own audits.

independent audits and field audits conducted by DeFacto teams. In 2018, we have conducted social compliance audits in a total of 541 main suppliers and subcontractors in Turkey. The ratio of suppliers who received approval at first round from technical and social compliance audits reached 98% with an increase of 22% compared to the previous reporting period. The studies of DeFacto teams to prepare DeFacto Supplier Map by making workshops and supplier audits continued in the reporting period as well.

THE RATE FOR PASSING PRODUCT QUALITY AUDIT AT FIRST ROUND (%)



Supplier Technic and Social Evaluation Score

Grading	2017	2018
Blue	32%	76.3%
Green	17%	16%
Yellow	23%	4.3%
Orange	29%	1.3%
Red	20%	2.2%





ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT



ENVIRONMENT



ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT

We reduced store energy density by **10%**.

We continued to save energy as we prefer environmentally-friendly climatization and lighting systems in our stores.

In our headquarters, offices and warehouses, we recycled **172 tons** of paper waste and **675 kg** of electronic waste.

One of the areas we focus on in sustainability is the mitigation of environmental impacts arising from retailing and warehouse processes. In addition to our own operations, we work to minimize the environmental impacts of our suppliers working for DeFacto. Our expectation from our suppliers is to carry out their operations in compliance with environmental regulations. Through the supplier audits we conduct, we monitor the extent of the realized expectations and we make improvement plans when necessary.

ENERGY

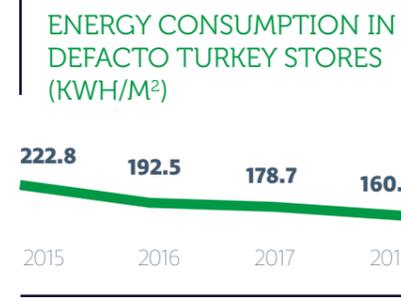
Energy consumption generates environmental impact especially as it causes greenhouse gas emissions, which lies at the root of climate change. In order to reduce this impact, we carry out efficiency improvement activities at every point where consumption occurs.

Energy consumption in DeFacto operations arises from lighting and air conditioning in our stores and buildings, lighting and automation systems in product warehouses. Parallel to our rapid growth, there is a continuous increase in our production quantity and number of our stores. However, we managed to reduce the energy density per store through efficiency improvement practices despite the increase in the number of stores in 2018. In 2017, we reduced the annual electricity consumption per m² from 178.7 kWh/ m² to 160.7 kWh/m².

We conduct several efficiency studies to limit our energy consumption.

Efficiency increasing studies include practices such as the preference of electric forklifts instead of diesel in warehouses, the conversion of lighting fixtures to LED systems and the use of efficient air conditioning systems in stores. We save from energy consumption thanks to the environmentally-friendly climatization and lighting systems.

Main energy consumption in Ozon Textile operations takes place in weaving and ready to wear production processes (printing, knitwear weaving and ready to wear apparels). In 2018, we saved 7,732 GJ energy in this context. We conduct our energy efficiency studies in Ozon Textile's warehouse and production facilities. We aim to increase energy efficiency through practices such as lighting automation and LED lighting.



WASTE

We use cardboard boxes, paper and plastic packaging materials to transport our products from our suppliers to the warehouses and directly to our domestic and international stores. Reducing the use of these materials, and disposal of generated wastes in compliance with law and regulations are among our priorities in waste management. We also carry out studies to reduce packaging materials at the source before they become wastes.

The cardboard boxes we use to carry the product form waste after use. In order for the long durability of parcels, we make it possible to use these parcels coming from manufacturers and stores into our warehouses several times. Thanks to these studies, we significantly decrease waste amount.

The cardboard boxes that have completed their service lives and plastic and electronic wastes are delivered by headquarters and warehouse management to licensed waste collection and sorting firms. We regularly check the validity of these firms' licenses. For packaging wastes gathered in stores, the wastes are collected and disposed accordingly by facility managements in some shopping malls. We recycled 172 tons of cardboard and 675 kg of electronic waste in our headquarters and warehouses in 2018.

We implement a variety of savings practices in order to reduce the amount of paper we use. We monitor the paper amount consumes in our saving studies on the basis of

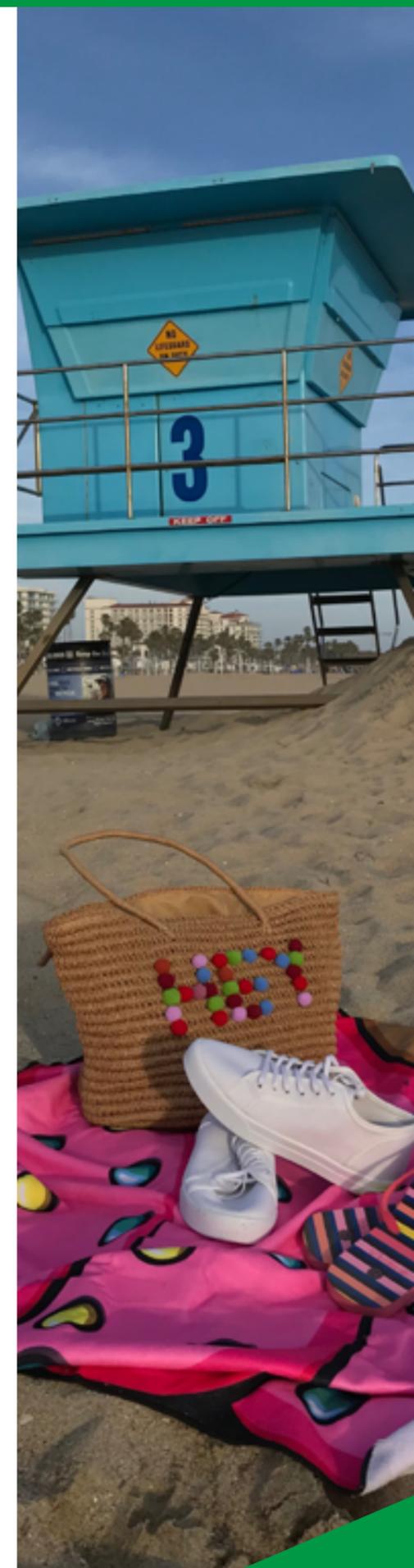
users and units, and prefer digital communication displays instead of printed posters at our available stores.

Wastes classified in hazardous waste categories by related regulations such as laboratory wastes, electrical and electronic waste, wastes generated during the maintenances and repairs of the vehicles, fluorescent tubes, batteries, medical waste, as well as domestic wastes are generated in operational processes of DeFacto and Ozon Textile. These wastes are recycled by the authorized institutions.

As a result of the tests we conducted in the laboratory, 11 tons of hazardous liquid waste and 1,600 tons of nonhazardous waste were generated in the analytical laboratories. An annual average of 990 tons of nonhazardous liquid wastes are generated in the physical laboratories.

In 2018, a total of 317 tons of waste including 42 tons of hazardous waste and 275 tons of nonhazardous wastes were generated in Ozon Textile facilities. 13% of 317 wastes that were generated was disposed and 87% was recycled by licensed institutions.

PAPER WASTES





ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT



EMPLOYEES



We have employed **10,997** people in Turkey, **23,102** people at abroad.

We organized a total of **7,376** hours occupational health and safety training in Defacto and Ozon Textile operations.

We reduced accident frequency rate to **1.49** and lost day rate to **1.04**.

Ready to wear apparel sector is dense in human labor in which creativity stands out. It is a key requirement for DeFacto which is a company operating in this field to have an employee profile that is competent, talented and efficient. Our employees play a crucial role in our fast growth and success. Thus, we support our human resources with high qualified employees, offer them opportunities to improve their talents and a fair, transparent and egalitarian work environment. Based on our target to become an international fashion brand, we aim to grow by including talented and creative employees who focus on development and obtaining an international career.

DEFACTO HUMAN RESOURCES POLICY

- To provide equal opportunities to everyone without any discrimination in any HR processes
- To hire the right person for the right job
- To enable efficient performance assessment and fair remuneration
- To offer trainings based on personal and professional development
- To implement various practices in order to keep the employee motivation and satisfaction high
- To develop a system and practices for creating maximum value with limited resources in the framework of business efficiency principle

DFHR: Human Resources Management System / APOLLO Project

Since August 2018, we have been conducting "DFHR/APOLLO" project in order to manage human resources processes end to end with an integrated approach and also to support professional development of our employees through tailor-made information gathered on the system. Up today, we continue our studies regarding digitizing printed forms under the management of internal HR and Personal Development and Human Resources Budget module.



EMPLOYEE PROFILE

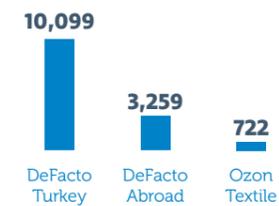
As a young and dynamic company, most of our employees belong to the "generation Y." 84% of our employees in Turkey are under the age of 30. This rate rises to 90% abroad.

We take the support of outsource companies to receive several services in our operations in Turkey. In this context, we indirectly employed 708 people in 2018.

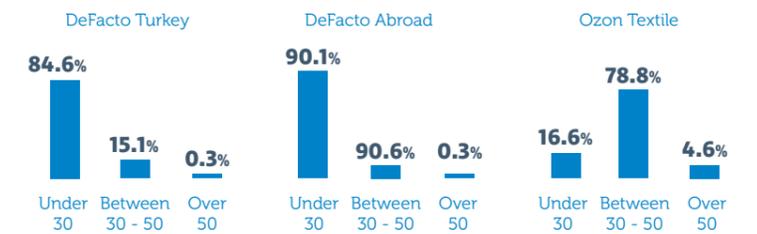
Ozon Textile which is our subsidiary and one of our main suppliers has different demographics due to its manufacturing-oriented nature. As of the end of 2018, 17% of employees of Ozon Textile which employs a total of 722 people are under the age of 30.

The increasing trend in the number of our employees is one of the factors that reflect our fast growth in the sector. As of the reporting period, the number of employees reached 14,099 with an increase of 23% compared to 2017. We employed 10,997 people in Turkey in general and 3,102 people abroad.

EMPLOYEES BY OPERATION



EMPLOYEES BY AGE GROUP



ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT

ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT



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. Main philosophy at hiring process is to hire the right person. However, we apply positive discrimination for women during hiring process. We monitor the ratio of female candidates to male candidates and pay attention to keep female candidates at a higher level. As a result of this approach, the female employee ratio in DeFacto Turkey is 53% while it is 52% in international operations. The ratio of female managers working in mid- and senior management in domestic and international operations remained 24% in 2018 as well. 38% of Ozon Textile employees consists of female employees as of 2018.

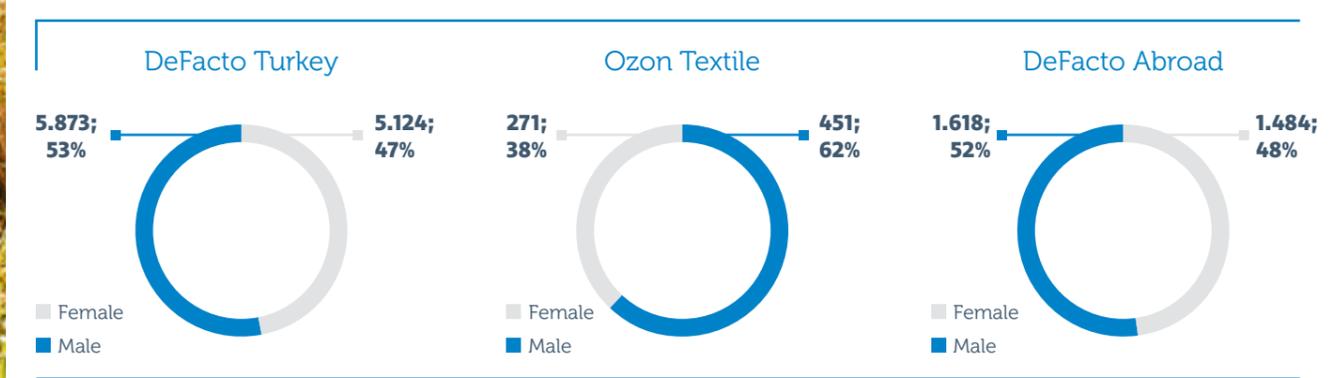
In regards to our commitment to encourage women's participation in business, we have been a signatory to Women's Empowerment Principles (WEPs), a joint initiative of the UN Women and UN Global Compact since March 2015. We continue to provide our employees "Happy Women Movement" we initiated based on this commitment in 2018 as well.

According to this Happy Women Movement, female employees are able to take unpaid leave for additional 3 months in addition to their legal maternity leave when they give birth; and they are able to use daily breastfeeding leave as one day off in a week. Moreover, mother employees can take

half day leave on the first school day and report card day of their children. In addition, for our employees working at our headquarters, the Happy Women Movement includes parenting coaching, ability to work part-time after birth depending on the suitability of their job and home office once a month for female employees. In our stores, we started a new practice that will allow all pregnant employees to have an extra break time in addition to our legal obligations.

We provide similar practices we apply in DeFacto to female employees working in Ozon Textile. In this context, female employees who work in positions defined according to the qualification of a job in the Headquarters and factories are able to work from home one day a month. We have Breastfeeding Rooms designed for female employees at the Headquarters.

We believe that active participation of disabled individuals in business life will positively contribute not only to their social life but also to the company's performance on diversity and employee loyalty. Thus, another matter we handle in the scope of our approach to diversity and inclusiveness is the participation of disabled individuals in business. In this regard, we try to employ more disabled individuals by keeping constant contact with employment agencies. Our disabled employee quote increases continuously in accordance with our employment needs that increase in parallel to our growth. We increased the number of disabled employees to 211 which was 179 in 2017. Ozon Textile has 19 disabled employees as of 2018.



PERFORMANCE MANAGEMENT

DeFacto Performance Management System is created with an aim to act more rapidly, effectively and systematically on the road to our strategy and goals. With this performance management system, we aim to reach our business goals, reveal successful business results of our employees and to become an institution with high performance. We evaluate the performance of employees working at domestic and foreign headquarters only at annual and three-monthly basis. We review annual evaluations at sixth month and monitor the realization status of goals. Employee performance cards are gathered under two main groups including personal goals and leadership goals. Our primary condition is to have SMART goals. Feedbacks received from performance management system create information for career management, remuneration management and rewarding processes. In 2019, we aim to execute an integrated Performance System. In this context, we completed global infrastructure studies of the system.



Remuneration Management

In DeFacto, we manage a remuneration process based on systematical methods designed according to objective criteria in general. Within the scope of our remuneration process, we use individual structure calculation tools for employees at Headquarters, Local Stores, International Stores, Blue Collar and Expats departments. We review our strategy every year depending on the economic conditions of the company and the countries we are operating in.

TALENT MANAGEMENT

We aim to get better acquainted with the competences and potentials of our employees, thereby guiding them throughout their career journey. We keep internal career opportunities open and correctly analyze the

competences of our employees for their improvement. We established talent pools by interpreting potential evaluations based on leadership competences together with the performance evaluations of our employees through the new competency model we revised. We defined backup plans for critical positions.

In the scope of talent management, we take actions at the end of each year such as 360 degrees competence assessment, internal and external assessment center implementations, developing special practices based on talents by establishing talent pools,

putting into force the young talent programs and the announcements on local and international career opportunities. We evaluate the performances and potentials of our employees through Talent Committees.

Promotion process is applied annually at the headquarters and quarterly at the stores depending on the requirements. In Ozon Textile Headquarters and Ozon Textile offices, white-collar employees are promoted in March and September, while blue-collar employees are promoted in January.

Through Executive Candidate Program, we aim to nurture the leasers of future within the institution by supporting the improvements of our existing employees. We contribute to increase the knowledge and talents of our employees based on our organizational needs and focus areas.

Through Internal Evaluation Center Practices, we aim to nurture our internal evaluators out of our own employees internally and conduct

ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT



Trainings Statistics (2018)	Total Training Hours (person * hour)	Average Training Hours per Employee (hour/year)
DeFacto in Total	118,678	10.1
Ozon Textile	7,009	9.7

ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT

the evaluation process within the company. Based on this project, we offer a special training for our internal evaluators to certify them and support their development through several training programs. Thanks to our internal evaluators, we develop special practices, strengthen internal communication, sharing and synergy, and enable employees develop competencies and talents that they may benefit from throughout their career lives.

DeFacto Academy

Based on its vision “to become a global brand that makes people go WOW” DeFacto Academy works to prepare the organization to the change and transformation, to turn corporate value and culture to sustainable competition advantage, to strengthen employer brand and to raise qualified human resources to the industry. At DeFacto Academy, we keep the approaches and perspectives that prepare DeFacto for future on the agenda of employees and managers via Leadership Development and Talent Management Programs. While designing these programs, we take into account the corporate culture and values.

“DeFacto’s Program on Becoming Global Leaders” to which all DeFacto leaders attended consists of the following 3 main modules: “Departure to Leadership Development Program,” “Business-oriented Coaching at DeFacto” Development Program and DeFacto New Generation Global Leaders Program. On the other hand, Basic Development, Occupational Expertise, Advanced Occupational Expertise and Leadership Development programs for business trainings such as “Retailing School” and “Product Management and Innovation School” continue.

We offer online trainings for the sustainability of training and development activities. DeFacto Academy learning system plays a

crucial role in automatizing and accelerating operational processes through an infrastructure integrated with internal digital platforms. We provide, follow and report all trainings, training and development tools and activities of all methods available in mixed development programs assigned to employees via the learning system.

DeFacto Academy standardizes the knowledge and experience its employees require by establishing the corporate memory of the company. Our internal trainers are one of our strongest resources of transferring knowledge and experience. We record our corporate memory via internal coaching system, strengthen internal communication, offer improvement opportunities to employees for different specialties. We help managers who would be internal trainers, learn faster and internalize HR perspective and practices.

We identify our training programs based on the needs of both the company and employees. We enrich these trainings via different learning methods such as in-class training, on-the-job training, coaching, mentoring, observation/ internship and remote learning. In 2018, we organized a total of 118,678 hours trainings in DeFacto Turkey and DeFacto Abroad operations.

We care about the improvement of talents and abilities of employees of our subsidiary, Ozon Textile. We provide trainings to Ozon Textile employees under these six main groups: trainings that include our vision, mission and values, technical trainings, trainings offered according to legal requirements, personal development trainings and administrative trainings. Managers of the employees and human resources department decide on and apply the training plans and programs according to the results of a competency-based performance evaluation system. In 2018, we organized 7,009 hours training for Ozon Textile employees.

EMPLOYEE HAPPINESS

High performance of our employees plays a crucial role in reaching our corporate goals. Employee loyalty and high performance can only be achieved by happy employees. At DeFacto, our mission is to offer a happy and peaceful environment to our employees. We established Happiness Department, setting a pioneer practice for our sector.

Happiness managers work in Happiness Department. In the framework of the happiness practices, we determine our actions in a way to improve all processes that concern our employees. We implement our plans in the light of the feedback we receive from our employees as well as existing conditions. We measure the reflections of employee happiness activities on employees through satisfaction surveys we periodically apply. We share the results of the survey in which we measure the satisfaction, loyalty and motivation indicators, and take necessary actions in subjects we define as development areas.

In order to increase happiness level of Ozon Textile employees, we prepare annual and monthly action plans in subjects open to improvement. When making these plans, we consider into the results of customer satisfaction survey. “Happiness Room,” “Women Nursery Room” and “Breastfeeding Room” are practices we created at Ozon Textile.

We conduct the “Instant HR” application in order to give the right and the fastest response to employee demands, to support development and improvement processes of services and products offered by Human

Resources department, to increase communication productivity, and thus, to increase the happiness level of DeFacto employees. Instant HR is a system established to respond to the questions and demands of HR employees about any subject of human resources via a professional call center; all employees around Turkey can refer to this system.

Work - Life Balance and Employee Engagement

Starting from the fact that most of our employees belong to generation Y that places much importance on socialization in business life, creating work-life balance is crucial for us. To help our employees to achieve work-life balance, we offer services they can always enjoy such as sports, massage, hairdresser and healthy nutrition consultancy. Employees can enjoy their breaks more thanks to the social clubs we established in addition to “happiness rooms” and “happiness hallways.” We support work-life balance of our employees through flexible working hours.

We execute similar activities to help Ozon Textile employees establish work-life balance. For instance, we provide one-day off to our employees at their birthdays. Moreover, Ozon Textile employees can also benefit from flexible working hours.

DeFacto Social Clubs

DeFacto Social Clubs helping employees obtain information and talent in culture, art and sports and in establishing internal clubs in which employees are able to socialize in teams. DeFacto Music Club, DeFacto Dance Club and DeFacto Travel Club, and DeFacto operate within the company. Moreover, we have DeFacto Sports activities that offer tennis, basketball, volleyball, rowing, football, aikido, yoga, and chess.

Professional trainers and consultants provide free trainings for our employees in these social clubs. Club

members organize several events and shows in their branches and represent DeFacto by competing in organizations such as DragonFest, Corporate Games and Business Cup.

Internal Communication Activities

We regard internal communication activities as a tool to establish a positive work environment at DeFacto, to create loyalty among employees, to expand the corporate culture, to effectively meet the requests, suggestions, demands and expectations of our employees, and to be an organization that learns. In this context, we make use of different communication media such as news and announcements, Şirket-i Muhabbet meetings, coordination meetings, year-end events, training post, Leadership Conversations and Depar TV.

In this DeTalks program, we organize seminars open to general participation of DeFacto employees. Experts share their knowledge in different subjects including health, career, social life, family, hobby, psychology, communication and leadership.

In order to increase internal communication and motivation of Ozon Textile employees, we organize Football Tournaments to which Ozon Textile employees participate. Ozon Textile employees can also represent the company in external sports matches.



ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT

OCCUPATIONAL HEALTH AND SAFETY

It is one of our sustainability aspects to offer our employees healthy and safe working conditions. Our foundation policy is to be a “pioneer” in its sector by making the least damage and offer the highest level of benefit to humanity both during and at the end of our activities. The basic principles regarding the execution of OHS practices in all workplaces are defined in DeFacto Occupational Health and Safety Policy.

Occupational health and safety activities are systematically managed at all of our offices, factories, warehouses and stores that operate within DeFacto and Ozon Textile based on DeFacto OHS Policy and legal legislation. In order to put this into practice, we adopt a participatory OHS approach and make all employees to be included in OHS processes together apart from OHS experts and workplace doctors. One of the most effective tools to give voice to different opinions at OHS management is the OHS Committees.



There are 12 OHS Committees at DeFacto operations that work with 1 employee representative out of 122 members. Whereas in Ozon Textile operations, there are 19 OHS Committees that work with 4 employee representatives out of 36 members.

It is one of our material aims to make it possible 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, lost day rate and absentee rate, we include in our business plans the necessary precautions to improve our performance and implement them accordingly. We reduced accident frequency rate to 1.49 which was 1.57 in 2017 and lost day rate to 1.04 from 2.82. The lost day rate was improved in 2018 in Ozon Textile operations compared to 2017 and reduced from 5.46 to 4.91.

OHS Practices at Stores

The fact that most of our employees are working at the stores makes OHS practices at stores more important. All store employees, primarily the store managers, are responsible for OHS management. OHS performance is among the priority aspects of store managers and this is reflected on their personal financial performance.



We provide OHS trainings periodically to inform our employees about the relevant laws and regulations and the corporate practices. Instructions for preventing OHS risks at stores are available in the Store OHS Manual.

All stores in Turkey are audited three times a year by independent institutions based on the audit plans prepared according to OHS risks. In case of any inconsistencies during these audits, we expect the store management to take preventive and corrective actions at longest in six months. Our domestic and foreign supervisors conduct OHS audits in accordance with an audit list consisting of approximately 45 criteria in addition to the general store compliance audits. New items can be added to this list based on the legal regulations of the related countries;

Turkey adopts this check list, in case of inefficient laws in the related country. The compliance with the criteria in the OHS control list is shared with store managers. Based on the compliance to OHS legislation, OHS audits are conducted yearly by an independent audit firm, which we call the “third eye OHS audits.”

Warehouse OHS Practices

In order that our activities are managed at international standards for occupational health and safety, we manage our Çerkezköy warehouse according to the OHSAS 18001 Occupational Health and Safety Management System. This management system is audited by an independent audit firm every year in compliance with OHSAS standards and our certificate is renewed accordingly.



ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT

We provide an average of 8 hours of OHS training per person annually to all employees at the Çerkezköy warehouse including both the direct and indirect employees.

Ozon Textile

Ozon Textile’s occupational health and safety approach is in line with DeFacto’s occupational health and safety policy. Our priority at Ozon Textile operations is to comply with all OHS legislation, code of conduct and national and international standards. Our goal is to prevent occupational accidents and diseases that may occur at workplace.

Ozon Textile is a member of SEDEX, a social audit organization that provides global supply chain audits. We review documents of OHS and personnel management, examine the work environment and the field, and make interviews with employees in accordance with SEDEX social compliance audits operated by an independent audit company. OHS Committees gather in periods defined by the regulation according to danger status. Employees share their views via suggestion, request and complaint boxes; the information gathered is analyzed by authorized institutions to apply remedial, corrective and preventive actions. OHS experts

work full time at the Headquarters, warehouses and Sivas factories. Moreover, workplace doctors work in all locations, and other health personnel working full time at Sivas factories give service to the employees.

OHS Trainings

We organize occupational health and safety trainings to inform our employees about OHS and enhancing their awareness in this regard. We provide that not only our own employees but also our subcontractors and their suppliers receive the trainings; thus, we carry this awareness to a larger area.

We make sure the trainings that encompass refresher trainings and subjects are available in the regulations as e-trainings to our employees. In-class training subjects are monitored over a remote training system. We provide newly recruited store manager candidates a full day of OHS training, and a 4-hour OHS training to employees started working at General Directorate. We provide compulsory e-trainings on OHS to store employees. In 2018, we offered a total of 6,144 hours OHS training to DeFacto employees and a total of 1,232 hours OHS training to Ozon Textile employees.

DeFacto Turkey Operations

	2015	2016	2017	2018
Accident Frequency Rate	1.26	1.48	1.57	1.49
Lost Time Rate	4.91	2.91	2.82	1.04

Ozon Textile

	2015	2016	2017	2018
Accident Frequency Rate	2.18	3.49	1.46	3.26
Lost Time Rate	8.58	8.72	5.46	4.91



OCCUPATIONAL HEALTH AND 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,
- Ensure 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.



ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT



COMMUNITY DEVELOPMENT



SINCE 2015, WE HAVE ACHIEVED 43 EVENTS AND 7.352 HOURS OF VOLUNTARY ACTIVITIES WITH THE PARTICIPATION OF 2,482 EMPLOYEES.

We consider contributing to community development in the geography we operate in as a corporate responsibility. We conduct our social responsibility studies with a goal to create added value for the society. We identify the projects we are going to apply in line with UN Sustainable Development Goals. We expand our contribution to community development in all our value chain from our stores to suppliers on a voluntary basis.



ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT

EMPLOYEE VOLUNTEERISM

We established DeFacto Happiness Ambassadors Group in 2015 in order to expand our social positive sphere of influence and to increase employee loyalty, sense of belonging and competencies. Our activities that were initiated with Headquarter employees continued to grow with the participation of on-site teams and volunteers. Happiness Ambassadors conducts several social responsibility projects that add value to the society and the environment through non-governmental organizations or teams they established within. Participation to the group is based on volunteerism. Thanks to Happiness Ambassadors Group, employees develop projects based on their personal area of accuracy and have the opportunity to make themselves heard in these areas. While these studies aim at social benefit and awareness, employees that lead the projects obtain the opportunity to improve their competencies such as organization, planning and communication. Since 2015 when Happiness Ambassadors Group is established, DeFacto have conducted 43 events and 7,352 hour voluntary activities to which 2,482 employees participated.

Studies Conducted by DeFacto Happiness Ambassadors Group:

Blood Donation to Turkish Red Crescent

On this November, we carried out the last of our blood donation campaign we have been carrying out twice a year under the cooperation of Turkish Red Crescent & DeFacto. As a result of Blood and Stem Cell Donation Campaign we adopted and as the benefactors of DeFacto, we touched the lives of 246 individuals through 82 units of blood donation and shed light of hope on those in need through 77 stem cell sample donations.

Book in the Air Project

We established a library in KAÇUV's Istanbul University, Cerrahpaşa Hospital Class with 111 children's books we collected with the campaign "Leave a Book in the Air, Support by Heart!" which we carried out under the leadership of DeFacto Social Responsibility Club.

OSGD Vocational High School Coaching Program

Started in 2012, Vocational High School Coaching Program is based on volunteerism, applied under the protocol of the Ministry of Education, Vocational and Technical Directorate and with the participation of

Association of Private Sector Volunteers (OSGD) member companies. Volunteer coaches in OSGD member companies come together with 10th and 11th grade vocational high school students within the frame of "Coaching with Borders Model" and apply a voluntary coaching program that has been going on for 2 years. DeFacto joined this program for the first time in 2016 as a volunteer company. While DeFacto had 6 volunteer coaches in its first year of practice, this number reached to 16 in 2018. By the end of 2020, we will be touching the lives of 110 students and contributing to their personal developments.

Volunteers Running After Favor Step by Step

DeFacto employees has been participating in RunAtolia Marathon, Bozcaada Run the Island and Istanbul Eurasia Marathon under Step by Step since 2015. In addition to finding funds to many non-governmental organizations, we achieved good results in marathons we attended for the last 3 years where we run after favor, and we ranked third in the list consisting of big institutions well-known for social responsibility. The number of supporters our volunteers inspired reached 4,919.

Dreams made of Fabric Project

We aim to contribute to recycling, economy, education, imagination of students and hope and make this a social responsibility project of the sector and of Turkey through Dreams made of Fabric Project.

Goals of 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

ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT

Based on this project, we collected idle fabrics and accessories that were off production and sent them to the students of Vocational High School, Clothing and Children Development Department in Küçükçekmece and Beylikdüzü. Students added their imagination into their labor and converted these idle fabrics into fantastic products. These products are offered for sale in Özdilek Park Mall in Istanbul, Levent with an aim to make the hopes of children with cancer real and to be used in projects of the Hope Foundation for Children with Cancer (KAÇUV). We continue to sell more hope through Dreams made of Fabric Project.

Mentorship Program

With the cooperation of Junior Achievement Foundation, we offered mentorship to young people who study in high schools identified by the foundation with an aim to describe and teach them the financial life and

how to manage a company. During this program, students, each, founded a company with a financial entity. They moved forward with the support of our volunteers in production, sales and process management. While 10 volunteers worked throughout this project, many students gained experience for financial and corporate life.

Cat House Project

We built 30 houses for cats with Stray Cats non-governmental organization and 18 of our volunteers. Our volunteers placed these houses in districts and neighborhoods they identified to make shelter for cats.

Umut Cafe

We hosted KAÇUV's mobile Umut Cafe (Cafe for Hope) in DeFacto's Headquarters. In order to bring in income for families struggling with cancer, DeFacto volunteers purchased the materials sold in the Cafe for support.





ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND
GOVERNANCE

DESIGN AND
INNOVATION

PRODUCT RESPONSIBILITY
AND CUSTOMER
SATISFACTION

SUSTAINABILITY IN THE
SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY
DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT

INDICATORS

PERFORMANCE DATA

EMPLOYEE DEMOGRAPHICS

	2018	
	Male	Female
Total Workforce (Number)		
DeFacto Turkey	5,124	5,873
DeFacto Employees	4,919	5,370
Outsource Employees	98	370
Ozon Tekstil	451	271
DeFacto Abroad	1,484	1,618
Employees by Category (Number)		
DeFacto Turkey		
Office Employees	625	605
Field Employees	4,810	4,249
DeFacto Abroad		
Office Employees	105	51
Field Employees	1,379	1,567
Ozon Tekstil		
Office Employees	285	
Field Employees	437	
Employees by Age Groups (%)		
DeFacto Turkey		
Below 30	84.6%	
30 - 50	15.1%	
Above 50	0.3%	
DeFacto Abroad		
Below 30	90.1%	
30 - 50	9.6%	
Above 50	0.3%	
Ozon Tekstil		
Below 30	16.6%	
30 - 50	78.8%	
Above 50	4.6%	
Senior Management Structure (member)		
DeFacto Turkey	37	9
DeFacto Abroad	0	0
Ozon Tekstil	6	1
Mid-level Management Structure (member)		
DeFacto Turkey	246	81
DeFacto Abroad	51	18
Ozon Tekstil	29	13
Number of Disabled Employees		
DeFacto Turkey	190	
DeFacto Abroad	21	
Ozon Tekstil	19	

ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT

ENVIRONMENTAL PERFORMANCE INDICATORS

	2015	2016	2017	2018
Turkey Total Store Energy Consumption (kWh)	45,502,107	52,901,651	61,694,196	63,983,980
Turkey Store Energy Intensity* (kwh/m ²)	222.8	192.5	178.7	160.7
Total Forklift Fuel Consumption (l - Diesel)	7,000	7,000	5,960	6,850
DeFacto Headquarter Water Consumption Intensity (m ³ /person)	10.66	17.42	13.82	14.85
Total Packaging Waste Amount in Production Facilities (ton)				
Paper-cardboard	9	12	173	218
Metal	-	-	0.55	0
Plastic	2.5	4.5	56.8	53
Hazardous Waste Amount in Production Facilities (ton)				
Disposal	-	-	29.8	42
Recovery	-	-	-	0
Non-hazardous Waste Amount in Production Facilities (ton)				
Disposal	-	-	-	0
Recovery	-	-	664.3	275
Recycled Waste Amount in Analytical Test Laboratory (ton)				
Hazardous	-	-	6	11
Non-hazardous	-	-	1,200	1,600
Recycled Waste Amount in Physical Test Laboratory (ton)				
Hazardous	-	-	0	0
Non-hazardous	-	-	380	990

*The data has been revised retrospectively due to the change in the calculation method. Store energy intensity data, calculated monthly in previous years, is provided annually in this report.

SOCIAL PERFORMANCE INDICATORS

	2015	2016	2017	2018
Number of OHS Committees				
DeFacto Employees	3	3	3	12
Ozon Tekstil Employees	20	22	24	19
Number of Members in OHS Committees				
DeFacto Employees	120	126	126	122
Ozon Tekstil Employees	38	41	42	36
Number of Employee Representatives in OHS Committees				
DeFacto Employees	12	12	31	1
Ozon Tekstil Employees	4	5	5	5
Accident Frequency Rate				
DeFacto Employees	1.26	1.48	1.57	1.49
Ozon Tekstil Employees	2.18	3.49	1.46	3.26
Lost Day Rate				
DeFacto Employees	4.91	2.91	2.82	1.04
Ozon Tekstil Employees	8.58	8.72	5.46	4.91
OHS Trainings (hours)				
DeFacto Employees	-	-	9,602	6,144
Ozon Tekstil Employees	-	-	4,108	1,232

GRI CONTENT INDEX



Disclosures	Descriptions and Page Numbers	Omissions
GRI 101: Foundation 2016		
GRI 102: General Disclosures 2016		
Corporate Profile		
102-1	Contact (p.78)	-
102-2	www.defacto.com.tr	-
102-3	Contact (p.78)	-
102-4	DeFacto from Past to Present (p.11)	-
102-5	"Shareholder Structure: Zeki Cemal Özen (66.5%), İhsan Ateş (13.7%), Şahin Demir (4.57%), İdris Özçelik (4.57%), DF Retail Holdco Coöperatif U.A. (8.66%), OZN Investments S.à.r.l (2%)"	-
102-6	DeFacto from Past to Present (p.11), DeFacto Operations (p.16-17)	-
102-7	2018 in Figures (p.14-15)	-
102-8	Employee Demographics (p.74)	-
102-9	DeFacto Supply Chain (p.42-43)	-
102-10	"No significant change has been occurred neither in company's operational or financial structure nor supply chain."	-
102-11	Business Ethics (p.23), Product Responsibility and Customer Satisfaction (p.33-35), Sustainability in the Supply Chain (p.42-46)	-
102-12	Community Development (p.68-70)	-
102-13	Community Development (p.68-70)	-
Strategy		
102-14	CEO Message (p.5)	-
102-15	CEO Message (p.5)	-
Ethics and Integrity		
102-16	Business Ethics (p.23)	-
102-17	Business Ethics (p.23)	-
Governance		
102-18	Corporate Governance (p.19)	-
102-19	Sustainability Management (p.24)	-
102-20	Sustainability Management (p.24)	-
102-29	Sustainability Management (p.24)	-
102-30	DeFacto Sustainability Priorities (p.25)	-
Stakeholder Engagement		
102-40	Dialogue with Our Stakeholders (p.27)	-
102-41	We do not have employees covered by collective bargaining agreement.	-
102-42	Dialogue with Our Stakeholders (p.27)	-
102-43	Dialogue with Our Stakeholders (p.27)	-
102-44	Dialogue with Our Stakeholders (p.27)	-
Reporting Practices		
102-45	About the Report (p.3)	-
102-46	About the Report (p.3)	-
102-47	DeFacto Sustainability Priorities (p.25)	-
102-48	About the Report (p.3)	-
102-49	About the Report (p.3)	-
102-50	About the Report (p.3)	-
102-51	https://corporate.defacto.com.tr/sustainability.html	-
102-52	https://corporate.defacto.com.tr/sustainability.html	-
102-53	Contact (p.78)	-
102-54	About the Report (p.3)	-
102-55	About the Report (p.3)	-
102-56	This report has not been subjected to external assurance.	-

ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND GOVERNANCE

DESIGN AND INNOVATION

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION

SUSTAINABILITY IN THE SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT

Material Issues	Standard	Disclosures	Descriptions and Page Numbers	Omissions
Environmentally Conscious Production				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	DeFacto Sustainability Priorities (p.25)	-
	103-2	The management approach and its components	Sustainability Management (p.24), Environment (p.50-51)	-
	103-2	Evaluation of the management approach	Sustainability Management (p.24), Environment (p.50-51)	-
GRI 302: Energy 2016	302-1	Energy consumption within the organization	Environment (p.50-51), Environmental Performance Indicators (p.75)	-
	302-3	Energy Intensity	Environment (p.50-51), Environmental Performance Indicators (p.75)	-
	306-2	Wastes by type and disposal method	Environment (p.50-51), Environmental Performance Indicators (p.75)	-
Business Ethics and Compliance				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	DeFacto Sustainability Priorities (p.25)	-
	103-2	The management approach and its components	Business Ethics (p.23)	-
	103-2	Evaluation of the management approach	Business Ethics (p.23)	-
GRI 205 Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken	No such case of non-compliance has observed during the reporting period.	-
GRI 307 Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	No such case of non-compliance has observed during the reporting period.	-
GRI 419 Socio-economic Compliance 2016	419-1	Non-compliance with laws and regulations in the social	No such case of non-compliance has observed during the reporting period.	-
Occupational Health and Safety				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	DeFacto Sustainability Priorities (p.25)	-
	103-2	The management approach and its components	Occupational Health and Safety (p.62-64)	-
	103-2	Evaluation of the management approach	Occupational Health and Safety (p.62-64)	-
GRI 403: Occupational Health and Safety 2016	403-1	Workers representation in formal joint management-worker health and safety committees	Occupational Health and Safety (p.62), Social Performance Indicators (p.75)	-
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Occupational Health and Safety (p.64), Social Performance Indicators (p.75)	-
Ar-Ge ve İnovasyon				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	DeFacto Sustainability Priorities (p.25)	-
	103-2	The management approach and its components	Design and Innovation (p.30-31)	-
	103-2	Evaluation of the management approach	Design and Innovation (p.30-31)	-
GRI 203: Indirect Economic Impacts 2016	203-2	Significant indirect economic impacts	Design and Innovation (p.30-31)	-
Brand and Reputation				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	DeFacto Sustainability Priorities (p.25)	-
	103-2	The management approach and its components	Business Continuity (p.19), Product Responsibility and Customer Satisfaction (p.33-35)	-
	103-2	Evaluation of the management approach	Business Continuity (p.19), Product Responsibility and Customer Satisfaction (p.33-35)	-
Supply Chain Management				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	DeFacto Sustainability Priorities (p.25)	-
	103-2	The management approach and its components	Sustainability in the Supply Chain (p.42-46)	-
	103-2	Evaluation of the management approach	Sustainability in the Supply Chain (p.42-46)	-
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	Supplier Code of Conduct (p.45)	-
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Supplier Code of Conduct (p.45)	-
GRI 414: Supplier Social Assessment 2016	414-2	Negative social impacts in the supply chain and actions taken	Supplier Audits (p.46), DeFacto Audits (p.46)	-
Employee Development and Talent Management				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	DeFacto Sustainability Priorities (p.25)	-
	103-2	The management approach and its components	Performance Management(p.58), Talent Management (p.59)	-
	103-2	Evaluation of the management approach	Performance Management(p.58), Talent Management (p.59)	-
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Talent Management (p.59), Social Performance Indicators (p.75)	-
	404-2	Programs for upgrading employee skills and transition assistance programs	Talent Management (p.59), Social Performance Indicators (p.75)	-
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	No such case of non-compliance has observed during the reporting period.	-

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. This services has been conducted on Turkish version of the report.

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ABOUT THE REPORT

MESSAGE FROM CEO

STRATEGY AND
GOVERNANCE

DESIGN AND
INNOVATION

PRODUCT RESPONSIBILITY
AND CUSTOMER
SATISFACTION

SUSTAINABILITY IN THE
SUPPLY CHAIN

ENVIRONMENT

EMPLOYEES

COMMUNITY
DEVELOPMENT

PERFORMANCE DATA

GRI INDEX

CONTACT



