



DeFacto

SUSTAINABILITY REPORT 2019



DeFacto

DeFacto

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DeFacto

ABOUT US

We have a long-standing commitment: As DeFacto, we have a commitment to ourselves and all our stakeholders to support sustainable development in all geographies where we operate, particularly in Turkey. In line with this commitment, we present all the work we have carried out for a long time and all the gains we have achieved to our stakeholders through sustainability reports. DeFacto's Sustainability Report for 2019, which you are currently reading, is the fifth sustainability report we have published hereto and it includes all kinds of environmental, social, and economic impacts of all our activities between January 1, 2019 and December 31, 2019 and all our management approaches herein. The contents of the report include the activities we carried out in Turkey within the body of DeFacto and Ozon Tekstil, and the sustainability data obtained from headquarters, production centers, stores and warehouses. In addition, in order to create a holistic perspective on company activities, we included information on all activities we carry out outside of Turkey in cases where the obtained data comply with equivalent quality standards. Furthermore, we have properly prioritized all important matters in this report. This report covers the scope of all important issues and limits in order to reflect significant economic, environmental and social impacts and to enable stakeholders to evaluate DeFacto's performance during the reporting period, and also includes stakeholder assessments and relevant information reflecting significant economic, environmental and social impacts that could significantly affect their decisions. All the opinions of our stakeholders regarding the subject of the report are reflected in the report. The information provided in the report is sufficiently accurate and detailed for stakeholders to evaluate the sustainability performance of DeFacto and is based on measured data. We decently explained all the essentials for data measurements and calculations herein. The possible margin of error for quantitative data is rather low to significantly affect the stakeholders' ability to reach appropriate and knowledge-based conclusions. As a matter of course, the qualitative statements in the report are consistent with other reported information and other available evidence. All information in the report are presented so as to ensure the reader to view positive or negative trends regarding performance from year to year. We also pay the utmost attention to enhance our efforts to prepare reporting in more detail every year. Report comprises an information level that can be requested from our stakeholders, yet avoids excessive and unnecessary details. Our stakeholders can easily find the specific information they desire via contents, maps, and links or by other means included in the report. Information therein is available to our stakeholders – including those with specific accessibility needs such as different skills, language or technology – in Turkish and English and in both print and electronic formats. Most of the information in the report is set to be compared year by year. Our previous reports are also publicly available on our corporate Website, being comparable year by year. DeFacto's sustainability performance were hereby kept comparable with appropriate benchmarks. Notwithstanding; significant differences between priority issues, subject limits, length of reporting period or reporting periods in the list of information included in the report are also identifiable and explainable. We, DeFacto, reported the information and processes used in the reporting by collecting, recording, compiling and analyzing them to be subject to examination and to determine the quality and significance of the information. In this regard, the original sources of all information included in the report are perspicuous and we are always able to provide reliable evidence to support our assumptions or complex calculations. In the present report; data with an accuracy demonstrable within the boundaries of reasonable limits of errors, and information obtained from information owners are represented in particular. The information for 2019 reporting period have been released relatively recently due to coronavirus (Covid-19) pandemic, which broke out at the beginning of 2020, and which disrupted our reporting works – being a force majeure by its very nature. The information herein evidently displays the relevant period and the latest update date, and separately identifies the reasons for restatement, as well as revisions of previous disclosures. This report has been prepared in accordance with the 2019 GRI standards: "Core" option. The content of the report has been determined via benefiting from the materialization matrix performed in line with the principles suggested by the GRI Standards. In the report, we used generally accepted protocols to compile, measure and present information, including information required by the GRI Standards. Furthermore, in line with our ongoing commitment to the principles of the UN Global Compact that we became a signatory of, we also included progress information in the present report. As before, you can access our DeFacto 2019 Sustainability Report and reports of previous years at any time on our corporate website. For your suggestions, comments and questions regarding our sustainability performance and practices; you can contact us via sustainability@defacto.com.tr.

MESSAGE FROM CEO

In hindsight, I can see how the Sustainability Management has significantly contributed to our goal of being a Global Fashion Brand that we built brick by brick. In this direction, achieving more and more every day has now become a must for a sustainable business culture for us in 2019. Making an endeavor to eliminate the effects of 2018's challenging market conditions; 2019, on the other hand, was also a period in which we continued to grow our business thanks to our business model that quickly adapts to the changing market conditions in 2019. The number of our customers, one of our most important parameters in evaluating our customers' satisfaction, which we consider as our main stakeholder in the focus of our business, continued to increase and reached 313 million in the 2019 reporting period. In addition to our 33 franchise stores, as well as 148 stores abroad; we also have 308 stores operating domestically. Furthermore, we have become prevalent in 29 countries in total by maintaining our e-retailing activities on our website. We realised a high growth performance in the number of stores and sales, both in Turkey and abroad. Our turnover increased to 4.56 billion Turkish Lira in 2019, when our turnover share exceeded 30%. These are our achievements within the context of our sustainability vision. The core factor of our success is the outstanding customer experience we promise. With this purpose in our vision, we strive to make the latest fashion trends accessible to society as a whole. The increasing interest of our customers towards our online sales channels as well as our stores is one of the important driving factors for us as we climb the ladder rising to our goals. In 2019, the number of visits to our online sales channel increased by 30 million people, an increase of 40% compared to the previous year, and reached 107 million in total; beyond that, we continued to focus on the omnichannel and seamless customer experience. Supporting and unifying our financial growth with our economic, social and environmental sustainability performance; we form a strong and reliable basis for our activities. We create sustainable value for all our stakeholders by approaching social, environmental, and economic impacts of our products and activities with the utmost sense of responsibility. As I have always



“Carrying out all our responsibilities we undertake in a healthy and safe environment is one of our paramount priorities.”

noted, there are two foundational motivations in the matter of conducting our activities on a sustainable ground. The first of these is to embed the perception of being a global fashion brand modeled on innovative business model in the entire corporate culture, and the second is to develop a holistic strategic view to turn especially calculable risks that may arise during our operations into opportunities. We believe that the value we create will not only make us strong, but will also have a positive impact on the sustainable development of the communities and societies in which we operate. In this regard, I would like to reacquaint with great pride that we are among the supporters of the UN Global Compact and Women's Empowerment Principles. We also continue to contribute to the UN Sustainable Development Goals with all our sustainability efforts. In line with our responsible environmental management approach, we aim at performing our activities with minimum environmental impact. From design to sales, we carefully monitor our environmental impacts in all processes. We continued to register important achievements in this field in 2019. While continuing to support the recycling of cardboard and packaging wastes in our stores, we recycled 172 tons of paper waste at our Headquarters and warehouses. We also donated 60 saplings by recycling 350 kilograms of electronic waste. We had reduced our annual energy consumption per square meter in

our stores to 161.70 kWh / m². We place great importance on extending sustainability not only in DeFacto operations, but also in supplier operations. We regularly audit our suppliers in terms of comprehensive environmental, quality and social compliance criteria, and we support our suppliers by preparing development plans where deemed necessary. With our elaborative approach, first time successful audit ratio of our suppliers reached to 98% in 2019. Operating in a labor-intensive industry where innovation and creativity are at the forefront makes our human resources department a key element for us. We strive to support the development, satisfaction and happiness of our employees in the most appropriate way. Under the roof of DeFacto Academy, where we designed trainings based on the needs of our employees, while we continue to support the recycling of cardboard and packaging waste in our stores, we recycled 172 tons of paper waste at our headquarters and warehouses. We also donated 60 saplings by recycling 350 kilograms of electronic waste. We had reduced our annual energy consumption per square meter in our stores to 161.70 kWh / m². We place great importance on extending sustainability not only in DeFacto operations, but also in supplier operations. We regularly audit our suppliers in terms of comprehensive environmental, quality and social compliance criteria, and we support our suppliers by preparing development

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SUSTAINABILITY DESTINATION TABLE

STRATEGY AND GOVERNANCE 2019 GOALS



- ▶ Our brand is our fundamental value that determines our promise to our customers and our customer perception.
- ▶ Our goal to strengthen our brand on a global scale creates a driving force in improving our performance in every field due to the perception and values carrying the banner of this goal of ours.

Our values:

- We think outside the box, we keep ahead of the game.
- We always stand by our customers' side.
- We achieve more with less.
- We work shoulder to shoulder and with passion.

PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION 2019 GOALS



- ▶ We take all deemed preventive measures spontaneously in case there is even the slightest doubt that our activities will have negative impacts for the environment.
- ▶ We assure consumer health by subjecting our products to tests and controls.
- ▶ In the Physical Test Laboratory, we perform an average of 100 fabric and 100 finished product analyzes per day, such as color fastness tests, fluff, pilling, size stability and tensile strength tests.
- ▶ In 2019, we prevented waste generation by re-evaluating 630 tons of clippings in more than 1,896.000 products in our production processes.
- ▶ In 2019, we saved 9,700 tons of water in the production of 1,220,000 products.
- ▶ As of 2019, we have a strong social media presence with 2.02 million Facebook, 2.35 million Instagram, 189.8 thousand Twitter, 26.4 thousand YouTube, 115 thousand LinkedIn followers.
- ▶ Our online sales channel was visited 177 million times in 2019.
- ▶ We have cash registers for disabled customers in our 12 stores. There are two cabins exclusively for disabled individuals in each of our 138 stores, and there are disabled ramps at the entrance in 67 high street stores.



SUSTAINABILITY IN SUPPLY CHAIN 2019 GOALS

- ▶ Of the DeFacto suppliers, 85% operate within the borders of Turkey. In 2019, 93% of the total orders were transferred to domestic and 7% to foreign companies.
- ▶ Of the total purchasing volume, 57% consists of strategic suppliers.
- ▶ The rate of suppliers that passed the social and technical compliance audits for a total of 542 main and sub-supplier companies for the first time reached 98%, with an increase of 22% compared to the previous reporting period.
- ▶ 83% of our products passed the quality control audit at the first time. In 2019, our 14 suppliers achieved the level to carry out their own audits.



ENVIRONMENT 2019 GOALS

- ▶ We managed to reduce our store energy intensity with the efficiency studies we carried out, and our annual electricity consumption per store square meter decreased to 161.72 kWh / m2 in 2019.
- ▶ 1.25 tons of paper and cardboard waste, as well as 350 kilograms of electronic waste were recycled within DeFacto and Ozon Tekstil.
- ▶ As a result of the tests we carried out in our laboratories, 11 tons of hazardous liquid waste and 1,550 tons of non-hazardous waste erupted in analytical laboratories.
- ▶ An average of 1900 tons of liquid non-hazardous waste is generated annually in physical laboratories.
- ▶ In 2019; a total of 908 tons of waste, including 67 tons of hazardous and 841 tons of non-hazardous waste, were generated at Ozon Tekstil facilities, 7% of which was disposed of and the remaining 93% was recycled by licensed institutions.

SUSTAINABILITY DESTINATION TABLE

EMPLOYEES 2019 GOALS



- ▶ Increasing number of our employees is one of the core factors reflecting our rapid growth in the industry. The number of our employees reached 17,434 as of 2019.
- ▶ We employed 13,935 people in Turkey, and 3,499 people abroad.
- ▶ Having a young and dynamic structure, "Y generation" constitutes a qualified part of our employees. 81% of our employees in Turkey and 89% of those working abroad are under the age of 30.
- ▶ The rate of female employees is 53% in DeFacto Turkey and 52% in international operations.
- ▶ The ratio of female managers in mid-level and senior management positions, both domestically and abroad, rose to 26% in 2019 with two points of increase compared to the previous year.
- ▶ In 2019, 40% of Ozon Tekstil employees, consisting mainly blue-collar employees, were women with an increase of two points compared to the previous year.
- ▶ We increased the number of our disabled employees to 214,
- ▶ We organized a total of 153,103 hours of training in DeFacto Turkey and DeFacto abroad operations, and a total of 11,668 different employees participated in these trainings. Hereby, it was ensured that 90% of our employees participated in our training activities.

OCCUPATIONAL HEALTH AND SAFETY 2019 GOALS



- ▶ There are 329 employee representatives and 20 OHS Committees with 136 members in DeFacto operations who operate in our store and head office.
- ▶ There is an employee representative for each store.
- ▶ We reduced the accident frequency rate to 1.23 in 2019.
- ▶ We reduced the lost work day rate to 0.27.
- ▶ We provided a total of 20,308 hours of training to DeFacto domestic stores personnel,



COMMUNITY DEVELOPMENT 2019 GOALS

- ▶ Thanks to the Happiness Ambassadors Group (HAG), a Social Development initiative, 62 events and 8,418 hours of volunteering were carried out in five years with the active participation of approximately 3,338 employees.
- ▶ Within the scope of 'A Pinch of Warm Happiness' Project, our volunteers supported a total of over 2000 students from 22 primary schools across Turkey.
- ▶ The number of supporters inspired by our volunteers reached 5,598 within the framework of the 'Volunteers Running in Pursuit of Kindness' initiative.
- ▶ Our volunteers contributed to the creation of a fund of total 115,894 Turkish Lira in the name of non-governmental organizations in the last three separate Marathons we participated in.
- ▶ With the participation of 31 volunteers in the Çerkezköy Warehouse-DeFacto Memorial Forest Project, we reinforced our attention to our environment and our living space, in March 2019, in the garden of our Çerkezköy Warehouse by planting more than 100 saplings, and created a memorial forest for our employees.
- ▶ As part of the World Stray Animal Day, we distributed 300 small packs of cat and dog food (150 for cats & 150 for dogs) under the title of Friendship Food, with the organization of six volunteers.
- ▶ With the Pending Books and Toys Project, more than 300 books and various toys collected were presented to students in the library of the designated primary school.
- ▶ Our volunteers contributed to the cleaning of Kinaliada coast by decomposing 20.40 kg of recyclable garbage with our Turmepa Coastal Cleaning event. In the activity; we recycled 57.5 liters of water, 0.27 liters of oil, 2.47 kg of raw materials and 140 kWh of energy to be spent.
- ▶ With the cooperation of DeFacto Academy and The Spinal Cord Paralytics Association of Turkey (TOFD), we hosted 20 disabled young individual at our headquarters in the Future Lab. We enjoyed our VR contents together. We explored the mysterious underwater world and space with our contents. We talked about animation, etc., about the latest technological developments, and Masal TV projects.
- ▶ With the support of Technopark, Çerkezköy Warehouse and Headquarters employees, we contributed to the Plastic cap collection campaign organized by TOFD by collecting up to 20 large garbage bags.
- ▶ We donated 13 reclaimed computers to 13 different primary schools in Diyarbakir with the help of our DeFacto Technology team.



**STRATEGY AND
GOVERNANCE**

8 DECENT WORK AND
ECONOMIC GROWTH



16 PEACE, JUSTICE
AND STRONG
INSTITUTIONS



17 PARTNERSHIPS
FOR THE GOALS



FROM PAST TO PRESENT

DeFacto



D e F a c t o

FROM PAST TO PRESENT DeFacto

The core vision in the establishment of DeFacto is to become a global brand by making the fashion accessible by wide consumer groups. Having pursued a balance between price and performance with the aim of ensuring its customers' happiness and satisfaction since 2014 when it was established, DeFacto has a wide range of products in terms of design, pattern, fabric, and fashion model. Our company has a comprehensive collection of women's and men's clothing products, including daily wear, business, special occasions, denim, outerwear, underwear, maternity and sportswear, and also collections for teenagers, children and babies. The product portfolio also includes a wide collection of shoes and accessories. In terms of all clothing, shoes and accessories ranges, DeFacto offers the one-stop-shop opportunity to meet clothing, accessory, shoes, bag, and cosmetics needs of its customers (woman, man, young, child, baby) following the fashion at a single sales point with its products mainly categorized as (i) Basic Products, (ii) Latest Basic Products, (iii) Well Accepted Fashion, and (iv) New Fashioned Products.

Our company conducts its operations via four main sales channels. The main channel of the company is retail, and there are also DeFacto Stores, which operate as a franchise abroad, creating the opportunity to strengthen the international presence of the Company with its strategic partners. In order to strengthen its presence in regions where retail or franchise sales are not available, the company also offers its products in multi-brand stores in Turkey or abroad through the wholesale channels. Finally, the company sells its products on its own e-commerce platform at www.DeFacto.com.tr and www.Defactofashion.com.



Core activities of our company are the production, trade, purchase, wholesale and retail sale, import and export of ready-to-wear products such as t-shirts, s-shirts, shirts, trousers, jackets of a suit, suits, overcoats, coats, jackets, duffle coats, skirts, blouses, dresses and accessories such as hats, shoes, socks, bags, purses, belts, jewelry, cosmetics, sunglasses, scarves.

Our number of stores has increased rapidly over the years, and this substantially and objectively indicates the customer satisfaction. Continuing to grow in the 2019 reporting period, the number of DeFacto stores reached a total of 489, 308 of which are in Turkey, 148 are abroad and 33 are franchised, and the number of customers exceeded 313 million. In addition to our stores, we continue our sales activities via our e-commerce platform accessible at www.DeFacto.com.tr and www.Defactofashion.com, from our mobile application accessible on IOS and Android Platforms, and our franchise and wholesale channels.

Rightfully, we pride ourselves on serving in a wide geography by carrying out these activities to overseas outside of Turkey. We build our growth strategy abroad primarily on the MENA (Middle East and North Africa) and CIS (Commonwealth of Independent States) regions.

Along with Turkey, we proceed on our way in a total of 29 countries; including TRNC, Kazakhstan, Kyrgyzstan, Belarus, Russia, Iraq, Jordan, Georgia, Azerbaijan, Egypt, Morocco, Algeria, Tunisia, Albania, Kosovo, Bosnia and Herzegovina, Serbia, Lebanon, Palestine, Afghanistan, Malaysia, Ukraine, Oman, Armenia, Dagestan, Moldova, Romania, and Saudi Arabia. Our goal of making DeFacto a global brand and spreading our "accessible fashion" commitment all over the world always strongly motivates us to undersign new growth and success stories. Our prospective goals are to grow in the categories that promise opportunities such as home wear, children-baby clothing, business clothing and underwear, to further expand our stores and business segment in Turkey and abroad, to improve our e-commerce capacity and to operate in new countries. Accomplishing our goals one by one, we regard creating a globalization model that adapts to local conditions, digitalizing in operations, and putting the customer in the center of the internet world as our main focus areas.

DEFACTO BRAND

Our brand is the core value determining our commitment to our customers, and our customer perception. Our goal to strengthen our brand on a global scale creates a driving force in improving our performance in every field due to the perception and values carrying the banner of this goal of ours.

Together with our experienced design team and business partnerships, we add affordable and high quality products and designs that adapt to world trends. We prepare designs suitable for the countries we operate in with our design office, which provides significant added value in terms of creative marketing strategies and innovative perspective. As a brand; we think outside the box, we keep ahead of the game. We always stand by our customers' side. We achieve more with less. We work shoulder to shoulder and with passion. We are eco-conscious and sensitive to people's needs.

OZON TEKSTİL

We carry out all our domestic production activities by way of Ozon Tekstil, our 100% affiliate. Ozon Tekstil, DeFacto's biggest supplier, continues its activities in its factories located in Sivas and Batman. Ozon Tekstil, which produced 30.3 million pieces for DeFacto in 2019, had a turnover of 504.4 million Turkish Lira, and the number of sub-suppliers reached to 652. Ozon Tekstil, which provides cutting, sewing, printing and ironing-packaging processes in an integrated manner in Sivas Factory, has been among the fastest growing industrial companies of Turkey for a while. In addition to DeFacto, Ozon Tekstil also provides services for brands such as Primark, Promod, JP Penney, C&A, Laura Ashley and THG within the scope of export.



Corporate Memberships and Signatures

DeFacto

United Brands Association (UBA)
United Nations Global Compact
United Nations WEPS
Environmental Protection and Packaging Waste Recovery and Recycling
Foundation (CEVKO)
Istanbul Apparel Exporters' Association (İHKİB)
Central Registry Agency (standard membership)
Associate of Private Sector Volunteers (OSGD)
TCF Global membership
Turquality
Turkish Clothing Manufacturer's Association (TGSD)

Ozon Tekstil

Environmental Protection and Packaging Waste
Recovery And Recycling Foundation (CEVKO)
Istanbul Apparel Exporters' Association (İHKİB)
Istanbul Textile and Apparel Exporter Association (İTKİB)
Kal-Der Membership (Turkish Quality Association)
Sedex Type B Membership.

Mission - Vision - Values

Vision:

We will be a global fashion brand that makes you go "WOW".

Mission:

We make luxury accessible for happiness.

Our values:

We think outside the box, we keep ahead of the game.
We always stand by our customers' side.
We achieve more with less.
We work shoulder to shoulder and with passion.
We are eco-conscious and sensitive to people's needs.



As DeFacto, we believe that the greatest driving force for the achievement of the goals depends on the support of suppliers and the emergence of energy and talent within its employees. We aim at accomplishing great things beneficial for the entire ecosystem we live. The Company's core values, which are necessary to achieve these goals and manage change, have been restudied to include the following perspectives:

We think outside the box, we keep ahead of the game.

We think beyond limits and taboos.

We always think that there are new things to learn and generate innovative ideas to reach for the best.

We finalize our works in the most effective and fastest way to achieve our goals.

We always stand by our customers' side.

Customer satisfaction is the center of our work.

We understand the expectations of our customers correctly, we anticipate their future needs and solve their problems effectively and quickly.

We achieve more with less.

We act with a cost-benefit awareness while achieving our goals. Absolute Quality, simplicity, efficiency.

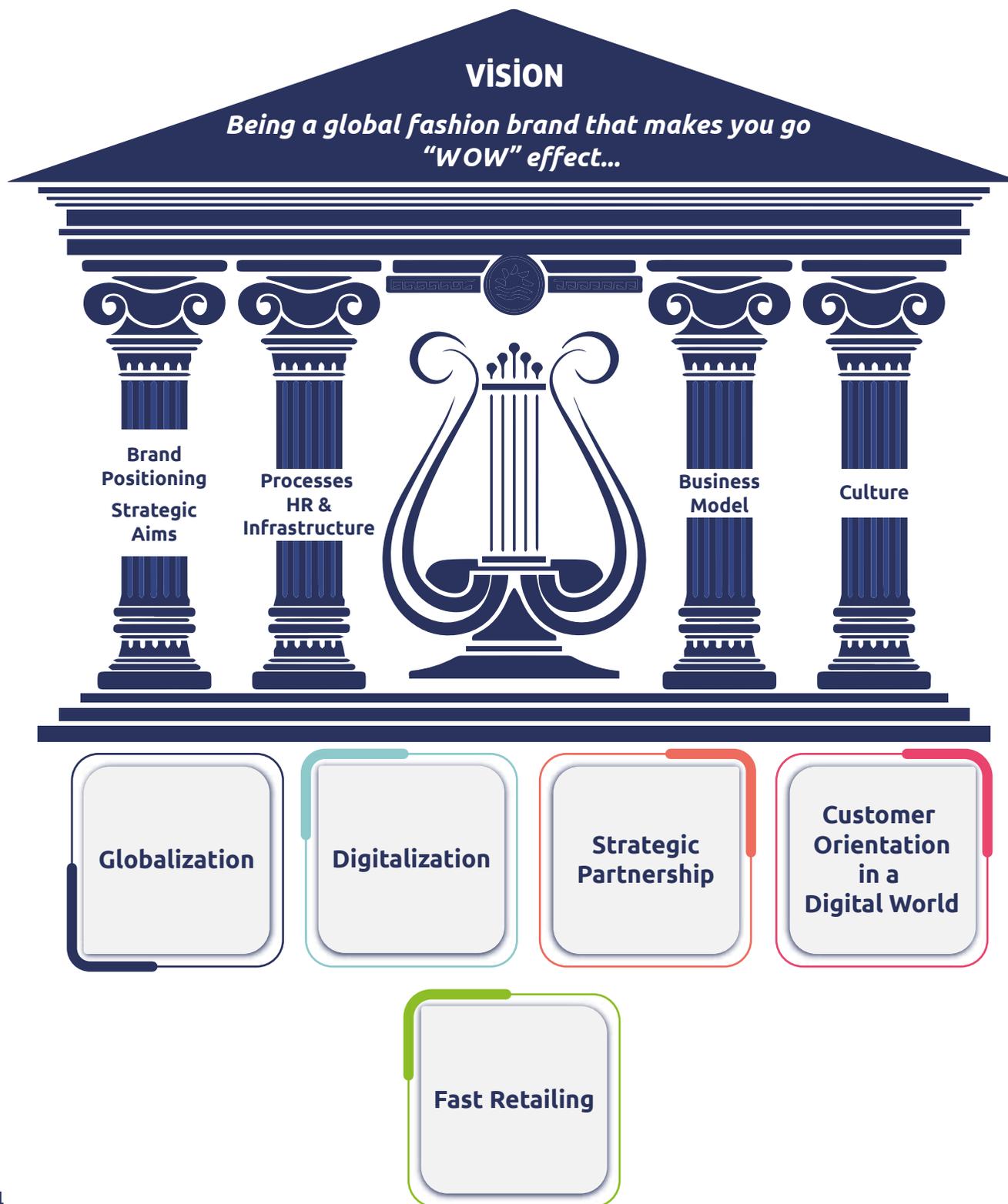
We work shoulder to shoulder and with passion.

We value each other's ideas and approaches and work in cooperation towards a common goal. We passionately perform our work to climb the ladders to success. We glare with our energy and motivation.

We are eco-conscious and sensitive to people's needs.

We respect different cultures and religions.





Globalization:

As DeFacto, we will do our diligence to provide (innovative) services to meet the expectations of our customers and exceed them when deemed appropriate, with the same targeted global standards and with DeFacto value proposition, in six continents, 100 countries, 1,500 stores, and by taking into account the local needs, and to be an organization where the majority of people embracing differences, being open and adaptable to change, and making decisions with a global perspective. By doing so, we shall exert ourselves to offer our products (80% global / 20% local) in accordance with the needs of our customer by respecting the local cultures.

Digitalization:

Digitalization is the process of transforming digitalized resources into operational results that will add new revenue, growth and value to the company, rather than having a non-integrated Information Technology infrastructure. In other words, Digitalization means developing new business models; combining knowledge, resources and digital technologies with new combinations to create unique customer experiences, enabling new products and services, and applying technology to these resources to use company resources much more effectively. As DeFacto, we will conduct our operational processes with digitalization. As DeFacto, we aim to develop digitally equipped processes. We define and understand our customers (internal and external customers), and accordingly, direct all our processes and decisions to meet their needs (even exceed their expectations).

Fast Retailing:

To operate "at the required rate" in line with the DeFacto decisions determined for the aimed profitability and the expectations of the customers. To be the company that rapidly understands and responds its customers and their changing needs. We reach the speed we need by simplifying all our processes.

Strategic Partnership:

We develop strategic business partnerships with our suppliers and other business partners to offer our customers the right product at the right time at WOW-like prices and meet their needs. We improve both our business and our business partners, and create environments which also allow them to improve us, we work by forging closer ties, and develop mechanisms through which we can benefit more from the know-how of our business partners and employees, and establish more cooperation thereof. Together with suppliers, we aim at increasing our production rate and ten-time performance and to buy the majority of the collection from the relevant supplier. By creating processes based on trust and proactively managing capacities, we develop business models involving intense communication with mutual benefits for both parties.

GOAL & SCOPE

WIN - WIN

Ensuring Sustainable, Transparent and Win-Win Relationships with Strategic Suppliers;

SUPPLIERS

Execution of Total Purchase Amount via Strategic Suppliers;

BUSINESS PARTNERSHIP

Raising Awareness of Strategic Business Partnership at DeFacto;

PURCHASING

Achievement of Purchasing Goals from Strategic Supplier Based on Buyer Group;

DELIVERY

Alignment of On Time Delivery to its goal of achieving 85%.

EFFICIENCY

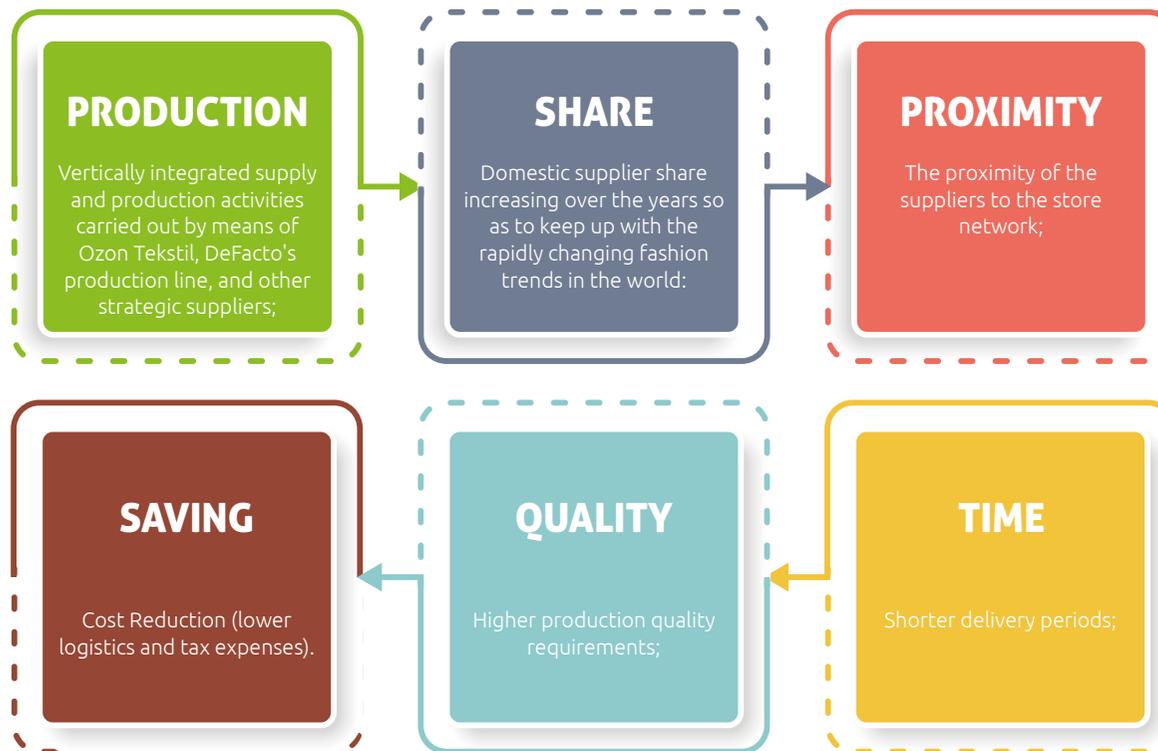
Active and Efficient Management of Capacities;

The company aims at having a cost structure that supports speed, innovation and flexibility by means of successful strategic alliances.

Flexible Procurement Strategy:

The flexible supply chain enables an efficient order strategy that can generate quick responses for production possibilities. Approximately 40.0% of the company's products are made up of pre-orders of proven styles that DeFacto is sure to sell, and that have been proven to provide cheaper production costs in advance. The company offers products with the initial plan testing and reordering process, although it may vary in line with the customer preferences. 40.0% of the style preference is determined during the season and the Company capacity is evaluated together with the strategic suppliers to allocate capacity in accordance with the annual plans. The company allocates up to 20.0% of the purchasing budget as inventory diversity and flexibility for risk and operations management. Moreover, DeFacto makes use of its suppliers' collections, as some major suppliers have their own design processes, and purchases these products whenever they want to gain a momentum in the market.

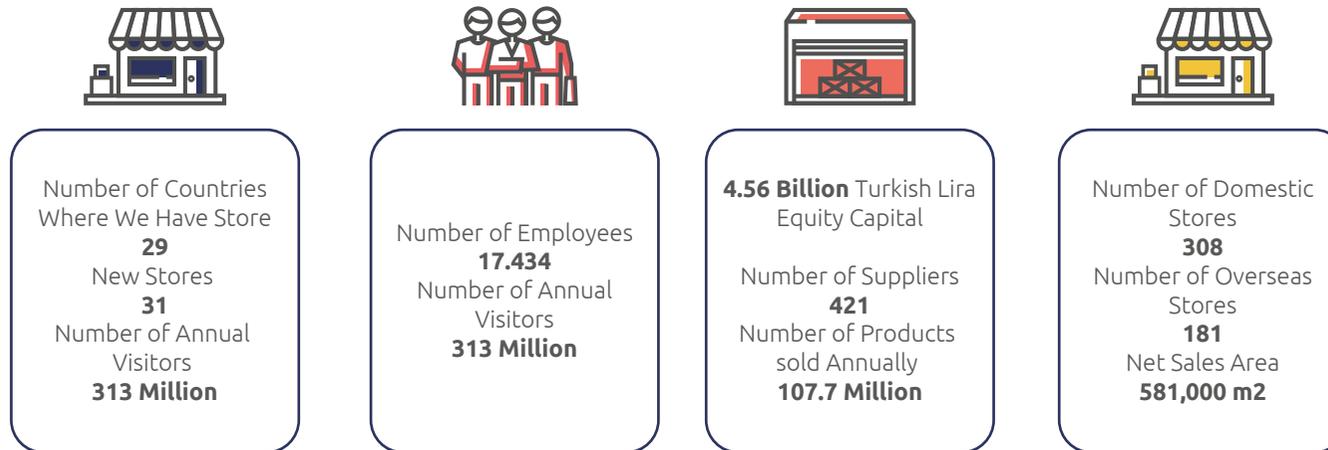
ADVANTAGES OF FLEXIBLE PROCUREMENT STRATEGY



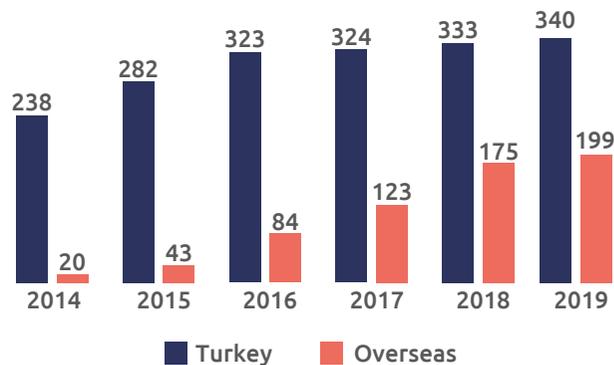
OZON TEKSTİL IN NUMBERS



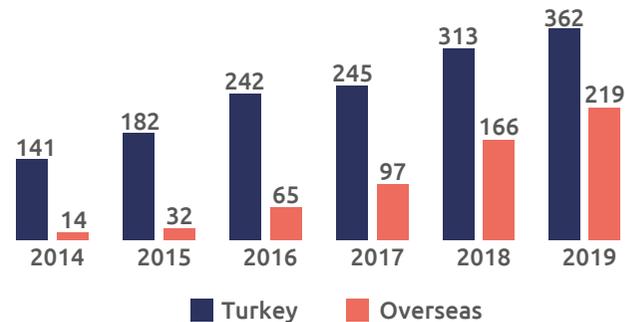
DEFACTO IN NUMBERS



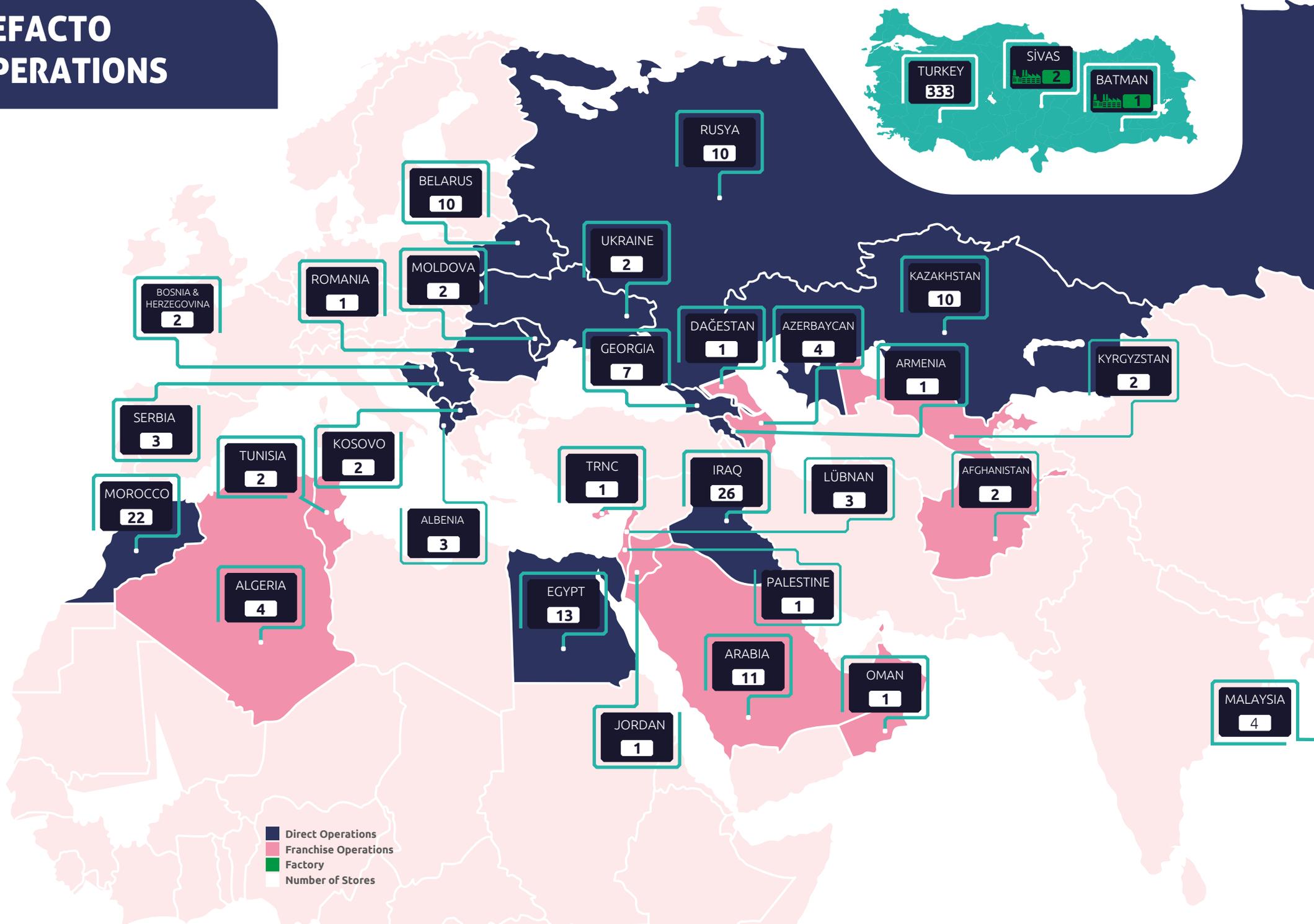
NUMBER OF DEFACTO STORES (NUMBER)



NET SALES AREA OF DEFACTO STORES (1,000M2)



DEFACTO OPERATIONS



DeFacto

Corporate Governance

As DeFacto, we were able to achieve a rapid operational growth in a considerably short time, and this required an organization management that would support this growth in all aspects. In line with this aim, we structured a corporate governance approach within our body in line with internationally accepted principles. We equipped our governance model with strong mechanisms that support our goal of creating value for all our stakeholders, from the 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 at the operational level.

Business Continuity & Information Safety

BUSINESS CONTINUITY

Business continuity consists a significant part of our Corporate Risk Management approach. As DeFacto, we determine all possible threats that have the potential to hinder the continuity of customer satisfaction or the continuation of operations, and apply practices that will minimize or eliminate these threats. DeFacto Business Continuity Management System was implemented to manage business continuity within a certain framework and methodology.

Through our 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 was established in line with ISO 27001: 2015 standard.

Through our Information Security Management System, we aim:

- ▶ 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.

Within the scope of information security studies, information technologies were prioritized by evaluating process risks in 2019, and updates and improvements were made in accordance with the relevant methodology. In addition, for the privacy of information and personal data of our customers, we review and update access authorizations to critical information. We also take the necessary measures to prevent the security and integrity of this information from being compromised.

Risk Management

We believe that uninterrupted continuity of DeFacto's existence and operations will be 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. DeFacto Corporate Risk Management System was established in line with this awareness and approach.

With the Corporate Risk Management System established with this approach, the critical indicators of risks and actions are monitored by the Risk Management and Compliance Team and they are 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.

All critical issues and concerns we receive from our stakeholders are conveyed to the Audit Committee by the Audit, Risk and Revenue Protection Directorate. Supervisory Committee can convey the relevant issues to Board of Directors, when deemed necessary. Supervisory Committee share relevant guidance for critical issues and concerns with the Executive Managers (implementation) and the Audit, Risk and Revenue Protection Directorate (surveillance). The latest status of the actions taken is conveyed to the Supervisory Committee by the Audit, Risk and Revenue Protection Directorate.

Corporate Risk Management Program

The purpose of DeFacto's Corporate Risk Management Program is to create an environment in which risks are defined and measured throughout the company, and the most appropriate actions are taken against these risks with the most effective and efficient techniques. DeFacto pays regard to threats as well as opportunities during corporate risk management process. Companies should include the activities that will ensure the envisioning of risks related to the scope of the decision in their decision-making processes as a standard. It is important to create a dynamic structure for a successful Corporate Risk Management program. All departments and employees working within the company are responsible for managing risks in line with this procedure. Risk management requires all processes to be carried out in accordance with this procedure. The company should analyze and define their capacity to mitigate, share (transfer), accept or avoid risk. This definition should be in line with the strategic goals and risk appetites of the companies.

The risk management program develops depending upon the corporate culture of DeFacto. In this regard, all significant risks should be identified, prioritized, linked to strategic and operational objectives, and evaluated accordingly. Risk assessment begins with the analysis of the industry and external environment incorporating our company and the evaluation of the strategies and targets of the departments within the company, and comes to a conclusion with the detection of threats and the measurement of these threats in line with the company's risk appetite. Ultimately, risk assessments enable the company to consciously make a decision on mitigating, sharing, accepting or avoiding risk. The main factor in the success of risk management programs is that all employees of DeFacto support the creation and maintenance of a company culture in which transparency and open communication are at the forefront. After the Corporate Risk Management program is implemented, risk awareness in the company will increase concordantly with the conducting of timely, open and transparent discussions on risks. The Corporate Risk Management Program cannot be implemented in a way that is against the legal requirements. In the event that the Corporate Risk Management program does not comply with the legal requirements, the priority of laws is valid.

DeFacto Risk Inventory

As DeFacto, we combined the risks that we can foresee and calculate under an inventory in order to manage them more functionally at strategic and operational level. We, DeFacto, take these risks, which are present throughout the industry, seriously and our management constantly monitors them.

Strategic Risks

- ▶ **Market Dynamics** - Risks related to market dynamics. For instance: competition, industry trends, macroeconomic factors, socio-political conjuncture;
- ▶ **Planning and Resource Allocation** - Risks associated with planning and resource allocation. For instance: Organizational structuring, strategic planning, sharing of strategies and goals within the company, annual budget, budget tracking, etc.;
- ▶ **Merger and Transfers** - Risks related to merger and transfers. For instance: valuation and pricing, due diligence etc.;
- ▶ **Important Enterprises** - Risks related to important enterprises. For instance: Technology application planning and performance, product development, business opportunities, project evaluation etc.;
- ▶ **Management** - Risks related to management. For instance: control environment, social responsibility, senior management perspective.

Operational Risks

- ▶ **Sales and Marketing** - Risks related to sales and marketing. For instance: marketing, advertising, sales and pricing, customer support, customer management, customer satisfaction, product branding, trend optimization, etc.;
- ▶ **Supply Chain and Logistics** - Risks related to supply chain and production process. For instance: Planning, purchasing, cost control, production performance, disruptions, environmental constraints, production efficiency, etc.;
- ▶ **Human** - Risks related to humans. For instance: human resources issues, leadership, authorization, authority limits, performance incentives, individual goals, internal communication, strikes, staff of strategic suppliers, knowledge capital, etc.;
- ▶ **Information Technologies** - Risks related to information technologies. For instance: business continuity, integrated functioning, access and information protection, infrastructure, capacity, etc.;
- ▶ **Disasters** - Risks related to disasters. For instance: natural disasters, terrorism, business continuity plan, etc.;
- ▶ **Physical Assets** - Risks related to physical assets. For instance: real estate, property, equipment, stocks, etc.

Financial Risks

- ▶ **Market** - Risks related to market. For instance: interest rate, exchange rate, derivatives and other financial instruments, capital adequacy etc.;
- ▶ **Liquidity** - Risks related to liquidity. For instance: cash flow and cash management, opportunity cost, hedging, collection, payments, insurance, etc.;
- ▶ **Accounting and Reporting** - Risks related to accounting and reporting. For instance: procedures and internal controls, evaluation of financial reporting, legal reports etc.;
- ▶ **Tax and Other Legal Obligations** - Tax and Other Legal Obligations - Risks related to tax and other legal obligations. For example: tax strategy and planning, new regulations on tax practices, strategies for different tax practices in countries and other legal obligations, transfer pricing, etc.
- ▶ **Capital Structure** - Risks related to capital structure. For instance: Capital receipts, equity capital structure etc.

Compliance Risks

- ▶ **Codes of Conduct** - Risks related to codes of conduct. For instance: ethics, management abuse, employee abuse, 3rd party abuse, unauthorized use etc.;
- ▶ **Legal** - Legal risks For instance: contract, obligations, intellectual capital, anti-corruption etc.;
- ▶ **Regulations** - Risks related to regulations. For instance: product quality and safety, environmental factors, occupational health safety, permits, changes, etc.

Reputation Risks

- ▶ **Communication and Stakeholder Relations:** Risks related to communication and stakeholder relations. For instance: crisis communication, media relations, employee communication, lobbying activities, local associations etc. ;
- ▶ **Image and Brand:** Risks related to image brand. For instance: protecting company reputation, positioning image and strategy, increasing brand value etc.



Governance

Governance is a fundamental issue which has enrooted in the structure of the Company, and which DeFacto attaches great importance to and approaches both strategically and operationally. The top level authorized body regarding governance is the Board of Directors. Board of Directors manages the governance function with the Company's CEO and the Executive Board, and various committees through C-Level and Directors.

Taxation Approach

Our company is aware of the fact that tax provides social security and has a taxation perspective in line with the principles of transparency, objectivity, ethics, reliability and sustainability, and

responsibility. At the same time, we built a solid strategy structure Through the audits and supervisions of our Public Accountant and Independent Our Financial Advisors and Independent Auditors who are competent and experts in the relevant country's legislation conduct inspections abroad. Our company directly contributes to the development of the relevant country by fully and completely fulfilling its investments, employment, tax and legal obligations.

All units operating in DeFacto work in accordance with the determined tax strategy. Our Finance Unit meticulously monitors the tax practices. All tax duties and responsibilities are fulfilled in a timely manner and in line with the principles of transparency, objectivity, ethics, reliability, and sustainability. All our processes are arranged in a way

that does not risk taxing and are based on the complete fulfillment of tax duties. Our Internal Audit unit examines and controls all processes within our organization in Turkey and abroad, and also supervises our Ethics Committee. Furthermore, all deemed supervisions are carried out by the Certified Public Accountant and Independent Audit Companies to prevent the relevant risks.

Within the framework of compliance with the tax legislation, a transparent and reliable structure was established on the grounds of tax legislation compliance, full and timely fulfillment of tax duties, and follow-up of all tax processes both within the company and with public accountant and independent audit companies providing tax consultancy services within our company in both Turkey and abroad. A reliable taxing process was

initiated with the supervision of all our financial processes, which are monitored by the financial affairs unit of our company, by being subjected to relevant inspections by our tax consultants.

DeFacto closely monitors tax transactions and works in harmony with tax administrations. Our Certified Public Accountants and tax experts providing consultancy services to our company follow this whole process very closely. Our company operates with the responsibility of fulfilling all its duties and liabilities in order to contribute to the economy and development of Turkey with its responsible taxation approach.

Always safeguarding its stakeholders' interests, DeFacto operates with a transparent, reliable, ethical and sustainable taxation approach. A transparent structure – open to all stakeholders – has been established by means of financial advisors and independent auditors, from whom we receive consultancy service in Turkey and abroad.

Audit companies providing consultancy services to our company in both Turkey and abroad.

As DeFacto, we attach importance to the detailed follow-up of our transactions in order to ensure the compliance of all our financial transactions with the tax legislation. In addition, our Certified Public Accountant and Independent Audit Companies carry out tax-related and financial inspections within the scope of the Independent Audit in all financial processes in Turkey. In abroad, our Public Accountants and Independent Auditors in foreign countries conduct these inspections.

Our company closely follows the Country Tax Legislation practices in all its lines of business and exerts itself meticulously to act in accordance with the legislation.



Project and Process Management

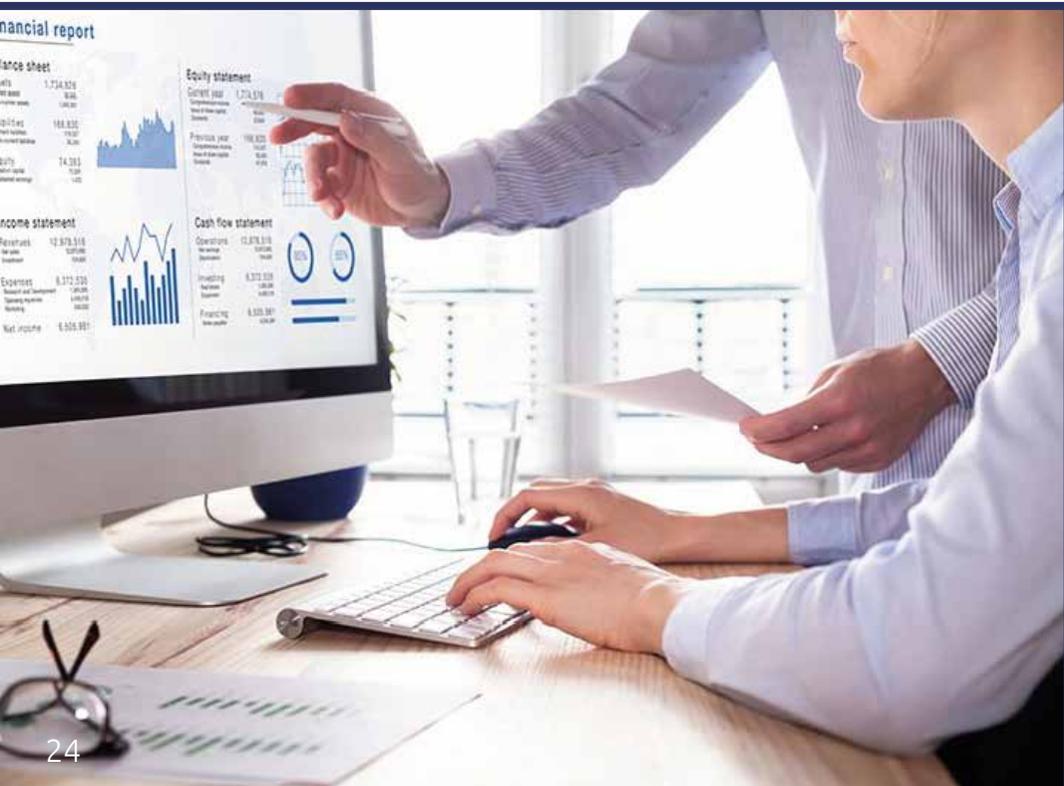
Expanding the culture of “management by processes” is one of the fundamental steps we have taken in the direction of operational excellence. For this purpose we have adopted a flexible and adaptable methodology on a project basis by combining project management methodology and process improvement techniques. We are working on continuous improvement and dissemination of the project management culture throughout the organization.

As DeFacto, we use modern project planning tools such as JIRA and TEAMS Planner by constantly deepening the project management in company’s corporal memory.

We carry out the preparation, control, publication and revision of documents required to manage our business processes via Quality Document Management System (QDMS). In 2019, 189 new documents were published and 49 documents were revised in QDMS. With this software, we ensure that our management processes are automated and traceable, data analysis is facilitated, data sharing can be managed safely and easily, and data loss is prevented and corporate memory is created.

In 2018; we set the foundations of Agile Working Culture, which we aim to put into practice in 2020, with our Lean Product Management Organization and maintained our relevant operations with Lean Processes in 2019. With Hoshin Kanri model; strategic priority process improvement fields of the strategy, which is centered upon the “Value” for the customers, are determined. Project management models are selected in line with the problem solving needs by amalgamating Agile Scrum project management methodology with Lean process improvement techniques.

In terms of process performance, 38 new process definitions were made and 43 processes were revised in 2019. In addition, within the scope of the recent digitalization efforts, digitalization opportunities were evaluated in our 24 processes.



Internal Audit

We have established internal control systems in order to reach our strategic goals, ensure 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.

The DeFacto Internal Audit Unit is one of the fundamental elements of the company's Corporate Governance and Assurance Concept. Internal Audit Unit is responsible for the planning, performance and reporting of the audits conducted in the company, as well as the coordination and harmonization of DeFacto audit activities in line with the internal Audit Standards published by the "The Institute of Internal Auditors" (IIA). The DeFacto Internal Audit Procedure is structured in line with IIA requirements and includes the templates that should be used, as well as providing practical guidance on conducting audits.

In 2019, we focused on the most critical aspects in the Company's risk inventory and conducted controls in 21 main processes. Within the scope of the retailing audit activities, we performed on-site audits in 398 stores, 328 in Turkey and 70 abroad. The reasons why overseas audits seem to have decreased compared to the previous year are prioritization in line with the risk-oriented audit plan and supporting retail audit processes with remote controls.

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. The Handbook has been published on the 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 conducting anonymous reporting. Calls, online tickets 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.

Our corporate values and working principles have been prioritized by all our employees since the establishment of DeFacto and adopted as ethical values beaoning us in achieving our goals. Proceeding on our way of becoming a global brand, we also informed all our stakeholders about DeFacto Ethics principles. In this regard, we shared the DeFacto Supplier Working Covenant with all our suppliers.



Integrity and Transparency

Integrity and transparency are our priority values in all our business processes and relations.

Use of Corporate Assets

We carefully protect our assets, ensure that they are used appropriately and effectively, and expect our employees to support us in this regard from loss, damage, abuse, theft, fraud, embezzlement and destruction. Our assets and resources include physical assets such as all kinds of materials and hardware belonging to the Company, as well as fringe benefits such as the Company's money, product, Company-owned vehicles, computers, information systems, private information, and corporate opportunities.

Accuracy in Financial and Business Records

We make sure that any commercial and financial records, financial statements or reports prepared by the Company are kept in accordance with the national and international accounting standards determined in line with current laws and legislation, and international financial reporting principles and rules.

Confidentiality

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

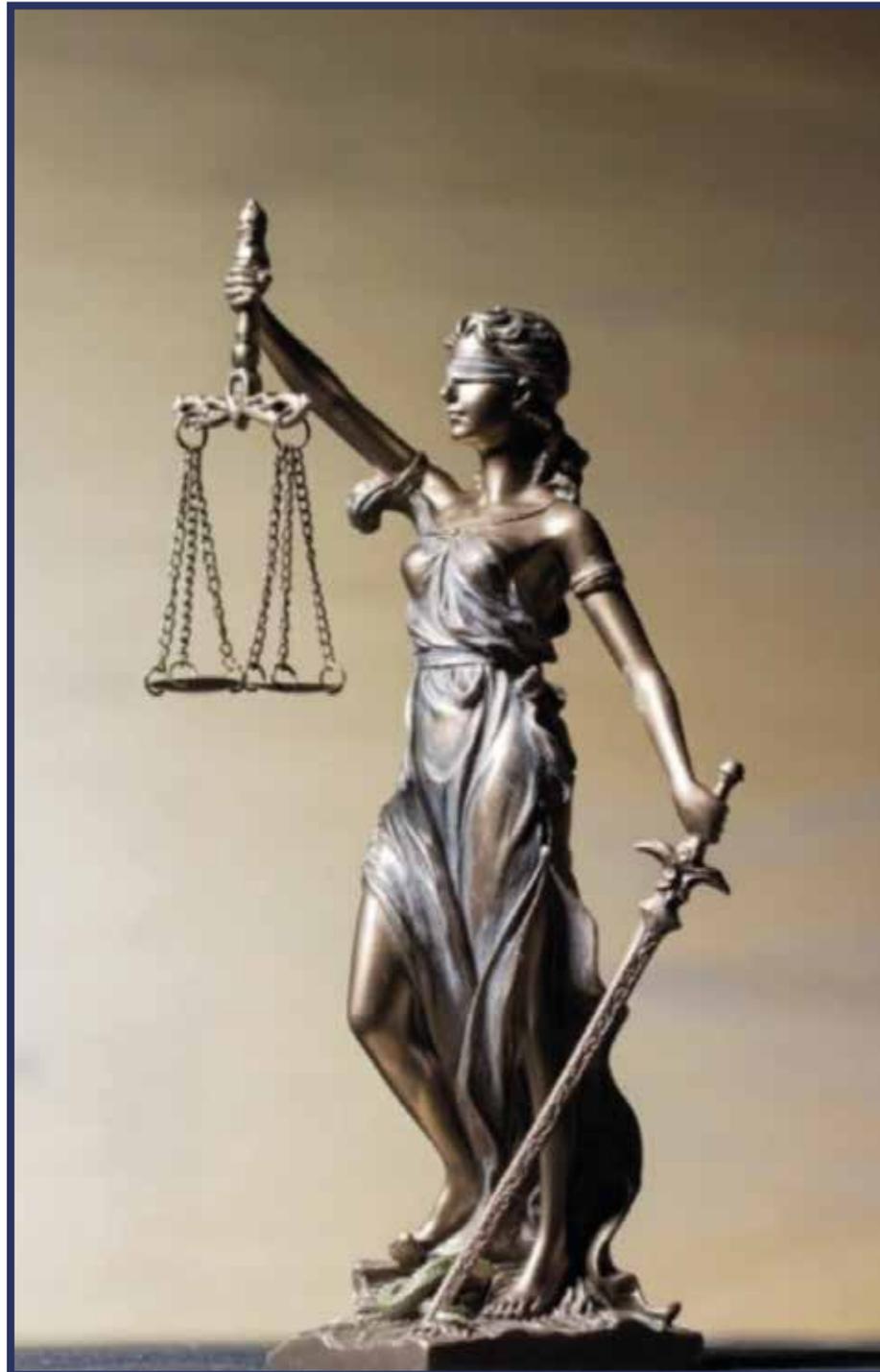
Compliance with the Law

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.

Conflicts of Interest

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

Bribery and Corruption: We comply with universal legal



rules, laws and regulations within the scope of bribery and corruption, and ethical and professional principles in all countries where we operate and are represented. As DeFacto, we explicitly prohibit bribery and corruption in our operations in all countries. It is essential for our employees not to offer payments or anything of value to obtain a legal and unethical interest, even for the Company's benefit or afford similar advantages from other institutions or individuals, and engage in any legal and unethical behavior that can be considered as bribery or corruption, even if such immorality exists in the relevant country or business line.

Free Competition

As DeFacto employees, we believe in free competition and adopt and support current competition conditions. In the present circumstances, we act honestly and in compliance with the trade rules, and maintain our relationships with our business partners in the same direction. DeFacto is only active in legal and ethical competition fields, and does not operate in unfair competition environments.

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 relation with employees: We ensure that the employees fully and duly use their personal rights. We approach our employees honestly and fairly, and promise a non-discriminatory, safe and healthy working environment.

Our Relations with Business Partners

We committed ourselves to build fair, balanced, impartial and mutually respectful relationships with all our business partners and suppliers, right from the beginning.

Sustainability Management

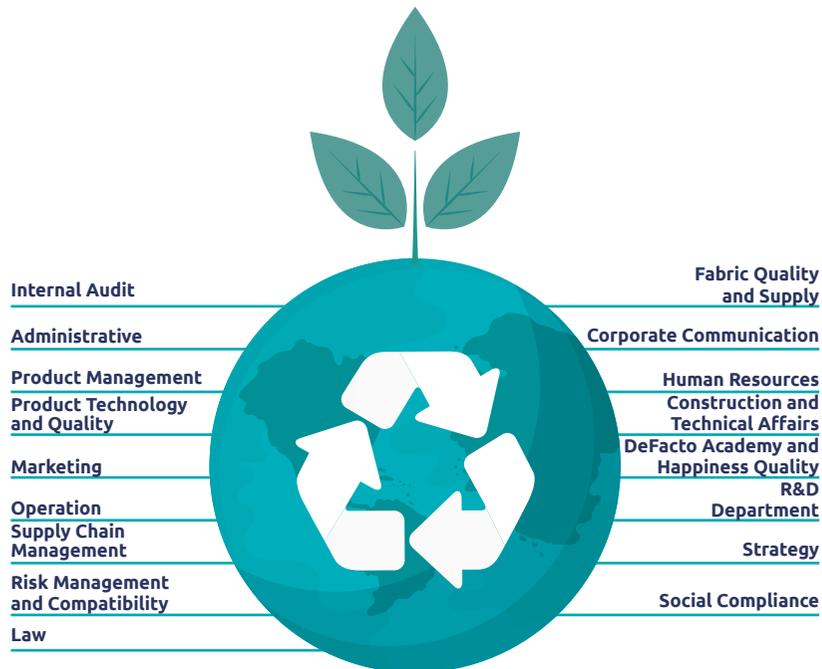
We believe that our sustainability performance, including our activities in economic, environmental and social areas, is as important as operational and financial success. As a result of our responsible sustainability approach, we manage the impact arising from our activities and products with the awareness that we have responsibilities towards the environment, our employees, society and all our stakeholders. We care for creating a value for our stakeholders with the steps we take towards a sustainable growth. As DeFacto, we attach critical importance to ourselves and all our stakeholders to support sustainable development across the geography we operate, especially in Turkey, and present to our stakeholders all the works we have carried out in this direction and the gains we have achieved by means of sustainability reports.

Our sustainability approach develops policies and systems to manage our impact by determining areas with strategic priority through systematic methods and we monitor results of our practices through the performance indicators we have identified. We aim to make our sustainability approach more dominant in DeFacto and Ozon Tekstil 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 responsible for the integration of our environmental, social, economic and ethical responsibilities into our business strategies. 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 Task Force, 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. Furthermore, Sustainability studies are also supported by four committees participated in by C-Level Directors - Income Profitability and Growth Committee, E-commerce Committee, Stock Cycle Rate Committee and Financial Efficiency Committee - and Talent Committees, which have been established separately for three different levels of management under the Governance Committee.

Sustainability Task Force



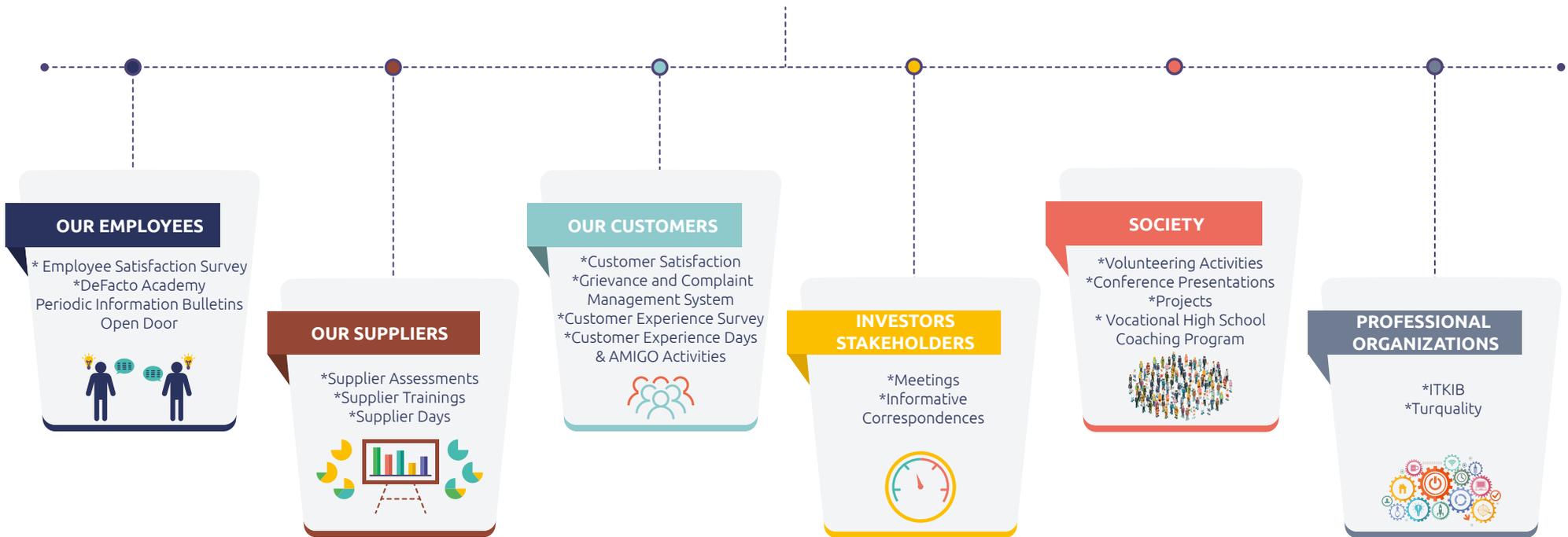
DeFacto Sustainability Priorities

We reexamined our sustainability priorities through the studies we conducted during the reporting period. One of the studies conducted in accordance with the principles set forth in the GRI Standards was the materiality study. It was conducted with a group of approximately 400 stakeholders consisting of our employees and suppliers; and we prioritized the potential impact points in terms of their size, arising from the activities of DeFacto and Ozon Tekstil, 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 Priority determination process, we evaluated UN Sustainable Development Goals in terms of DeFacto operations. As a result of these practices, our employees and stakeholders stated that they consider Decent Work and Economic Growth, Quality Education, Good Health and Well-Being, Responsible Consumption and Production, Industry, Innovation and Infrastructure, Establishing Partnerships towards Reducing Inequalities and Sustainability and Gender Equality goals as top priorities for DeFacto.



OUR STAKEHOLDERS THEIR ENGAGEMENT PROCESS



Interaction with Stakeholders

We determine our stakeholders at our regular evaluation meetings and obtain the necessary approvals from senior management. Identifying the expectations of our stakeholders and developing relevant strategic responses in return is one of the most important elements we put the utmost emphasize upon. In order to acquaint ourselves with these expectations, we apply to various interaction platforms for different stakeholder groups, communicate with methods and frequencies appropriate to the characteristics of the relevant stakeholder group.

Employees

With our Employee Satisfaction Survey, we measure the loyalty, satisfaction and motivation level of our employees. 70% of our employees participated in the survey in 2019. It was observed that the rates of commitment and motivation increased compared to the last two years. With these surveys, we are able to take deemed preventive-corrective actions by determining the focal satisfaction elements of our employees, and determine which subjects or fields are open to improvement. DeFacto Academy is a platform where we share the prepared e-training modules with our employees and follow the trainings hereby.

Within the scope of periodical information bulletins, every third month we publish our online "Wow Times" magazine, which serves as a content compilation containing news about the agenda of the company in the last three months, articles about the employee, and information about the recent events and activities. Under the name of Happiness Bulletin, we share monthly research papers and articles on hobbies, world agendas, personal development, and positive psychology with all our employees.

With the open door platform, we organize communion meetings that gather our employees and the top management. We can summarize some of the activities as follows: In addition to the company's agenda and developments, the "Şirket'i Muhabbet" (Company Chat) meeting, where a thousand and more employees come together with our CEO and senior executives once a year and share the agenda and strategies of the company, and activities aimed at increasing the motivation of our employees are organized. At the chat meetings held regularly once a month under the name of "Coffee with the CEO", our ten employees who are chosen by chance and our CEO Ihsan Ateş come together and touch upon the company agenda, the world, the country's agenda, our customer experiences, notable hints about life, art and culture, and many more. Annually, our employees completing their tenth year of employment at DeFacto are presented their plaques and golden gifts by our CEO and senior managers at our "Seniority Awards" ceremony.



Our Suppliers

Supplier Assessments are part of the environmental and social compliance assessment in the supplier selection process. Throughout the evaluation process, we identify areas that need improvement, share the results with our suppliers, and determine the actions that will improve their performance together. With repetitive audits, we go over the results we obtain.

ned and make sure that these results are correct. By means of Supplier Trainings, we provide trainings to our suppliers to inform them about the standards we implement or update as DeFacto, such as product liability. During supplier days, we organize special occasions with our suppliers throughout the year to evaluate current trends and to exchange ideas. 34% of the orders placed in the 2019 summer / spring seasons were selected from our suppliers' collections, and 48% of the orders placed in the 2019 autumn / winter seasons were selected from the collections of our suppliers.



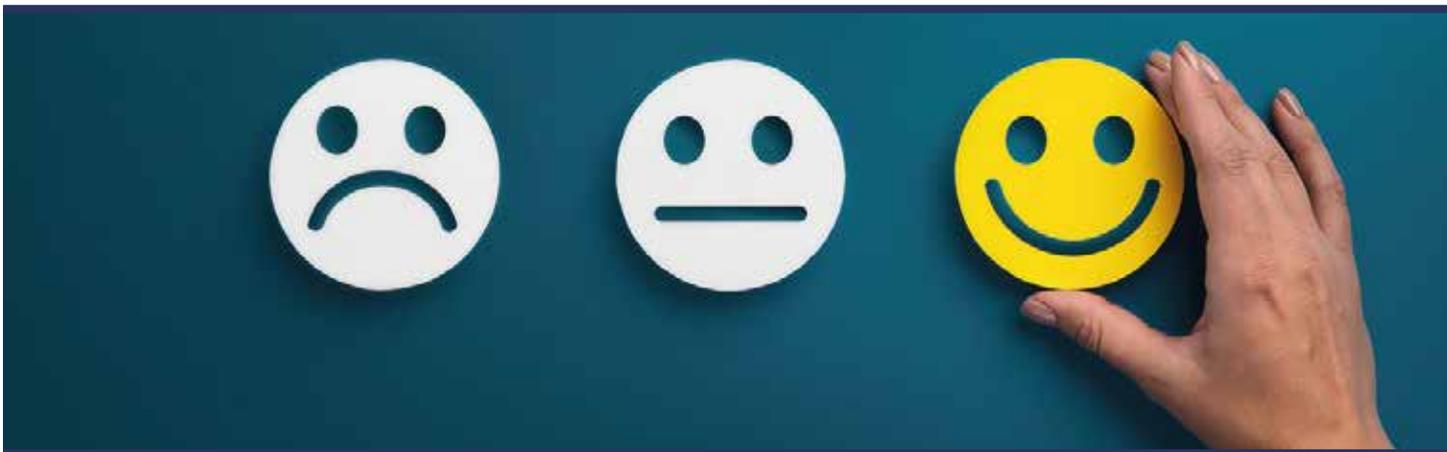
Our Customers

Regarding customer satisfaction, we organize focus group meetings to evaluate our customers' expectations and feedback about our products.

With our Grievance and Complaint Management System, our customers can communicate their grievances and complaints about our products and services from our call center or corporate website. We also respond to demands and requests from social media.

With Customer Experience Surveys, we conduct survey researches to evaluate the experience of the customer from the moment he/she enters the store until he/she leaves.

Customer Experience Days and AMIGO Activities enable Product Management team members to work in the store as customer advisors once a week, and have the opportunity to interact with our customers one-to-one.



Investors/Shareholders

Through meetings, the shareholders and investors of DeFacto, a company with private capital, are regularly informed about the company's economic, environmental and social performance.

Investors / Shareholders are regularly informed on financial issues on a monthly basis through informative correspondence.



Community

The Social Responsibility Club (Happiness Ambassadors Group - HAG), which requires participation on a voluntary basis within the scope of Volunteering Activities, is a team of volunteers who have aimed to add value to the society and the environment by carrying out various social responsibility projects since 2015. The group voluntarily participates in social responsibility projects they want to realize within the company or under the DeFacto brand. The HAG group whole-heartedly runs the projects, together with non-governmental organizations or their own teams. These volunteer-based activities aim at achieving social benefits and raising awareness hereto, and employees who take leadership in projects are offered the opportunity to improve their competencies such as organization skills, planning, and communication. Thanks to HAG, employees have the chance to develop projects related to their own areas of sensitivity and express themselves in these areas. With the participation of 3,338 employees; 62 events and 8,418 hours of volunteering were carried out in five years.

We share our sustainability practices at DeFacto with our shareholders at various events by means of presentations at various conferences. We raise awareness by explaining the effects and value of these practices on the environment and society.



Kumaştan Hayaller (Dreams Made of Fabric)

With the Kumaştan Hayaller (Dreams Made of Fabric) Project, we aim to support recycling, economy, education, students' imagination and hope, and continue to make it a social responsibility project of the industry throughout Turkey. Within the scope of the project, we collect unproductive fabrics and accessories from our factories and send them to students studying in the fashion design and child development departments of vocational high schools through the Governorship, District Governorship, Provincial and District Directorates of National Education. With their endeavor and imagination, students turn accessories and fabrics into wonderful products.

Our products are put up for sale in our stores in Istanbul Levent Özdilek Park Shopping Mall and Balıkesir Edremit Novada Shopping Mall in order to make hopes of children with cancer come true and to be used for the Hope Foundation for Children with Cancer (KAÇUV) projects. To spread more hope every day, we reached a total of 11 provinces including Istanbul, Kocaeli, Balıkesir, Tekirdağ, Kırklareli, Van, Afyon Karahisar, Malatya, Kastamonu, Gaziantep and Siirt, and 30 vocational high schools. In March, we introduced our exemplary project "Kumaştan Hayaller" to the participants from different regions of the world at the panel held in New York within the framework of the 63rd session of the United Nations (UN) Commission of the Status of Women (CSW63).

DeFacto Deputy General Finance Manager Önder Şenol was a speaker at the panel titled "Economic Empowerment of Women Entrepreneurs with UN Sustainable Development Goals" organized within the framework of CSW63 sessions of "Textile, Clothing, Footwear, Leather Global" (TCF Global) of which they are a member. Mr. Şenol explained DeFacto's "Happy Women Movement" and "Kumaştan Hayaller" projects at the event, where TCF Global which aims to develop global collaborations with designers around the world in areas such as purchasing, sourcing and training for the textile, clothing, footwear and leather industries and BPW Australia, a non-governmental organization working to end gender inequality, are among the sponsors. Giving a speech at the panel where issues such as gender equality, strengthening the position of women and girls, social protection methods, access to public services were discussed, Mr.Şenol gave information about his company's social responsibility project, Kumaştan Hayaller, to participants from different parts of the world.

In July, we were remunerated for our contribution to 'Women's Empowerment' with our Kumaştan Hayaller project at the World Women Economic Forum (WEF) held in Perth, WA, Australia. We reflected our social responsibility vision at the Corporate Social Responsibility & Sustainability Summit 2019, which was held in Brussels in October. The 'Happy Women Movement' and 'Kumaştan Hayaller' projects drew a great interest from the attendant managers of the summit and we were included as the "Best Practice of CSR".

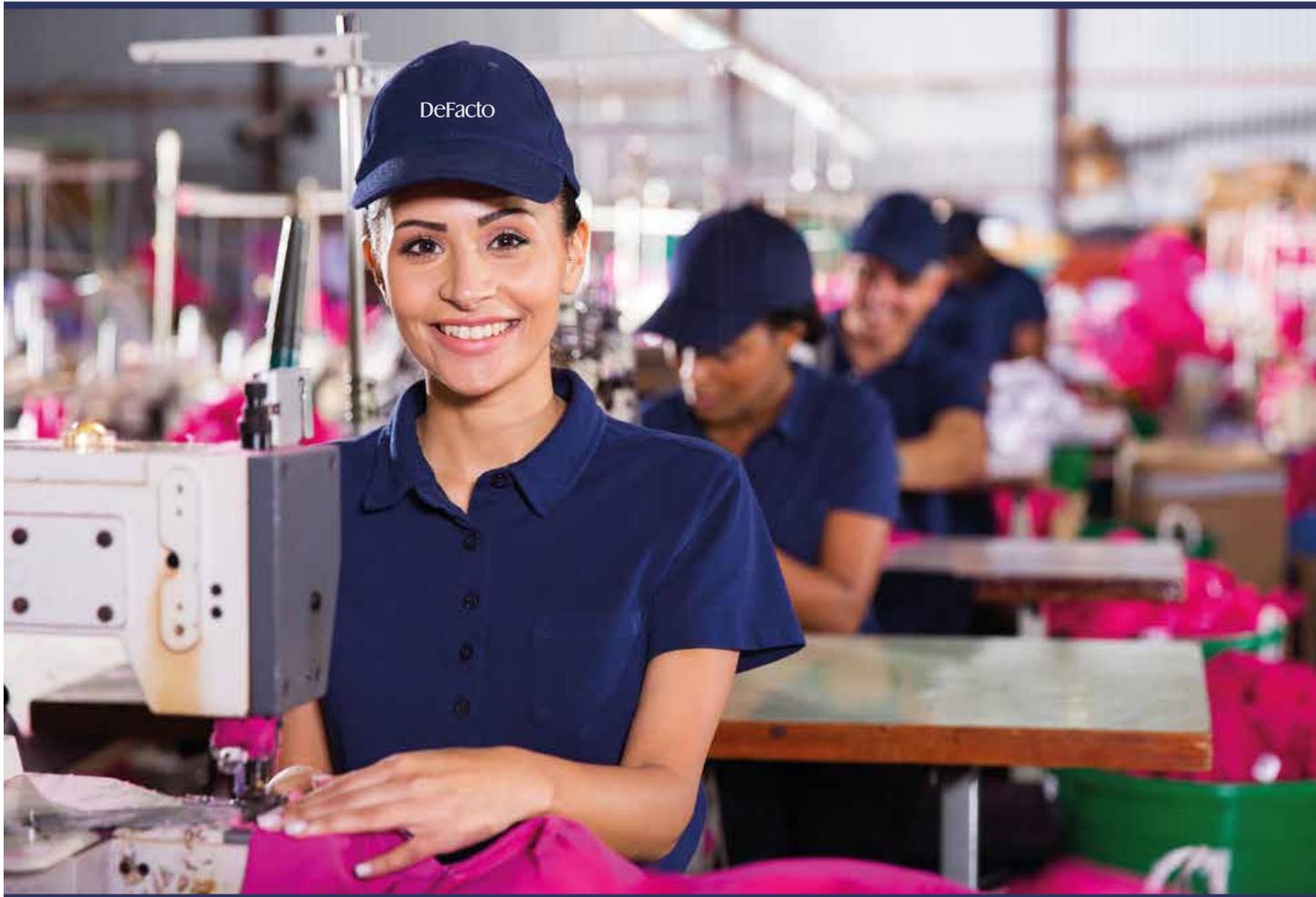
Reflecting the vision of social responsibility at the Corporate Social Responsibility & Sustainability Summit 2019 held in Brussels, DeFacto, 'Happy Women Movement' and 'Kumaştan Hayaller' projects drew considerable attention from the managers who attended the summit, at the Corporate Social Responsibility & Sustainability Summit 2019, held in Brussels on October 24 and 25, the point where corporate social responsibility has reached the world and the exemplary projects inspiring the business world were discussed in detail, DeFacto's CFO Önder Şenol who participated in the summit as a speaker, stated that they came out with the 'Kumaştan Hayaller' and 'Happy Women Movement' projects in the panel titled 'The Relation between Corporate Social Responsibility and Philanthropy'. Emphasizing that they continuously support the professional development of their employees with DeFacto Academy, Mr. Şenol continued his words as follows: "Acting with world-class strategies to become a global fashion brand, DeFacto constantly invests in the happiness and development of our especially female employees. We create an environment that will create employee happiness thanks to our projects such as working from home, happiness rooms, sports center and the Happy Women Movement."



Happy Women Movement

Our company, which continues its services in the industry with 13,500 employees and more than 500 stores in 29 countries, stands for the creation and protection of gender equality in business and social life for sustainable growth. We would like to lay stress on that this is a priority especially for developing countries. In order to fulfill DeFacto's undertaken responsibilities, we offered our women employees' practices beyond positive discrimination, and also provided extra opportunities in 2015. We would like to point out that we initiated the Happy Women Movement in this framework.

In the same year, we signed the UN Women's Empowerment principles to commit that we will continue to support women in business life. Afterward, we established the DeFacto Academy to increase the satisfaction and commitment of our employees. NGO CSW Forums give NGOs from all around the world the opportunity to discuss women's issues, network, share strategies and best successful practices, and lobby governments to implement decisions and agreements.



Vocational Coaching Program

The Vocational Coaching Program is a volunteer-based program started in 2012 and implemented based on the protocol of the Ministry of National Education Directorate General for Vocational and Technical Education with the participation of companies that are members of the Association of Private Sector Volunteers (OSGD). Volunteer coaches in OSGD member companies come together with 10th and 11th grade vocational high school students within the framework of the "Bordered Coaching Model" and implement a voluntary coaching program that lasts for two years. DeFacto participated in the program for the first time as a voluntary company in 2016 with six volunteer coaches in the first year of implementation. This number reached 16 volunteer coaches in 2018. In the program, it is aimed to have a great impact on approximately 110 students by the end of 2020 and contribute to their personal development with 16 volunteer coaches.

Beyond that, we also have a follow-up mechanism regarding the rights of Local Communities, which we consider as a Community Stakeholder, and no violation of rights has been encountered so far. As DeFacto, we are also a strict follower of human rights, to which we attach great importance, and we are proud to have not encountered any violations in this regard. Regarding all religious and philosophical beliefs and political views, DeFacto stands aside to all segments of the society as a member impartially.



Design and Innovation



Product Design

Product Design is one of the most influential factors that determine the consumer's final purchasing decision. With this awareness, as of 2019, we are working with a very large and very talented team of 59 product designers and 23 graphic designers. Our product design team conducts P&D activities throughout the year, focusing on creating and updating new designs for core products and current core products. Our product design studies continue in our supply network as well as within DeFacto. Our strategic suppliers, who have their own product design teams, also carry out product development work for us throughout the year. Approximately 50% of the products we bring together with our consumers consist of products designed by these suppliers for us.

Our collection development process consists of 5 phases. To begin with, the design team analyzes macro, micro trends and new trend warnings in depth. Along with product design performance, new season products in the fashion industry including the products of the peers are also examined. After 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. Macro-trend evaluations take place quarterly and analyze political, economic, social, technological and similar macro conditions around the world, including sustainability trends. Micro-trend evaluations, on the other hand, take place seasonally; and by analyzing all relevant trends, our designs are tailored to appeal to specific customer segments. The basic inputs of the design line vary depending on the product category analyzed, namely; Basic Products, Latest Basic Products, Well Accepted Fashion, and



New Fashion Products. For example, design performance evaluations are carried out primarily by taking the durability and performance of Basic Products and New Fashion Products into consideration. The prominent macro trends affecting the ready-to-wear apparel sector in which we operate are the increase in the young urban population, the increase in the expectation of better living standards, and diversification of needs arising from the modern city and business life.

The production cycles of the fashion industry are distancing from the traditional structure day by day with this change in demographic structure and expectations and needs. As DeFacto, we carry out product design processes by following the current structure of the ready-to-wear apparel sector and internalizing consumer expectations. Our design teams develop 6 collections each year 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 2019, we offered 74,983 new collection products to our customers.

Implementations that increase the added value of the products should be regarded at least as important as design within the scope of our product development activities. Within the scope of our R&D activities, we implement various new applications that increase the added value of our products. Basically, we carry out innovative and environmentally reduced product development activities. In addition, we also develop products that use innovative raw materials and have some more functional features.



Technology Development

Digital technologies are now closely related to almost all sectors, and the retail sector, including ready-to-wear, is one of the sectors most that took its share from the digitalization due to its dynamic and innovative nature. Digitalization emerges as a factor providing great dynamism in the retail sector. As DeFacto, we closely follow the latest global-scale technologies and integrate them into our processes by making important investments. Our innovation and new technology development works are carried out by DeFacto Tekno, the technology company operating in Istanbul Teknopark.

Smart Store

In 2019, we opened the first Smart Store in Turkey. As DeFacto, we implemented the smart store application in order to generalize the e-commerce perception. Attracting people's attention with smart mirrors and kiosk payment points, this new concept was put into service in a shopping mall at the end of the 2019. We renovated our existing store in a shopping mall on the Asian side of Istanbul and offered the latest technology to our customers with a smart merchandising concept. The new store concept, which does not have any checkout points and where sample products are exhibited in four sizes, was designed as a technological platform of "defacto.com.tr". Customers visiting the store can try the products in smart fitting rooms and are able to view other color options and prices of the products through mirrors. Using the mirror, the customer can ask the store consultant for the size of the outfit he/she wants to try, and can purchase these products from kiosk payment gateways available at five different points of the store. The products purchased by the consumer are delivered to the specified address within 24 hours, and the process is completed thereby.



Smart Warehouse

For our operations in Turkey, we carry out our logistics operations with our own capabilities. We conduct our warehouse practices in a logistics center located in Tekirdağ Çerkezköy with a closed area of 50,000 m², an open area of 100 m², and with a capacity of 35 million units.

We receive relevant products from suppliers in our logistic centers and deliver them to sales points. DeFacto's logistic center consists of four main sections: automated warehouse, manual warehouse, storehouse, and transfer depository. In 2013, operations on transforming the Logistics Center into a fully automated warehouse was initiated. The first phase of the center, which is Turkey's first fully automatic ready-to-wear apparel warehouse, was completed in 2014 and the second phase was completed in 2017. In 2018, we started to carry out most of our domestic distribution operations and all of our e-commerce shipments from this center. As of November 2019, with the commissioning of the E-commerce unit in Çerkezköy OIZ (ÇOIZ), this ratio for e-commerce has fluctuated to 50% automatic warehouse and 50% ÇOIZ E-commerce unit.



PRODUCT RESPONSIBILITY CUSTOMER SATISFACTION





Product Responsibility & Customer Satisfaction

We take all deemed preventive measures spontaneously in case there is even the slightest doubt that our activities will have negative impacts for the environment.

Towards our main goal to become a global fashion brand, our biggest strength is to develop satisfaction by fully meeting the expectations of our consumers. While one part of this satisfaction is ensured through the development of acclaimed products and service processes, the rest is achieved through the management of the impacts of our products on consumer health and environment. While managing these impacts, we take the product and service standards of Turkey and of all the countries where our products meet with the customers into consideration.

We aim for excellence in business processes and take international quality systems and standards as reference. By subjecting our products to tests and controls, we ensure consumer health. We monitor the results of these studies and follow the level of customer satisfaction through various researches.

Product Security

One of the most important promises of DeFacto brand is to take all necessary precautions to ensure that our consumers can safely use the products they buy. For this purpose, moving beyond meeting legal requirements in product safety, we perform numerous supervision and assurance practices.

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 size of chemical residues is also directly proportional to the amount of chemicals used. During Ozon Tekstil operations, 0.5-3 grams of chemicals are consumed for the production of each 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 insure 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. During the quality control of the products, we check the accuracy of the information on the labels attached to the product.

On the other hand, the use of phthalates & azo dyes and similar chemicals, which have proven harmful effects on human health or have been found suspicious, in our products are controlled and restricted pursuant to the relevant legal regulations. We release our products after testing them in accordance with the legislation of the relevant countries in which we operate, and even with much higher standards.

Ensuring the deemed health and safety conditions in the products therewith, we especially adopt a holistic perspective in product safety. In this regard, we also provide training to our producers and employees regarding the use of correct and non-hazardous materials.

The quality and ecological test standards of our products are tested and audited in our accredited laboratories within the scope of the "Regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals" (REACH) in Turkey and in accordance with the customs regulations of the relevant countries in which we operate based on REACH Annex VII and OEKO-100 standards. Chemical (ecological) tests of the products are conducted locally and in line with the relevant legislation in the countries where we operate with our stores, and the test results are evaluated in compliance with the criteria determined by the relevant countries. In Turkey, the test results are evaluated in line with REACH Regulation and the final decision is made in furtherance to the sales of the product.

Baby and Kids Products

Ensuring compliance with all safety standards on baby and kids products is one of the crucial focal points of our understanding of product responsibility. 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 comply with the norms set by TSE and European Union standards. The DeFacto Product Safety Manual, which covers the standards we updated, 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 Standards. Products imported to Turkey require certain compulsory tests. The scope of the tests we carry out in our laboratories include these compulsory tests, but they have a much wider content beyond that. With these tests, it is ensured that products posing a risk to human and environmental health are not released to market.

In the Analytical (ecological) Test Laboratory, raw materials and hazardous chemicals generated by production processes are analyzed. In the 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.

Another purpose of these tests is to detect errors arising from production in advance, to increase customer satisfaction and reduce the return ratio. The tests we perform are carried out in our laboratories accredited by TURKAK in accordance with the TS EN ISO / IEC 17025 standard with global reference test methods. In the Physical Test Laboratory, we carry out an average of 100 fabric and 100 finished product analyses per day, such as color fastness tests, pilling, size consistency, and resistance tests.

It is a notable advantage for us that our test laboratories are within our own structure in terms of shortening the production approval process, increasing product safety and increasing supplier satisfaction. In addition, we also perform tests in accredited independent test organizations in case of exceeding the laboratory capacity or possible malfunctions.

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 Tekstil or other DeFacto suppliers. Within this context, all of our products are checked with metal detectors prior to leaving the production facilities and being loaded on vehicles.





Environmental Products

We aim to reduce the environmental impacts of our products as much as possible. In addition, we build procurement, production and technology processes with this awareness. We supply responsible raw materials, support recovery in production and prefer fabric technologies that reduce the use of natural resources. In order to reduce potential environmental impacts, we prefer organic cotton-based fabrics and recycled raw materials in certain proportion of our products.

Recovery

Efficient use of limited natural resources is important with respect to reduce environmental impact. As an organization that aims to carry out its activities with the least environmental impact, we prefer recycled products that do not pose a threat to quality and human health.

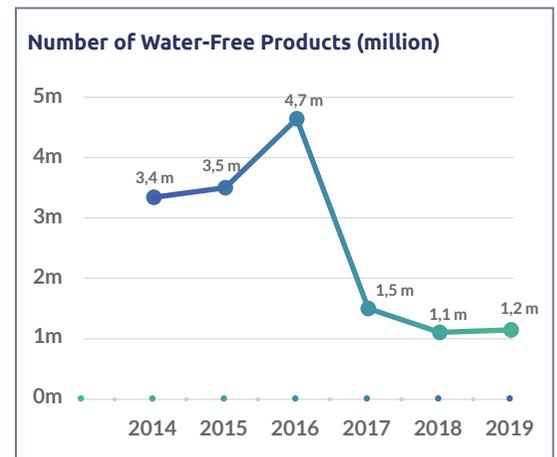
We reduce the environmental impact of our products by choosing qualified recycled products suitable for human health in different materials from textile fibers used in product to manufacturing accessories and parcels. Taking different technology alternatives into consideration, we prefer to use recycled materials when we find fit. Clippings formed during the production of textile products and old textile products are examples of recovered materials we use in production. We offer our customers water-saving trousers, sweatshirts, and sweaters made from recycled fabrics.

As DeFacto, we try to extend our recycling practices in our supply operations, instead of limiting them with only DeFacto operations. We ensure that the clippings arising during product manufacturing of our suppliers are used in new products. In our production processes in 2019, we prevented waste generation by reusing 630 tons of clippings in more than 1,896,000 products. As DeFacto, we deemed reducing the intense use of spring water, a limited resource in our world, which is used substantially in the textile industry, as our utmost priority. In 2019, we saved 9,700 tons of water in the production of 1,220,000 pieces.

Water-Free Products

Operating in the textile sector using substantial amounts of water brings along significant liabilities regarding the responsible use of water. Therefore, water saving is important 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 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 9,700 tons of water thanks to more than 1.2 million water-free products we released in 2019. In the future, we will continue to include water-free products in our product range.



Complaint Management

One of the key elements in securing the sustainable development of the perception and value we created with our brand is to improve customer loyalty. In order to achieve this, we must know our customers closely, respond accurately to their expectations, admirations and needs and listen to their feedbacks. Our customers are our focal points. As a global brand and a fashion company operating internationally, we also pay attention to local customer expectations. We identify products suitable for local demands and offer them to our customers.

We conduct measurement studies to learn about the customer brand experience. We conduct qualitative and quantitative researches to understand the product related expectations and needs of our customers and to receive feedbacks regarding our collections. We especially take into account the opinions and remarks of our young customers.

In order to learn and gain insights from them, we use digital platforms effectively and adopt an innovative approach in this regard. While evaluating the shop visit experience of our current and potential customers, we test the reflections of the campaigns and in-store activities we carry out with surveys and research studies.

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 obtain information that will support the product development process and the shopping experience through individual interviews and accompanied shopping.

Social media is also one of the effective channels we use to feel the pulses of our customers. As of 2019, we have a strong social media presence with 2.02 million followers on Facebook, 2.35 million on Instagram, 189.8 thousand on Twitter, 26.4 thousand on YouTube, and 115 thousand on LinkedIn. We receive the feedback of our customers and find out our improvement and development areas through these channels. 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 via these channels. While our online sales channel was visited by 77 million people in 2018, this number reached 107 million in 2019. In the following years, we aim to increase the number of visits and the number of markets where we sell online.

We use online and offline integrated channels in order to provide customers with a consistent and appropriate experience from all channels, whenever, wherever and by any means. We aim to have complete customer satisfaction by providing sales and support services of the same quality via different channels. We can proudly state that there are no complaints detected or recorded through internal and external sources regarding violation of customer privacy and loss of customer data.

We also place great importance to the safety of our customers. For this reason, when choosing the shopping malls where our stores will be located, we prefer those that can provide a safe shopping environment. Besides, we also have private security in some of our high street shops.

The life comfort of our disabled customers is also very important for us. We have 12 disabled cases for our disabled customers. There are two cabins exclusively for disabled individuals in each of our 138 stores, and there are disabled ramps at the entrance in 67 high street stores.

Complaint Management

We regard both the positive and negative feedback we receive from our customers as an opportunity to improve our products

and services. We evaluate all customer requests and complaints that reach the customer services via the call center and the website www.defacto.com.tr through the complaint system, which is shaped within the framework of the ISO 10002: 2004 Customer Satisfaction Management Standard. Whenever possible, we immediately resolve complaints recorded by our customer representatives.

In cases where immediate solution is not possible, we direct the customer to the relevant departments to develop solutions. We report the results of the complaints to our customers, identify and implement actions to improve the product, service or process.



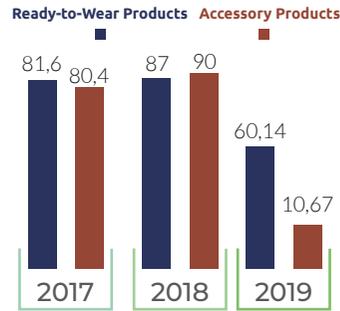
SUSTAINABILITY IN THE SUPPLY CHAIN



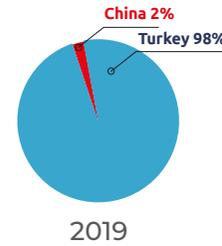
DeFacto Supply Chain

We are aware that a significant portion of our social, economic and environmental impacts on sustainable development has the potential to occur across our supply chain. With this awareness, we make "a responsible supply chain management" one of our business priorities. While we provide necessary infrastructure and support for our suppliers to ensure commercial and operational growth, we implement systems and practices ensuring that social and environmental impacts are being managed in their operations. We set forth mutual benefits and expectations to improve our communication and cooperation with our suppliers and carry out necessary process and practice development studies. While performing our practices, we regard mutual benefits and expecta-

LOCAL SUPPLY RATE (%)



DISTRIBUTION OF ACCESSORY SUPPLY BY COUNTRY (%)



VOLUME DISTRIBUTION OF READY-TO-WEAR SUPPLY BY COUNTRY (%)



tions as basis. We learn about our suppliers' feedback concerning their working experience with DeFacto through supplier satisfaction surveys.

The supply chain is compatible with both high efficiency and quality conditions, and complies with social, economic and environmental norms. These features are the main requirement for success in the ready-to-wear clothing industry. With this awareness, as DeFacto, we work for a sustainable supply chain. We believe that our meticulous and elaborate approach in supply chain management has an important share in our continuous growth.

Our subsidiary Ozon Tekstil is also our main supplier. However, other than Ozon Tekstil, we have 542 current suppliers as of 2019 - 76 companies from abroad and 466 companies from Turkey. 57% of the total purchasing volume was provided from strategic suppliers in 2019. Strategic suppliers are prioritized in order placement phases.

The ratio of the orders placed in the 2019 summer / spring seasons selected from our suppliers' collections was 34%, while the ratio of the orders placed in the 2019 autumn / winter seasons selected from the collections of our suppliers was 48%.

We contribute to the industry and the local economy with our highly qualified supply chain. 85% of DeFacto suppliers operate within the borders of Turkey. In 2019, 93% of the total orders were transferred to domestic companies and 7% of them were transferred to foreign companies.

Companies in the DeFacto supply chain are similar in character to the ones in the ready to wear sector in general. According to this, 60% of the firms among our suppliers are labor intensive and 40% of them produce with technology intensive processes. The social adaptation of suppliers in the ready-to-wear clothing industry, as it is a labor-intensive industry, one of the issues that should be scrutinized carefully. As DeFacto, we take all necessary measures and monitor the compliance of our suppliers in terms of social criteria within the scope of supplier performance evaluation activities.

We prefer direct supply agreements with manufacturers and sign framework agreements with suppliers with automatic extension provisions. Thus, we ensure that our suppliers do business at the high standards that meet our expectation. Technical, quality, financial and social compliance approvals are critical to ensure that our supplies from various regions of the world maintain the same standard and quality.



Supplier Working Covenant

Our Supplier Working Covenant consists of eleven principles, four of which are our "Red Lines". If there is a non-conformance in these four principles, the supplier is expected to eliminate the risk or correct the situation. We request third-party SEDEX audits from our key suppliers pursuant to our covenant.

OUR RED LINES

I

Employment of Child Labor

We do not accept the employment of child labor in our main contractors or subcontractors under any circumstances. Our procedures on this matter are precise and strict, and since it is clearly stated that we will not tolerate, this issue is under our strict follow-up with the continuous supervisions carried out for our suppliers.

High Risk Fire 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.

II

III

Employment of Illegal or Immigrant Workers

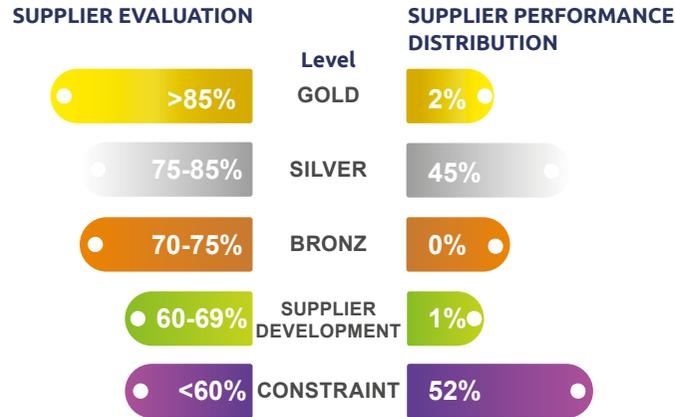
We do not accept the employment of immigrant workers under conditions that are in violation of the law, or migrant workers under illicit conditions.

Subcontractor Practices

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

IV

Supplier Performance Evaluations

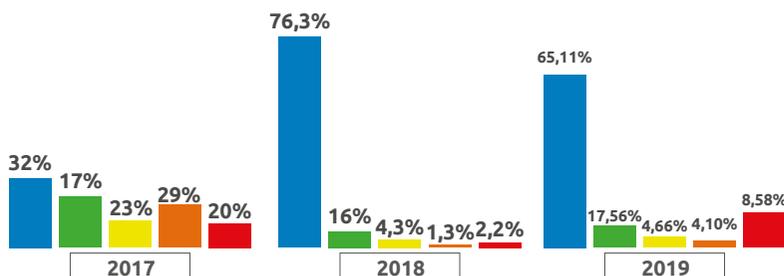


should be higher than 85%, the KPI Score of the Silver level supplier should be between 85% and 75%, The KPI Score of the Bronze level supplier should be between 75% and 70%, The KPI Score of the supplier at the Supplier Development level should be between 69 and 60%, and the KPI Score of the supplier at the Capacity Constraint level is also below 60%.

The numerical distribution of the key supplier levels in 2019 was as follows: 11 Gold (2%), 209 Silver (45%), 0 Bronze (0%), 5 Supplier Development (1%) and 242 Capacity Limitation (52%); with a total of 467 main suppliers (100%).

During the production process of DeFacto, suppliers are periodically audited to ensure that the products produced comply with the quality standards of our company and comply with the standard set of rules of supplier relationship. Occupational health and safety during production, labor law practices, human rights, environmental management and anti-corruption supplier relations are indispensable in the rule set. In order to ensure sustainability in terms of performance and efficiency, we expect our suppliers to continuously increase their

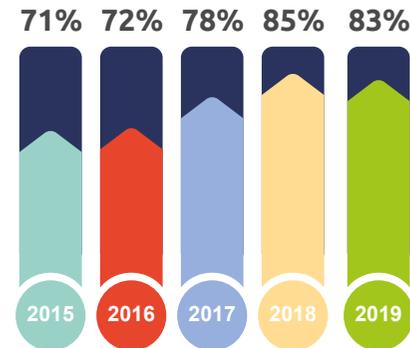
TECHNICAL AND SOCIAL RATIO FOR SUPPLIERS



Regular evaluation and monitoring of the performance of suppliers is a critical element in performance improvement. The evaluation criteria and methods used in 2018 have been revised in 2019 in order to be objective. Accordingly, the order delivery (40%), inspection performance (40%) and the average purchase price (20%) of the wholesale orders within the month are recorded in the system. By calculating the data, the supplier KPI score is reached. The weights of the data used in the performance calculation are given between parentheses. Supplier Evaluation Scores, which are tracked on the "Supplier Evaluation System" Dashboard, are individually notified to each supplier via e-mail in the first week of the following month. As a result of the calculations made on the basis of the criteria mentioned above, DeFacto suppliers are classified in five main categories.

According to the Supplier Evaluation Scale, the KPI Score of the Gold level supplier

THE RATE PASSING QUALITY AUDIT AT FIRST TIME (%)



With the new evaluation system we have put into action, suppliers who reach the Gold level and provide sustainability make sub-supplier identification requests in order to increase their own capacities, and after the audits, more production capacity is expanded and the production capacities defined for suppliers at Silver and Bronze level are revised according to their performance. In addition, the capacity of the supplier, whose average performance for the last three months is 46% and below and does not take the agreed actions, is reduced by 50%. We do not cooperate with suppliers who do not progress in the following three months, and those who violate our annual sustainability reports, act unethically, do not respect human rights, and exhibit similar situations.

Supplier Audits

We subject our suppliers to various audits before they start to produce for DeFacto and also during our business partnership. Audits are conducted as independent third party audits and field audits conducted by DeFacto teams. In 2019, social and technical compliance audits were carried out for a total of 542 key and sub-supplier companies. The ratio of suppliers passing from the technical and social compliance audits in the first round reached 98% with an increase of 22% compared to the previous reporting period. The activities of DeFacto teams to create a DeFacto Supplier Map by conducting workshop and supplier audits also continued in this reporting period.

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.

All the supplier subcontractors were regularly visited and training on ready to wear production standards was provided. Thanks to these trainings, it is ensured that the technical approach of the suppliers to the product is same as the approach of DeFacto technical teams. In 2019, 83% of our products passed the quality control audits in the first round. Firstly, in 2017, we authorized our suppliers, who are over 90% of our supplier evaluation results, to conduct their own audits. In 2019, 14 of our suppliers conducted their own audits.



ENVIRONMENT



Environment

Although we have an EIA (Environmental Impact Assessment) Exemption Certificate for our Sivas, Batman and İstanbul, we also have a complaint and assessment mechanism on environmental issues for the local communities. On the other hand, there have been no complaints from local communities, as we have not caused any damage to the environment.

Energy

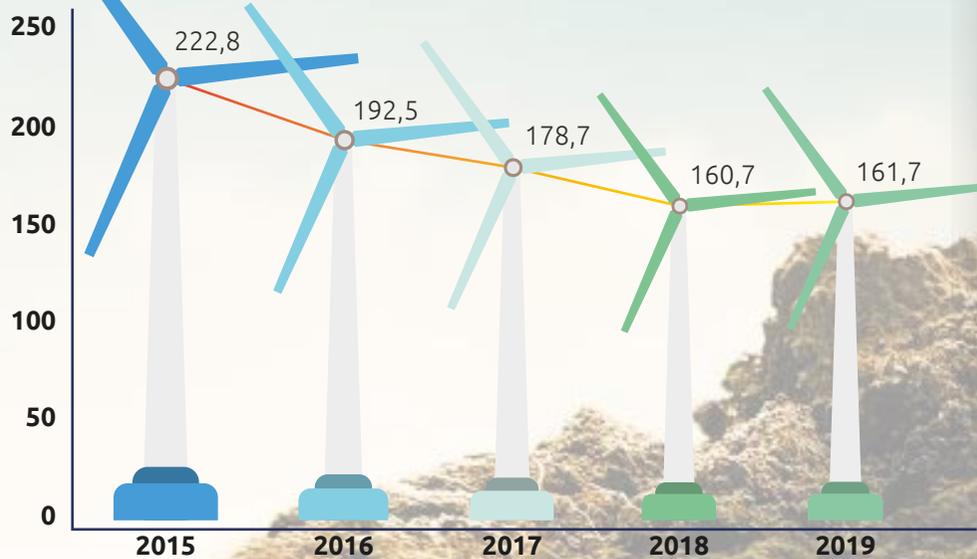
Energy consumption produces an environmental impact by causing greenhouse gas emissions, which are the main cause of the climate change. In order to reduce this impact, we implement efficiency improvement activities in all the processes where energy consumption occurs.

In DeFacto operations, the main areas where energy consumption takes place are lighting and air conditioning systems of stores and buildings, and 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, despite the increase in the number of our stores in 2019, we managed to reduce our store energy density through our efficiency efforts. Our annual electricity consumption per store square meter, which was 178.7 kWh/m² in 2017, declined to 161.72 kWh/m² in 2019.

We are conducting a series of efficiency practices in order to limit our energy consumption. These include converting the lighting fixtures to LED systems and using efficient air conditioning systems in the stores. With the environmentally friendly air conditioning and lighting systems that we prefer in our stores, we have managed to cut back a great deal of energy consumption.

In Ozon Tekstil operations, fundamental energy consumption occurs in knitting and apparel production processes (printing, tricot knitting and apparel). In 2019, total energy consumption was 3,609,299.44 kWh. We also carry out our energy efficiency studies at Ozon Tekstil warehouse and production facilities. We intend to increase energy efficiency with applications such as lighting automation and LED lighting.

ELECTRICAL ENERGY DENSITY OF DEFACTO TURKEY STORES (kWh/m²)



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 thus reducing the amount of wastes generated, 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 waste.

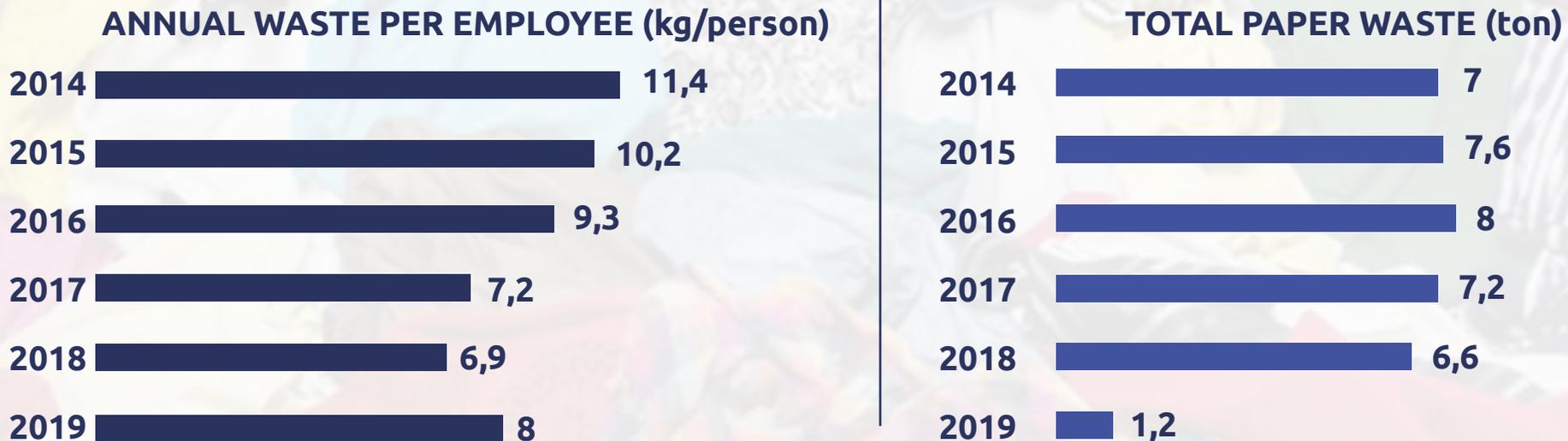
The cardboard boxes we use to carry the product form waste after use. In order for the parcels to be long-lasting, we ensure that the parcels coming from producers and stores to our warehouse are used many times. With these actions, we are able to significantly reduce the amount of waste. Our headquarters and warehouse management deliver expired parcels, paper, plastic and electronic waste to the relevant licensed waste collection and separation firms. We regularly check the validity of the licenses of these firms. And for the package waste generated in stores; the waste in certain shopping malls is collected by the shopping mall management and disposed of properly. In 2019, DeFacto and Ozon Tekstil recycled 1.25 tons of paper and cardboard waste, and 350 kg of electronic waste.

In order to reduce the amount of paper used, we carry out various saving practices. Within the scope of our efforts on saving, we follow-up the amount of paper consumed on the basis of users and department, and prefer digital communication screens instead of printed posters in stores, if possible. In the operations of DeFacto and Ozon Tekstil, in addition to domestic wastes, various wastes, which are classified as hazardous wastes in the relevant legislation, such as wastes generated during the maintenance and repair of vehicles, laboratory wastes, electrical and electronic wastes, fluorescent tubes, batteries and medical wastes are also generated. These wastes are disposed of by authorized licensed institutions.

As a result of the tests carried out in our laboratories, 11 tons of hazardous liquid waste and 1,550 tons of non-hazardous waste were generated in analytical laboratories. Also, an average of 1900 tons of liquid non-hazardous waste is generated in physical laboratories annually.

In 2019, a total of 908 tons of waste, 67 tons of hazardous and 841 tons of non-hazardous waste, was generated at Ozon Tekstil facilities. 7% of this 908 tons of waste was disposed, and the remaining 93% was recycled by licensed firms.

PAPER WASTE



EMPLOYEES



Employees

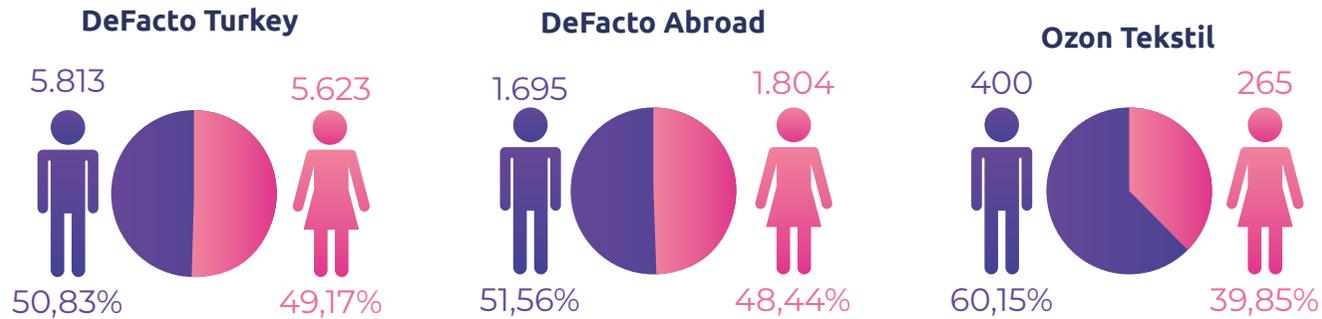
The path to success in ready to wear apparel industry in which human labor and creativity is of high importance, lies in having a qualified, talented and effective working employee portfolio. We owe our fast growth and success we obtained at a short time period to DeFacto employees. Thus, we support 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 to DeFacto family.

After each event, practice and activity during which we interacted with the employee, we create satisfaction surveys in order to get the opinions of our employees and analyze their feelings and circumstances. According to the results of these surveys, annual reports and analyzed reports, we prepare plans for the next year's activities and events. Our practices for employees have a dynamic structure, and these activities are formed according to the preferences of our employees.

As DeFacto, we care about social and personal rights of our employees. Procedures regarding to the personnel who quit their job voluntarily start with the personnel's written application to the relevant department manager; the resigned personnel must comply with the notice terms of the Labor Law, the parties must make a written notification before the termination of the employment contract. This period may be shortened with the approval of the employer or may not be applied at all. DeFacto, as the employer, may terminate the contract of employment by giving the employee's wage for the notice period in advance.

Child labor is an issue that DeFacto never tolerates, and precautions have been taken in this regard with strict and precise procedures. Also, not to be subjected to forced and compulsory labor is regarded in DeFacto as a constitutional right, and no cases were encountered in our suppliers during the audits. Although there is no unionization within DeFacto, we do not have any restrictions in this regard. Within the scope of the security service that is subcontractor of DeFacto, security personnel are provided with all necessary social compliance and basic human rights training by the subcontractor company. At Ozon Tekstil, Human Rights Policies are also mentioned in relevant trainings within the framework of social compliance.

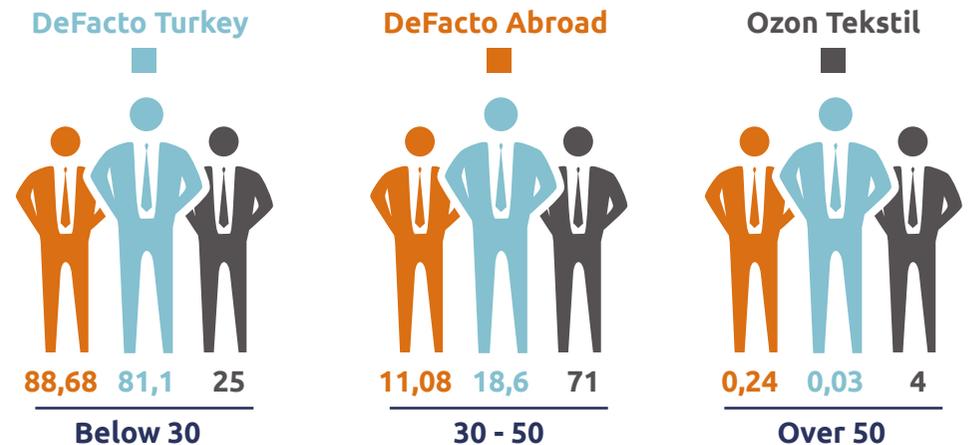
OUR EMPLOYEES (person / %)



EMPLOYEES BASED ON OPERATIONS



EMPLOYEES BASED ON AGE GROUPS (%)

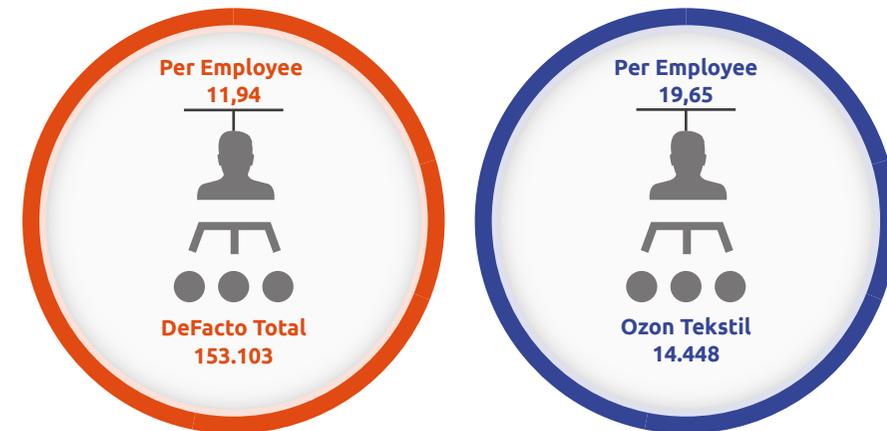


Employee Profile

The DeFacto Performance Management System has been created with the purpose of acting faster, more effectively and systematically with strategy on the way to our goals. We aim to reach our business goals, to reveal the successful business results of our employees, and to become a high performance corporation through our performance management system. The work performance of domestic and foreign headquarter employees is assessed only annually or quarterly according to their functions. Annual assessments are reviewed in the sixth month and target realizations are followed. Employee performance cards are classified into two main groups as individual goals and leadership goals. It is our priority that the goals set for the employees are SMART (Specific, Measurable, Achievable, Realistic, and Timely). The data from the performance management system are evaluated in career management, wage management and rewarding processes. In 2019, we launched an integrated Performance System, also known as the DFHR: Human Resources Management System/APOLLO Project, for which global infrastructure was completed in 2018. Our system development and improvement will continue in 2020 and 2021 as well.



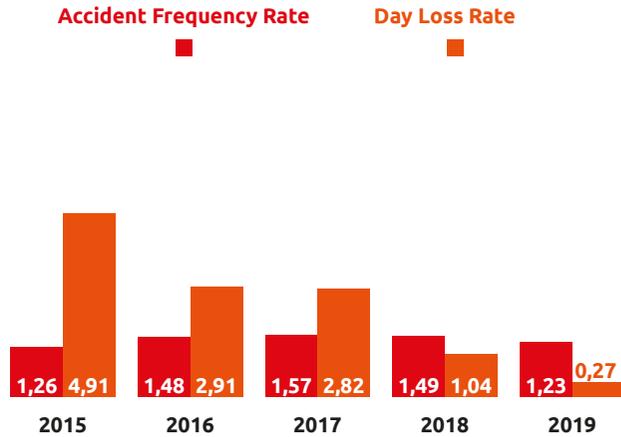
STATISTICAL DATA ON TRAINING (HOURS)



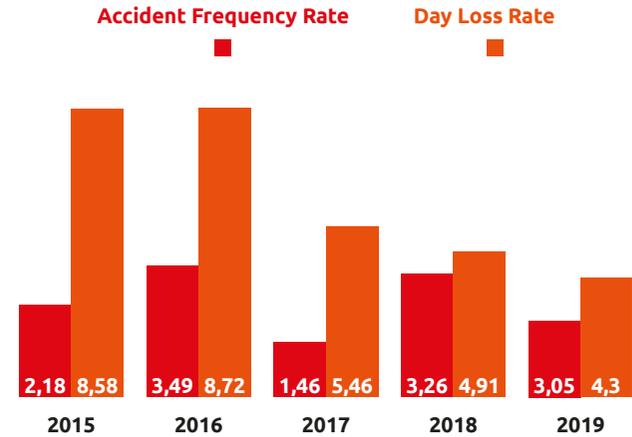
DeFacto HR Project / APOLLO Project

In order to manage our human resources processes in a fully integrated manner while supporting the professional development of our employees with personalized information accumulated on the system, we have been carrying out the "DFHR / APOLLO" project since August 2018. By reassessing the Performance Management System we launched in 2018 with the feedbacks and requests we received within that year; in 2019, we made the system more efficient and user-friendly through the "Revision Project". And, in 2019, we carried out digitalization projects for Trial Process Forms and Central Employee Personal Development Forms. In order to improve the system infrastructure and to ensure that the system is more coordinated with our organizational structure, our digitization project of Matrix Manager Infrastructure and HRBP Infrastructure can be listed as other completed projects. Finally, the Store Staff Budget module was also implemented. Our efforts continue with the Talent Management Module, Wage Management Module and Central Personnel Budget Module.

DEFACTO TURKEY OPERATIONS



OZON TEKSTİL



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 for the right job. 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, we have managed to have a ratio of women employees as %53 for DeFacto Turkey and %52 abroad. Considering specifically Ozon Tekstil employees, where blue-collar workers are the majority of employees, there is a 40% female employee rate in 2019, with an increase of two points compared to the previous year.

As a commitment for us to encourage women to participate in business life, we have been among the signatories of the Women's Empowerment Principles (WEPs), a joint initiative of the United Nations Women organization and the UN Global Compact organization started in 2015. In 2019, we continued the "Happy Women Movement", which we implemented in line with this commitment.

Within the scope of the Happy Women Movement initiative, our female employees can take three months of unpaid leave in addition to their legal rights when they give birth, and they can use their daily milk leave collectively once a week. Our mother employees take a half day off on the first day of school and report card day of their children. In addition, within the scope of the Happy Women Movement initiative, we have extra practices such as the opportunity to work part-time after birth for all mothers working in the Headquarters, and the opportunity to work from home once a month for female employees, depending on their position. In our stores, our pregnant female employees benefit from the extra breaks in addition to legally required breaks.

We provide similar practices we apply in DeFacto to female employees working in Ozon Tekstil. For instance, 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. There is also a breastfeeding room in the Headquarters, specially designed for new mothers.

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 accordance with this understanding, we try to employ more disabled individuals by keeping constant contact with employment agencies. In line with our increasing employment need occurring due to our growth, our disabled employee quota is also constantly increasing. We increased the number of disabled employees from 179 in 2017 to 211 in 2018, and then to 214 in 2019. As of 2019, 19 disabled employees work within Ozon Tekstil.

Performance Management

We aim to meet business targets, to achieve successful business results and to make high performance a corporate culture through DeFacto Performance Management System which was designed to focus faster and more effectively to corporate strategies and goals and to systematically monitor this improvement. 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. It is our priority is to set SMART (Specific, Measurable, Achievable, Realistic, and Timely) goals for employees. Feedbacks received from performance management system create information for career management, remuneration management and rewarding processes. We started to use an integrated Performance System, also known as the Human Resources Management System / APOLLO Project, in 2019. Our system development and improvement efforts will continue in 2020 and 2021.

DFHR: Human Resources Management System / APOLLO Project

In order to manage our human resources processes in a fully integrated manner while supporting the professional development of our employees with personalized information accumulated on the system, we have been carrying out the "DFHR / APOLLO" project since August 2018. By reassessing the Performance Management System we launched in 2019 with the feedbacks and requests we received within that year; in 2019, we made the system more efficient and user-friendly through the "Revision Project". And, in 2019, we carried out digitalization projects for Trial Process Forms and Central Employee Personal Development Forms. In order to improve the system infrastructure and to ensure that the system is more coordinated with our organizational structure, our digitization project of Matrix Manager Infrastructure and HRBP Infrastructure can be listed as other completed projects. Finally, the Store Staff Budget module was also implemented. We continued and completed our efforts in 2020 through the Talent Management Module, Scoring Follow-up Module, and Remuneration Management Module. Implementing the Organization Management Module and Headcount Management Module in 2021 are among our main goals.



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 related countries and the developments in the market. In all countries, a wage revision is made once a year, in accordance with the legislation, provided that there is no extraordinary situation.

There are only single minimum wage practices in the countries where we carry out our operations; therefore, we apply the same minimum wage for our male and female employees. Our store sales advisors and warehouse blue-collar employees receive the closest wage to the minimum wage. Although the minimum wage increase is decided in six-month periods in our country, in most countries where we have operations,



Talent Management

We aim to get better acquainted with the competences and potentials of our employees. We always keep internal career opportunities open to our employees and use tools that can accurately analyze employee development. Within the scope of our competency model, we create talent pools by interpreting the performance assessments and potentials of our employees all together. Back-up plans were defined for critical positions.

Within the scope of talent management, we take actions such as assessment center practices inside and outside the company, developing special actions for our talents by establishing talent pools, implementing young talent programs, and announcing local and international career opportunities. We assess the performance and potential of employees through Talent Committees.

In the Headquarters, we implement a promotion process once a year for employees and at certain periods of the year in line with the needs in stores.

We aim to raise the leaders of the future from the company itself by supporting the development of our current employees through our Promotion to Field Management of Merchandising and Promotion to Secondary Management of Store. We contribute to increasing the knowledge and skills of our employees in line with our organizational needs and focus areas. In addition, we announce the position needs occurring throughout the company to all employees through in-company ads, and we offer our employees internal diversity and different career opportunities with in-company rotations/internal transition opportunities.

With the Internal Assessment Center Practice, we aim to train our internal assessors from our own employees and carry out the assessment process within the company. In addition, we develop practices such as hackathon and ideathon with our internal resources in the selection processes of our young talent programs, and we are able to implement them in a virtual environment in order to ensure the sustainability of the process in all conditions and environments.

Within the scope of the project, we certify our internal assessors through a special training and we continue to support them with various trainings throughout the process; we develop special practices through our internal assessors, strengthen internal communication, sharing and synergy, and ensure that employees develop competencies and skills that they can benefit from in their career lives.

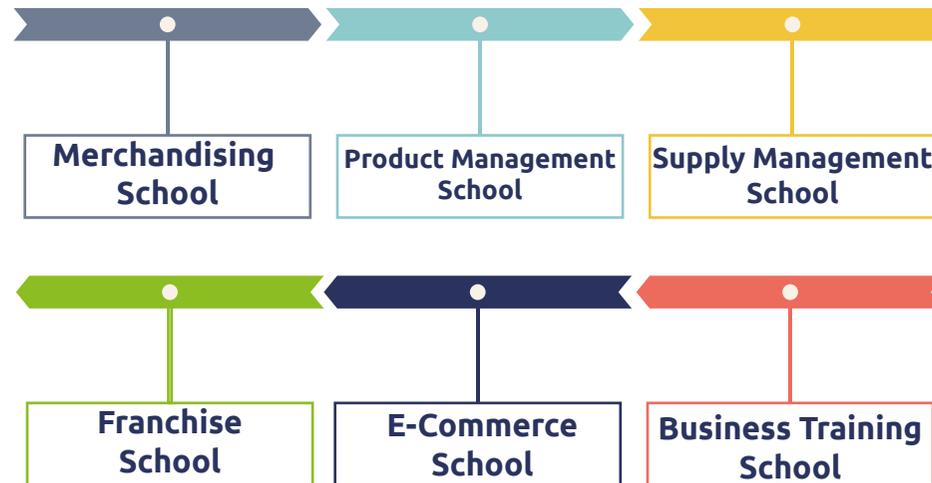
DeFacto Business Academy

Based on its vision “to become a global brand that makes people go WOW”, DeFacto Business 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. With the training and development programs conducted under the DeFacto Business Academy, we keep the approaches and perspectives that prepare DeFacto for future on the agenda of employees and managers. While designing these programs, we take into account corporate strategies, culture and values.

As DeFacto Business Academy, we categorize our trainings with the FIT theme. We try to offer programs and platforms that best “fit” the development needs, goals and dreams of our employees. In this context, we organize our trainings under 5 basic categories;

 By Original FIT, we mean all of our trainings that make us who we are and form our foundation. For example, we consider legal compulsory trainings and orientation trainings under this category. In this context, we are planning orientation programs designed for our store and HQ employees to get to know our company better and adapt to the company culture.

 Business FIT includes 6 different schools listed below that develop us for our work and enable us to constantly renew ourselves:



 With Personal FIT, we provide our employees training and workshops on personal development and curiosity, from English Language to Design Thinking, from astrology to coffee making.

 Leaders FIT includes our trainings that inspire all of us as pioneers of agile transformation and develop our leadership skills. Under Leaders Fit, there are different Leadership Development Programs designed for our managers at different levels.

 Talent FIT defines our programs that will sharpen our talents from the moment we start working.

In order to ensure the continuity of training and development activities, we provide online training to our employees. DeFacto Business Academy learning system plays an important role in automating and accelerating operational processes, with its infrastructure integrated with in-company digital platforms. We provide, monitor, and report all training and development tools and activities on all methods included in the mixed development programs assigned to employees through this learning system.

DeFacto Business Academy creates the corporate know-how of the company and standardizes the knowledge and experience required by the employees. Especially within the scope of our Business Fit Programs, our internal trainers are one of our strongest resources in transferring knowledge and experience. With the internal coaching system, we record corporate memory, strengthen internal communication, and offer improvement opportunities to employees for different specialties. We ensure that our managers, who would be internal trainers, learn faster and internalize our human resources perspective and practices.

We organize trainings identified according to the requirements of the company and employees based on an annual plan, and offer these trainings by enriching them via different learning methods such as in-class training, virtual classroom training, on-the-job training, coaching, mentoring, observation/internship and remote learning. We organized a total of 153,103 hours of training within DeFacto Turkey and DeFacto abroad operations in 2019. A total of 11,668 different employees attended these trainings, thus we ensured that 90% of our employees participate in our training activities. In 2019, we met the expectations of our employees with a high training satisfaction score of 4.5 out of 5.

We also care about the development of the talents and skills of the employees working in our affiliate Ozon Tekstil. We provide trainings for Ozon Tekstil employees under 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. Training plans and programs are decided and applied by our employees, managers and human resources department according to a competency-based performance evaluation system. In 2019, we provided a total of 14,448 hours of training for Ozon Tekstil employees.



Employee Happiness

We believe that companies can reach their goals only through loyal and high performing employees, and that loyalty and high performance can only be achieved by happy employees. At DeFacto, we led the way and established Happiness Department, setting a pioneer practice for our sector, in order to create a happy and peaceful environment for our employees.

At DeFacto, "Employee Satisfaction" is the most important issue for us. Therefore, we invest and implement very firsts in Turkey to ensure the development and satisfaction our employees. Our priority is and always will be "investing in people." Thus, we established the Happiness Department by setting a pioneer practice for our sector, and in our company, we have implemented the "Happiness Fits Us Program" and "Happiness Fits Us Brand" initiatives. With the Happiness Fits Us Program and Brand, our aim is to realize creative activities that will create a WOW effect, support the company climate and culture in a positive way, and most importantly, enable employees to smile and be happy.



Happiness managers work in the Happiness Department. Within the scope of happiness practices, we determine our actions to make improvements in every process that touches our employees. We shape our practices by assessing employee feedbacks and current situation together. We measure the reflections of employee happiness activities on employees with the satisfaction survey we periodically conduct. We share the results of the survey, which measures the level of satisfaction, commitment and motivation, with our employees, and take the necessary actions in our focus areas.

In order to increase the happiness of Ozon Tekstil employees, we prepare monthly and annual action plans on issues that are open to improvement. While preparing these plans, we use the results of the employee satisfaction survey. Happiness Room, Women Nursery Room and Breastfeeding Room at Ozon Tekstil are among our efforts in this context.

We put into practice 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

Most of our employees belong to generations Y and Z, who place much importance on socialization in business life. Thus, we prioritize work – life balance. 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.” Another practice we initiated to protect work - life balance is flexible working hours.

Similar activities are carried out in order to establish this balance for Ozon Tekstil employees. For example, we allow our white-collar employees to take a day off on their birthday. Ozon Tekstil employees can also benefit from flexible working hours.

DeFacto Social Clubs

DeFacto Social Clubs enable employees to obtain information and talent in culture, arts and sports, and socialize as a team. DeFacto Music Club, Dance Club, Theater Club, Social Responsibility Club and Travel Clubs are the clubs of this kind within the company. DeFacto employees also have the opportunity to spend their free time in an even more enjoyable way, by having conversations in the happiness room and by using our library for reading books with rich content. There are also DeFacto Sports events including tennis, basketball, volleyball, rowing, football, aikido, yoga and chess. In addition to the pleasure of playing golf on the terrace at lunchtime, our employees also have the opportunity to perform various sports and cultural activities such as table football, billiards, table tennis, PlayStation games, PES and FIFA tournaments.

In social clubs, free training is provided to our employees by professional trainers and consultants. Club members organize various events and shows in their branches, and represent DeFacto by competing in organizations such as DragonFest, Corporate Games and Business Cup.



DFTV Social Life Platform

With the videos on DFTV, which can also be described as the Social Life Platform of DeFactans, all our users are aware of DeFacto's recent social activities, and can easily access the content that benefits their personal development. In other words, DeFacto employees can asynchronously access seminars that they wished to attend but could not attend, interviews that they could not find free time to watch, and colorful hobby videos from DFTV, whenever and wherever they wish.

Internal Communication Activities

We are adopting various communication activities in order 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 regard, we make use of different communication channels such as news and announcements, "Şirket-i Muhabbet" (Company Chat) Meetings, coordination meetings, year-end events, special day celebrations, instant happiness activities and Leadership Conversations.

In DeTalks program, we organize seminars open to the general participation of DeFacto employees. In these seminars, guests who are experts in their fields share many things on various subjects such as health, career, social life, family, hobby, psychology, communication, and leadership.

Beyond that, there is also an in-company blog platform called DBLOG where employees can share their ideas. Our employees have the opportunity to express themselves freely. In addition, with our DFTV social life platform, we share videos of our employees with hobby, instructional and entertaining content.

In order to increase internal communication, we organize Football Tournaments to which Ozon Tekstil employees participate. Ozon Tekstil employees represent the company in external sports matches.

Hobby and Personal Development

Our employees can enjoy activities such as golf, table football, billiards, table tennis, game console, etc. during lunch break in the Hobby Area, and they can participate in conversations in the Happiness Room or use our rich library of various content and with reading space. In addition, in Open Participation Seminars, which are open to general participation, our employees can receive opinions and information on different subjects from experts in their field.

Our Happiness Bulletin ensures that research articles and essays on hobbies, world news, self-improvement and positive psychology are provided to all employees on a monthly basis. Our store managers support our store employees in printing out this bulletin and placing it on store boards.

The monthly Happiness Calendar, published with a specific theme, contains items that increase the motivation of the employees and improve their interaction with their environment. The calendar is sent to all office employees via e-mail - yet, our store managers support the publishing of the calendars and display them on the store boards.

In addition, our Online Magazine is a quarterly content compilation containing news about what has been on the company's agenda in the last three months, articles about the employees, and information about events.

In our coffee meetings with the CEO which is organized on a monthly basis, our CEO İhsan Ateş meets with our employees in groups of ten; talks are on many subject: the company's agenda, the agenda of the world and the country, our customer experiences, essential tips about life, art and culture...

Wellness

Occupational health physician and nurse support, exclusive breakfast, lunch and snacks are provided free of charge to our employees within the framework of the Healthy Life Program. In addition to these, every week, our employees are provided with videos of special content planned for each day of the week, rich DFTV content on healthy nutrition, and healthy lifestyle seminars free of charge. Our employees can also benefit from contracted health-care institutions and receive discounted examinations.



Fundamental Rights

The most Fundamental Right we provide to our employees is flexible working hours. Our HQ employees are provided with flexible shift hours starting from 07:00-09:00 to 17:00-19:00. Within the framework of the right to work from home, all woman employees of the Headquarters were given the right to work from home once a month.

With our Happy Nutrition concept, we offered all our HQ employees open buffet breakfast on Friday mornings, free sandwiches or pastries on all weekdays, and fruit and dessert snacks at 16:30 on every work day.

With our personal image concept, free hairdresser and manicure services are provided for all female employees of the Headquarters.

In order to carry out enjoyable activities on special days and weeks, surprise events, special day celebrations, enjoyable and entertaining celebrations are organized in line with our happy days concept, and Happiness Calendar, Seniority Award Ceremony is organized annually for our employees who completed ten years, and Şirket-i Muhabbet (Company Chat) meetings are also held with our employees.

Support for Women

Acting in the capacity of signatory for United Nations Women's Empowerment Principles; we, DeFacto, provided our female employees the opportunity to take an extra three months of unpaid leave after giving birth and to use milk leave collectively once a week with the Happy Woman Movement initiative, and granted the opportunity to work part-time in line with the suitability of the job, the right to work from home once a month, half-day leave for mothers on the first school day and report card day of their children. We established the Executive Training Groups consisting only of women, and for our HQ employees, we also provided fringe benefits such as parent coaching to all mothers, free nursery support in case of emergency (for mothers who cannot find a place to leave their children that day), and working from home once a month for female employees.

In our Gym, our employees can use the comfortable and equipped gymnasium, dressing rooms and shower cabins and lockers with all the necessary materials before and after sports, accompanied by a permanent sports instructor staff. In this regard, we organize personalized exercise programs, controlled weekly measurements and crunch, Pilates, and yoga classes for our employees on certain days of the week.

Our free-of-charge massage saloon is provided with a suitable working environment and all necessary hygienic and physical conditions; besides, ergonomics trainings are given to our employees.

Our gardens and break areas in Mediterranean concept are open to our employees with a new decoration enriched with seating areas, swings, various plants, and free beverage service areas.





OCCUPATIONAL HEALTH AND SAFETY

It is one of our sustainability priorities to offer our employees healthy and safe working conditions. As DeFacto, we embark on being a “pioneer” in the industry as our corporate policy by providing the least harm to humanity and the highest level of benefit with our activities. DeFacto Occupational Health and Safety Policy defines the basic principles that must be taken into consideration during the execution of OHS practices in all workplaces.

Occupational health and safety activities are systematically managed in all our offices, warehouses and stores operating within DeFacto and Ozon Tekstil in accordance with the OHS Policy and legal legislation. In order to ensure the systematic management, we adopt a participatory OHS approach, and ensure that all employees, as well as OHS experts and occupational health physicians, are included in OHS processes. Our OHS Boards are one of the most effective tools in ensuring polyphony in OHS management. There are 329 employee representatives in DeFacto operations, and 20 OHS Committees with 136 members operating in our store and head office. There is an employee representative for each store, but there is no OHS board meeting in stores with less than 50 employees.

In Ozon Tekstil operations, there are 16 OHS Committees operating with 30 members, 11 of which are employee representatives.

Our primary goal is to ensure that the occupational health and safety culture is adopted by our employees and to continuously increase our performance in this regard. We record performance data such as accident frequency rate, lost day rate and absentee rate, and implement the necessary measures in our business plans to improve our performance. As DeFacto, we reduced the accident frequency rate from 1.57 in 2017 to 1.49 in 2018 and 1.23 in 2019, and the lost day rate from 2.82 in 2017 to 1.04 in 2018 and finally to 0,27 in 2019.

OHS Practices in Stores

Most of our employees are working at the stores; thus, stores play an important role in OHS management. All store employees, primarily the store managers, are responsible for OHS management. OHS performance is among the primary subjects of store managers and is reflected on personal financial performance. Eight hours of detailed OHS trainings were given across Turkey in order to instill the OHS awareness to store managers and regional managers in this regard.

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

All stores in Turkey are audited twice a year by independent institutions based on the audit plans prepared for 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 260 criteria in addition to the general store compliance audits. Legal requirements for overseas stores are supervised and deemed actions are taken in line with the requirements. Evaluations are made on the basis of DeFacto basic OHS requirements, besides the legal requirements of the relevant countries. Results obtained regarding the compliance with OHS control criteria are shared with store managers and actions taken for nonconformities are monitored therein.

Warehouse OHS practices

In order that our activities at the Çerkezköy warehouse are managed at international standards for occupational health and safety, we obtained the OHSAS 18001 Occupational Health and Safety Management System certificate for this location. This management system is audited by an independent audit firm every year in compliance with OHSAS standards and our certificate is renewed accordingly. In 2020, the OHSAS 18001 standard will be upgraded to the renewed ISO 45001 standard. The trainings will be provided and the system will revised in this regard. We provide an average of 8 hours of OHS training per person annually to all employees at the Çerkezköy warehouse, including both direct and indirect employees.



Ozon Tekstil

Ozon Tekstil's occupational health and safety approach is in line with DeFacto occupational health and safety policy. Compliance to all OHS regulations, codes of conduct and national and international standards is our priority in Ozon Tekstil operations. Our target in OHS is to prevent occupational accidents and occupational diseases that may occur in our workplaces. OHSAS 18001 Occupational Health and Safety Management System standards are applied in Ozon Tekstil

Ozon Tekstil 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. In all our workplaces, 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. At DeFacto, OHS experts work full time at the Headquarters, warehouses and Sivas factories. Furthermore, occupational health physicians work in all locations, and other health personnel working full time at Sivas factory gives service to the employees.

There are some exemplary responsible acts of our company regarding environmental issues. Waste fabrics that arise after cutting are reused annually, on average, by recycling them into the economy with joint projects with recycling companies. All process wastewater generated during the activities in our factory is released to the sewerage network after chemical treatment processes in a way that does not harm the environment.

OHS Training

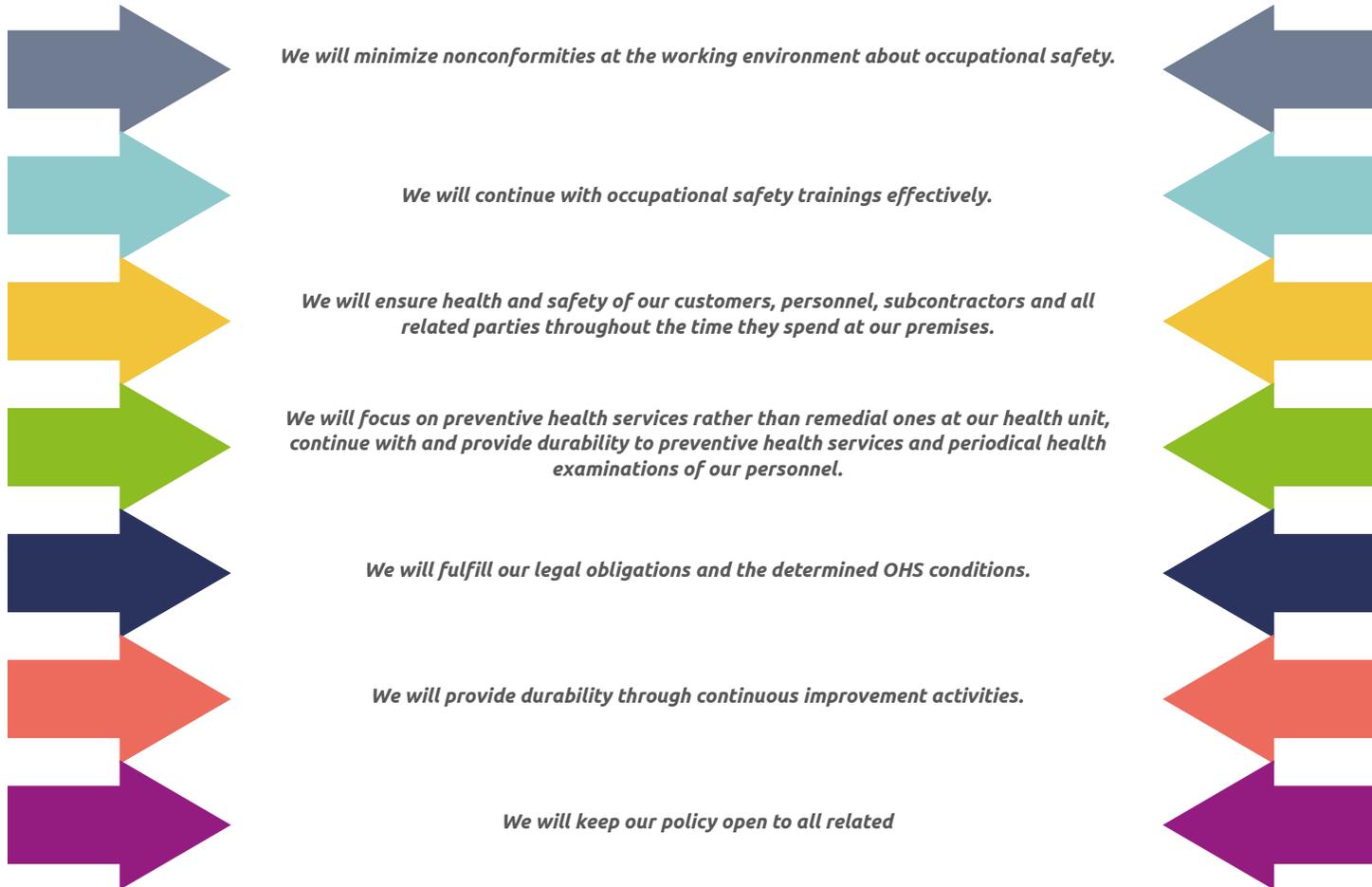
We regularly organize OHS trainings in order to increase the knowledge and awareness of our employees about occupational health and safety. By ensuring the participation of our employees, as well as our subcontractors and their suppliers in the trainings, we raise the awareness on this issue on a wider scale. We provide e-training to our employees, including the retraining and the subjects in the legislation. In-class trainings can be followed through the remote training system. A full day of OHS training is given to newly recruited store managers, and a four-hour OHS training is given to employees starting their positions at company's Headquarters. Mandatory e-trainings on OHS are also given to our store employees in Turkey.

In 2019, we offered a total of 20308 hours of training to DeFacto domestic stores personnel, a total of 2,296 hours to Headquarters personnel, a total of 4,808 hours to warehouse personnel, and a total of 3,592 hours to store managers. We provided a total of 2,016 hours of OHS training to Ozon Tekstil employees



OUR OCCUPATIONAL HEALTH AND SAFETY POLICY

At every level of our company, including the senior management and all employees, 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. To that end:





8 DECENT WORK AND ECONOMIC GROWTH



4 QUALITY EDUCATION



17 PARTNERSHIPS FOR THE GOALS



SOCIAL DEVELOPMENT

Employee Volunteerism

We deem our liability to contribute to the social development in the geography where we operate. We carry out our social responsibility activities with the aim of creating added value for the society. We determine our future projects in line with the UN Sustainable Development Goals. We spread our understanding of contributing to social development to all our value chain, from our stores to suppliers, on a voluntary basis.

Employee Volunteerism

Happiness Ambassadors Group (HAG)

The Social Responsibility Club (Known as Happiness Ambassadors Group - HAG), which requires participation on a voluntary basis within the scope of Volunteering Activities, is a team of volunteers who have aimed to add value to the society and the environment by carrying out various social responsibility projects since 2015. The group voluntarily participates in social responsibility projects they want to realize within the company or under the DeFacto brand. The HAG group realizes the projects by heart, together with non-governmental organizations or their own teams.

These volunteer-based activities aim at achieving social benefits and raising awareness hereto, and employees who take leadership in projects are offered the opportunity to improve their competencies such as organization skills, planning and communication. Thanks to HAG, employees have the chance to develop projects related to their own areas of sensitivity and express themselves in these areas. With the participation of 3,338 employees, 62 events and 8,418 hours of volunteering were carried out in five years.

Primary Goals of the DeFacto Happiness Ambassadors Group:



Social Benefit and Awareness: Increasing the type and number of projects all employees can contribute to for maximizing social benefits.

Enhancing Employee Competences: 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 leaders 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, and thus contributing to the sustainability of our company.

A Pinch of Warm Happiness! Project:

As DeFacto, we domestically implemented the scarf, beret and glove donation campaign, which was initiated to present semester report card gifts to children in need who are at the primary and secondary school age. Our volunteer DeFacto employees left their clean and newly knitted or purchased children's scarves, berets and gloves in their donation boxes and delivered them to more than 2000 students in 22 primary schools across Turkey.



Volunteers Running in Pursuit of Kindness:

Since 2015, DeFacto employees have been participating in the RunAtolia Marathon, Bozcaada Run, and Istanbul Eurasia Marathon within the body of Adım Adım. In addition to funding many non-governmental organizations with our volunteers, we have reached to impeccable fruitions in the marathons we have participated in the last three years and have been in pursuit of goodness and ranked third in the list of big organizations that have made a name for social responsibility. In addition, we took part with the highest number of runners in the races from 2008 to 2019 and won the award. The number of supporters inspired by our volunteers reached to 5,598. Our volunteers contributed to the creation of a total of 115.894 TRY fund in the name of non-governmental organizations in the last three separate Marathons we participated in.



Çerkezköy Warehouse-DeFacto Memorial Forest:

As Çerkezköy DeFacto Warehouse, we value green life and nature! Planting over 100 saplings, we carried out our Çerkezköy DeFacto Memorial Forest project, which we set out with our slogan, in March 2019, in the garden of our Çerkezköy Warehouse with the participation of 31 volunteers. With the project, we reinforced our attention to our environment and our living space and created a memorial forest for our employees.



World Stray Animals Day:

We distributed 300 small packs of cat and dog food (150 cat & 150 dog) under the title of Friendship Food, with the organization of six volunteers. With these Friendship Foods, our employees fed the stray animals in their region and made our sweet furry friends happy.



Bu soğuk havalarda yemek yiyemeden hayatta kalmamız çok zor. Karnımızı doyurduğun için Çok teşekkür ederiz!

 
Köpek Kedi

DeFacto



Bugün saat 12.00'den itibaren giriş katta bulunan masada, küçük paketlerde hazırlanmış dostluk mamaları dağıtacağız.



Lütfen sizde dostluk mamalarından alıp, yaşadığınız bölgedeki sokak hayvanlarına bu mamaları hediye edin, tatlı dostlarımızı sevindiriniz!

Pending Books and Toys Project:

With our “Donate a Book and a Toy, and May Your Heart Fill with Joy!” campaign led by DeFacto Social Responsibility Club, we were able to collect over 300 books and various toys, and donated them to the libraries of specific primary schools.



Turmepa Coastal Cleaning:

With 25 Happiness Ambassadors Volunteers, we carried out the Kınalıada coastal cleaning project led by the Clean Sea Association/TURMEPA. During the project, our volunteers first strengthened team unity by playing team games, then separated into groups and contributed to the cleaning of the Kınalıada coast by decomposing 20.4 kg of waste for recycling. During the activity, we recycled 57.5 liters of water, 0.27 liters of oil, 2.47 kg of raw materials and 140 kWh of energy to be spent.

MUTLULUK ELÇİLERİ GRUBU

28 Mayıs'ta Gezegenimiz İçin Bir Şey Yap!

Deniz Temiz Derneği/TURMEPA ve Mutluluk Elçileri Grubumuz çevre dostu gönüllülerimizi Kıyı Temizleme Hareketi'ne katılmaya çağırıyor!

Tarih: 28 Mayıs
Yer: Kınalıada ya da Burgazada

Etkinlik tüm gün sürecek olup etkinliğe katılım için DİNAMİK'ten gönüllülük izninizin yöneticiniz tarafından onaylanmış olması gerekmektedir. Katılım kontenjanla sınırlıdır.

Katılmak İçin Tıklayınız!

Kıyılara gelin...

Son Katılım : 15 Mayıs!

TOFD Masal TV Project & Future Lab collaboration:

With the cooperation of DeFacto Academy and the Spinal Cord Paralytics Association of Turkey (TOFD), we hosted 20 disabled young individuals at the Future Lab located in our HQ. We enjoyed our VR contents together. We explored the mysterious underwater world and space with our contents. We talked about animation, etc., about the latest technological developments and Masal TV projects.



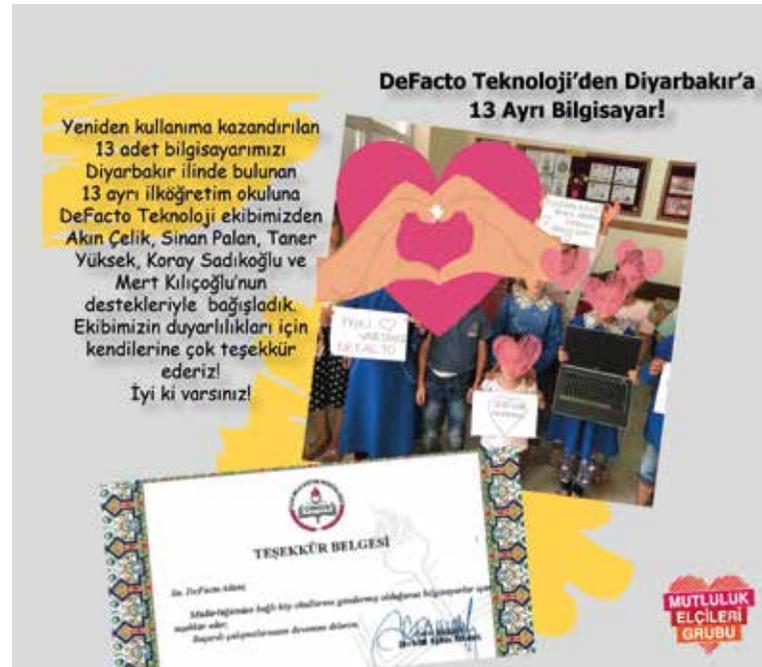
Plastic Cap Collection Campaign:

With the support of Technopark, Çerkezköy Warehouse and HQ employees, we contributed to the Plastic cap collection campaign organized by TOFD by collecting up to 20 large garbage bags of caps.



13 Computers from DeFacto Technology to Diyarbakır:

We donated 13 reclaimed computers to 13 different primary schools in Diyarbakır with the help of our DeFacto Technology team.



ÖSGD Vocational High School Coaching Program

Vocational High School Coaching Program is a volunteer-based program started in 2012 and implemented with the protocol of the Ministry of National Education Directorate General for Vocational and Technical Education with the participation of member companies of the Association of Private Sector Volunteers (OSGD). Volunteer coaches in OSGD member companies come together with 10th and 11th grade vocational high school students within the framework of the "Bordered Coaching Model" and implement a voluntary coaching program that lasts for two years. DeFacto participated in the program for the first time as a voluntary company in 2016 with six volunteer coaches in the first year of implementation. This number reached 16 volunteer coaches in 2018. By the end of 2020, we will be contributing to the lives of 110 students and their personal development.



INDICATORS



PERFORMANCE DATA

EMPLOYEE DEMOGRAPHICS

	2019	
	Male	Female
Total Workforce (Number)		
<i>DeFacto Turkey</i>	5.813	5.623
<i>DeFacto Employees</i>	4.641	5.289
<i>Outsource Employees</i>	96	298
<i>Ozon Tekstil</i>	400	265
<i>DeFacto Abroad</i>	1.695	1.804
Total Employees by Category (Number)		
<i>DeFacto Turkey</i>		
<i>White-Collar</i>	2.429	2.673
<i>Blue-Collar</i>	2.212	2.616
<i>DeFacto Abroad</i>		
<i>White-Collar</i>	111	63
<i>Blue-Collar</i>	1.584	1.741
<i>Ozon Tekstil</i>		
<i>White-Collar</i>	237	
<i>Blue-Collar</i>	428	
Employees by Age Groups (%)		
<i>DeFacto Turkey</i>		
<i>Under 30</i>	%81,1	
<i>Between 30-50</i>	%18,6	
<i>Over 50</i>	%0,03	
<i>DeFacto Abroad</i>		
<i>Under 30</i>	%88,68	
<i>Between 30-50</i>	%11,08	
<i>Over 50</i>	%0,24	
<i>Ozon Tekstil</i>		
<i>Under 30</i>	%25	
<i>Between 30-50</i>	%71	
<i>Over 50</i>	%4	
Senior Management Structure (Number)		
<i>DeFacto Turkey</i>	35	14
<i>Ozon Tekstil</i>	0	0
<i>DeFacto Abroad</i>		
Mid-level Management Structure (Number)		
<i>DeFacto Turkey</i>	232	83
<i>Ozon Tekstil</i>	48	16
<i>DeFacto Abroad</i>	29	13
Number of Disabled Employees		
<i>DeFacto Turkey</i>	195	
<i>Ozon Tekstil</i>	19	
<i>DeFacto Abroad</i>	19	

ENVIRONMENTAL PERFORMANCE INDICATORS

	2015	2016	2017	2018	2019
Turkey total store energy consumption (kWh)	45.502.107	52.901.651	61.694.196	63.983.980	58.355.302
Turkey store energy intensity (kWh/m2)*	222,8	192,5	178,7	160,7	161,7
Total forklift fuel consumption (l-Diesel)	7.000	7.000	5.960	6.850	5.387
DeFacto Headquarters water consumption intensity (m3/person)	10,66	17,42	13,82	14,85	10
Total Packaging Waste Amount in Production Facilities (Ton)					
<i>Paper-cardboard</i>	9	12	173.341	218	23
<i>Metal</i>	-	-	0,55	0	0
<i>Plastic</i>	2,5	4,5	56,82	53	0,165
Hazardous Waste Amount in Production Facilities (Ton)					
<i>Disposal</i>	-	-	29,76	42	4,69
<i>Recycling</i>	-	-	-	0	62,31
Non-Hazardous Waste Amount in Production Facilities (Ton)					
<i>Disposal</i>	-	-	-	0	58,87
<i>Recycling</i>	-	-	664,34	275	782,13
Recycled Waste Amount in Analytical Test Laboratory (Ton)					
<i>Hazardous</i>	-	-	6	11	11
<i>Non-Hazardous</i>	-	-	1.200	1.600	1.550
Recycled Waste Amount in Physical Test Laboratory (Ton)					
<i>Hazardous</i>	-	-	0	0	0
<i>Non-Hazardous</i>	-	-	380	990	1.990

*The relevant data was revised retroactively due to the changes made in accounting method. This report provides annual store energy intensity data, calculated monthly in the previous years.

SOCIAL PERFORMANCE INDICATORS

	2015	2016	2017	2018	2019
Number of OHS Committees					
<i>DeFacto Employees</i>	3	3	3	12	20
<i>Ozon Tekstil Employees</i>	20	22	24	19	16
Number of OHS Committee Members					
<i>DeFacto Employees</i>	120	126	126	122	136
<i>Ozon Tekstil Employees</i>	38	41	42	36	30
Number of OHS Committee Employee Representatives					
<i>DeFacto Employees</i>	12	12	31	1	329
<i>Ozon Tekstil Employees</i>	4	5	5	5	11
Accident frequency rate					
<i>DeFacto Employees</i>	1,26	1,48	1,57	1,49	1,23
<i>Ozon Tekstil Employees</i>	2,18	3,49	1,46	3,26	3,05
Lost day rate					
<i>DeFacto Employees</i>	4,91	2,91	2,82	1,04	0,27
<i>Ozon Tekstil Employees</i>	8,58	8,72	5,46	4,91	4,3
OHS trainings (person-hour)					
<i>DeFacto Employees</i>	-	-	9.602	6.144	24.088
<i>Ozon Tekstil Employees</i>	-	-	4.108	1.232	6.600



GRI CONTENT INDEX

Indicator
GRI 101: Foundation 2016
GRI 102: General Disclosures
2016

		Descriptions and Page Numbers	Omission
		Corporate Profile	
	102-1	Contacts (p.86)	—
	102-2	www.defacto.com.tr	—
	102-3	Contacts (p.86)	—
	102-4	DeFacto from Past to Present (p.10)	—
	102-5	Company shareholder structure: Zeki Cemal Özen (66.5%), İhsan Ateş 13.7%), Şahin Demir (4.57%), İdris Özçelik (4.57%), DF Retail Holdco Coöperatief U.A. (8.66%), OZN Investments S.á.r.l. (2%)	— — — —
	102-6	DeFacto from Past to Present (p.10). DeFacto Operations (p. 17-18)	— —
	102-7	2018 in Numbers (p.17-18)	—
	102-8	Employee Demographics (p.80)	—
	102-9	DeFacto Supply Chain (p.43-47)	—
	102-10	There were no significant changes in the company organization, capital structure or supply chain	— — —
	102-11	Business Ethics (p.23), Product Responsibility and Customer Satisfaction (p.38-42), Sustainability in the Supply Chain (p.43-47)	—
	102-12	Community Development (p.67-78)	—
	102-13	Community Development (p.67-78)	—
		Strategy	
	102-14	CEO Message (p.4)	—
	102-15	CEO Message (p.4)	—
		Ethics and Integrity	
	102-16	Business Ethics (p.26)	—
	102-17	Business Ethics (p.26)	—

GRI CONTENT INDEX

Indicator
GRI 101: Foundation 2016
GRI 102: General Disclosures
2016

Descriptions and Page Numbers

Omission

Governance		
102-18	Corporate Management (p. 19)	—
102-19	Sustainability Management (p.27)	—
102-20	Sustainability Management (p.27)	—
102-29	Sustainability Management (p.27)	—
102-30	DeFacto Sustainability Priorities (p.27)	—
Stakeholder Engagement		
102-40	Dialogue with Stakeholders (p.28)	—
102-41	We do not have employees covered by . collective bargaining agreement.	—
102-42	Dialogue with Stakeholders (p.28)	—
102-43 Dialogue with Stakeholders (s.27) -	Dialogue with Stakeholders (p.28)	—
102-44 Dialogue with Stakeholders (s.27) -	Dialogue with Stakeholders (p.28)	—
Reporting Practices		
102-45	About the Report (p.4)	—
102-46 About the Report (s.3) -	About the Report (p.4)	—
102-47	DeFacto Sustainability Priorities (p.27-28)	—
102-48 About the Report (s.3) -	About the Report (p.4)	—
102-49 About the Report (s.3) -	About the Report (p.4)	—
102-50 About the Report (s.3) -	About the Report (p.4)	—
102-51	https://corporate.defacto.com.tr/sustainability.html	—
102-52 https://kurumsal.defacto.com.tr/surdurulebilirlik.html -	https://corporate.defacto.com.tr/sustainability.html	—
102-53	Contacts (p.86)	—
102-54	About the Report (p.4)	—
102-55	About the Report (p.4)	—
102-56	No external auditing.	—



GRI CONTENT INDEX

Environment-Friendly Production

Environment-Friendly Production

	Indicators	Descriptions and Page Numbers	Omissions
GRI 103: Management Approach 2016	103-1 Explanation and binding nature of the material topic	DeFacto Sustainability Priorities (p.26-27)	--
	103-2 Management approach and its components	Sustainability Management (p.24-25), Environment (p.48-50)	--
	103-3 Evaluation of the management approach	Sustainability Management (p.24-25), Environment (p.48-50)	--
GRI 301 Material 2016	301-1 Materials used by weight or volume	Environment (p.48-50)	--
	301-2 Recycled input materials used	Environment (p.48-50)	--
	301-3 Recycled products and their packaging materials	Environment (p.48-50)	--
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Environment (p.48-50), Environmental Performance Indicators (p.80)	--
	302-3 Energy intensity	Environment (p.48-50), Environmental Performance Indicators (p.80)	--
GRI 303 Water and Fluids 2018	303-1 Interactions with water as a shared resource	Environment (s.48-50)	--
	303-2 Management of impacts related to water discharge	Environment (s.48-50)	--
	303-5 Water consumption	Environment (s.48-50)	--
GRI 305 Emissions 2016	305-1 Direct (Scope 1) Emissions of Greenhouse Gas	Environment (s.48-50)	--
GRI 306: Wastes 2016	306-2 Wastes by type and disposal method	Environment (p.48-50), Environmental Performance Indicators (p.80)	--

Economic Sustainability

GRI 201 Economic performance 2016	201-1 Generated and Distributed Direct Economic Value	Supply Chain (p.43-47)	--
GRI 201 Economic performance 2016	202-1 Ratios of standard entry wage by gender compared to the local minimum wage	Price Management (p. 56)	--

Business Ethics and Legal Compliance

GRI 103: Management Approach 2016	103-1 Explanation and binding nature of the material topic	DeFacto Sustainability Priorities (p.27)	--
	103-2 Management approach and its components	Business Ethics (p.26)	--
	103-3 Evaluation of the management approach	Business Ethics (p.26)	--
GRI 205 Anti-Corruption 2016	205-3 Finalized corruption cases and measures taken therein	No such non-compliance cases were observed during the reporting period.	--
GRI 206 Anti-competitive Behavior 2016	206-1 Legal proceedings for anti-competitive behavior, antitrust and monopoly practices	No such non-compliance cases were observed during the reporting period.	--
GRI 207 Taxation 2019	207-1 Approach to taxation	Taxation (p. 23)	--
	207-2 Taxation governance, control and risk management	Taxation (p. 23)	--
	207-3 Stakeholder engagement and taxation governance	Taxation (p. 23)	--
GRI 307 Compliance with Environmental Laws 2016	307-1 Non-compliance with environmental laws and regulations	No such non-compliance cases were observed during the reporting period.	--
GRI 307 Compliance with Environmental Laws 2016	419-1 Cases of non-compliance with laws and regulations in socio-economic fields	No such non-compliance cases were observed during the reporting period.	--

GRI CONTENT INDEX

Priority Issues Standard

	Indicators	Descriptions and Page Numbers	Omissions
Social Compliance			
GRI 410 Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	N/A	--
GRI 411 Rights of Local Peoples 2016	411-1 Violations involving the rights of local communities	No such violation of rights was observed during the reporting period.	--
GRI 412 Human Rights Assessment 2016	412-1 1 Transactions subject to human rights reviews or impact assessments	No such transaction was observed during the reporting period.	--
	412-2 Employee training on human rights policies or procedures	Community (p.29), Diversity and Inclusion (p. 68)	--
GRI 413 Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and improvement programs	Community (p.29), Diversity and Inclusion (p. 68)	--
GRI 415 Public Policy 2016	415-1 Political contributions	Society (p.29), Diversity and Inclusion (p. 68)	--
GRI 416 Customer Health and Safety 2016	416-1 Assessment of health and safety impacts of product and service categories	Product Safety (p. 39)	--
GRI 417 Marketing and Labeling 2016	417-1 Requirements For product and service information and labeling	Product Safety (p. 39)	--
GRI 418 Customer Privacy 2016	418-1 Significant complaints regarding the violation of customer privacy and loss of customer data	Complaint Management (p. 42)	--
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1 Explanation and binding nature of the material topic	DeFacto Sustainability Priorities (p.25)	--
	103-2 Management approach and its components	Occupational Health and Safety (p.63-66)	--
	103-3 Evaluation of the management approach	Occupational Health and Safety (p.63-66)	--
GRI 403: Occupational Health and Safety 2018	403-1 Official management-employee occupational health and safety committees	Occupational Health and Safety (p.63), Social Performance Indicators (p.80)	--
R&D and Innovation			
GRI 103: Management Approach 2016	103-1 Explanation and binding nature of the material topic	DeFacto Sustainability Priorities (p.22)	--
	103-2 Management approach and its components	Design and Innovation (p.35-37)	--
	103-3 Evaluation of the management approach	Design and Innovation (p.35-37)	--
GRI 203: Indirect Economic Impacts 2016	203-1 Supported infrastructure investments and services	Our Values (p. 14), Corporate Management (p. 19)	--
	203-2 Significant indirect economic impacts	Design and Innovation (p.35-37)	--
Brand and Reputation			
GRI 103: Management Approach 2016	103-1 Explanation and binding nature of the material topic	DeFacto Sustainability Priorities (p.27)	--
	103-2 Management approach and its components	Business Continuity (p.20), Product Responsibility and Customer Satisfaction (p.39)	--
	103-3 Evaluation of the management approach	Business Continuity (p.20), Product Responsibility and Customer Satisfaction (p.39)	--

GRI CONTENT INDEX

Supply Chain Management

	Indicators	Descriptions and Page Numbers	Omissions
Supply Chain Management			
GRI 303 Water and Fluids 2018	303-1 Interactions with water as a shared resource	Environment (p.48-50)	--
	303-2 Management of impacts related to water discharge	Environment (p.48-50)	--
	303-5 Water consumption	Environment (p.48-50)	--
GRI 305 Emissions 2016	305-1 Direct (Scope 1) Greenhouse Gas emissions	Environment (p.48-50)	--
GRI 306: Wastes 2016	306-2 Wastes by type and disposal method	Environment (p.48-50), Environmental Performance Indicators (p.80)	--
GRI 305 Emissions 2016	305-1 Direct (Scope 1) Greenhouse Gas emissions	Environment (p.48-50)	--
GRI 306: Wastes 2016	306-2 Wastes by type and disposal method	Environment (p.48-50), Environmental Performance Indicators (p.80)	--
GRI 305 Emissions 2016	305-1 Direct (Scope 1) Greenhouse Gas emissions	Environment (p.48-50)	--
Employee Development and Talent Management			
GRI 103: Management Approach 2016	103-1 Explanation and binding nature of the material topic	DeFacto Sustainability Priorities (p.27)	--
	103-2 Management approach and its components	Performance Management (p.58), Talent Management(p.56)	--
	103-3 Evaluation of the management approach	Performance Management (p.58), Talent Management (p.56)	--
GRI 401 Employment 2016	401-1 New employee recruitment and turnover	Employees (p. 52)	--
GRI 402 Labor/Management Relations 2016		Employees (p. 52)	--
GRI 404: Training 2016	404-1 Average training hours per employee per year	Talent Management (p.56), Social Performance Indicators (p.80)	--
	404-2 Support programs aimed at developing and transforming employee skills	Talent Management (p.56), Social Performance Indicators (p.80)	--
GRI 405 Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Performance Indicators (p. 80)	--
GRI 406: Non-discrimination 2016	406-1 Discrimination incidents and regulatory measures taken therein	Under no circumstances, DeFacto shall allow discrimination. No such case was observed during the reporting period.	--
GRI 407 Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers whose freedom of association and collective bargaining rights may be at risk	Employee Profile (p. 53)	--

The GRI Services Unit performed necessary assessments regarding that the GRI content index was clearly presented within the scope of the Materiality Disclosures Service, and that "Disclosures" between 102-40 and 102-49 were included in the appropriate sections of the report. This service was carried out over the Turkish version of the report.

DeFacto

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DeFacto