

DeFacto

SUSTAINABILITY REPORT 2020



DeFacto

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DeFacto

About Us

Today we would like to highlight our fundamental commitment once again, which we made clear and continuously emphasized years ago: “As DeFacto, we guarantee to ourselves and all our stakeholders to support sustainable development in all regions we operate, especially in Turkey”. We submit all our works and achievements within this period to all our stakeholders’ information in line with above commitment via sustainability reports. This DeFacto 2020 Sustainability Report, is the sixth sustainability report we have issued and includes all kinds of impacts of our operations within October 1, 2020 – December 31, 2020 on environmental, social and economic matters, and our approach in managing them.

It is the sustainability data obtained from our operations in Turkey within DeFacto and Ozon Textile, general directorate, production centers, warehouses and stores that underlies this report. Nonetheless, in order to create a holistic perspective for company’s operations, in cases where the obtained data are in accordance with equivalent quality standards, we also included the information about all our operations outside Turkey.

There is a big difference between this year’s report and our previous reports: Covid-19 Pandemic and as DeFacto, our sustainability response, which we try to develop against Pandemic in the light of our above sustainability commitment. You will find the details about our response below.

In addition, we have also prioritized all important matters in this report accordingly. In order to reflect important economic, environmental and social impacts and allow the stakeholders to assess the performance of DeFacto in reporting period; our report includes the scope of all important matters and their boundaries, as well as the relevant information reflecting important economic, environmental and social impacts that might significantly affect assessments and decisions of stakeholders. All opinions of our stakeholders that are related to the subject of report are reflected in this report. The information we have

provided in this report are sufficiently correct and detailed for stakeholders to assess the sustainability performance of DeFacto, and are based on measured data. We have clearly explained all the bases that are required for data measurements and calculations. On the other hand, possible error margins for quantitative data are small enough that they do not significantly affect stakeholders’ ability to reach proper and informed results. Naturally, the qualitative statements in the report are consistent with other reported information and other existing evidences. We have presented all information in the report in a way to allow reader seeing positive and negative trends in terms of performance year by year. We continue to prepare more detailed reports every year.



Our report includes the level of information that might be requested by our stakeholders, while avoiding excessive and unnecessary details. Our stakeholders can easily find the specific information they want through contents, maps, links or other assistances within the text. The information in the report, including the ones with specific accessibility needs such as different abilities, language and technology, are open to access for use of our stakeholders both in printed and electronic format in Turkish and English.

We have included much information in the report in a way to compare between years. For comparison purposes, our previous reports can also be accessed from our corporate web site. In this report, we made the sustainability performance of DeFacto available for comparison with appropriate comparison criteria. Nonetheless, prior subjects, boundaries of subjects, length of reporting period or the major differences between the reporting periods in information list within report are also definable and explainable.

As DeFacto, we have reported the information used in preparation of this report by collecting, recording, compiling and analyzing the information in a way to allow the information and processes to be examined, and quality and importance of information to be specified. Within this framework, original resources for all information in the report are clear and we are ready to provide reliable evidences to support our assumptions or complex calculations. In the report, the information obtained from original data or information owners, whose accuracy can be proven within the acceptable error margins, have been specifically represented. The information in the report is declared relatively earlier for reporting period 2020, because the Covid-19 Pandemic breaking out at the beginning of 2020 hindered our reporting works. The information in the report clearly shows the related period, the dates of latest updates, and separately defines the revisions on previous explanations together with re-declaration reasons.

This report has been prepared in accordance with GRI 2020 Standards: “core” option. In determining the content shared in our report, we have utilized the prioritization implementation in line with the principles recommended by GRI Standards. In this report, we used the protocols that are generally accepted for compilation, measurement and presentation of information, including the information required by GRI Standards. Besides, in line with our continued commitment to UN Global Compact Principles, which had been signed by us, we have also involved the improvement information. Like in the previous years, you can access DeFacto 2020 Sustainability Report and our reports for previous years through our corporate web site anytime. For your suggestions, comments and questions regarding our sustainability performance and implementations, you can reach us from sustainability@defacto.com.tr e-mail address.

CEO's Message



We have a responsibility to leave a better world to future generations than we have now.

Dear Stakeholders,

The pressure of the increasing population on the world's resources, climate change, frequent natural disasters and the global health crisis that left its mark on 2020 on a global scale; It gives important and strong signals about the future of our world. We closely and meticulously follow the changes brought about by these effects on the ecosystem, and act with the awareness and awareness of how important it is to contribute to the rhythm of the natural cycle. Undoubtedly, the only concept we need to focus on with this awareness and awareness is "sustainability". We have a responsibility to leave a better world to future generations than we have now. We have to carry out all our activities on this axis and contribute to our planet. Unfortunately, we don't have any more time to waste for this.

As DeFacto, we contribute to sustainable developments both in our country and in all countries where we operate, within the framework of the responsibilities brought by our founding philosophy. The goals pointed out by the United Nations Global Compact are at the heart of our sustainability strategy, which we consider multidimensionally. We had the opportunity to experience the accuracy of our work, which we shaped in line with these goals, in the extraordinary process created by the COVID-19 pandemic, which started in China and spread all over the world.

The year 2020, in which we deeply felt the social and economic effects of the pandemic in every field, left traces in almost every sector. Thanks to our flexible and agile structure, our preparedness for risks, our digital competencies and our financial strength, with the support of our valuable business partners and our human resources of 15,000, we have accelerated our sustainable growth by successfully ending 2020 despite all the adversities.

In order to contribute to the nationwide fight against the pandemic, we started the production of the clothes they need for our health-care workers. Again in the same period, we contributed to the society by producing 1 million masks in the most urgent way. One week after the first case was seen in Turkey, we closed all our stores and had a closure period of 2 months. Thanks to the power of our digital infrastructure and our e-commerce investments, we quickly implemented our crisis action plans and ensured continuity in our business. While our e-commerce volume increased in this period, we hosted 132.5 million visitors in our online sales channel. Despite the difficult conditions brought by the pandemic, we continued our steady growth under the guidance of our passion for merchandising, and in 2020, we reached 486 in the number of stores with 302 franchises in the country, 153 abroad and 31 franchises. We have served more than 156 million customers in our stores in line with our standards focused on superior service and customer experience. On the other hand, we contributed to our industry and our country's economy with our 'Life Suyu' project, which covers an order of 900 million TL in order to protect our suppliers. During the controlled normalization period, we reminded our beloved customers that the return to social life should not make them forget the measures with our 'Stay Safe' collection. On the other hand, we continued to produce the technology we will need in our DeFacto Technology company and to continue our work in line with our R&D vision. With the awareness that "digitalization" is one of the most important components of sustainability, we have given our due to being a company that produces not only fashion but also technology.

We continued our zero waste, circular economy, reduction of inequalities, gender equality and corporate social responsibility projects in 2020, in which we created value for our environment, our world and the society we live in within the scope of our sustainability-based production and management model. I would also like to underline that we are one of the first two brands to sign the United Nations Global Compact in our industry, and as a signatory to the United Nations Women's Empowerment Principles (WEPIs), we have demonstrated our determination in these areas.

As DeFacto, we create awareness in the society with our sustainable products, collections and communication methods, and we take responsibility for creating a collective consciousness while raising targets for the future.

We would like to thank our dear colleagues, valuable customers, suppliers, business partners and all our stakeholders who support our company's sustainability activities for their valuable contributions, and we are happy to share the DeFacto 2020 Sustainability Report with you.

Love and respect,

İhsan ATEŞ

DeFacto CEO

SUSTAINABILITY TARGET TABLE

STRATEGY AND GOVERNANCE, OUR 2020 TARGETS AND THE ACTIONS WE HAVE TAKEN

- In 2020, we aimed to make DeFacto brand stronger for all our stakeholders.
- Our brand is our core value that specifies our commitment to our customers and our perception for them.
- Due to the perception and values represented by our target to strengthen our brand worldwide, that target creates a driving force in developing our performance in every field.
- **Our Values:**
 - We think differently and go fast.
 - We stay close to the customers.
 - We achieve more with less effort.
 - We march shoulder to shoulder and work with passion.
 - We are sensitive to environment and human.



PRODUCT LIABILITY AND CUSTOMER SATISFACTION, OUR 2020 TARGETS AND THE ACTIONS WE HAVE TAKEN

- In 2020, in terms of product liability, we aimed to develop much more for our purpose of being a sustainable brand for our customers, our fundamental stakeholders.
- In all our operations, even in case of a minor doubt that an operation will cause adverse outcomes in terms of environment, we have taken all preventive measures instantly.
- With e-commerce operations and experience shopping, we have increased our retail sales.
- We are guaranteeing consumer health by subjecting our products to tests and controls.
- In physical Test Laboratories, we perform fabric finished product analyzes such as color fastness tests, pilling, size constancy and strength tests.
- In 2020, our customer complaint rates reduced down to a very low value: %0.90. And with such rates, in Sikayetvar.com web site's Sixth "A.C.E. Awards", an award that became an industrial standard in our country, where the brands that offer the best customer experience are rewarded, we were awarded in Diamond category, Ready-Made Clothing sector.
- After formation of CRM & Data Directorate and administration being handed to CRM & Data Directorate in 2020, Customer Service Department under E-Commerce directorate has shifted from Customer Services to Customer Experience management and taken a proactive role. While being a department that only solves problems, it has become a department that detects the source of the problem with customer feedbacks and takes a role in solution, a department that is pioneering and supporting in creating customer-centric actions by coming together with relevant stakeholders even in insignificant feedbacks.
- While revising the processes, Customer Experience department was also at the first place in Sikayetvar.com's 2020 Ready-Made Clothing C-Segment Customer Experience Index.
- As of 2020; with our 1.98 million Facebook, 2.79 million Instagram, 188 thousand Twitter, 67 thousand YouTube and 20 bin TikTok followers, we have a strong existence in social media.
- In 2020, there has been 132.5 million visits in our online sales channel.
- We have started to implement disabled cash desks in our 12 stores and we have two disabled dressing cabins in 138 of our stores. And we have wheelchair ramps in the entrances of 69 of our street stores.

OUR 2020 TARGETS AND THE ACTIONS WE HAVE TAKEN IN SUPPLY MANAGEMENT

- In 2020, one of our targets was increasing the sustainability of our suppliers, which are also important stakeholders
- With Lifeline Project, in order to support economic sustainability of suppliers during Covid-19 Pandemic, we have provided a LIFELINE payment to whole supplier ecosystem.
- Through our worldwide sales operations and expansion in new geographical regions, we have increased our incomes.
- A significant part of orders placed in 2020 summer/spring seasons and a part of orders placed in 2020 autumn/winter seasons have been selected from the collections of our suppliers.
- We believe that our agile actions for supply management have strongly contributed to our targeted and realized annual growth rates. In 2020, we have built and developed our business relations with 617 suppliers. 538 of those are Turkish suppliers, while 79 of them are foreign suppliers. Among these 617 companies, one of our biggest suppliers is our affiliate Ozon Textile.
- Within 2020, 48% of our all orders placed for production has been manufactured by our Gold suppliers. While 87% of companies in our supplier pool are Turkish companies, 93% of our orders has been produced by our Turkish suppliers, while 7% has been produced by our foreign suppliers.



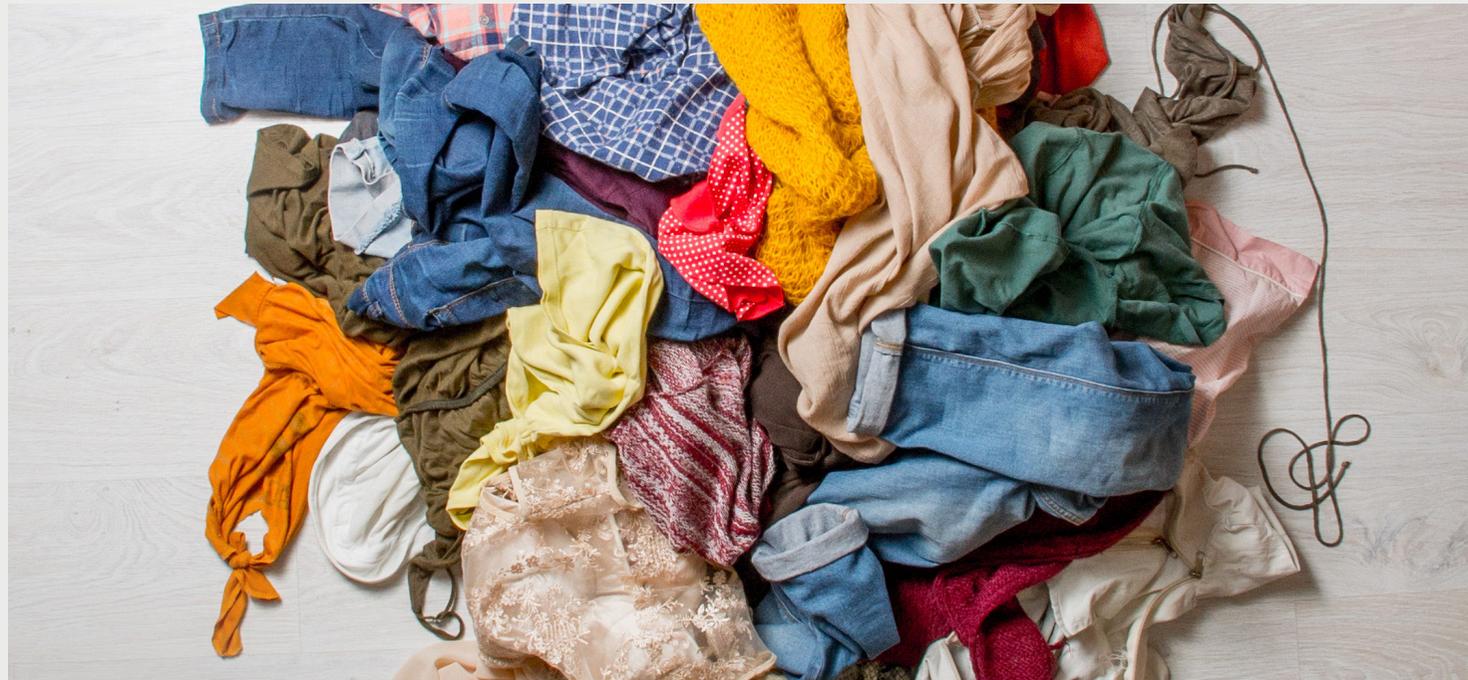
OUR 2020 TARGETS AND THE ACTIONS WE HAVE TAKEN IN ENVIRONMENTAL SUSTAINABILITY

- In 2020, Environmental Sustainability has been one of our basic sustainability perspectives and we have shown a superior performance in this subject.
- While creating our collections with our Environmental Sustainability focus, we aimed to reduce the carbon footprint of products with environment-focused products.
- Environmental sustainability is a part of environmental assessment in supplier selection process.
- Environmental Sustainability is a focus in Awareness and Volunteering activities.
- We have adopted a Zero waste target in waste management.
- Although the number of our stores has increased, with our productivity works, we managed to decrease our stores' energy density. While being 161.7kWh/m² in 2019, our stores' annual electricity consumption per year decreased to 141.06 kWh/m² in 2020 period. We achieved a 37% decrease in electricity resource consumption in 2020 comparing to 2015.
- Within the scope of wastes, in 2020, the total waste paper amount in General Directorate has been 24,900 kg. In 2020, in analytic laboratories, the total amount of laboratory chemicals consisting of hazardous substances including laboratory chemicals mixtures or including hazardous substances has been 4,403 kg, while the total amount of packages including residues of hazardous substances or contaminated with hazardous substances has been 757 kg. And in 2020 in physical laboratory, total amount of recycled textile waste has been 10.56 tons and total amount of environmentally benign waste water has been 42 tons. In 2020, the total amount of disposed hazardous wastes has been 12 kg, total amount of recycling or recovery has been 40,020 kg; while total amount of non-hazardous wastes sent to recycling has been 77,236 kg.
- As DeFacto, in line with our target to reduce the use of water for contributing to sustainability of global water resources, we have saved 9,700 tons of water for 1,220,000 sustainable products in 2019; while saving 7,700 tons of water for 770,000 sustainable products in 2020. Therefore, the water saving, which was 7.95 liter/pce for one product in 2019, has been 10 liter/pce in 2020, achieving a 26% development in last year.

OUR 2020 TARGETS AND THE ACTIONS WE HAVE TAKEN ABOUT OUR EMPLOYEES

- In 2020, we have also targeted an advanced sustainability performance about one of our important stakeholders, our employees.
- The trend of increase in the number of our employees is one of the fundamental factors reflecting our rapid growth in sector: As of 2020, the number of our employees reached to 12,943.
- Due to our young and dynamic structure, a qualified part of our employees consists of "Y generation". 70% of our employees in Turkey, and 82% of our employees abroad are younger than 30 years old.
- In 2020, the rate of woman employees has been very high: 57% in DeFacto Turkey, 54% in abroad operations. In 2019, the rate of woman executives in middle and top management in Turkey and abroad had increased to 26% with two points increase; while the same rate has increased to 33% with seven points increase in 2020.
- In Ozon Textile, where the majority of employees are Blue Collar employees; in 2019, the rate of woman employees had increased by two points and reached 40%, and that rate has not changed in 2020.
- The number of our disabled employees was 179 in 2017, which has increased to 211 in 2018, 214 in 2019 and 217 in 2020. As of 2020, Ozon Textile has 19 disabled employees.

- In 2020, we have organized a total of 150,785 hours of training in DeFacto Turkey and DeFacto abroad operations. This way, the total amount of training per person has been 12.98 hours. 9,005 of our workers has participated in these trainings, this way we have obtained a 86% participation rate.
- In 2020, we have given a total of 41,020 hours of OHS Training to our personnel; where 9,638 hours to DeFacto domestic store personnel, 14,740 hours to General Directorate personnel, 2,152 hours to DeFacto Technology (Technopark) personnel and 14,490 hours to warehouse personnel. And for Ozon Textile employees, we have given a total of 11,216 hours of OHS Training.
- In 2020, 70% of our employees has participated in satisfaction surveys. In these surveys, it has been observed that commitment and motivation rates have increased comparing to last two years.



OUR 2020 TARGETS AND THE ACTIONS WE HAVE TAKEN ABOUT COMMUNITY DEVELOPMENT

- As DeFacto Brand, we have aimed to contribute to a sustainable future for all our stakeholders in terms of community development in 2020.
- Thanks to the Messengers of Happiness Group (Mutluluk Elçileri Grubu [MEG]), which is our Community Development initiative, our employees get the chance to develop projects in their own sensitivity fields and express themselves in those fields. Within five years, totally 62 activities and 8,418 hours of voluntary works have been done with participation of 3,338 employees
- As DeFacto, we have built a strong communication mechanism with all our stakeholders based on interaction with #evdekal #güvendedekal #hayatgüzeldir #tersineçevir #lifeisbeautiful tags through our Social Media channels.
- In DeFacto, we approach very sensitively to ethical matters.
- Our ethical principles are clearly defined and implemented without compromise.
- For violations of ethics, anonymous feedback mechanisms have been carried out for a long time.
- All our value chain is being monitored with continuous and regular supervisions on social cohesion and ethics matters. Our defined red lines are implemented sensitively and without compromise, while required preventive and regulatory measures are rapidly taken.
- There is no room for gender apartheid or any kind of apartheid. For sustainability of employment of women in business life, we implement a positive discrimination to our woman employees in social and economic subjects.
- In awareness and social motivation activities for our employees, social sustainability is an important focus. With diversity and corporate social responsibility initiatives, DeFacto employees make a major contribution to social sustainability.



DeFacto

STRATEGY AND GOVERNANCE



DeFacto From Past to Today

Basic operations of our company are production, trade, purchasing, wholesale and retail sale, import and export of ready-made clothing products such as t-shirts, s-shirts, shirts, trousers, jackets, suits, top coats, overcoats, coats, skirts, blouses, dresses, and accessories such as hats, shoes, socks, bags, wallets, belts, jewelry, cosmetics, sunglasses, scarves.

DeFacto has an extensive collection in women's and men's clothing products including casual wear, business wear, special occasions, denim, outdoor, underwear, pregnant and sportswear, as well as child and baby collections. DeFacto also has a wide shoe and accessory collection in its product portfolio. Company's products offer the possibility of one-stop-shop, which allows meeting (women, men, young, baby) wear, accessory, shoe, bag and cosmetic needs of customers from a single outlet with its products that are under four basic categories in terms of all clothing, shoe and accessory series: (i) Basic Products, (ii) New Basic Products, (iii) Accepted Fashion and (iv) New Fashion Products.

DeFacto conducts sales of its products through four basic sales channels. While its main sales channel is retail, there are also DeFacto Stores that are operated as franchise abroad, which provide the opportunity of strengthening the international presence of DeFacto together with its strategic partners. In order to strengthen its presence in regions where there are no retail or franchise sales, the company also includes domestic or abroad multi-brand stores through wholesale channel. And finally, it conducts the sales of its products through its own e-commerce platform on www.defacto.com.tr and www.defactofashion.com addresses and leading Marketplaces with its mobile application. The number of our stores, which have exponentially increased in years, is an important and objective indicator of customers' admiration. Continuing to grow in 2020 reporting period, total number of DeFacto stores reached 486 with 302 domestics, 153 abroad and 31 franchise stores; while the number of its customers went beyond 156 million. We continue our sales operations with e-commerce platform that can be accessed through www.defacto.com.tr and www.defactofashion.com addresses, mobile application that can be accessed through IOS and Android Platforms, and franchise and wholesales channels.

By taking these operations outside Turkey as well, we feel the justified proud of serving in an extremely big region. We build our growth strategy primarily on MENA (Middle East and North Africa) and CIS (Commonwealth of Independent States) regions. Besides Turkey, we proceed on our way in 35 countries: TRNC (Turkish Republic of Northern Cyprus), Afghanistan, Albania, Azerbaijan, Belarus, Bosnia-Herzegovina, Bulgaria, Algeria, Dagestan, Armenia, Estonia, Morocco, Palestine, Georgia, Iraq, Qatar, Kazakhstan, Kyrgyzstan, Kosovo, Lebanon, Malaysia, Egypt, Moldova, Uzbekistan, Romania, Russia, Serbia, Tajikistan, Tunisia, Ukraine, Oman, Jordan.

Our target to make DeFacto a global brand and bringing our "accessible fashion" commitment to everywhere in the world provides a strong and continuous motivation for us to create new growth and success stories. In the future we aim to grow in categories that offer opportunities, such as home wear, child-baby wear, business wear, underwear, sportswear and oversize wear; increase the number and areas of our stores in Turkey and abroad, develop our e-commerce capacity and operate in new countries. While realizing these targets one by one, we take creation of a globalization model that adapts to local conditions, digitalization in operations, focusing on customers in the internet world as our main focus areas.



DeFacto Brand

Our brand is our most fundamental value that specifies our value commitment to all our stakeholders, primarily our customers; and their perception about us. Due to the perception and values represented by our target to strengthen our brand globally, that target creates a driving force in developing our performance in every field.

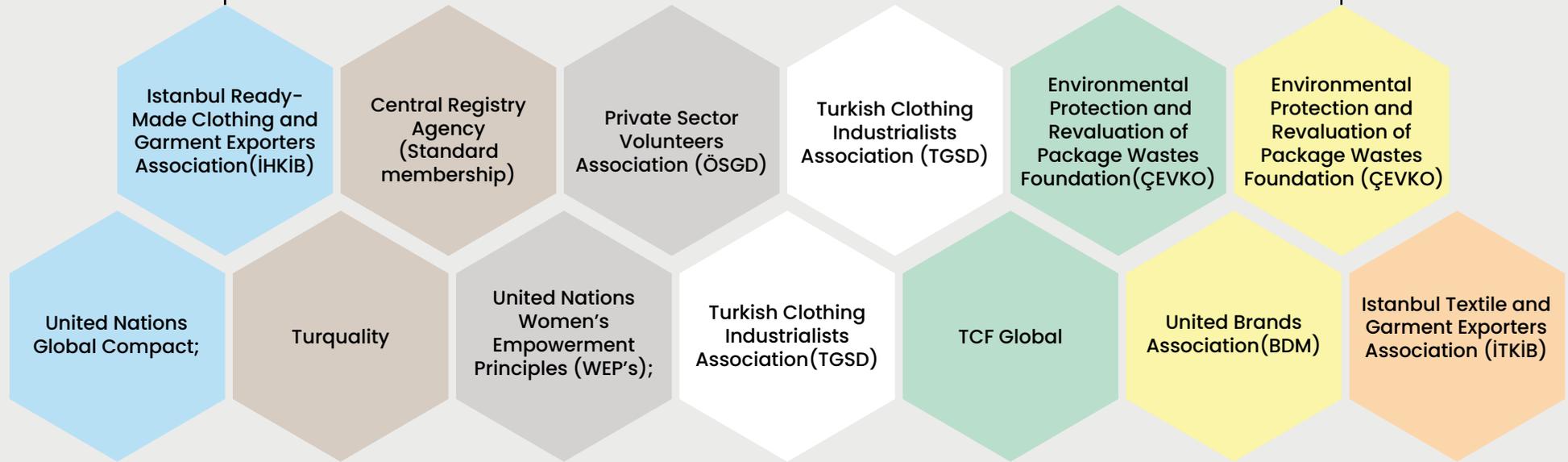
With experienced design team and cooperation, we add designs that are in harmony with global trends to affordable and quality products. With our creative marketing strategies and our design office that offers significant added values in terms of an innovative perspective, we produce designs that are suitable for all countries we operate in. As a brand, we think differently and go fast. We stay close to our customers. We achieve more with less effort. Taking environment and human to our focus, we march shoulder to shoulder and work with passion.



Ozon Textile

We conduct our certain production operations in Turkey through our 100% affiliate Ozon Textile. Being one of the biggest suppliers of DeFacto, Ozon Textile continues to operate in its factories in Sivas and Batman. Conducting cutting, sewing, printing and ironing-packaging processes in Sivas Factory in an integrated manner, Ozon Textile has been among the most rapidly growing industrial companies in Turkey. Besides DeFacto productions, Ozon Textile also carries out productions for brands such as Primark, Promod, JP Penney, C&A, Laura Ashley and THG within the scope of export.

Corporate Memberships and Signatures



Ozon Textile



DeFacto believes that the biggest sources of motivation in the road to achieving its goals are interaction with stakeholders, supporting suppliers and revealing the energy and talent in its employees. Therefore, DeFacto aims to work in a way that will provide benefit to the whole ecosystem it resides in. DeFacto's fundamental values, which are required to achieve these goals and manage change are defined in a way to cover these perspectives:

We think differently and go fast

We think out of the box.

We believe that there are always new things to learn and create innovative ideas for getting better

In order to achieve our goals, we conclude our works in the most effective and rapid way

We stay close to the customers

In all our businesses, our focus is the happiness of our customers. We fully understand the expectations of our customers, predict their future needs and resolve their problems effectively and rapidly.

We achieve more with less effort

While achieving our goals, we act with cost-benefit awareness. Plain Quality, simplicity, efficiency.

We march shoulder to shoulder and work with passion

We value each other's opinions and approaches, and work in cooperation towards the same goal. In order to succeed, we work with passion. Our energy and motivation dazzles.

We are sensitive to environment and human

We direct our awareness on climate change and environmental impact to decreasing our footprints and increasing our handprints. We show respect to different cultures and beliefs.

Growth with Big Leaps

By sustaining think differently and go-fast value, we focus on businesses that will provide growth that is bigger than the normal growth rate.

DeFacto

VISION

We will become a fashion brand that will make people say "Wow!".

MISSION

For happiness, we make luxury accessible.

OUR VALUES

We think differently and go fast.

We stay close to the customers.

We achieve more with less effort.

We march shoulder to shoulder and work with passion.

We are sensitive to environment and human.

Globalization

Providing the (innovative) services that will meet and when necessary, exceed the expectations of customers in 5 continents, 94 countries, 1500 stores, with same targeted global standards, also pursuing the local needs; being an organization where the majority of people embrace diversities, which is open and is able to adapt to change, deciding with a global perspective. Together with above, we will work to offer our products (80% global, 20% local) according to customer needs, understanding the customers and respecting local cultures.

Digitalization

Instead of having an IT infrastructure that is not integrated, digitalization is the process of turning digitalized resources into new incomes, growth and operational results that will add value to the company. In other words, digitalization means developing new business models, bringing information, resources and digital technologies together with new combinations and creating unique customer experiences, making new products and services possible, and applying technology to these resources for using the company resources much more effectively.

We will conduct our business processes with digital transformation. In DeFacto, we aim to develop digitally-equipped processes. For example, using online tools such as Microsoft Teams, we have brought the working environment into digital environment. In addition, using artificial intelligence tools in decision-making processes, we have digitalized product prediction and budgeting processes.

Customer Orientation

We define our customers (internal and external customers), understand them and direct all our processes and decisions in a way to meet their needs (and even exceed the level of their expectations). We make our designs, product fits according to customer expectations, not according to our own tastes. In social media and every field of digital world, we provide visibility with an innovation each week. We offer the diversity and innovations to our customers that make them think "I must go to DeFacto" each time they go out for shopping. We are transforming into a «digital customer-oriented» company that can transform the information obtained by recognizing the existence of customers in all sectors in digital world and being closer to the customer into high-performance products successfully.

For understanding our customers and serving them, we use big data analysis. With 52-week innovation and price themes, and with the spread in stores and 52-week in social media, we offer dynamism to customers in digital world. We will become distinct in customers' minds with innovation.



Goal and Scope:

- Creating DeFacto-wide strategic business partnership awareness;
- Building sustainable, transparent and win-win relations with strategic suppliers;
- Managing capacities effectively and productively;
- Collection support from strategic suppliers;
- Realizing the target purchases from specified strategic supplier based on buyer group;
- Realizing 65% of total purchases through strategic suppliers;
- Aligning on time delivery to the 85% target.

The company aims to have a cost structure that supports rapidness, innovation and flexibility with its successful strategic cooperation.

Flexible Supply Strategy

- With Ozon Textile, production branch of DeFacto, and other strategic suppliers, vertically integrated supply and production operations;
- In order to keep up with rapidly-changing fashion trends in the world, increasing domestic supplier share each year:
 - Closeness of suppliers to store network;
 - Shorter delivery time;
 - Higher production quality requirements;
 - Cost Reduction (lower logistic and tax expenses).

Future Plans

Thanks to the flexible supply strategy, global developments can be followed and potential risks can be managed:

- International supply network that is predicted to grow with International Distribution Center network that is planned to be expanded;
- Possibility of direct shipment to abroad stores for decreasing costs and shortening delivery time;
- Effective management of potential risks on taxing and sustainability of quality in production;
- Taking advantage of quality textile production in Turkey that is well-accepted by international clothing retailers.

Effective Cooperation Developed with Strategic Suppliers

Cooperation is made with strategic suppliers that have sufficient capacity and competence for reaching required supply capacity:

- We are making common plans with suppliers in order to use the capacity efficiently;
- We make yearly capacity allocation agreements with suppliers for effective management of supply and production calendar;
- We are working with more than 200 suppliers for preparing design samples and closely following the developments in global market;
- Long-term targets;
- Obtaining sufficient supply capacity in competitive clothing market of Turkey;
- Putting products on market rapidly;
- Preserving quality standards while reducing the costs;
- Sustainable and ecological production that is sensitive to environment and society;

Long Term Goals

- Ensuring sufficient supply capacity in Turkey's competitive clothing market;
- Quick launch of market the product;
- Reducing costs while maintaining quality standards;
- Sustainable and ecological production that is sensitive to the environment and society.

One-Stop-Shop

We will ensure that our customers can meet all their clothing, accessory and cosmetic needs from DeFacto stores. We bring street fashion into our stores. We make DeFacto a brand that known with its basic products as well as its close relation with fashion.

Led by the groups that grow rapidly, such as women and children, we ensure continuous development and growth in

every segment. With innovations in our products and processes, we understand the expectations that cannot be expressed by customers and offer the right products without before they demand for them. We make continuous improvements on transition period products and try to provide sufficient diversity for each division.

And we will make our stores suitable for “you” and for this. We will increase our current area for exhibiting all collections under DeFacto brand in the most efficient way. For being in the right locations, we will make optimizations in our existing stores, close our small and inefficient stores, and open big and efficient stores.

For developing one-stop-shop perception, we take advantage of e-commerce channel and omnichannel opportunities

Country-Based Right Product, Right Price, Right Time

We try to be the brand that offers the right products which make people say WOW in terms of Price & Fit & Fabric & Design, and which can be used by everyone in every place. We analyze all regions in which our stores are located, and we try to offer the products expected by customers in each store according to clustering features, with the prices that meet their expectations. We plan the orders with right amounts that meet the expectations of customer and improve our stock cycle rate.

Rapid Supply and Logistic Network

In order to offer the right products in the right time with prices that make our customers say WOW and to meet their demands, we build strategic partnerships with our suppliers and other business partners. While developing our business, we also develop our business partners, create environments in which they can develop us, and we work closely with them. We develop mechanisms that allows us to take advantage of know-hows of our business partners and employees, and that allows more cooperation. With supplier cooperation, we aim to increase our production speed and on-time performance, and purchase the significant part of our collection from suppliers. Creating trust-based processes, managing the capacities proactively, we develop win-win business models where we build intense relationships:

- Obtaining sufficient supply capacity in competitive clothing market of Turkey
- Putting products on market rapidly;
- Preserving quality standards while reducing the costs;
- Sustainable and ecological production that is sensitive to environment and society.

Expense Management and Productivity

We focus on increasing the productivity of our processes and we constantly keep our operational expenses under control.

Development of Agile Organization and Data-Driven Culture

In order to reach our targets, we focus on transforming our organization structure in a way to operate agilely and creating a culture that bases the decisions on data.

In order to keep up with rapidly-changing fashion trends in the world, increasing domestic supplier share each year:

- Closeness of suppliers to store network;
- Shorter delivery time;
- Higher production quality requirements;
- Cost Reduction (lower logistic and tax expenses).

DeFacto



Future Plans

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Effective Cooperation Developed with Strategic Suppliers

Cooperation is made with strategic suppliers that have sufficient capacity and competence for reaching required supply capacity:

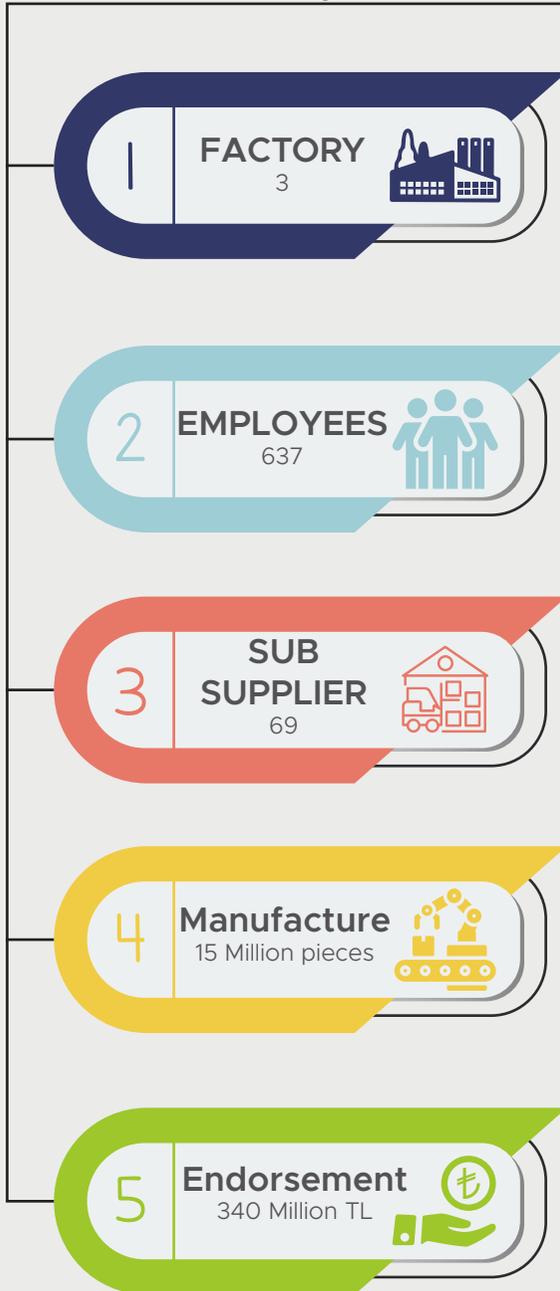
- We are making common plans with suppliers in order to use the capacity efficiently;
- We make yearly capacity allocation agreements with suppliers for effective management of supply and production calendar;
- We are working with more than 200 suppliers for preparing design samples and closely following the developments in global market.

Long-Term Targets

- Obtaining sufficient supply capacity in competitive clothing market of Turkey;
- Putting products on market rapidly;
- Preserving quality standards while reducing the costs;
- A sustainable and ecological production that is sensitive to economic, environmental and social impacts.



Ozon Textile by Numbers



Defacto by Numbers



DeFacto

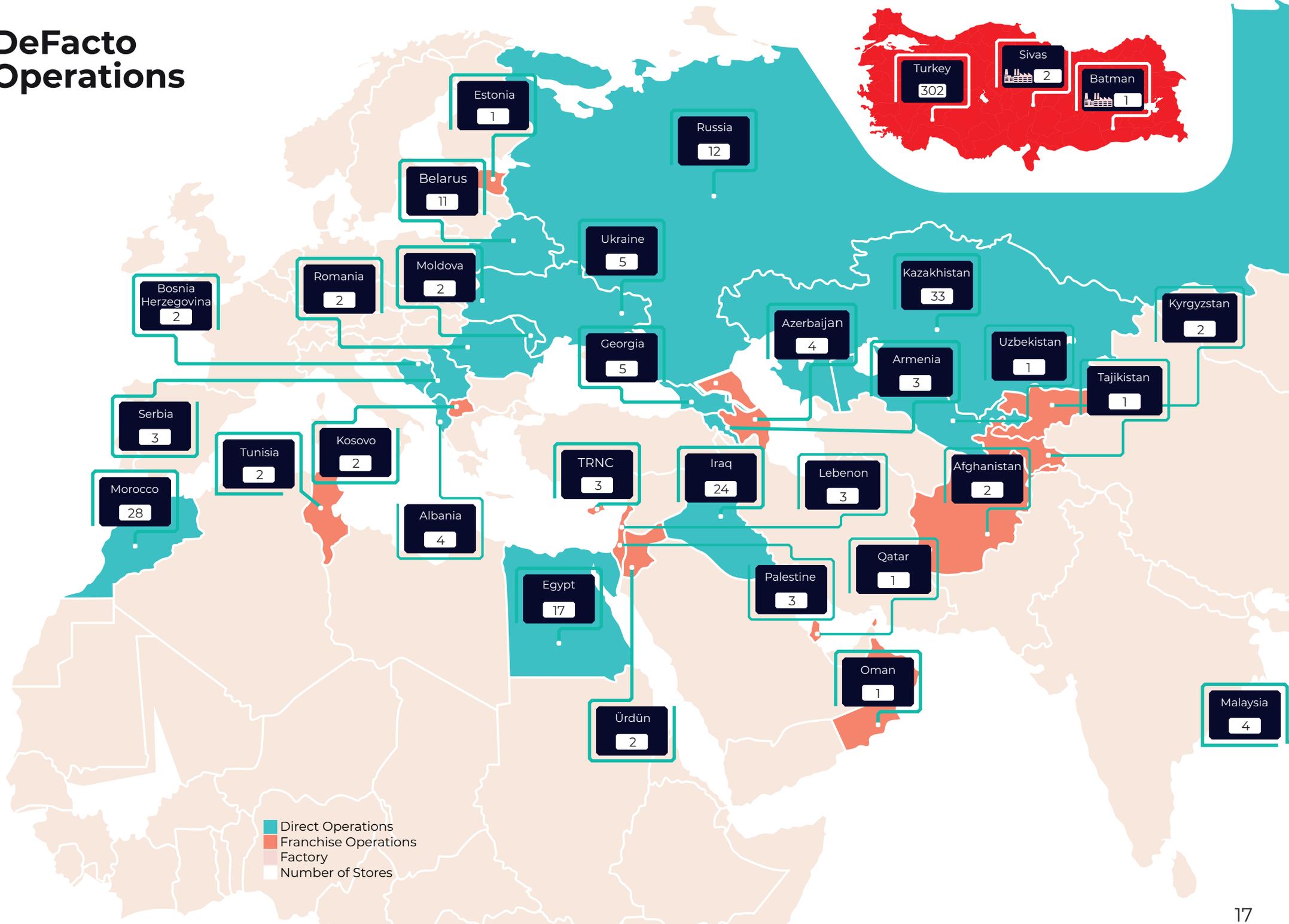
NUMBER OF DEFACTO STORES (NUMBER)



DEFACTO STORES NET SALES AREA (1000m²)



DeFacto Operations



Corporate Governance

The rapid operational growth we, as DeFacto, realized in a very short time necessitated a management organization that supports this growth in every aspect. In line with this basic requirement, we have structured the concept of corporate management as well as globally accepted principles in our structure. We have equipped our governance model with strong mechanisms that support our value creation target for all our stakeholders from Board of Directors to operations.

DeFacto Board of Directors consists of six members and CEO is affiliated to Board of Directors. Being responsible for execution, CEO is appointed by Board of Directors and is liable for realization of the strategies specified by Board of Directors. CEO realizes this role with the affiliated top management team. Board of Directors is also responsible for monitoring the sustainability performance that covers economic, social and environmental subjects. Strategic trends about these fields are specified by Board of Directors, while sustainability implementations in different subjects are handled and realized in operational level by other departments.

We have been signing Global Compact principles since 2014 and these principles are being meticulously implemented in all our processes.

Policies are prepared in line with the strategies of company and in all our operations shaped in line with these policies, compliance with laws, regulations and environment is pursued. All decisions in this direction are documented and announced to the whole company.

Due to our Corporate Management concept, we reflect all our goals in strategic context to the field with tactical frameworks. Field domination is one of the most important priorities of DeFacto in terms of Corporate Management. For example, in supply management excellence subject, which is a strategic goal, within the scope of products' quality and ecological test standards, KKDİK (Regulation on Registry, Evaluation, Permission and Restriction of Chemicals) in Turkey, and in line with customs regulations of countries that use REACH Annex VII and OEKO-100 standards as base abroad, chemicals are being tested and inspected in our accredited laboratories, and the final decision for sales of product is given. And outside the borders of Turkey, we prepare our products in accordance with DeFacto quality standards evaluation guide

And thanks to our on-site customs clearance operations within the scope of our "On-Site Customs Clearance Permission in Exports", it is possible to perform customs operations of export goods directly in our facilities and those goods can be shipped directly to customs office at the border without the need of shipment to domestic customs. This way, our export operations are faster and more cost-effective. In addition, with delivery of orders without delay, especially our abroad supply management became more fast and more sustainable.

DeFacto is a company with the vision of "being a global fashion brand" that comes to the for front with an innovative, phygital and dynamic perspective and that has adopted the principle of "continuous development". By offering its products to all its customers in all its international sales channels with affordable prices, with varieties that are suitable for every moment of the day, at the right time and with expected quality, DeFacto commits to continuously add value to its employees and all its other stakeholders. While designing its processes in the ecosystem it resides in, DeFacto aims to surprise everyone with its sensitive approach to the environment and human.



Business Continuity & Information Security

Business Continuity

A significant part of our Corporate Risk Management concept consists of our business continuity concept. As DeFacto, we specify all possible threats that have the potential of preventing continuity of customer satisfaction or operations and eventualize the implementations that will minimize or completely eliminate such threats. Within the framework of managing business continuity within a certain frame and methodology, DeFacto Business Continuity Management System has been accomplished. Our system has been earnestly implemented in 2020.

With our Business Continuity Management System, we aimed to:

- Protect “human”, our most valuable resource;
- Determine and test potential emergency scenarios for ensuring continuity of critical processes;
- Strengthen our strong relationships with our suppliers more and minimize the possible service breakdown risks;
- Normalize business and information technology processes, which can be interrupted in possible crises, with minimum possible loss;
- Ensure continuity of information systems with information security policies from emergency centers.

Information Security

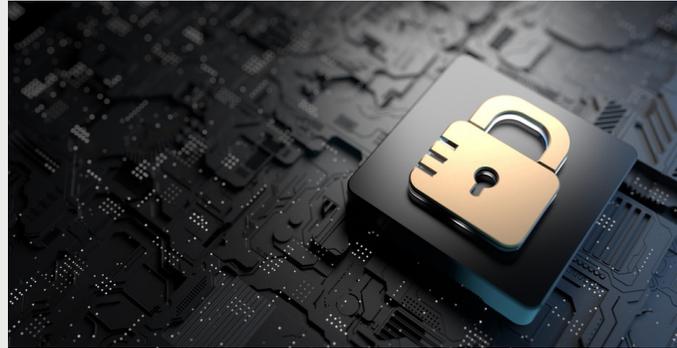
The matter of ensuring security of the data of our employees, customers and suppliers is a priority for us, which is monitored within the scope of risk management system. DeFacto Information Security Management System has been created in line with ISO 27001:2015 standard.

With our Information Security Management System, we aim to:

- Manage information security risks within the scope of DeFacto Corporate Risk Management;
 - Trust our employees and make their jobs “safe” and “continuous”;
 - Support decision-making mechanisms by making information precise, correct and accessible;
 - Provide access to information only by authorized people;
 - Continuously develop information systems and their components while securing change management;
 - Determine possible information security violation risks and cases, and eliminate them together with their root causes;
 - Keep the level of information security awareness of our whole organization high.
- Within the scope of information security works, information

technologies’ process risks have been evaluated and prioritized in 2020 too, and updates and improvements have been made in accordance with methodology. In addition, for privacy of customer information and personal data, we revise and also update the access rights to critical information; and we swiftly take necessary precautions in order not to harm security and integrity of these information.

Risk Management



The purpose of Risk Management is to complete the process designed for monitoring, controlling and following the (potential) risks exposed during DeFacto’s operations. Corporate risk management ensures defining the important risks of companies, evaluation of control processes, taking the right number of risks at the right time, managing these risks with appropriate processes and developing action plans for mitigating those risks to acceptable levels. As well as being a management and control function, corporate risk management has also become a legal necessity with new Turkish Commercial Law. This procedure also includes the responsibilities required for risk groups and functions to discharge for reaching CRM targets.

Merchandising Audit

It is responsible for checking compliance of financial, administrative, technical and executive operations’ results, all records, assets and personnel to legal regulations and company policies, procedures and guidelines in all domestic and abroad DeFacto Perakende Ticaret A.Ş. stores, correction of non-standard implementations detected, pre-definition of factors that bear risk and taking precautions, minimizing company assets’ loss rates, and improving and developing general directorate processes specified in stores.

Retail Audit

Previously operating as Merchandising Audit Department and evolving according to company’s vision and strategies,

changing impact area and organization structure as of 2019; Retail Audit Department is responsible for reporting and checking compliance of sales channels and relevant departments within DeFacto Perakende Ticaret A.Ş. to company policies, procedures, guidelines and legal regulations, and following the actions to be taken by process owners for the purpose of developing and adding value to company’s operations. In 2020, within the scope of Retail Audit operations, on-site store audits, remote store audits and online sales channel audits have been performed. Within the scope of country-specific traveling restrictions and precautions against transmission risk due to the Pandemic that exhibited a big impact worldwide, we could be able to perform 143 domestic and 26 abroad on-site store audits. Therefore, in our remote audits performed in addition to on-site audits for the purpose of strengthening the control environment in stores and ensuring its continuity, all our stores’ Cash Register Authorization Uses, Alarm System Installations and Cash Balances have been performed monthly, while Personnel Time Management Monitoring has been performed weekly. In addition, within the scope of remote audits, the status of implementation of the decisions made by Pandemic Committee has been checked with instant camera controls. And in online sales channels, where the focus of shopping has intensely shifted to, the findings determined regarding user experience and customer satisfaction were assigned to process owners and necessary actions have been taken.

Loss Prevention and Remote Monitoring Audit

Ensures protection of company’s assets by operating in cooperation with all departments of company, and increasing profitability of company by developing strategies that will reduce cash and physical losses. Takes actions for examination and investigation of internal irregularity cases in central warehouses and stores.

DeFacto’s constant existence and continuous functioning of its operations, decreasing the costs of possible losses, revenue and profitability stability, sustainable growth, exercise of corporate social responsibilities, adaption to legal regulations, being able to create the highest possible value for stakeholders are only possible by managing all kinds of risks we are facing in the sector properly and in accordance with company strategies. DeFacto Corporate Management Risk System has been created in line with this awareness and approach.

In accordance with Corporate Risk Management System, key risk indicators and actions of risks are monitored and regularly reported to Board of Directors by Risk Manage-



ment and Compliance Team. Within the scope of Risk Management, potential opportunities and threats, as well as strategic, financial, operational, compliance, reputation, information security and business continuity risks are evaluated. This way, it is aimed to provided direct data to DeFacto's decision-making mechanism. Within the framework of risk management system, among the fields that are monitored, there are traditional risk points as well as non-financial risk factors such as social, environmental, economic and ethical risks. One of the fundamental principles of our corporate management concept is legal compliance. Compliance management aims to swiftly adapt to regulative changes, meet the relevant implementation standards with DeFacto internal regulations, and form a basis for managing the compliance risks proactively. Risk Management and Compliance Team collects legal liabilities and sanctions on both domestic and abroad operations of DeFacto on an inventory and carries out compliance monitoring.

All critical matters and concerns received from our stakeholders are submitted to Audit Committee by Directorate of Audit, Risk and Revenue Protection. When necessary, Audit Committee can raise the matters to Board of Directors level. Guidance regarding critical matters and concerns are shared with Executives (implementation) and Directorate of Audit, Risk and Revenue Protection (supervision) by Audit Committee. Audit Committee is informed by Directorate of Audit, Risk and Revenue Protection regarding the latest status of the actions taken.

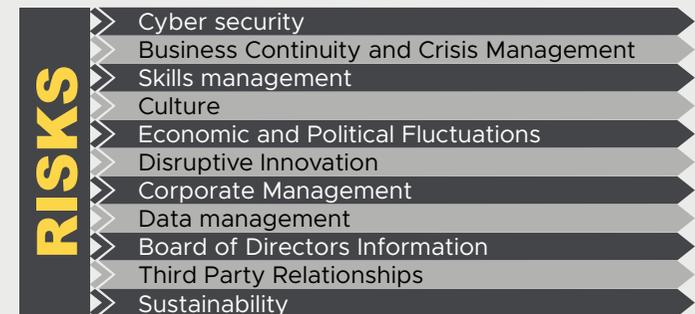
Corporate Risk Management Program

The aim of DeFacto Corporate Risk Management Program is to ensure creation of an environment where company-wide risks are defined, measured and the most appropriate responses are given for these risks with the most effective and productive techniques. DeFacto, takes threats, as well as opportunities into consideration during corporate risk management. Companies should integrate the operations that will allow considering also the risks related to the decision area into decision-making process in standard. For a successful Corporate Risk Management Program, it is important to build a dynamic structure. Each department and employee within the company is responsible for managing the risks in line with this procedure. While risks are being managed, all processes should be carried

out in accordance with this procedure. The company should analyze and define the risk mitigation, risk sharing (transfer), risk acceptance or risk aversion capacities. This definition should be in accordance with strategic targets and risk appetites of companies.

Risk management program develops based on DeFacto's corporate culture. In this context, all important risks should be specified, prioritized, associated with strategic and operational targets and evaluated. Risk assessment starts with the analysis of our company's sector and external environment, and assessment of intra-company departments' strategies and targets, and concludes with perception of threats and measurement of these threats in line with the risk appetite of company. Ultimately the risk assessments ensure company to make informed risk mitigation, sharing, acceptance or aversion decisions. The main factor that ensures success of risk management programs is the support of all DeFacto employees on creation and sustainability of a company culture with transparency and open communication. After deployment of Corporate Risk Management program, timely, open and transparent discussions regarding the risks will increase risk awareness in the company. Corporate Risk Management Program cannot be implemented against the requirements of legal regulations. In case Corporate Risk Management Program causes non-compliance with the requirements of legal regulations, the priority will be in favor of laws.

In 2020, we paid attention to below listed risks among the ones determined by The Institute of Internal Auditors (IIA):



We believe that DeFacto's constant existence and continuous functioning of its operations, decreasing the costs of possible losses, revenue and profitability stability, sustainable growth, exercise of corporate social responsibilities, adaption to legal regulations, being able to create the highest possible value for stakeholders can be possible by managing all kinds of risks we are facing in the sector properly and in accordance with company strategies.

With the Corporate Risk Management System, we built with this approach, critical risk indicators and actions of risks are monitored and regularly reported to Board of Directors



by Risk Management and Compliance Department. Within the scope of Risk Management, potential opportunities and threats, as well as strategic, financial, operational, compliance and reputation risks are evaluated. This way, it is aimed to provided direct data to DeFacto's decision-making mechanism. Within the framework of risk management system, among the fields that are monitored, there are traditional risk points as well as non-financial risk factors such as social, environmental, economic and ethical risks.

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Audit Committee is informed by Directorate of Audit, Risk and Revenue Protection regarding the critical matters and concerns. When necessary, Audit Committee can raise the matters to Board of Directors level. Guidance regarding critical matters and concerns are shared with Executives (implementation) and Directorate of Audit, Risk and Revenue Protection (supervision) by Audit Committee. Audit Committee is informed by Directorate of Audit, Risk and Revenue Protection regarding the latest status of the actions taken.

Governance

Governance is among the most fundamental subjects, to which DeFacto attaches importance without compromise, handling in both strategic and operational levels, deploying to the whole Company. The organ with the highest level of authority in governance is the Board of Directors. Board of Directors manages the governance function through CEO and Executive Board, through various committees via C-Level and Directors.

Tax Approach

DeFacto is aware that taxes provide a societal assurance, and with this responsibility, has a taxing strategy conducted in line with the principles of transparency, objectivity, ethicality, reliability and sustainability. Through the audits and controls of our Financial Advisors and Independent Audit companies, which also provide us domestic and abroad expert consultancy services, we have integrated this strategy into a robust structure.

Within the body of DeFacto Financial Affairs, our whole Financial Affairs team, particularly our tax department, work with cooperation in order to conduct tax processes properly and on time. In addition, all our financial processes in Turkey are controlled by our Certified Public Accountancy within the scope of Full Approval Audits, and by Independent Audit Companies within the scope of independent audits. And in other countries, necessary controls are carried out by our Public Accountants and Independent Auditors.

In all the countries it operates, DeFacto organizes its processes in accordance with Tax Regulation implementations of relevant country and acts accordingly. All our financial processes in Turkey are controlled financially and in terms of taxes by our Certified Public Accountancy within the scope of Full Approval Audits, and by Independent Audit Companies within the scope of independent audits. And in other countries, those controls are carried out by our expert Public Accountants that have full knowledge on country's regulations, and Independent Auditors.

By its investments, the employment it creates, and by fully meeting its tax-related and legal obligations; DeFacto provides a direct contribution to Country's Development.

All departments within DeFacto are in a working organization that is suitable for the specified tax strategy. Finance Department meticulously monitors tax-related implementations. In addition, all our financial processes in Turkey are controlled in terms of taxes and every aspect by our Certified Public Accountancy within the scope of Full Approval Audits, and by Independent Audit Company within the scope of independent audits. And in other countries, those controls are carried out by our expert Public Accountants that have full knowledge on country's regulations, and Independent Auditors.

Our tax approach involves fulfilling all duties in line with the principles of transparency, objectivity, ethicality, reliability and sustainability.

In order to minimize risk, all our processes are based on fully fulfilling our tax-related duties. Our Internal Audit department and our Ethics Committee reviews and controls all processes in Turkey and in other countries within our organization. In addition to this, Certified Public Accountancy and Independent Audit Companies perform all controls in order to preclude risks.

All our processes have been organized within the framework of compliance with tax regulations, and a robust structure has been created with the controls performed. All controls of our company, which is audited by our Certified Public Accountants and Independent Audit Companies, are separately performed.

By ensuring compliance with tax regulation, complete and timely fulfillment of tax duties and monitoring of all tax-related processes with Public Accountancy providing domestic and abroad tax consultancy services and with independent audit companies, we have built a transparent and reliable structure.

All our tax-related processes in Turkey and abroad are inspected and checked by Public Accountancy companies having full knowledge of relevant countries' tax legislations. They are also audited by Independent Audit companies. By getting inspections and controls for all financial processes monitored by our company's Financial Affairs department from our above-mentioned tax consultants, a reliable tax process has been created.

While fulfilling all tax-related and legal obligations, DeFacto works in harmony with Tax Administrations. Our Certified Public Accountants and tax experts providing consultancy service closely follow this process.

Within the framework of responsible taxation approach, DeFacto works with the responsibility of fulfilling all its duties and liabilities in order to contribute to country's economy and development.

Observing the benefit of all its stakeholders, our company has a transparent, reliable, ethical and sustainable tax approach. Via our Financial consultants regarding the taxes in Turkey and other countries, and via independent auditors within the scope of independent audits; we have created a structure that is open and transparent to all stakeholders.

Internal Audit

The purpose of our internal audit procedure is determination of creation, authorities and responsibilities of DeFacto Internal Audit Department, and the steps regarding the internal audit method to be implemented in audit operations. DeFacto Internal Audit Department is among the fundamental elements of company's Corporate Governance and Assurance Concept. It is responsible for planning, conducting and reporting intra-company audits, as well as coordination and adaptation of DeFacto audit operations in line with the accepted Internal Audit Standards issued by "Internal Audit Institute" (IIA). DeFacto Internal Audit Procedure has been configured in line with the terms of IIA. It provides implementation-focused guidance regarding the performance of audits while including the templates required to be used.

In DeFacto, achievement of strategic goals, effectiveness of operations, reliability and accuracy of financial and operational information, protection of assets, and compliance with regulations, policies and procedures are ensured with internal control systems. DeFacto Directorate of Audit, Risk Management and Revenue Protection performs assurance and consultancy operations for the purpose of assessing and developing the effectiveness of risk management, internal control and governance processes based on the guidelines approved by Board of Directors.

Internal audit works are carried out in accordance with international internal audit standards. In the audits, effectiveness of existing internal controls for elimination of the risks in business processes are assessed. After the audits, the reasons and impacts of detected insufficiencies in the controls are analyzed, management action plans for resolving the issues are received from relevant departments and it is checked whether these actions are taken on time.

In addition, internal control and risk management works are carried out with Retail Audit, Risk Management and Compliance, Loss Prevention and Case Investigation Departments under Directorate of Audit, Risk Management and Revenue Protection, and DeFacto corporate management operations are carried out.



DeFacto

BUSINESS ETHICS



Business Ethics

While heading towards becoming a global and multi-national company, we strive to maintain our business style in accordance with global values. We encourage and support our employees and suppliers, persons and organizations to act within ethical values. Accordingly, DeFacto Business Ethics and Principles Handbook prepared for our employees and Supplier Working Covenant prepared for our suppliers have the quality of basic guiding references. In line with our vision, mission and focus areas we aim to be perfect and strive to continuously develop ourselves and our methods. We attach a great importance to honesty and transparency. We are determined to build strong and permanent relationships based on trust and mutual benefit with our customers and business partners. We act with integrity. We comply with the laws in the countries we operate in and act in accordance with good corporate governance practices. We maintain high standards in accounting and reporting, and support the fight against anti-corruption. We pay attention to company's assets, utilize them in the best way and try to use our resources in the long term. We do not operate in unfair competition environments and avoid being involved in conditions that will jeopardize brand value. By offering our products to all customers in all international sales channels with affordable prices, with varieties that are suitable for every moment of the day, at the right time and with expected quality, we commit to continuously add value to our employees and all other stakeholders. While designing our processes within the ecosystem we reside in, we maintain our environment-sensitive and human-sensitive approach.

DeFacto Business Ethics and Principles Handbook is the basic document where the rules that should be adopted by all employees in their relationships with each other, company and its suppliers are included. Handbook has been published in the online platform and can be accessed by all employees. The behaviors and incidents that are considered to be against Ethical Values can be anonymously reported through DeFacto Ethics Line. The statements can be anonymously reported online through phone, a private e-mail address or a private web address with corporate user name and password.

DeFacto Ethics Line can be used by all our employees and suppliers in Turkey and abroad, and is operated by an independent company via anonymous reporting. Calls, online tickets or

e-mails are recorded by an expert team. The expert team regularly reports these statements to the people assigned in Internal Audit Department and these reports are meticulously assessed by relevant people in charge. The statements received by ethics line are assessed by Ethics Committee. The matters that are considered to require sanction are examined and forwarded to Disciplinary Committee for assessment. Due to DeFacto Disciplinary Regulations, which is submitted for review of all new employees; our employee, for whom it is determined that she/he has been acting inappropriately, is subject to certain disciplinary sanctions from warning to dismissal.

Our corporate values and working principles have been prioritized by all our employees since establishment of DeFacto, and adopted as ethical values leading us the way to realize our targets.

While heading towards becoming a global brand, we have informed all our stakeholders regarding DeFacto Ethics Principles. Within this context, we share DeFacto Supplier Working Covenant with all our suppliers.



Integrity and Transparency

Integrity is the most important element for a successful business. This element is the fundamental ingredient for the business to operate lawfully, honestly and effectively. In all our business processes and relationships, integrity, accountability and transparency are our prior values. While protecting our rights, we have to be open and honest about our business and performance, whether it is good or bad. By acting honestly, we reflect a positive brand image and reputation in all domestic and abroad operation fields of DeFacto. The company should never act in a way to harm mutual trust in business relationships against its employees, customers, business partners, suppliers, competitors, environment and society.

Use of Company Assets

DeFacto carefully protects its assets, ensures their proper and effective use, and expects employees to support in protection against loss, harm, misuse, theft, abuse, defalcation and devastation. This expectation includes attaching importance to saving in all matters. Our assets and resources include all kinds of materials and physical assets such as hardware, as well as Company's money, products, Company's private vehicles, computers, information systems, private information, and facilities such as corporate opportunities.

Integrity in Financial and Commercial Records

We should all contribute to recording process of financial and non-financial information. We have the responsibility to be honest and transparent about protection of company's value, assets, resources and our operations, performance. Such information are absolute musts in terms of making better decisions within DeFacto. We are creating hundreds of business-records every day, from customer and company reports to the reports submitted to government bodies. In analyzing our processes and submitting our reports, we trust the integrity of these information. All employees are responsible for proper keeping of financial, commercial and all kinds of records. Therefore:

- We must ensure that all processes are approved, recorded and reported duly and as necessary.
- We must avoid delaying or accelerating record entry in order to reach budgetary targets.
- Estimations and evaluations must be supported with appropriate documentation and must be based on our best judgment.
- While creating, keeping, storing or disposing documents, including the ones in electronic format, we must observe applicable laws.



Confidentiality

As DeFacto employees, we must pay attention to protect confidential and private information of our customers, employees, business partners and Company, use such information only in line with Company's goals, and share with relevant parties only within the scope of specified authorizations. Information belonging to the Company should be considered as assets, and should be managed and preserved effectively and safely. Company information, including the information stored in our Company computers and other electronic storage devices, is information received, acquired or saved by us while performing our duties and belongs to the Company. While handling confidential or private information, especially in necessary cases, attention should be paid to encrypt that information and share them only with authorized people. DeFacto information should not be shared in public forums or social media. Caution is required against frauds and virtual attacks such as phishing and all kinds of incidents such as (potential) loss of DeFacto information should be reported as soon as possible.

We must protect our trade secrets and all incidents that involve intellectual property (including copyrights, trademarks and patents) with the same care we do to protect Company's goods, and keep them confidential.

Lawfulness

We respect the world we operate in. This respect starts with compliance with laws and regulations. We subject ourselves to the highest ethical standards and act in a way to gain trust of others. We conduct all our activities and transactions at home and abroad within the frame of local codes and international law, and present correct, complete and apprehensible information to the regulatory authorities and organizations on time. While conducting all our operations and transactions, without any expectations of interests, we treat equally to all kinds of public institutions and organizations, administrative constitution, non-governmental organization and political parties, act in accordance with laws and fulfill our obligations with this sense of responsibility.

Conflicts of Interest

As DeFacto employees, we aim to stay away from relationships and conditions that involves potential or real conflicts of interest. We do not gain advantage from people and organizations, with which we are involved in business relationships, by taking advantage of our present duties personally or through our family and relatives. When a potential conflict of interest incident arises or when we hesitate, we consult to our manager. Because we must avoid incidents where our interests affect, or may look like affecting, our ability to make objective decisions on behalf of DeFacto

Bribe and Corruption

As DeFacto, we take compliance with global laws, laws and regulations within the scope of bribery and corruption, ethical and professional principles in all countries we operate in and countries we are represented, as principle. Within this context, we have created DeFacto Anti-Bribery and Anti-Corruption (RYM) and Ethical Procedure. This procedure supports conducting all our operations in accordance with laws, regulations, procedures, DeFacto Codes of Conduct and other regulations; truthfully, fairly and honestly. It has been adopted in line with our sensitivity on protection of rights of all our stakeholders. As DeFacto, we clearly prohibit bribery and corruption in our operations in all countries. It is essential for all employees not to offer payment or something with value in order to obtain an illegal and unethical interest, even if it is for the benefit of Company, or to obtain a similar interest from other organizations and people; to act with any kind of illegal and unethical behavior that can be considered as bribery or corruption, even if there are such practices in the operated country or branch of activity.

As DeFacto Employees:

- While performing our duties, we should not look after pecuniary advantages under the name of commission or else; and we should not make such offers.
- Directly or indirectly, we should not offer any advantages to public or private persons or institutions in order to provide any kind of advantage that is related or not related with business; and we should not make any written or verbal agreements.
- We should pay attention even for behaviors with different intentions not to cause such suspicions and impressions.
- In order to avoid a possible conflict of interest, we should act in accordance with DeFacto Anti-Bribery and Anti-Corruption (RYM) and Ethical Procedure.

Free Competition

As DeFacto employees, we believe in free competition, adopt and support the present competition conditions. We act honestly and in accordance with trade rules under those circumstances, and conduct our relationships with business partners in the same direction. DeFacto only competes in legal and ethical areas, does not operate in unfair competition environments.



Stakeholder Relationships

As we committed by participating in United Nations Global Compact Agreement, we show full compliance with the universal principles regarding human rights, working conditions, environment and decent society, and be sensitive enough for these principles, embraced by us, to be practiced by all our stakeholders.

Customer Relationships

We do our business with a proactive and customer-oriented manner that meets the requirements and demands of customers within the shortest time and the most correct way.

Relationships with Employees

We ensure complete and proper exercise of employees' personal rights. We treat employees honestly and fairly, and promise a safe and working environment without discrimination. We provide our services on time and with the promised conditions and treat our customers within respect, honor, justice, equality and courtesy rules.

Business Partner Relationships

As of the negotiation phases, we promise engaging in just, balanced and objective relationships with mutual respect with all our business partners and suppliers.

Sustainable Development Concept

While creating our collections with our sustainability focus, we aim to reduce the carbon footprint of products with environment-focused products. From the selection of the materials used while developing new collections to product designs, we always focus on sustainability perspective. With this point of view, with the "Life is Beautiful" collection in 2018, we reawakened our sustainable fashion perspective, and have maintained and extended this perspective in 2020 too. As DeFacto, we guarantee to ourselves and all our stakeholders to support sustainable development in the regions we operate, especially in Turkey. With sustainability reports, we submit our works and obtained achievements in line with this commitment to the review of our stakeholders.

Sustainability Management

We believe that our sustainability performance involving our economic, environmental and social activities is as important as operational and financial success. And as a result of our responsible sustainability approach, we manage our impact arising from our operations and products with the sense of our responsibilities to environment, our employees, society and all our stakeholders. With the steps we take while growing sustainably, we care about creating value for our stakeholders. As DeFacto, we attach a great importance to supporting sustainable development in the regions we operate, especially in Turkey for ourselves and all our stakeholders, and accordingly we submit all works we carried out, and our achievements, to review of our stakeholders via sustainability reports.

In line with our sustainability approach, we determine the matters that have strategic priority with systematic methods, develop policies and systems that will manage our impact, and monitor them with performance indicators. According to our goal, we try to reassert our approach in DeFacto and Ozon Textile operations as well as supplier operations, manage ethical, social, environmental and economic impacts with minimum capacity and eliminate potential negativities in our overall value chain.

DeFacto



Sustainability Management Organization

The primary responsibility on integration of our social, environmental and economic responsibilities to our business strategies and reaching the targeted performance belongs to the Board of Directors. On the other hand, creation and realization of business plans that might be needed is a key responsibility for all our employees under the coordination and leadership of top management. We submit all performance results to Board of Directors, and with yearly sustainability reports, we share them transparently with all our stakeholders. Sustainability Work Group, in which various departments are represented, is responsible for preparation of business plans in sustainability management-based matters, and development, execution and reporting of implementations. In addition, four committees, which includes participation of C-Level Directors; Income Profitability and Growth Committee, E-commerce Committee, Stock Circulation Speed Committee and Financial Efficiency Committee; and Talent Committees that are formed separately for top-middle-bottom management levels also support Sustainability works.

DeFacto Sustainability Priorities

We have specified all our sustainability priorities in line with the insights obtained from our employees, suppliers and other stakeholders. In the works we carried out taking GRI standards as our guide, we have assessed and prioritized potential impact points in terms of size of the possible impacts arising from operations of DeFacto and Ozon Textile, and expectations and opinions of stakeholders. Assessing the results we obtained with Sustainability Work Group, made them our prior strategic targets.

In our works in the process of determination of Sustainability Priorities, we evaluated BM Sustainable Development Goals in terms of DeFacto operations. Within the scope of evaluation, our employees and stakeholders stated that they considered that the targets of Humanly Jobs and Economic Growth, Quality Education, Healthy Individuals, Responsible Consumption and Production, Industry, Innovativeness and Infrastructure, Reduction of Inequalities and Making Partnerships aimed at Sustainability Goals, Societal Gender Equality were prior for DeFacto.



DeFacto

	Sustainability Working Group	
	Law	
	Strategy	
	Marketing	
	Operations	
	internal control	
	R&D Department	
	Social Compliance	
	Human Resources	
	Administrative Affairs	
	Product management	
	Fabric Quality and Supply	
	Supply chain management	
	Corporate communications	
	Product Technology and Quality	
	Construction and Technical Works	
	Risk Management and Compliance	
	DeFacto Academic and Happiness Quality	

Some Examples from our Sustainability Achievements:

- In 2019, our annual gain based on e-waybills was 3.2 million pieces and 536,000 TRY, which raised to 3.3 million pieces and 712,000 TRY in 2020.
- We removed the printers used in each packaging desk in warehouses.
- Since the agreement with printer company was a rental agreement, we eliminated the fees paid per print.
- We eliminated the process of taking printouts and putting those printouts to packages/boxes in good shipments from warehouse.
- Since we removed the printers, we provided maintenance cost savings.
- By removing the printers, we also limited the use of electricity.
- Most importantly, by using no waybill papers in good shipments from warehouse, we contributed to nature.

We are aware that global resources are limited. One of the sectors that utilizes the natural water resources the most is textile sector. As DeFacto, in line with our target to reduce the use of water for contributing to sustainability of global water resources, we have saved 9,700 tons of water for 1,220,000 products in 2019; while saving 7,700 tons of water for 770,000 products in 2020. Therefore, the water saving, which was 7.95 liter/pce for one product in 2019, has been 10 liter/pce in 2020, achieving a 26% development in last year.

We also ensure that the rags formed during our suppliers' manufacturing of products are utilized in new products. In our production processes in 2019, we re-utilized 630 tons of rags in 1,896,000 products and prevented waste formation. And in our production processes in 2020, we re-utilized 1,217.40 tons of rags in 4,349,618 products and prevented waste formation.

As of January 2020, we started to use packages produced with recycled papers. Within 2020, 4,000,000 pieces packages and 3,552 tons of waste paper have been used. While being 161.7kWh/m² in 2019, our stores' annual electricity consumption per year decreased to 141.06 kWh/m² in 2020 reporting period. Therefore, we achieved a 37% decrease in electricity resource consumption in 2020 comparing to 2015.



Our Sustainability Achievements

Rag revaluation			
Number of products	4.349.618	Pcs	
Weight of rags used	1.217,40	Tons	
PET Bottle Recycling Products			
Number of products	17.187	Pcs	
Weight of PETs used	6,082	Tons	
Organic Cotton Used Products			
Number of products	68.760	Pcs	
Weight of organic cotton used	12,1	Tons	
Total Number of Sustainable Products		4.435.565	
Total Sustainable Product Tonnage		1.235,58	

Our Stakeholders and Participation Processes

Interaction With Stakeholders

DeFacto's stakeholders are specified in regular assessment meetings with the approval of top management. Determining the expectations of stakeholders and developing strategic responses and actions suitable for these expectations are among the matters we particularly emphasize. In order to understand these expectations and use them in our actions, we use different interaction platforms for different stakeholder groups. We communicate with each stakeholder group with appropriate methods and frequencies that are suitable for attributes of that group.

Our Employees

With Employee Satisfaction Survey, we measure commitment, satisfaction and motivation of our employees. In 2020, 70% of our employees has participated in the survey. In these surveys, it has been observed that commitment and motivation rates have increased comparing to last two years.

DeFacto Business Academy is an online platform where we share the e-training modules that will prepare the organization for transformation and change in line with DeFacto's vision with our employees, and where we can monitor their achievements.

With Periodic Information Bulletins, we publish our corporate magazine marked with the title of "Wow Times", with contents including news covering company's agenda in last three months, articles of employees, and activity information once in three months in the online platform. In addition, once in a month, we share research papers and articles in the online environment about hobbies, world's agenda, personal development and positive psychology with the title of "Happiness Bulletin" with all our employees.

In DeFacto, all employees have the opportunity to meet all top directors, regardless of their hierarchical positions. Since the "Open Door" policy allows DeFacto employees to safely submit their opinions and recommendations to all top directors in a much more transparent and sustainable working environment, this is a strategic approach that we attach importance in terms of social sustainability.

We also hold regular sharing meetings which allow our employees and top directors come together. Some of these meetings are as below:

Company Chat (Şirket-i Muhabbet) Meeting

Once in a year, more than a thousand employees come together with CEO and executives, and share company's items of the agenda and strategies. In addition to company's agenda and developments, activities for increasing the motivation of our employees are also included.

Coffee with CEO

In the chat meetings, which are regularly held once in a month with the name Coffee with CEO, ten of our employees, which are specified with draw, come together with our CEO İhsan Ateş, where they talk about many subjects regarding our company's agenda, world, country's agenda, our customer experiences, important tips about life, art and culture.

Through our "Ethics Line", one of our active interaction mechanisms, in line with the principles in DeFacto Business and Principles Handbook, our employees can anonymously and easily ask all their questions or express their concerns via defacto@etikhat.com or 0212 401 37 99.



Our Suppliers

Supplier Assessments are a part of environmental and social compliance assessment in the process of supplier selection. In this assessment, we specify the fields of improvement, share the results with our suppliers, determine the actions that will improve their performance together with them, check the results of the actions with repeating audits and ensure that they are at the minimum level reached.

Through Supplier Training, we provide training to our suppliers in order to inform them regarding the standards such as implemented or updated product liability etc. in DeFacto. With the title of Supplier Days, we organize special days with our suppliers both for seeing their creations and exchange of ideas. A significant part of orders placed in 2020 summer/spring seasons and a part of orders placed in 2020 autumn/winter seasons have been selected from the collections of our suppliers.

"Lifeline Project" as a Strengthening Program in Pandemic Period:

Taking hold of the world, Covid-19 Pandemic has negatively affected the countries' economies, and one of the primary sectors suffering from it in Turkey has been ready-made clothing suppliers. When global brands decided not to buy their products released from the looms with the excuse of the outbreak, many looms started to face the danger of stopping. Dozens of large and small suppliers employing a million people and providing for four million people were left alone with the products manufactured for international giant brands. Therefore, for suppliers experiencing payment imbalance, the looms came to a halt.

In order not to allow the system to stop, to keep looms operating and to spell suppliers, who were experiencing payment imbalance, at the wheel, we took action. Within the framework of a total budget of 900 million TRY, together with our key and sub-suppliers, more than 500 companies have been involved in Lifeline Project. Lifeline Project contributed to corporate reputation of DeFacto, made it a beacon for competitive companies, as well as provided positive impact on relationships and bonds of trust with supplier companies, positively affecting and strengthening the sustainability of supplier relationships. With Lifeline Project, despite the adverse conditions occurred in our production and supply network by pandemic, DeFacto has acted with

the awareness of protecting a sustainable ecosystem.

Our Customers

Within the framework of Customer Satisfaction, for evaluating the expectations and feedbacks of our customers about our products, we hold focus group meetings. Focus group works are studies that are shaped in accordance with the needs of product team, where generally preferences regarding the relevant category, shopping behaviors, brand perceptions of customers, and strengths and weaknesses of brands are discussed. It is aimed for the qualitative information obtained here to add vision to product team and add more customers to focus.

Besides focus groups, we also carry out product admiration and buying trend works. Before releasing the products, during the exchange of view or planning stage, the relevant target audience is asked whether they like those products. This way, the product team decides which products will be removed from the collection and which will not. The products with low admiration levels are not included in the collection, while the ones with high admiration levels are produced more.

Our customers can submit their requests and complaints about our products and services through our call center or corporate web site. We also respond to requests received through social media (Twitter, Instagram, Facebook etc.).

In order to assess the customer experience from entry to and to exit from the store, we conduct survey studies. We make survey studies in all our stores both in Turkey and other countries in order to understand why our customers do not prefer us for shopping. We learn whether there are any products they cannot find. And we send the results to relevant product team. An example can be the study on understanding our customers that do not prefer us for shopping, which was performed in Turkey in November. DNA report of each store was created, and this study was submitted to all regional directorates.

Product Management team members work in the store as customer advisor for one day and get the opportunity to directly communicate with our customers.

As of the fourth quarter of 2020, we are collecting the information about at which degree our customers recommend our brand and their answers regarding our statements about customer experience. Our customer experience statements include a wide range regarding all experience points from product availability to quality & price management, from personnel's care to hygiene factors and shipment processes for our online and offline sales channels. Evaluating the results monthly, we realize projects regarding the relevant experience doors.



This way we aim to improve the shopping experience of our customers.

We have started to implement disabled cash desks in our 12 stores and we have two disabled dressing cabins in 138 of our stores. And we have wheelchair ramps in the entrances of 69 of our street stores.

Our Smart Store concept is an innovative experience store that responds to the customer needs changing with Pandemic, where offline and online customer experience is blended. In our store equipped with RFID technology, there is an infrastructure that recognizes the product when a person enters to the cabin and where customer can request another size or color of that product from sales representatives by means of a digital mirror. Thanks to the digital price tag, we are able to provide price information in stores without consuming paper. We have a digital signboard and we can change its content, LED displays are used in all our lighting and digital content products. We do not keep too many stocks in our smart store, we are able to sell the product needed by our customer via KIOSKS and send them to their addresses, we do not need virtual POS for this transaction, it is possible to make contact-free payment with physical credit card. Smart stores are important for us, because in the world that has digitalized more rapidly with Pandemic, we are able to test our innovative solutions in line



with the needs of ready-made retail clothing sector, offer them to our customers and collect feedbacks about their experiences.

Within the scope of Experience Store concept, with our application named “Pay in Store”, we are able to put our stocks with color / size variants in more than 300 branch

stores only in Turkey to market as if all products are present in all sales points. Our customers are always able to buy the products they like or do not need to go to the branch store having the product in stock; we deliver the products in standard delivery times to the given address free of charge. And we have different payment alternatives; our customers are able to pay for this online order in our stores with cash. With this practice, we aim to solve the “stock” problem, which is one of the most difficult problems to solve for Retail sector. And with this approach, we aim to ensure sustainability of our online and physical retail sales.

Investors, Shareholders and Partners

Investors, shareholders and partners of DeFacto, which is a company with private with private equity, are regularly informed about financial, environmental and social performance of company via Meetings. This stakeholder group is also informed about financial status every month through Informative Correspondences. Together with all other stakeholders, Investors, Shareholders and Partners are informed about DeFacto’s sustainability performance and economic, environmental and social matters with annual reports.

Community

Voluntary Activities and Messengers of Happiness Group (MEG)

Volunteer-based Social Responsibility Club (With its name within the company, Messengers of Happiness Group) is a team consisting of volunteers with the purpose of adding value to society and environment via various social responsibility projects since 2015. The people in the group voluntarily participate in social responsibility projects they would like to realize within the company or under the DeFacto brand. MEG realizes the projects in the heart of the team together with non-governmental organizations or the teams formed within the group.

The aim of these volunteer-based works is creating social benefit and awareness. The employees assuming the leadership roles in the projects are enabled to develop their certain competences such as organization, planning and communication. Thanks to the Messengers of Happiness Group (Mutluluk Elçileri Grubu), our employees get the chance to develop projects in their own sensitivity fields and express themselves in those fields. Within five years, totally 62 ac-

tivities and 8,418 hours of voluntary works have been done with participation of 3,338 employees

Presentations in Conferences

We share the sustainability practices in DeFacto with our stakeholders in various activities. By explaining the impacts of these practices on environment and society, we increase the awareness.

Social Media Interactions

As DeFacto, we have built a strong communication mechanism with all our stakeholders based on interaction with #evdekal #güvendekal #hayatgüzeldir #tersineçevir #lifeisbeautiful hashtags through our social media channels.

Health Ecosystem

In the pandemic period, we adopted our entire Health Ecosystem as a stakeholder and within the framework of our approach regarding the Fight Against Covid-19, we constantly followed all circulars and statements of primarily Ministry of Health, and Ministry of Labor and Social Security and Ministry of Interior, and communicated their announce-



ments to all our stakeholders, especially our employees and customers.

We determined Covid-19 action plans for our stores, centers and warehouses. Within the scope of action plans, the Pandemic committee was formed. This Pandemic committee held online meetings twice a week and conducted the process by assessing the news from government agencies and field.

Within the frame of action plan, initially the duties of the Committee of Fight Against Pandemic were specified. The subjects of Covid-19, Coronavirus, Coronavirus Types, Novel Coronavirus, Symptoms, Modes of Transmission, Preventive and Restrictive Measures, Personal Measures, Work Place Measures, Entrance to and exit from work place, Working environment, Use of shuttles, Dining halls and recreational areas, Travels, Meetings and trainings, Home Quarantine Rules, Methods of waste management, Information about and use of Personal Protective Equipment, Activity and Duty-Based Personal Protections, selection of right personal protections were specified.

Possible Case Management algorithms were created and the process was defined. Rules were created regarding the way of recording the process. Forms, Instructions and Informative Posters were prepared. With implementation instructions, the list of actions was specified. Action plan was communicated to all employees through QDMS system.

Separate risk assessment was prepared for each location. Emergency action plan outbreak status was updated according to Pandemic. HEALTH - SAFETY RECOMMENDATIONS AGAINST COVID-19-RELATED RISKS IN HEADQUARTERS were specified and communicated to employees through QDMS.

Rules were specified for Transportation Vehicles (Shuttles, Private Cars, Taxis, Public Transportation, Company Cars) against transmission and the related actions were adopted. Restriction on number of persons, periodic cleaning and disinfection works were carried out for shuttles and company cars.

Rules on entrance to headquarters were specified and necessary actions were taken. In entrances, temperature measurements with thermal cameras and HES code controls were carried out. As far as possible, supplier and visitor meetings were held online. And face-to-face meetings were held in open areas or in areas with sufficient story height and ventilation.

Number of person limitation was organized for meeting rooms and online meetings were prioritized. All training organizations were held through online systems. The rules in social areas were specified. Actions were taken in order to minimize contact. Alternate working system was initiated. Floors' sitting arrangements were made leaving one of the two adjacent seats empty and those markings were placed on tables.

Packaged water was provided for the use of tea houses, restrictions were made for the number of people certain areas, use of disposable cups was initiated, disposable gloves were placed in the area entry and use of it was made obligatory. Waste boxes were placed on the floors related to the management of wastes that involve risk of transmission and a separate area was created in waste area.

Informative posters were placed in all areas. Methods of cleaning and disinfection of floors, surfaces, washbasins, toilets, textile surfaces, personal protective equipment, electronic devices, equipment, frequently contacted surfaces were specified and implemented.

Use of elevators was limited. It was limited with two people. Trips in Turkey and other countries were limited. Rules about care of pets in the company were specified and implemented. Quarantine room was built and kept ready for use.

Foods were served in disposable dishes. Markings were placed to dining hall for the lines and table arrangement to prevent contact.

Example Stakeholder Participation Processes

Kumaştan Hayaller (Fabric Dreams)

With Fabric Dreams, a Corporate Social Responsibility project of DeFacto, we supported recycling, economy, educa-



tion, imagination of students and hope, and made it the social responsibility project of sector and Turkey.

Happy Women Movement

Being one of the signatories of United Nations Women's Empowerment Principles (WEP), DeFacto attaches a separate importance to Empowerment of Women with Happy Women Movement. With "Happy Women Package", our women employees are provided with extra social rights and opportunities such as extra three months unpaid leave after maternity, the opportunity to use breast-feeding leave collectively one day in a week, the opportunity to work part time in field position in accordance with availability of the job, half day leave for mothers on the first day and report card day of their children and formation of Executive Raising Groups consisting of only women.

Messengers of Happiness Group (MEG)

Volunteer-based Social Responsibility Club (With its name within the company, Messengers of Happiness Group) is a team consisting of volunteers with the purpose of adding value to society and environment via various social responsibility projects since 2015. The people in the group voluntarily participate in social responsibility projects they would like to realize within the company or under the DeFacto brand.

MEG realizes the projects in the heart of the team together with non-governmental organizations or the teams formed within the group. The aim of these volunteer-based works is creating social benefit and awareness. The employees assuming the leadership roles in the projects are enabled to develop their certain competences such as organization, planning and communication. Thanks to the Messengers of Happiness Group our employees get the chance to develop projects in their own sensitivity fields and express themselves in those fields. Each year, our Messengers of Happiness are allowed to take two days leave for social responsibility projects.

Messengers of Happiness Group was formed in 2015 in order to realize voluntary-based social responsibility projects. Within five years, totally 62 activities and 8,418 hours of voluntary works have been done with participation of 3,338 employees.

Occupational Coaching Program

It is a voluntary-based program that started in 2012 and implemented with participation of ÖSGD (Association of Private Sector Volunteers) member companies, and protocol of Ministry of National Education and Directorate of Technical Education. Volunteer coaches in ÖSGD member companies come together with vocational high school students from 10th and 11th grade within the framework of “Coaching Model with Bordered Restrictions” and implement the two-year voluntary coaching program. DeFacto participated in the program for the first time in 2016 as volunteer company. In the first practice year, we had 6 volunteer coaches. And in year 2018, this number reached 16. With 16 volunteer coaches, at the end of 2020, we have contributed to lives and personal development of approximately 110 students.



DeFacto

DESIGN AND INNOVATION



Product Design

Product Design is one of the most effective factors specifying the final buying decision of consumer. With this in mind, as of 2020, we are working with a very big and talented team consisting of 57 product designers and 24 graphics designers. Our team carries out product development works all year and focuses on creation of new designs and update of existing designs for basic products and new basic products. In addition to the works within DeFacto body, our product design works continue in our supply network as well. Our strategic suppliers having their own design teams carry out product development works for us all year. Nearly 30% of the products meeting our consumers are the ones designed by these suppliers.



Our collection development process consists of five stages. Our design team initially analyzes macro and micro trends as well as new trend remarks thoroughly. With product design performance, the new season products in fashion sector are reviewed. After examination of unique fabrics and ornaments, with the approval of design, for achieving the desired product range, the process consisting of seasonal product design is completed with the final decision. Macro-trend evaluations are made once in three months and political, economic, social, technological and similar macro conditions, as well as sustainability trends around the world are analyzed. Micro-trend evaluations are made seasonally, all relevant trends are analyzed and our designs are revised in a way to appeal to certain customer segments. Main inputs of design line vary as Basic Products, New Basic Products, Accepted Fashion Products and New Fashion

Products depending on the product category analyzed. For example, design performance evaluations are carried out taking primarily the durability and performance of Basic Products and New Fashion Products into account. The prominent macro-trends among the ones that influence the ready-made clothing sector in which we operate in are the growing number of young populations, the increase in life standard expectations, and variation of needs arising from modern city and business life.

With this change in demographic structure as well as expectations and needs, production cycles of fashion sector is increasingly drifting apart from traditional structure. DeFacto conducts its product design processes by following the recent structure of ready-made clothing sector and internalizing the expectations of consumers. Our design team develops six collections designed with a specific calendar every year. Besides this, depending on the conditions during the season, our team develops capsule collections with smaller scales. This way, we serve a new collection to our consumers at least once in two months. In 2020, we offered approximately 20,000 new products to our customers.

Within the scope of our product development works, the implementations that increases the added value of the product are as important as the design itself. Within the scope of our R&D studies, we carry out various new implementations that increases the added value of our products. We basically develop innovative products with reduced environmental impact. In addition, we also design products in which innovative raw materials are used, and which have certain more functional features.

Technology Development

Today, Digital Technologies are relevant to almost all sectors. And due to its dynamic structure, that is widely open to innovation, the retail sector, which includes ready-made clothing sector, is among the sectors that is affected from digitalization the most. Digitalization is an element that brings mobility and dynamism to retail sector. As DeFacto, we closely follow the cutting-edge technologies worldwide, make important investments and integrate these technologies to our processes. Our innovation and new technology development works are conducted by DeFacto Technology company operating in Istanbul Technopark.

Smart Warehouse

We carry out all our domestic logistic operations with the facilities of our company. We conduct our storage works in the logistic center in Çerkezköy, Tekirdağ with 50,000 m² closed area, 100,000 m² open area and 35 million pieces capacity.

Via our logistic center, we receive the products from our suppliers and deliver them to sales points. Our center consists of four divisions: automatic warehouse, manual warehouse, storage warehouse and transfer warehouse. The works on transforming the Logistic Center into a fully automatic warehouse started in 2013. The center has been the first fully automatic ready-made clothing warehouse. Its first phase was completed in 2014, and second phase was completed in 2017. In 2018, we started to carry out most of our domestic distribution operations and all our e-commerce shipments through this warehouse. And as of November 2019, with the E-commerce department in Çerkezköy Organized Industrial Zone (ÇOSB) getting involved, this ratio for e-commerce changed as 50% automatic warehouse and 50% ÇOSB E-commerce department.



Experience Stores

Our Smart Store concept is an innovative experience store that responds to the customer needs changing with Pandemic, where offline and online customer experience is blended. In our store equipped with RFID technology, there is an infrastructure that recognizes the product when a person enters to the cabin and where customer can request another size or color of that product from sales representatives by means of a digital mirror. Thanks to the digital price tag, we are able to provide price information in stores without consuming paper. We have a digital signboard and we can change its content, LED displays are used in all our lighting and digital content products. We do not keep too many stocks in our smart store, we are able to sell the product needed by our customer via KIOSKS and send them to their addresses, we do not need virtual POS for this transaction, it is possible to make contact-free payment with physical credit card. Smart stores are important for us, because in the world that has digitalized more rapidly with Pandemic, we are able to test our innovative solutions in line with the needs of ready-made retail clothing sector, offer them to our customers and collect feedbacks about their experiences. The products purchased by the consumer are delivered to her/his address within 24 hours and the process is completed.

Within the scope of Experience Store concept, with our application named "Pay in Store", we are able to put our stocks with color / size variants in more than 300 branch stores only in Turkey to market as if all products are present in all sales points. Our customers are always able to buy the products they like or do not need to go to the branch store having the product in stock; we deliver the products in standard delivery times to the given address free of charge. And we have different payment alternatives; our customers are able to pay for this online order in our stores with cash. With this practice, we aim to solve the "stock" problem, which is one of the most difficult problems to solve for Retail sector. And with this approach, we aim to ensure sustainability of our online and physical retail sales.



DeFacto

PRODUCT LIABILITY & CUSTOMER SATISFACTION



Product Liability and Customer Satisfaction

In all our operations, in case of a doubt that an operation will cause adverse outcomes in terms of environment, we take all preventive measures instantly.

Our goal to become an international fashion brand is directly related to fully meet our customers' expectations. Development of products and services that appeal to customers plays a key role in creation of customer satisfaction. On the other hand, another important factor providing that satisfaction is management of impacts of our products on consumer health and environment. While managing these impacts, as well as our domestic operations, we take regulations and legal arrangements of all countries where our products meet consumers into consideration.

We aim excellence in business processes and take international quality systems and standards as reference. We ensure consumer health by subjecting our products to tests and controls in our laboratories accredited in accordance with TS EN ISO/IEC 17025:2017 standard. We monitor the impacts of the results of our studies on customer satisfaction with various researches.



Product Safety

As DeFacto, we promise taking all precautions in order to ensure safe use of our products by our consumers. Accordingly, we go beyond meeting legal obligations in product safety, and perform many control and assurance implementations. Many raw materials are used in manufacturing of clothing and accessory products. Some of these materials are chemicals such as dyes and adhesives. Size of chemical residues is directly proportional with the amount of chemicals used. In Ozon Textile, 0.5-3 grams of chemical substance is consumed per the piece manufactured. For the health of consumers,

the maximum amounts of these substances on the product are stated with legal arrangements. With our precautions, we ensure that these substances are way below the limits stated in legal arrangements, with very low amounts, and in a level that will not pose a health and safety risk to any consumers. And for ensuring this, we test our products in our accredited laboratory. We never deliver any product with residue levels above the limits.

Use of phthalate, azo colorants and similar chemicals, which are proven to have harmful effects on human health or classified as suspiciously harmful, in our products are controlled, limited and inspected with the tests performed in our accredited laboratories. We release our products after testing in accordance with the legislations of the countries we operate in, and even with higher standards.

Besides ensuring required health and safety conditions of our products, we adopt a holistic view in product safety. Within this context, we give trainings to our manufacturers and employees about the use of right and healthy materials.

Baby and Children Products

Compliance of baby and child products with safety standards is among important focus areas of our product liability concept. Regarding the children's products, there are certain special safety conditions in Turkish and European Union legislations. TS EN 14682 and TS EN 17394-1,2,3 and 4 Safety Standards in Children Clothing are among the reference standards.

Our standards are in compliance with the norms in TSI and European Union standards. DeFacto Product Safety Handbook includes our standards, necessary technical garment standards, and detailed information regarding the technical production methods required to be followed for putting those standards into practice.

Product Tests

For checking the quality of our products and checking whether they involve harmful chemicals, observing customer satisfaction and trust, we subject our products in our accredited analytic and physical laboratories established within our body within the scope of TS EN ISO/IEC 17025 Standard. Due to the legislation, there are certain tests stipulated to be performed on imported products in Turkey. While covering these obligatory tests, these tests performed in our laboratories have a much larger coverage. Thanks to these tests, we feel the comfort of ensuring not to release the products having risks in terms of human and environmental health.

In our Analytic (Ecological) Test Laboratory, we analyze the raw materials in our textile and accessory products and certain harmful chemicals that might arise due to production conditions. And in Physical (textile) Test Laboratory, the fabrics and accessories that will be used in our ready-made clothing and accessory products are subjected to physical tests and quality analysis is performed.

Another purpose of these tests is detecting the production-related errors beforehand, increase customer satisfaction level and decrease return rate. Our tests are performed in our laboratories accredited by TURKAK in accordance with TS EN ISO/IEC 17025 standard with global reference test methods. In physical Test Laboratories, we perform fabric finished product analyzes such as color fastness tests, pilling, size constancy and strength tests.

Having test laboratories within our body shortens the process of production approval, increases the level of product safety, increases the customer satisfaction level and provides a significant advantage to us. Beyond this, in cases of exceeding laboratory capacity or potential breakdowns, we are also able to perform our tests in independent accredited test institutions.

Broken needle risk is a very critical factor that poses a safety threat to consumers in textile products. In production processes of all suppliers of DeFacto and Ozon Textile, for complete consumer safety, broken needle protocols are followed. Within this scope, before our products are taken out of our production facilities and loaded to vehicles, they are checked with metal detectors.

Quality and ecological test standards of products are tested and inspected in our accredited laboratories within the scope of Regulation on Registry, Evaluation, Permission and Restriction of Chemicals (KKDIK) regulation in Turkey; and in accordance with customs legislations of other countries using REACH Annex VII and OEKO-100 standards as base.

Chemical (ecological) tests of products are performed in accordance with local legislations and the relevant legislations in the countries where our stores are located, and the test results are evaluated in accordance with the criteria specified by relevant countries.

In Turkey, test results are evaluated in accordance with "Regulation on Registry, Evaluation, Permission and Restriction of Chemicals" and the final decision for sales of product is made accordingly.

We test the fabrics received from our suppliers and check whether they fulfill our criteria physically and chemically. In this context, Physical Tests (discoloration, accessory, fabric shrinkage etc.) are performed and the legal obligations of target countries are taken into consideration. We also receive tag information from our suppliers and during quality controls, check whether the information on products is correct.

In terms of consumer health, the rate of main product categories passing the inspection is 94%. In addition, the details of the tests performed in physical laboratory in 2020 are as follows:

- Number of Bulk fabric and Gold Seal test requests: There were 37,828 pcs test requests;
- Number of Bulk Fabric and Gold Seal tests: 527,914 pcs tests were performed;
- The rate of finalization of test results on time (3 work days): The success rate was 99.3%;
- Test costs and comparison with outer laboratories: According to calculations, the tests performed in DeFacto Physical Laboratory are 79% cheaper than the ones performed in outer laboratories.

In addition to above, the details about the tests performed in analytic laboratory in 2020 are as follows:

- Number of Pre-Production and Gold Seal test requests: There were 26,302 pcs test requests;
- Number of Pre-Production and Gold Seal tests: 58,127 pcs tests were performed;
- The rate of finalization of test results on time (3 work days): The success rate was 96.12%;

According to calculations, in general, the tests performed in DeFacto Analytic Laboratory in 2020 are 66.7% cheaper than the ones performed in outer laboratories.

Green Products

We aim to reduce the potential environmental impacts of our products as much as possible. Therefore, we built our supply, production and technology processes with this awareness. Within this context, we supply our raw materials with responsibility, support recovery in production and prefer the fabric technologies that will reduce the use of natural resources. And in order to reduce the potential environmental impacts, we prefer organic cotton-based fabrics and recovered raw materials in some part of our products.

Recovery

In efficient use of natural resources, recovery practices have an important place. As an organization aiming to operate with minimum environmental impact, we prefer recovered and sustainable products in case they do not pose threat in terms of quality and human health.

In cases where different materials from textile fibers to product accessories and packages used in products are appropriate in terms of quality and human health, we prefer sustainable products and reduce the environmental impact of our products.

Taking different technology alternatives into consideration, we prefer to use recycled materials in suitable cases. The rags formed in production of textile products and aged tex-



tile products are examples of recovered materials we use in our productions. We offer our customers trousers, whose production method includes water and energy saving, and sweatshirts and sweaters produced with recycled fabrics.

Instead of limiting recovery practices with DeFacto operations, we try to generalize them in our supply operations as well. We ensure that the rags formed during our suppliers' manufacturing of products are utilized in new products.

In 2019, in our production processes, we recovered 630 tons or rags in more than 1,896,000 products; and in 2020, we recovered 1,217.40 tons of rags in more than 4,349,618 products and prevented waste formation. Since there is a big level of water consumption in textile sector and water is already a limited natural resource, one of our important priorities as DeFacto has been limitation of its intense use.

Water-Free Products

Operating in the textile sector, where water is intensely used, brings along important responsibilities about responsible use of water. Therefore, in limitation of our environmental impacts, we attach a great importance to water savings.

In order to bring a product to the level of softness that will make our customers prefer them, the product is washed with silicon softeners at the final stage of production. In our suitable products, instead of washing, we are able to obtain the required softness with a technique we use in fabric manufacturing. And we call such products "Water-Free Products". Thanks to our water-free products, since there are no washing and ironing operations, we provide both water and energy saving comparing to normal production techniques. In 2020, we provided a total of 7,700 tons of water saving in 770,000 products. In the future we will continue to involve water-free products in our product range.

Customer Orientation

Our approach of being a Customer-Oriented brand, going back many years, has entered into a brand-new phase with the Directorate of CRM & Data formed in June 2020 within the framework of sustainability. Customer Research and Customer Experience Departments formed under the Directorate of CRM & Data aims to understand DeFacto customers better and channel Customer-Oriented developments within the company by following customer experience. Formation of the Directorate of CRM & Data Department forms a basis for strategies such as Customer Orientation. Within this framework, Customer Research Department has trans-

DeFacto

formed in 2020 and Business Partner Structure was formed in this department. This way, it has become the source and starting point of all customer-oriented works. By carrying out works such as New/Existing Product, License, Companion Shopping, Focus Group works, target-oriented survey studies in Online (Web Site) and Offline (Stores, Call Center) contact points (Instant Feedback Works, The Reasons for Not Doing Shopping, The Reasons for Not Adding to Basket, Weekly Customer Feedbacks, Specification of Omni Channel Priorities) etc, use of outsourcing and Brand Health, Residence Panel, we, as DeFacto, aimed to take actions feeding on insights of customers. These works have been developed and accelerated in 2021 as well. In 2020, in order to know and manage our customers' recommendation score for DeFacto (NPS) and the independent variables affecting this score (Experience KPIs), covering the relevant departments for Customer Sustainability, "DeFacto Experience KPI Processes" have been created.

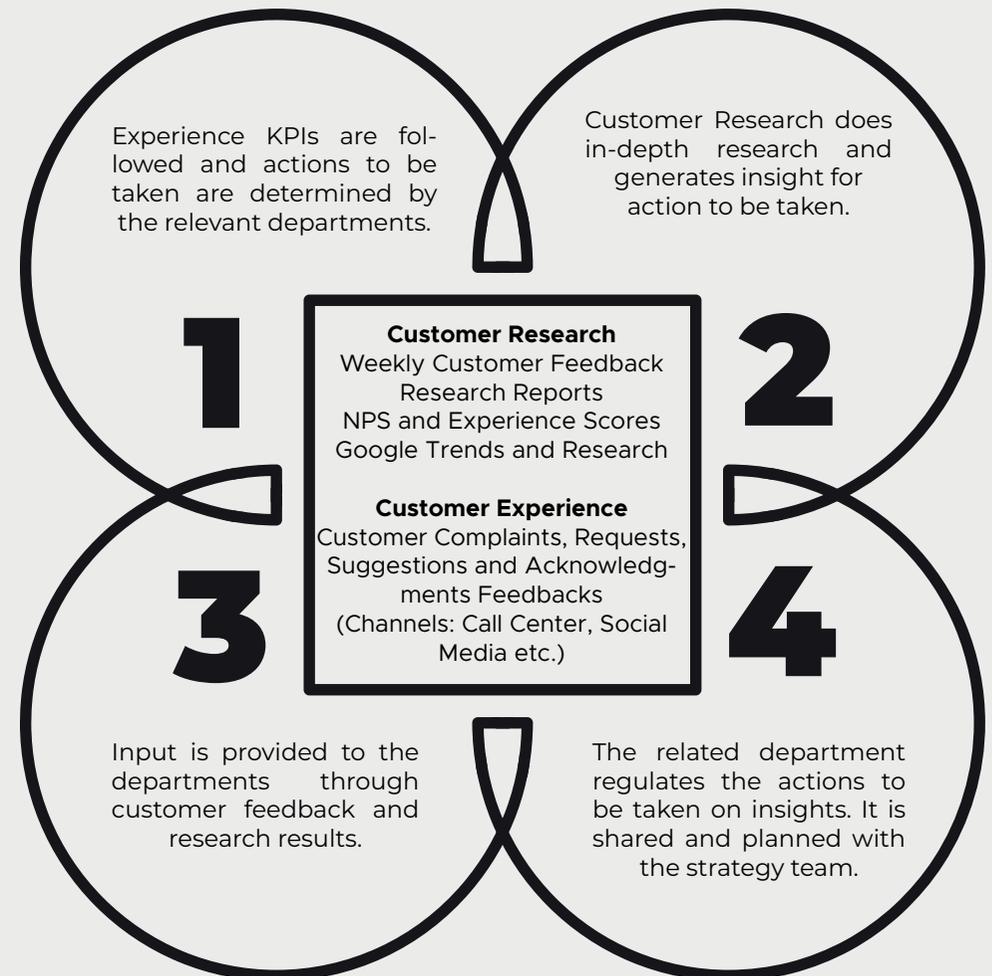
In order to ensure that relevant departments take action for increasing NPS and Experience KPIs within the year, we developed a main process with Kai-Zen point of view. Within this process, we separated Experience KPIs in breakdowns such as Product, Logistic, Web site, Store. You can find an example of our process below for clarifying the actions to be taken and the subjects that should be addressed by relevant departments.

With an example through product team:

- They will continue to share weekly customer feedbacks, weekly Google Trends data and feedbacks that are compiled by Customer Experience team every week (complaint, information, request, acknowledgment) with relevant departments. And Customer Research team will continue to present NPS-dependent Experience KPIs.
- Relevant departments will listen to the customers by following these reports and taking into consideration the referrals to be made by Customer Research, Customer Experience teams.
- According to customer orientation, it will conduct in-depth customer researches with Customer Research team and develop its products/services in accordance with the insights obtained from those researches.
- Following the experience KPIs, it will observe the reflection of developments on results. In parallel, it will continue to listen to customers, specify the other actions required to be taken and go into a continuous development and change process.

Experience KPIs (for Product Quality Perception, Product availability, Making Combination with Products, Return/Replacement, Merchandising, E-Commerce, Call Center processes) are followed within the scores (over ten) received from the point where the experience was carried out.

After formation of CRM & Data Directorate and administration being handed to CRM & Data Directorate in 2020, Customer Service Department under E-Commerce directorate has shifted from Customer Services to Customer Experience management and taken a proactive role. While being a department that only solves problems, it has become a department that detects the source of the problem with customer feedbacks and takes a role in solution, a department that is pioneering and supporting in creating customer-centric actions by coming together with relevant stakeholders even in insignificant feedbacks.



Thanks to acquired solutions, all feedbacks received through customer feedback channels are resolved quickly and observing customer satisfaction. When there is a new or unresolved feedback, relevant teams come together, first ensure customer satisfaction, the subject feedback is investigated in processes and technical structures, and it is requested to initiate the development process of customer-oriented structure. Items such as NPS and Experience KPIs guide in the evaluation.

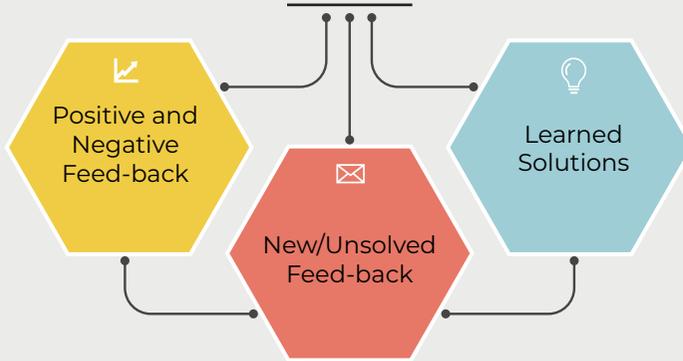
Customer-Oriented process management searches for the root causes of feedbacks. Specifies the main problems, and process and methods required to be resolved. With agreement on actions to be taken, process change is initiated.

The impacts of process change on “Customer Orientation”, “Sales and Costs”, “Process and Systems”, “Product and Quality” are specified and prioritization is made and implemented.

Customer-Oriented Sustainability process is created by constantly following the checkpoints such as the reflections of implement or not implemented actions, customer feedbacks, NPS, Experience KPIs.

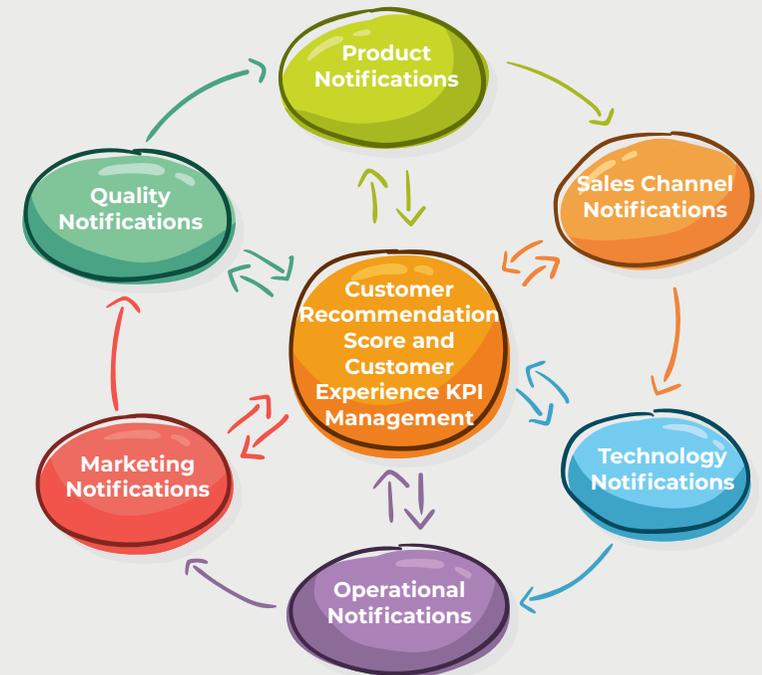


DeFacto Customer Experience Management



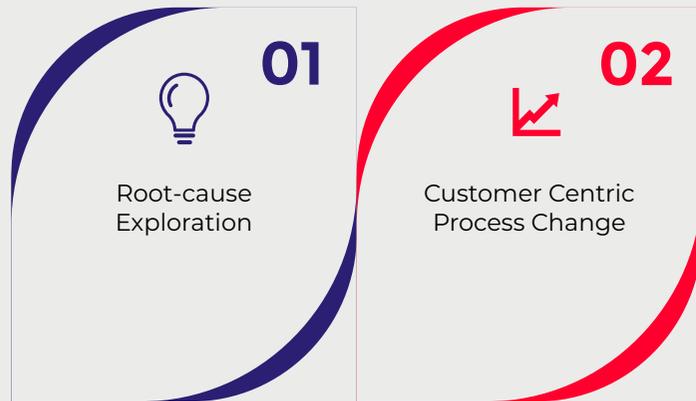
While revising the processes, our Customer Experience department was also at the first place in Sikayetvar.com's 2020 Ready-Made Clothing C-Segment Customer Experience Index.

Within 2020, Chatbot Project has been designed. In Call Center processes, it was decided to change Outsource call center, developments were designed on IVR in accordance with customer requests, and these developments will be implemented within 2021.

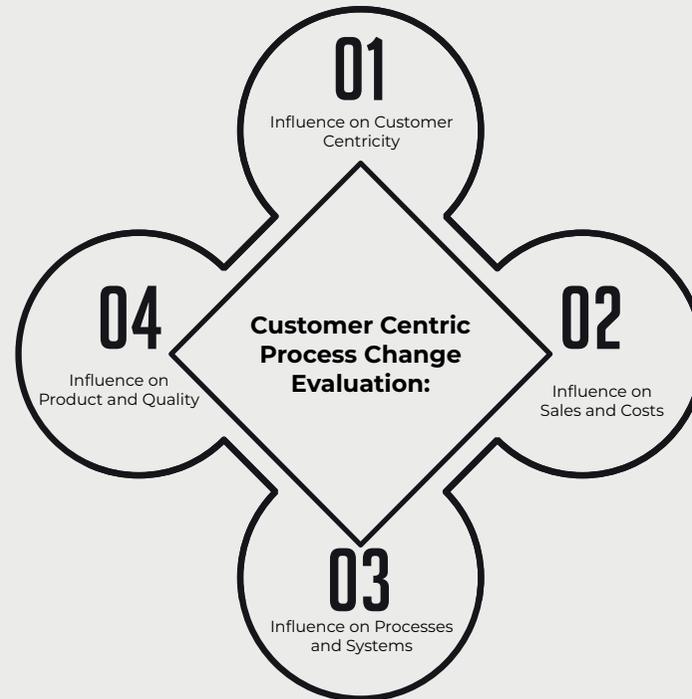


DeFacto

Agile teams were formed with Operation and Warehouse departments, focused on experience improvement in these meetings, and received requests and complaints were handled in a way not to allow repetition. In 2020, it was also decided to form an Abroad customer experience team.



Thanks to all these initiatives, in 2020, our customer complaint rates reduced down to a very low value: %0,90. And with such rates, in Sikayetvar.com web site's Sixth "A.C.E. Awards", an award that became an industrial standard in our country, where the brands that offer the best customer experience are rewarded, we were awarded in Diamond category, Ready-Made Clothing sector.

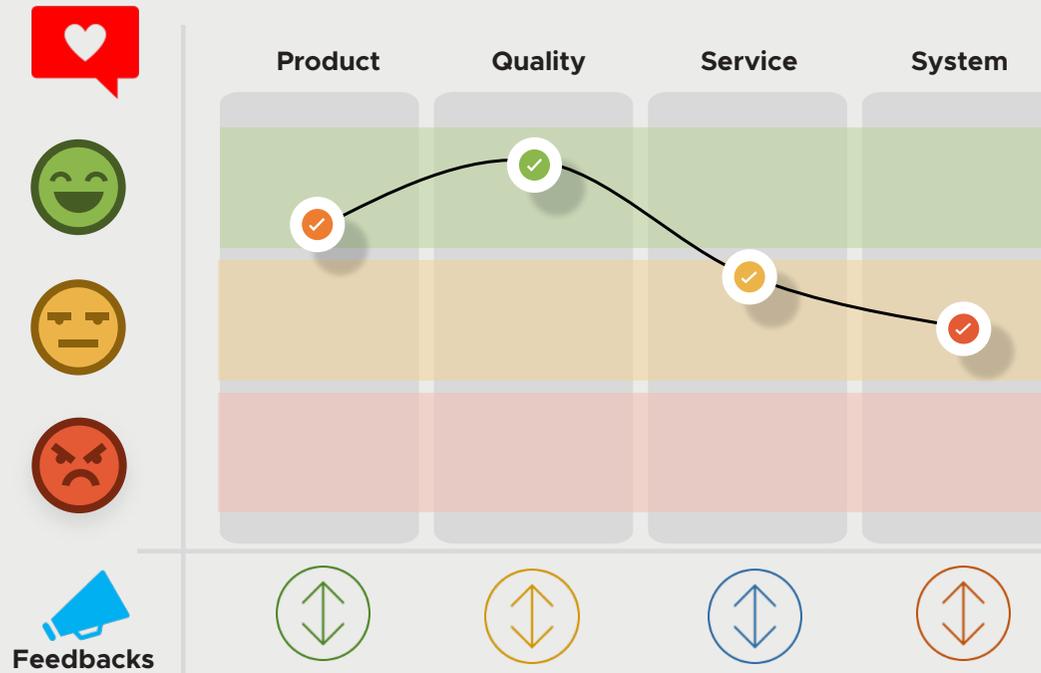


Complaint Management

We consider all positive or negative feedbacks received from our customers as an opportunity to improve our products and services. We assess all customer requests and complaints received by customer services via call center and www.defacto.com.tr web site through our complaint system formed in line with ISO 10002:2004 Customer Satisfaction Management Standard. We try to instantly resolve the complaints recorded by our customer representatives. And in cases where instant resolution is not possible, we channel it to the departments that will develop the solution. We report all complaint results to our customers, specify improvement-focused actions regarding the product, service or process and rapidly implement them. In addition, violation of customer confidentiality and loss of customer data are earnestly followed matters for us. Having zero complaints received/recorded through internal and external sources about these matters is a big success indication for us.

Customer Supporter Score and Customer Experience KPI

Expectations



DeFacto

SUSTAINABILITY IN SUPPLY MANAGEMENT

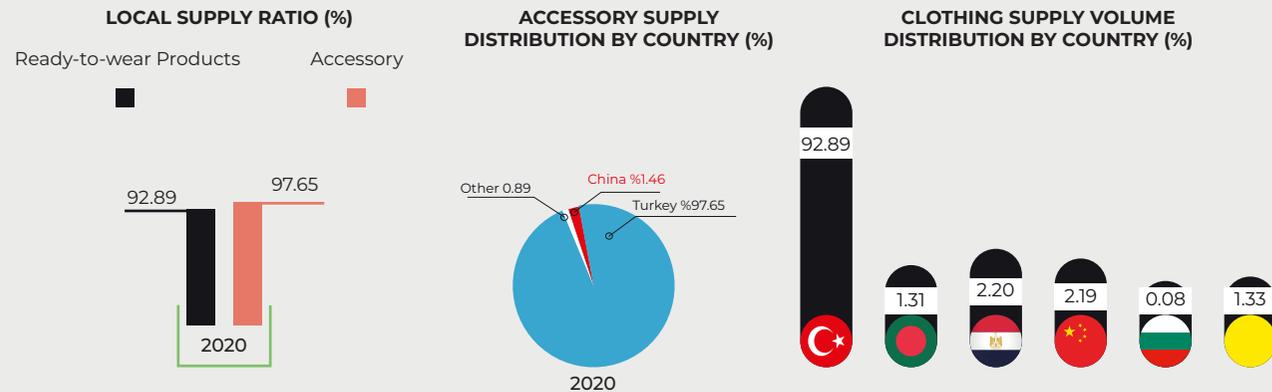


DeFacto Supply Management

DeFacto aims to be economically, socially and environmentally Sustainable in all regions it manufactures, sends its products and distributes them with sales, and realizes all its investments, initiatives, innovations and operations planning them according to the sustainability targets in these fields.

DeFacto has an extensive collection in women's and men's clothing products including casual wear, business wear, special occasions, denim, outdoor, underwear, pregnant and sportswear, as well as child and baby collections. DeFacto also has a wide shoe and accessory collection in its product portfolio.

With the awareness that sufficient part of our social, environmental and economic impacts basically arise from our supply network, we implement responsible supply management practices. We contribute to operational and financial growth of our suppliers and ensure management of their social and environmental impacts with various systems and implementations. In order to strengthen our communication and cooperation with our suppliers, we conduct process and implementation development works. In our works, we ground on mutual benefits, expectations and win-win principle.



Supply Management

The important steps taken in the way to success in ready-made clothing sector are highly effective operation of supply management, maintenance of high efficiency in operations, timely delivery of the manufactured products by suppliers, importance attached on social and environmental matters. These steps are crucial for ensuring supply management sustainability and provide an important contribution. As DeFacto, we take those steps and contribute to sustainability. We believe that our agile actions for supply management have strongly contributed to our targeted and realized annual growth rates. In 2020, we have built and developed our business relations with 617 suppliers. 538 of those are Turkish suppliers, while 79 of them are foreign suppliers. Among these 617 companies, one of our biggest suppliers is our affiliate Ozon Textile. In ordering stage, we give priority to our Gold suppliers in our supplier pool. Within 2020, 48% of our all orders placed for production has been manufactured by our Gold suppliers. While 87% of companies in our supplier pool are Turkish companies, 93% of our orders has been produced by our Turkish suppliers, while 7% has been produced by our foreign suppliers. With our experienced and well-equipped supplier network, we contribute to both ready-made clothing sector and local economy.

Regular evaluation and supervision of suppliers' performance is critical in performance improvement. In order to be objective in 2019, the evaluation criteria and methods used in 2018 were renewed. Accordingly, order delivery (40%) in between 1st and 31st of each month, audit performance (40%) and average purchase price of the orders entering to warehouse within month (20%) are recorded to the system. Data is calculated and supplier KPI score is obtained. Weights of data used in performance calculation are given in parentheses. Supplier Evaluation Scores followed through "Supplier Evaluation System" Dashboard on the first week of next month are sent to each supplier via e-mail. As a result of the calculation made via above-mentioned criteria, DeFacto suppliers are classified under five main categories.

In order to ensure that suppliers' products are in compliance with our company's quality standards, and produced in accordance with the standard supplier relationship rule set, during the process in which the suppliers manufacture for DeFacto, they are periodically inspected. Our priorities during production process and musts in supplier relationships rule set are occupational health and safety, labor law implementations, human rights, environment management and anti-corruption. For sus-

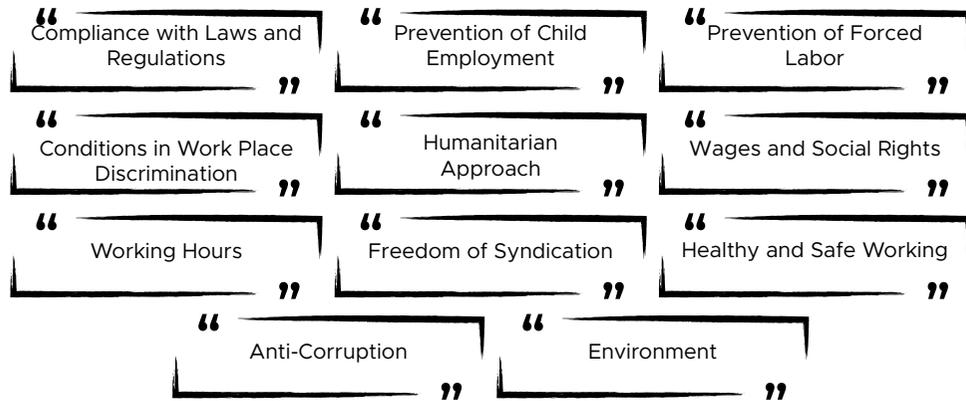
SUPPLIER EVALUATION SCALE		SUPPLIER EVALUATION SCALE		
Supplier Rating	KPI	Supplier Rating	Number	Ratio
Gold	Score > 85%	Gold	73	14%
Silver	85% >= Score > 75%	Silver	125	23%
Bronz	75% >= Score > 70%	Bronz	0	0%
Supplier Development	69% >= Score > 60%	Supplier Development	40	7%
Capacity Limitation	< 60%	Capacity Limitation	300	56%
GRAND TOTAL			538	100%

tainable performance and efficiency, we expect our suppliers to constantly improve their performance, thus reach Gold level and stay in Gold level.

With new evaluation system, sub-supplier definition request is created for the suppliers reaching Gold level and ensuring sustainability for increasing their capacity and after checks, extra production capacity is opened. The production capacities defined for the suppliers in Silver and Bronze levels are renewed according to their performance. Capacities of suppliers with a decreasing performance in last three months, and suppliers that do not take the agreed actions are reduced. We stop working with suppliers that do not show improvement in consequent three months, which act against our sustainability reports published every year, which are engaged in unethical behaviors, which do not respect human rights and that act in similar ways; and avert working with them again.

Supplier Working Covenant

Our Supplier Working Covenant consists of eleven principles and four of them are specified as our “Red Lines”. In case of compliances in those four principles, the supplier is expected to eliminate the relevant risk or make improvement on that matter. By force of the covenant, we request third party SEDEX, BSCI and audits of third-party accredited audit companies from our main suppliers. Having all suppliers working with DeFacto audited in social compliance process contributes also to sustainable quality. At this point, our basic expectations from our suppliers are as follows:



Our Red Lines



Supplier Performance Assessment

Supplier Audits

We subject our suppliers to various audits that start before the productions for DeFacto and that continue during business partnership. The audits are conducted in two paths: third party audits and field audits carried out by DeFacto teams. In 2020, social and technical compliance audits were performed for main and sub-supplier companies. Workshop and supplier audits of DeFacto teams and the works on creation of DeFacto Supplier Map continued in this reporting period as well.

SUPPLIER PERFORMANCE EVALUATION

Supplier Evaluation Scale		Performance Distribution of Suppliers
85%	Gold	14%
7%-85%	Silver	23%
70%-75%	Bronz	0%
60%-69%	Supplier Development	7%
<60%	Restriction	56%

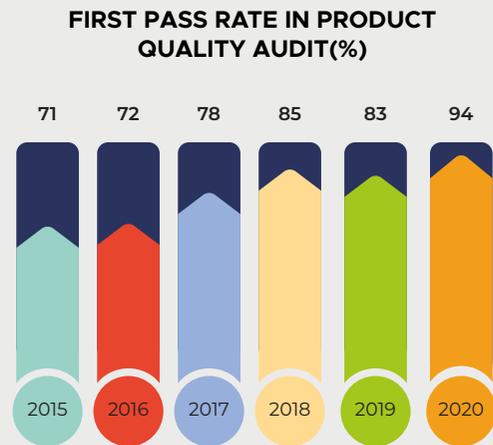
DeFacto Quality Audits

All main suppliers are subjected to a pre-evaluation before working with DeFacto. After this, technical and social compliance teams visit those suppliers and they are subjected to a general evaluation in terms of quality and social compliance. In these evaluations, standards such as use of metal detector and metal material control, child labor, fire safety and use of personal protective equipment, and garment quality are taken into consideration. Suppliers passing the evaluation start working for DeFacto.

SUPPLIER TECHNICAL AND SOCIAL COMPLIANCE RATIO (%)



Workshops of all our suppliers are regularly visited and trainings are given on garment standards. With those visits, it is aimed to align the sense of quality of suppliers with DeFacto's technical teams. And finally, after our audits, it was ensured that the sense of quality of suppliers was aligned with DeFacto Technical Teams and those suppliers were provided with the authorization to perform the quality controls and audits themselves. In 2018, 14 suppliers were provided with self-auditing authorization, and this number increased to 90 in 2020.



Supplier Trainings (Supply Management School)

As DeFacto, in order to adapt development and service quality of all our Business Partners, that is the Product Management suppliers and DFCQs in Turkey and other countries, with DeFacto standards; we plan to design and monitor the trainings with our Supplier School development program DeFacto Business Academy. Supplier School was built in a learning platform where suppliers will enter with their user names and passwords. Until the program comes online, self-auditing authorization procedure will be implemented.

New DeFacto suppliers are provided with user names and passwords by the Academy and the relevant people are included in the program monthly. In order to observe development of suppliers, online exams are carried out once in 3 months, people's developments are observed, and the reports prepared by the Academy are shared with relevant Merchandising team.

People assigned as DFCQC are included in one-day training program where DeFacto audit processes are explained, after the training, those people are authorized with participation certificates that are prepared by valid and that will be valid for one year.

Self-Audit Procedure

The aim of Self-Audit Procedure is, by giving necessary trainings and authorizing our manufacturers that proved their production quality, to allow them to self-audit in line with our speed-focus strategy, reduce the end-to-end production periods; and thus make the performance criteria measurable and visible in the process.

In this procedure covering the manufacturers in all product groups, supplier is specified, and in each quarter, the performance report on passing the audits in last three months for previous quarter is created. The currents that have a performance above 90% on passing the audits at the first time are used as base. In audits, the number of products passing should be above 50,000. The suppliers that are below Gold and Silver evaluations according to supplier KPI performance are removed from the list. It is also necessary that within last year, in the social compliance criteria, the supplier's name is not on the non-compliance list including our red lines.

Number of auditors is specified by Audit Directors according to number of models/orders/classifications of manufacturer, and the candidates determined by Supplier and DeFacto Quality Assurance Directorate are given Self-Auditing current trainings through DeFacto Academy. Hands-on field training is given to the participants completing the online training. Two feedbacks are given to the suppliers that do not complete online training, in case the training is completed, the process is halted. DeFacto Quality Assurance team gives hands-on field audit, in-line and system report entry trainings to the people that will perform audits on behalf of supplier. DeFacto quality assurance team provides mentorship during at least four audits that are performed in different days after field trainings. After the training, "Self-Audit Training" form is filled, and system authorization is opened with the approval of quality assurance director. Training certificate is given. Validity of trainings is one year, the status is observed annually, and if required, the training is repeated. In case the people having training certificate leaves the supplier company, the company's Self-Audit authorization is halted.

Audit requests of the models that will be ready for auditing will be made by Supplier. After audit request, the supplier makes the audit assignment itself. It is necessary to complete audit operation and system entries within the day of audit assignment. The details of audit procedure should be based on Domestic audit document and Broken Needle and Metal Material Follow-up and Control Procedure and implemented accordingly. The photos regarding the audit and specified faults are uploaded to the system, number and rates of faults are clearly stated. In case the products cannot pass the audit, actions are taken for the faults to be rectified and repair works are implemented. After the products are repaired, the information in the system is revised and new audit request is created. When the supplier finds faults that cannot be rectified during the audit, contacts DeFacto Quality Assurance Directorate and shares the details about the case. The suppliers with self-audit status do not have the authorization of giving commercial approvals.

The uploads of the suppliers with self-audit status to the system are randomly checked in the warehouse every month and the results of these checks are shared with the supplier. The models, for which feedbacks are given after store visits, are audited in warehouse, the results are reflected to warehouse audit performance of supplier. In case of unacceptable faults in store or warehouse checks, Global Quality and Product Technology Directorate can inform purchasing team and decide to recall and return product. DeFacto audit team can carry out model-based risk analysis for the companies with self-audit authorization and audit the manufacturers with prior notice.

DeFacto

ENVIRONMENT



3 GOOD HEALTH AND WELL-BEING 	6 CLEAN WATER AND SANITATION 	7 AFFORDABLE AND CLEAN ENERGY 	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	13 CLIMATE ACTION 	15 LIFE ON LAND 	17 PARTNERSHIPS FOR THE GOALS

Environment

Although we have EIA (Environmental Impact Assessment) Exemption Certificate for our Sivas, Batman and Istanbul locations, we have complaint and assessment mechanism for local communities about the matters related to environment. However, since we have never caused any harm to environment till today, no complaint has been received from local communities.

In social compliance audits, even suppliers' compliance with environment-related laws is questioned. What is more, DeFacto takes pride in not being imposed any criminal actions or sanctions due to non-compliance with environment-related laws and / or regulations.

Energy

Energy consumption causes the greenhouse gas emissions, which is the root cause of climate change, and produces an environmental impact. In order to reduce this impact, we implement works that increase efficiency in all our processes where energy is consumed. In DeFacto operations, the

basic fields where energy is consumed are lighting and air conditioning systems of stores and buildings, and lighting and automation systems. The increase in the number of our stores in parallel to our rapid growth naturally brings along the need for more energy.

However, although the number of our stores has increased in 2019, with our productivity works, we managed to decrease our stores' energy density. While being 178.7 kWh/m² in 2017, our stores' annual electricity consumption per year decreased to 161.72 kWh/m² in 2019. While being 161.7kWh/m² in 2019, our stores' annual electricity consumption per year decreased to 141.06 kWh/m² in 2020 period. We achieved a 37% decrease in electricity resource consumption in 2020 comparing to 2015.

In order to limit our energy consumption, we carry out certain efficiency works. These works include implementations such as changing lighting armatures with LED systems and using efficient air conditioning systems in stores. Thanks to environmentally-friendly air conditioning and lighting systems we prefer in our stores, we provide a significant saving in energy consumption.

In Ozon Textile operations, the basic source of energy consumption is in knitting and garment production processes (printing, tricot knitting and garment). Within this context, in 2019, the total energy consumption was 3,609,299.44 KWh, and in 2020 it was 2,044,541.00 KWh. We conduct our energy efficiency works in Ozon Textile warehouse and production facilities. With implementations such as lighting automation, LED lighting, we aim to increase the energy efficiency.

Waste

Our main priority in waste management is to reduce the use of cardboard boxes, papers and plastic package materials we use in delivering our products from suppliers to warehouses or directly to our stores in Turkey and other countries, recycle and dispose the wastes in accordance with the laws and regulations. In addition, we also carry out certain works to reduce the number of these packages at source, before turning into waste.

The boxes used to transport our products turn into wastes after being used. In order to extend the life of boxes, we use the boxes sent to our warehouse from manufacturers and stores several times. With these works, we significantly reduce the number of wastes.

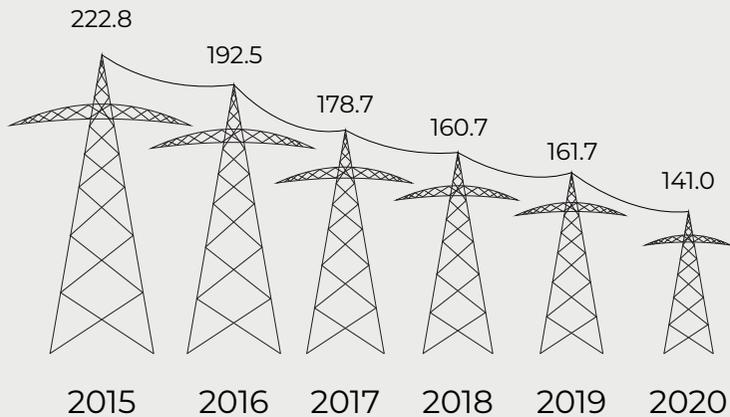
Boxes, paper, plastic and electronic wastes reaching the end of their lives are delivered to relevant licensed waste collection and sorting companies by our head office and warehouse management. And we regularly check the validity of licenses of these companies. Regarding the package wastes in stores; the wastes in some shopping centers are collected by shopping center management and sent to appropriate centers for recycling and disposal.

To reduce the number of papers we use, we realize various saving practices. Within the scope of our saving works, we track the number of papers consumed on user and department basis and in suitable stores we prefer digital communication displays instead of printed posters.

In operation processes of DeFacto and Ozon Textile, in addition to domestic wastes, there are also various wastes classified under the hazardous waste category of relevant legal regulation such as laboratory wastes, electrical and electronic wastes, wastes generated during maintenance and repair of vehicles, fluorescent tubes, batteries, medical wastes. These wastes are recycled and/or disposed by authorized and licensed institutions.

Analytic Laboratory wastes are received by the waste recycling company authorized by Ministry of Environment and

ELECTRIC ENERGY INTENSITY OF DEFACTO TURKEY STORES (KWH/M²)



DeFacto

PAPER WASTE

ANNUAL PAPER WASTE PER EMPLOYEE (KG/PERSON)



TOTAL PAPER WASTE (TONS)



Urbanization, and subjected to recycling and/or disposal. We submit our waste reception requests through the web site of relevant ministry (MOTAD), the relevant agency programs the waste reception and performs the work accordingly.

Within the scope of wastes, in 2020, the total waste paper amount in General Directorate has been 24,900 kg. In 2020, in analytic laboratories, the total amount of laboratory chemicals consisting of hazardous substances including laboratory chemicals mixtures or including hazardous substances has been 4,403 kg, while the total amount of packages including residues of hazardous substances or contaminated with hazardous substances has been 757 kg. And in 2020 in physical laboratory, total amount of recycled textile waste has been 10.56 tons and total amount of environmentally benign waste water has been 42 tons. In 2020, the total amount of disposed hazardous wastes has been 12 kg, total amount of recycling or recovery has been 40,020 kg; while total amount of non-hazardous wastes sent to recycling has been 77,236 kg.

The water obtained from printing department in Sivas Supply Factory are subjected to chemical treatment and pumped to canalization. Waste water quality is checked with annual measurements. Besides this, our company also performs daily pH measurements. The water discharged from Waste Water Treatment Facility is subject to Water Contamination Control Regulation Table-25. We do not have treatment and waste water discharge operations in other facilities.



DeFacto

OUR EMPLOYEES



Our Employees

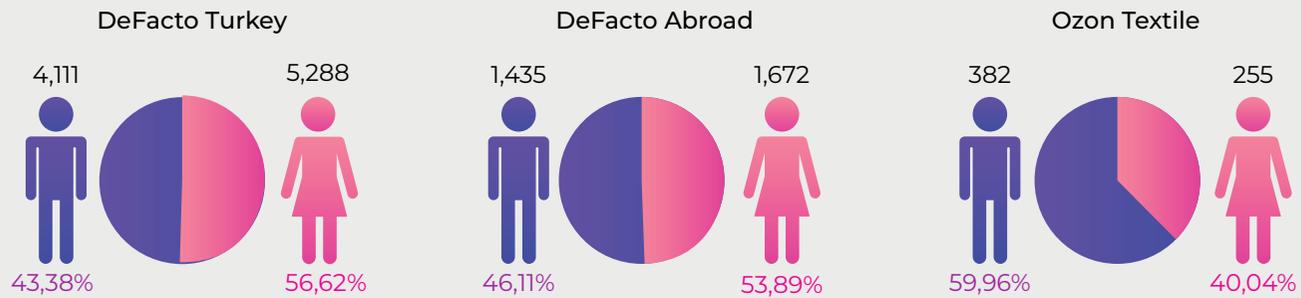
The basic distinguishing structure of ready-made clothing sector that we operate in is its labor intensiveness and the huge importance of creativity. As a brand operating in this sector, having a competent, talented and efficient employee portfolio is a key necessity for DeFacto. We would like to emphasize that our employees have a very big share in our rapid growth and success. In this vision, we support our human resources with highly qualified employees, allow our employees to improve their skills, and establish a fair, transparent and egalitarian working environment. For the purpose of becoming a global fashion brand, moving forward with talented and creative employees that aim to have an international career is an important goal for us.

After every activity, practice and operation with which we contact our employees, in order to receive their opinions and feedbacks and analyze their emotional status, we organize regular satisfaction surveys. And according to the results of annually reported and analyzed surveys, we plan our implementations, activities etc. for next year. Our employee-oriented practices have a dynamic structure. All these activities are formed in accordance with feedbacks and preferences of our employees.

As DeFacto, we attach a great importance to all social and personal rights of our employees. The processes regarding the personnel quitting the job starts with written application of that personnel to her/his department director. Resigning personnel is obliged to notification articles of Labor Law. Before termination of labor contract, both parties are required to submit written notification. With employer's approval, this period can be shorter or may not be implemented at all. As employer, DeFacto can terminate the labor contract of employee by paying the fee corresponding to the notice period in advance.

Child Employment is strictly rejected by DeFacto and precautions are taken about this matter with strict and harsh procedures. Forced labor is also meticulously regarded by DeFacto as an Institutional right, and in our audits, no problematic cases were observed among our suppliers. Although there is no syndication activity within DeFacto, we have no restrictions about this. Within the scope of security service received from subcontractors, DeFacto provides security personnel with all required socialization and fundamental human rights trainings through subcontractor company. Similarly, within DeFacto, in the relevant trainings within the framework of social compliance, Human Rights policies are also mentioned.

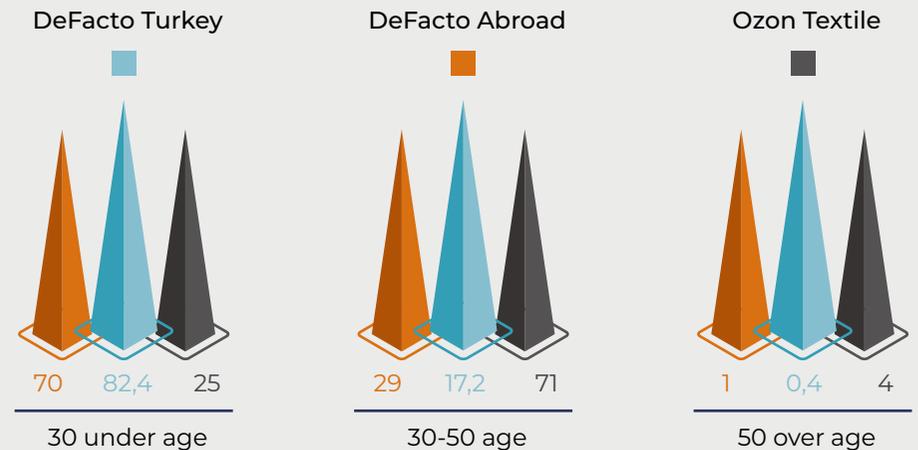
OUR EMPLOYEES (PERSON / %)



EMPLOYEES ON OPERATIONAL BASIS



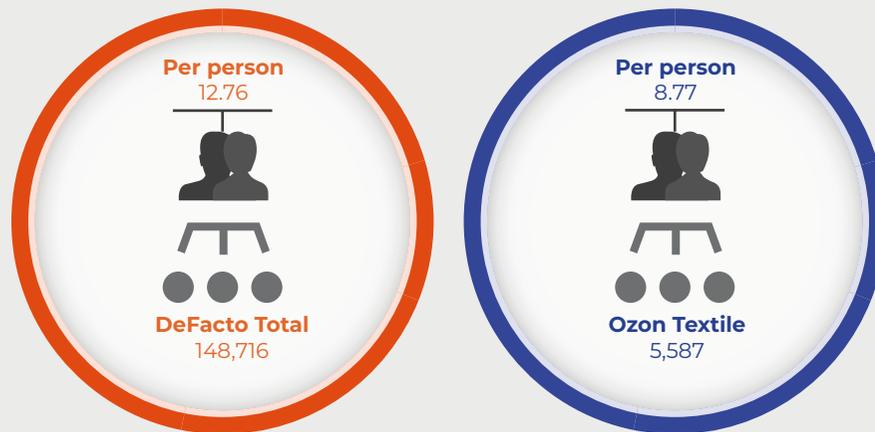
EMPLOYEES BY AGE GROUPS (%)



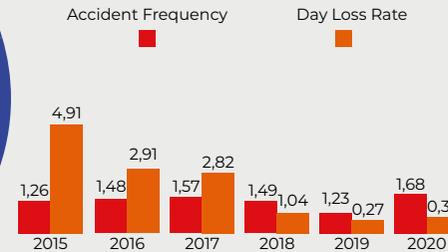
Employee Profile

With our DeFacto Performance Management System, which was created in order to act faster, more efficiently and more systematically in the way to our strategies and goals, we aim to achieve our business targets, reveal the successful business results of our employees, and become an organization exhibiting a high performance. Performance of domestic and abroad head office employees are only assessed annually or quarterly depending on their functions. Annual assessments are reviewed on sixth month and target realizations are monitored. Employee performance cards are collected under two main groups: personal goals and leadership goals. Our prior condition is that the goals set for our employees are SMART (Specific, Measurable, Achievable, Realistic and Timely). Data obtained from performance management system is assessed in career management, wage management and rewarding processes. Our system development and improvement work on an integrated Performance System, which is known as DFHR: Human Resources Management System / APOLLO Project, whose global infrastructure works were completed in 2018 and which was implemented in 2019, continued in 2020 as well. In 2020, we continued our system development and improvement works.

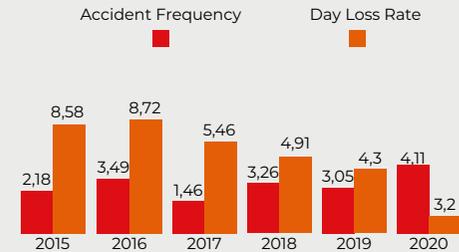
EDUCATION STATISTICS (HOURS)



DeFacto TURKEY OPERATIONS



OZON TEXTILE



DeFacto HR Project / APOLLO Project

In order to manage our human resources processes in an end-to-end and INTEGRATED way, and also support professional development of our employees with person-specific information accumulating on system, we have been carrying out “DFHR/APOLLO” project since August 2018. By assessing the Performance Management System implemented in 2018 with the feedbacks and requests received within the year, with the “Revision Project” in 2019, we made it more efficient and user-friendly. In 2019, we also realized the projects of digitalization of Testing Period Forms and Head Office Employee Personal Development Forms. In 2020, Store Personnel Budget module and Talent Management module were also activated, and we are still focused on digitalization and improvement of employee experience. Our works are going on with Headcount and Budget Management Module Digitalization Project.

Diversity and Inclusion

We believe that differences within our employees give a great power to us. In human resources processes, we never discriminate people with their gender, age and ethnicity and offer equal opportunities to our employees. Our fundamental philosophy in recruitments is hiring the right person to right position. However, in recruitments, we implement positive discrimination to women. We regularly track the ratio of woman candidates to men candidates and pay attention to keep number of woman candidates higher. In line with this approach, in 2020, the rate of woman employees has been very high: 57% in DeFacto Turkey, 54% in abroad operations. In 2019, the rate of woman executives in middle and top management in Turkey and abroad had increased to 26% with two points increase; while the same rate has increased to 33% with seven points increase in 2020. In Ozon Textile, where the majority of employees are Blue Collar employees; in 2019, the rate of woman employees had increased by two points and reached 40%, and that rate has not changed in 2020.

As our commitment to encourage women to take part in business life, since 2015, we have been among the signatories of United Nations Women's Empowerment Principles (WEPs), which is a common initiative of United Nations Women Organization and UN Global Principles Agreement Organization. Whenever the circumstances allow, we tried to continue "Happy Women Movement", which was actualized in line with this commitment, in 2020 too.

Within the scope of Happy Women Movement, after maternity, our woman employees can use three months of unpaid leave that is additional to their legal rights. Our woman employees can also use their breast-feeding leave collectively one day in a week. In addition, our mother employees use half day leave on the first day and report card day of their children. In addition, within the scope of Happy Women Movement, in accordance with availability of the job, we have extra implementations such as working part time after maternity and one day of working from home every month for women employees. In stores, our pregnant woman employees benefit from extra break right practice that is beyond legal requirements. We would like to emphasize that we implemented all these strengthening activities in also the Hybrid working arrangement we implemented due to Pandemic conditions in 2020.

For women working in Ozon Textile, practices that are similar to DeFacto's practices are carried out. Within this scope,

again depending on the quality of the job, our woman employees working in specified positions in General Directorate and factories are able to work from home once in a month. For woman employees in General Directorate building, there is also a specially designed Breastfeeding Room.

We believe that active participation of disabled individuals in business life will positively contribute to both their individual lives and company's diversity and employee engagement performance. Therefore, another subject we handle within the scope of our diversity and inclusion approach is allowing disabled individuals to take part in business life. Accordingly, we are constantly in contact with employment agencies and follow the opportunities to employ more disabled individuals. In line with our employment need that increases directly proportional with our growth, our disabled employee quota constantly increases. The number of our disabled employees was 179 in 2017, which has increased to 211 in 2018, 214 in 2019 and 217 in 2020. As of 2020, Ozon Textile has 19 disabled employees.

Equality of Opportunity

DeFacto considers the creation and maintenance of a fair work environment for employees as one of the most substantial priorities. It is aimed to create a lawful, fair, respectful, healthy and safe working environment and increase the success, development and dependence of employees. We expect our employees to act consistent with our justice and equal opportunity mentality. Therefore, we make our business-related decisions not according to race, skin color, national origin, religion, gender, age, sexual orientation, sexual identity, marital status, disability or any other attribute protected by applicable laws, but according to qualifications. We never approve offensive messages, calumnious statements or inappropriate jokes/narratives.

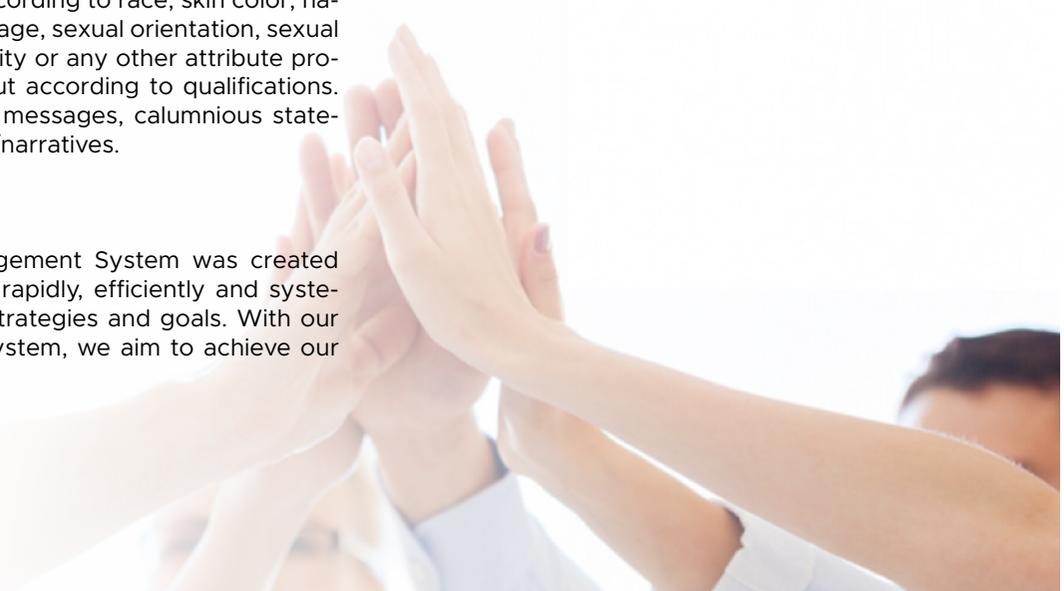
Performance Management

DeFacto Performance Management System was created with the aim of acting more rapidly, efficiently and systematically in the way to our strategies and goals. With our performance management system, we aim to achieve our

business goals, reveal successful business results of our employees, and become an organization delivering a high performance. Performance of domestic and abroad head office employees are only assessed annually or quarterly depending on their functions. Annual assessments are reviewed on sixth month and target realizations are monitored. Employee performance cards are collected under two main groups: personal goals and leadership goals. Our prior condition is that the goals set for our employees are SMART (Specific, Measurable, Achievable, Realistic and Timely). Data obtained from performance management system is assessed in career management, wage management and rewarding processes. Our system development and improvement work on our integrated Performance System, which is known as DFHR: Human Resources Management System / APOLLO Project, whose global infrastructure works were completed in 2018 and which was implemented in 2019, continued in 2020 as well.

Pricing Management

In DeFacto, a pricing process that is specified with systematic methods designed according to objective criteria is implemented. In pricing, we use the calculation methods and tools that are separately structured for our General Directorate, Domestic Merchandising, Abroad Merchandising, Blue Collar and Expat employees.



By taking the economic conditions and closely following the market developments in relevant countries, we review our strategies every year. In case there is no extraordinary condition, in all countries, price revision work is carried out annually in accordance with legislation.

In countries we operate in, we implement a single type of minimum wage. Therefore, in our employees, there is no difference between women and men in minimum wage. The employees that work with the wage that is closest to minimum wage are generally the store sales representatives and blue-collar employees working in warehouses. Although minimum wage increases are realized once in six months, in many countries we operate in, the minimum wage is reviewed at the end of the year.

Talent Management

We aim to learn working performance and potentials of our most fundamental values, our employees, and guide them towards their career journey. We always keep internal career opportunities open for our employees and with this purpose, we use tools that will allow us properly analyze employee development. Within the scope of our competence model, interpreting performance assessments and potentials of our employees together, we create talent pools. And for critical positions, our backup plans are already specified.

Within the scope of talent management, we take certain actions such as internal and external assessment center practices, development of certain applications specific to our talents by creating talent pools, implementation of young talents programs, announcement of career opportunities in Turkey and other countries. We meticulously assess the performance and potential of our employees via Talent Committees.

We implement promotion processes annually in General Directorate, and in certain times of the year in accordance with needs in stores.

In order to raise future leaders internally, through our Promotion to Merchandising Field Manager and Promotion to Store Sub-Manager positions, we support development of our existing employees. In addition, we contribute to increase knowledge and skills of our employees in line with our organizational needs and focus areas. What is more, we announce the internal position needs with internal advertisements to all employees; with internal rotation/transfer opportunities, we offer an internal diversity and different career opportunities to our employees.

In order to conduct the assessment process within company, we raise our internal evaluators among our employees through Internal Assessment Center Implementation. Within the scope of implementation, we give a special training to our internal evaluators, certify them and continue to support them during the process with various trainings. With our internal evaluators, we develop special practices, strengthen internal communication, sharing and cooperation, and allow employees to develop competences and skills that they can utilize throughout their career.

In addition, in selection processes of our young talent programs, we develop practices such as “hackathon”, “ideathon” with our internal resources, and in order to be able to make the process sustainable in all conditions and environments, we can also implement it in virtual environments.

Employee Engagement and Motivation

As DeFacto, with the belief that measuring the satisfaction level and expectations of our employees regarding our existing practices through different platforms is among the most important factors to create a perfect employee experience, we conduct Employee Engagement and Motivation survey every year. According to the results, we realize focus group works, make root cause analysis, and



project and follow the required actions regarding the subjects specified as our development areas.

70% of our employees participated in our Employee Engagement and Motivation survey conducted in 2020. Comparing to the results of previous year's survey, there were increases in both our engagement and motivation scores.

In the processes of transition to initially remote working and consequently Hybrid working arrangement with the pandemic conditions arising in 2020, we continuously conducted surveys at each step requiring decision-making, we ensured that the transitions were carried out in accordance with the expectations and requests of our employees.

And with our Employee Experience Project initiated in 2020, by considering recruitment and adaptation processes, which play an important role in life cycle of our employees, from the perspective of Employee Experience, building our employees' experiences in the recruitment process and first six-month adaptation period from the beginning, and with our surveys on second and sixth months; we constantly follow the process and update our practices in accordance with the comments and feedbacks of our employees. And within 2021, we will re-design all our processes in employee life cycle with Employee Experience perspective.

DeFacto Business Academy

DeFacto Business Academy operates with the aim of preparing the organization for change and transformation, turning our corporate values and culture into sustainable competition advantage, empowering employer brand and raising skilled human resources for our sector in line with our vision of "Becoming a fashion brand that will make people say Wow". With the training and development programs under the roof of DeFacto Business Academy, we keep our expectations and projections for today and for the future on the agenda of our employees and executives. While designing these programs, we take corporate strategies, culture and values into consideration.

As DeFacto Business Academy, we categorize our trainings with FIT contact. We try to offer the most "FIT" programs and platforms to development needs, goals and dreams of our employees. Within this scope, we build our trainings under five main categories:

- With Original FIT, we mean all our trainings that forms and

underlies us. For example, we consider legally obligatory trainings and orientation trainings within this scope. In this context, we plan orientation programs that are designed for our store and head office employees to better know our company and adapt to company culture.

- Business FIT includes our 6 different schools that develops us in our works and that allows us to constantly renovate:

1. Merchandising School;
2. Product Management School;
3. Supply Management School;
4. Franchise School;
5. E-Commerce School;
6. Internal Trainer School.

- With Personal FIT, we offer our employees trainings and workshops for our personal development and interests, from English to Design Thinking, from astrology to coffee training.

- Leaders FIT includes our trainings that inspires us, as the pioneers of agile transformation, and develops our leadership skills leaders. Under Leaders Fit, we have different Leadership Development Programs designed for our managers at different levels.

- Talent FIT defines our programs that will brighten our talent from the moment of employment.

In order to maintain sustainability of training and development activities, we offer online trainings to our employees. With its infrastructure integrated with the internal digital platforms, DeFacto Business Academy learning system plays an important role in automation and acceleration of operational processes. We offer all trainings, all training and development tools and activities about all methods within the hybrid development programs assigned to employees through this system, follow and report them.

DeFacto Business Academy creates the corporate memory of company and standardizes the information and experience needed by employees. Especially in our Business Fit Programs, our internal trainers are one of our most powerful resources in information and experience transfer. With internal trainer system, we record corporate memory, strengthen internal communication, and support development of employees in their areas of expertise. We ensure that our managers that will be internal trainers to learn and embrace our human resources approaches and practices more quickly.

We specify our training programs taking the needs of both company and employees into consideration. We enrich our trainings with many different learning methods such as classroom trainings, virtual classroom trainings, on-the-job train-

ings, coaching, mentoring, observation/internship and remote learning. In 2020, we have organized a total of 150,785 hours of training in DeFacto Turkey and DeFacto abroad operations. This way, the total amount of training per person has been 12.98 hours. 9,005 of our workers has participated in these trainings, this way we have obtained an 86% participation rate. In 2020, with a high training satisfaction score of 4.5/5, we have met the expectations of our employees.

Happiness Management

As DeFacto, the most important subject for us is "Employee Satisfaction". Therefore, we continuously make investments for our employees' development and satisfaction and realize many implementations that are the first of their kind in Turkey.

Our all-time priority is "investment in people". Therefore, our company established the first "Directorate of Happiness" in Turkey and "Happiness Fits Us (Mutluluk Bize Yakışır) Program" and "Happiness Fits Us" brand were actualized.



With Happiness Suits Us Program and Brand, our purpose is to realize creative activities in below subjects that will make our employees say WOW, which will support corporate climate and culture; and most importantly, allow our employees to smile and be happy.

Summary information about our Happiness Processes is as follows:

Effective Internal Communication and Synergy:

- Creating a positive working environment in the work place,
- Attracting and keeping quality labor force and professionals,
- Internal communication,
- “Coffee with CEO” implementation in Headquarters and Technopark,
- “HR On Field - Store Day Program” implementation in stores, (halted due to the Pandemic.)
- Improvement of recreation areas in stores.

Social and Cultural Development:

- Social Clubs: Social Responsibility, Traveling, Diving
- Sports Clubs: Rowing, Football, Yoga
- Tournaments, social activities
- Free-of-charge trainings from professional trainers and consultants,
- DFTV social life platform
- Socializing in various subjects in interests,
- Company activities, celebration of special days
- Various entertainments in collective organizations.



Hobby and Personal Development:

- Hobby Area: Playing golf in the terrace in lunch break. Table football, billiard, table tennis, game console, Pes, football tournaments. (Temporarily halted within the scope of pandemic health and safety measures. Still available.)
- Chats in happiness room, use of the rich library including a reading area and various contents. (Temporarily halted within the scope of pandemic health and safety measures. Still available.)
- Open Seminars: Seminars open to general participation. Experts, various subjects.
- Workshop practices (Yoga, coffee-making, making aromatherapy oils and food workshops etc.): Within the scope of pandemic health and safety measures, workshops and webinars were online.
- Happiness Sentences: Sentences that give motivation and happiness are shared once in two weeks. Those are sent to our office employees' corporate e-mail addresses and to our field employees' personal e-mail addresses.
- Happiness Bulletin: Published in Online Magazine, includes online research papers and articles about world's agenda, personal development and positive psychology.
- Happiness Calendar: In the calendar published with a specific theme every month, there are items that increase the motivation of people and their interaction with others. The calendars are sent to our office employees' corporate e-mail addresses and to our Store employees' personal e-mail addresses.
- Online Magazine: Compilation of contents that include the news about company agenda in last three months, articles about employees, activity information, published quarterly in online platform.
- Coffee with CEO: Chat meeting with 10 of our employees, which are specified with draw among the applying employees, come together with our CEO İhsan Ateş about many subjects regarding our company's agenda, world, country's agenda, our customer experiences, important tips about life, art and culture.

Healthy Living:

- Healthy Living Program:
- Permanent occupational physician and occupational nurse support;
- Breakfasts, lunches and snacks special to our employees;
- Video shoots for special contents planned for all 7 days of each week, rich contents in DFTV based on healthy nutrition;
- Healthy living seminars, contracted health institutions and free-of-charge examinations
- Webinars and workshops on healthy living and nutrition.



Gymnasium:

- A staffed sports trainer;
- A comfortable and well-equipped gymnasium;
- Dressing rooms and shower cabins;
- Lockers that include all materials that might be needed before and after workout;
- Tailored exercise programs, controlled weekly measurements
- Crunch, Pilates and yoga courses on certain week days (halted due to pandemic).

Massage Hall:

- Ergonomics trainings;
- Free-of-charge massage hall (halted due to pandemic);
- Working Areas and Physical Conditions.
- Yard and Break Areas:
- Yard and break areas with Mediterranean concept;
- Sitting areas (a new decoration enriched with free-of-charge beverage service areas).
- Happiness Room:
- Happiness Rooms in General Directorate and in our sores;
- Comfortable armchairs, TV, box games, books, tablets and earphones (halted due to pandemic).

Development Areas about Fundamental Rights

- Flexible Working Hours: All General Directorate employees can flexibly enter in between 07:00-09:00 in the morning and exit in between 17:00-19:00 in the evening.
- Home Office Working: In pandemic period, all our employees, who are suitable due to the nature of their work and with the permission of regulations, which work in General Directorate in Istanbul, warehouse and Research and Development Center in Çerkezköy were provided with remote and flexible working model rights.
- Happy Nutrition: For our employees that continued to work at office due to the nature of their work, and work with Hybrid model, packaged sandwiches for breakfast, and personal and specially covered dishes for lunch were served to our employees on every week day. Deserts and fruits are served together with the meal.
- Personal Image: Free-of-charge hairdresser and manicure service for all woman employees of General Directorate (halted due to pandemic).
- Pleasant Activities on Special Days and Weeks: Online internal communication activities in line with annual communication calendar, online Seniority Award Ceremony special to our employees completing ten years of employment, pleasant celebrations for all employees such as online Company Chat meeting and online Company Chat meeting for special days, webinars and workshops planned for special days.

Business-Private Life Balance and Employee Engagement

Most of DeFacto employees are among Y and Z generations that attach importance to socialization in business life. This makes redressing business life-private life balance a priority for us. In order to help our relevant employees, redress this balance we offer them services such as sports, massage, hairdresser, healthy nutrition consultancy. Em-

ployees are able to spend time in “happiness rooms” and “happiness corridors” within the company, and use their break times better with social clubs. We also support business-private life balance of our employees with our flexible working hours implementation. We would like to also emphasize that, we are trying to compensate these implementations, which were compulsorily stopped due to Pandemic in 2020, with various virtual activities.

For redressing business-private life balance, similar activities are carried out for Ozon Textile employees as well. For example, we allow one day leave for our white-collar employees on their birthdays. Ozon Textile employees can also benefit from flexible working hours implementation.



DeFacto Social Clubs

DeFacto Social Clubs allow all DeFacto employees to get information and learn skills about culture, art and sports, and socialize with their team. The clubs operating under DeFacto are DeFacto Music Club, Dance Club, Theater Club, Social Responsibility Club and Travel Club. DeFacto employees also have the opportunity to have conversations in happiness room, use our rich library including a reading area and various contents, and spend their free times with more pleasure. In addition, there are also DeFacto Sports activities in tennis, basketball, volleyball, rowing, football, aikido, yoga and chess branches. Our employees can enjoy playing golf in terrace, as well as getting involved in various sportive-cultural activities such as table football, billiard, table tennis, console games, pes and football tournaments.

In these social clubs, professional trainers and consultants give free-of-charge trainings to our employees. The club members arrange various activities and shows in their branches, compete in organizations such as DragonFest, Corporate Games and Business Cup and represent DeFacto.

In pandemic period, we managed to move some part of social club activities to online platforms. We had to continue various personal development and socializing activities through online platforms. And unfortunately, we suspended certain social and sportive activities during Pandemic period.

DFTV Social Life Platform

With the videos on DFTV, that can also be described as DeFacto Employees' Social Life Platform, which has been one of our ongoing activities during pandemic, all our users were informed about past social activities of DeFacto, and they were also able to easily access Contents that are useful for their personal development. In short, DeFacto employees were able to asynchronously access the seminars they could not participate, the interviews they could not watch and colorful hobby videos from DFTV any time and from any place.

Internal Communication Activities

Before the pandemic, we were already seeing internal communication activities as a tool to create a positive working environment, ensure employee engagement, generalize our corporate culture, meet the expectations of our employees and become a learning organization. With the pandemic, importance and impact of those became more prominent. In this context, we used different communication platforms such as news and announcements, "Company Chat" Meetings, coordination meetings, end-of-the-year activities, special day celebrations, instant happiness activities and Leadership Chats, especially through online channels.

Within the scope of DeTalks, we held seminars open to general participation of DeFacto employees. In these seminars, the expert guests share information on subjects such as health, career, social life, family, hobbies, psychology, communication, leadership.

Beyond this, there is also an internal blog platform called DBLOG, where employees can share their articles and freely express themselves. In addition, with our DFTV social life platform, we share the videos with hobby, informative and entertaining contents received from our employees with all employees.



Hobby and Personal Development

Before pandemic, our employees were able to spend time with activities such as golf, table football, billiard, table tennis, game console etc. in the lunch break in Hobby Area, make conversations in Happiness Room or use the reading area and our library having a rich content. They were also able to receive opinions and information about different matters from experts in Open Seminars. We were able to move some part of these activities to online platforms in Pandemic period; but we had to discontinue the hobbies and social activities that cannot be performed online.

Our monthly Happiness Bulletin, which we continue to regularly publish, ensures that all our employees receive online research papers and articles about hobbies, world's agenda, personal development and positive psychology.

In the Happiness Calendar published with a specific theme every month, there are items that increase the motivation of employees and their interaction with others. Calendar is sent to all office employees via e-mail.

In addition, our Online Magazine is a compilation of contents that include the news about company agenda in last three months, articles about employees, activity information, published.

Once in a month, our CEO İhsan Ateş chats with ten of the applying employees about many subjects regarding our company's agenda, world, country's agenda; our customer experiences, important tips about life, art and culture in our Coffee with CEO meetings.

Healthy Living

Within the scope of Healthy Living Program, whose importance became more prominent within pandemic period, our employees are provided with free-of-charge permanent occupational physician and occupational nurse support, special breakfasts, lunches and snacks. In addition, video shoots for special contents planned for all 7 days of each week, rich contents in DFTV based on healthy nutrition and healthy living seminars are provided free-of-charge, and our employees can also benefit from contracted health institutions and get discounted examinations.

Fundamental Rights

Before the pandemic, the most important right we gave to our employees in terms of Fundamental Rights was flexible working hours, all General Directorate employees were given the opportunity to flexibly enter in between 07:00-09:00 in the morning and exit in between 17:00-19:00 in the evening. Within the frame of the right to work from home, all woman employees of General Directorate were given the right to work from home once in a month. And in pandemic period, Hybrid working method was implemented.

With Happy Nutrition concept, snacks consisting of open buffet breakfast on Friday mornings, free-of-charge sandwiches or pastries on every week day, and desert and fruit options on every week day at 16:30, are served to all General Directorate employees.

In order to do pleasant activities on special days and weeks, with our happy days concept, we organize surprise activities, special day celebrations, pleasant and fun celebrations in line with our annual Happiness Calendar, organize Seniority Award Ceremony for our employees completing ten years of employment and Company Chat meetings are held with our employees.



Women's Empowerment

As a signatory of United Nations Women's Empowerment Principles (WEP), DeFacto initiated Happy Women Movement, and with "Happy Women Package" concept, fringe benefits such as extra three months unpaid leave after maternity, the opportunity to use breast-feeding leave collectively one day in a week, the opportunity to work part time in accordance with availability of the job, the right to work from home for one day in a month, half day leave for mothers on the first day and report card day of their children, formation of Executive Raising Groups consisting of only women, and for our General Directorate employees, parent coaching for all mothers, working from home for one day in a month are also given to our woman employees.

Occupational Health and Safety (OHS)

Giving our employees the opportunity to work in healthy and safe conditions is among our sustainability priorities. We adopt being a "pioneer" by causing minimum harm to and creating maximum benefit for humanity during and after our operations as our organizational policy. The basic principles for realization of occupational health and safety practices are specified within the frame of DeFacto Occupational Health and Safety Policy.

Occupational health and safety activities are systematically managed in accordance with OHS Policy and legal regulation in all our offices, warehouses and stores that operate under DeFacto and Ozon Textile. In order to provide this systematic management, we adopt a participative OHS concept, and ensure OHS experts and occupational physicians as well as all employees are involved in OHS processes. One of our most effective tools ensuring participation in OHS management is our OHS Boards. In DeFacto operations, there are 321 employee representatives, and there are 21 OHS Boards operating in our stores and central office with 81 members. We have an employee representative for all our stores, however in stores with less than 50 employees, no OHS board meeting is held. OHS Board meetings are held routinely. All information is provided to the board via employer representative and employee representative. In addition, employees are secured for their notifications through ethics line. A Group occupational health and safety e-mail address (is.guvenlik@defacto.com) was created for determination of

hazards, assessment of risks and recommendations and employees were informed that they were allowed to send notifications with this method.

And in Ozon Textile operations, there are 4 OHS Boards operating with 26 members, 14 of which are employee representatives.

Our prior target is ensuring adoption of occupational health and safety culture by our employees and continuously improve our performance in this field. We keep record of performance data such as accident frequency rate, loss day rate and absence rate, take necessary measures to improve our performance into our business plans and implement them. In order to meet Law on Protection of Personal Data (KVKK) requirements, health information of our employees can only be viewed by occupational physician and nurse, and stored in lockers.



The accident frequency rate has been 1.57 in 2017, 1.49 in 2018, 1.23 in 2019 and 1.68 in 2020; while loss day rate has been 2.82 in 2017, 1.04 in 2018, 0.27 in 2019 and 0.33 in 2020.

OHS Practices

OHS Practices in Stores

The main subject that makes OHS practices in our stores critical is the fact that majority of our employees are working in stores. Primarily store managers, and all store employees are responsible for management of health and safety issues in stores. OHS performance is among the prior subjects for store managers and this is also reflected to their personal financial performance.

For giving information to our employees regarding the relevant laws and regulations, as well as corporate practices, we ensure that they receive OHS trainings regularly. The instructions for prevention of OHS risks in stores are included in OHS Handbook with detailed explanations.

All our stores in Turkey are audited by independent institutions twice a year in line with the audit plans prepared for OHS risks. In cases where non-compliances are observed in these audits, store management is expected to take corrective and preventive actions within maximum six months. In general store compliance audits, our supervisors in Turkey and other countries perform OHS audits with an auditing list consisting of approximately 260 criteria. Legal requirements are also checked for our stores in other countries and actions are taken in line with the requirements. In addition to legal requirements of countries, assessments are made based on DeFacto's fundamental OHS requirements. OHS control criteria compliance results are shared with store managers and the actions taken against non-compliances are followed.

In our stores that were closed for certain periods, disinfection, circulation restriction, personal hygiene measures were introduced and after some time, the stores were opened to service again. Within this frame, due to OHS rules, temperature measurements are made in our stores. Regular cleaning and disinfection works are still going on, and in-store air conditioning systems have been renovated to ensure supplying 100% clean air. Now store entries are limited per square meters, our cabins are used leaving adjacent cabins empty, and the products used in changing cabins are disinfected before being placed to rayons. In all our stores, social distance marks were placed and hygiene barriers were placed in between our cashiers and customers. And in all stores, we keep masks and disinfectants, and placed warning and informative posters.

DeFacto

OHS Practices in Warehouses

In order to manage our operations under international occupational health and safety standards, we manage our Çerkezköy warehouse in accordance with OHSAS 18001 Occupational Health and Safety Management System. We constantly develop our management system, which is annually audited in accordance with OHSAS standards by an independent audit company, and renew our certificate. In 2020, the OHSAS 18001 standard was upgraded to the new ISO 45001 standard. In this context, trainings were received and system was renewed. We give OHS trainings to warehouse employees in accordance with legal regulations. Occupational Health and Safety Management System is implemented in warehouse operations without out-of-scope items. Main purposes of Occupational Health and Safety Management System standards are as follows:

- 1. Protecting employees:** Protecting employees from negative effects of the workplace and ensuring that they work in a comfortable and safe environment is the primary purpose of occupational health and safety.
- 2. Ensuring production safety:** Minimizing labor loss and business day loss that may result from work accidents and occupational diseases and therefore protecting production (product and/or service) thanks to increased work productivity are among the purposes of occupational health and safety.
- 3. Ensuring workplace safety:** Eliminating fire, explosion, machine failures and interruptions that may put the business in danger with precautions taken at work environments will ensure workplace safety.

OHS Trainings

In order to increase the level of knowledge and awareness of our employees about occupational health and safety, we organize regular OHS trainings. In addition to our employees, by involving also sub-contractor and supplier employees in the trainings, we expand the awareness about this matter.

The repeated trainings and the trainings including the subjects in the legislation are given to our employees as e-trainings. Classroom trainings can also be followed through remote training system. In 2020, due to Covid-19 Pandemic, all our trainings were given as e-trainings. And for our new employees, we give employment training: All our employees are assigned with OHS



trainings when their employment starts and with the periods specified in the legislation through DeFacto Academy. All our employees are informed about KVKK (GDPR) through DeFacto Academy.

In 2020, we have given a total of 41,020 hours of training to our personnel; where 9,638 hours to DeFacto domestic store personnel, 14,740 hours to General Directorate personnel, 2,152 hours to DeFacto Technology (Technopark) personnel and 14,490 hours to warehouse personnel. And for Ozon Textile employees, we have given a total of 11,216 hours of OHS training.



Our Occupational Health and Safety Policy

With its top management and all employees, our organization sets out with the idea that “No work is so urgent and important to endanger human health and security of life”. Our main goal is to prevent possible occupational diseases and occupational illnesses. For this:

- We will minimize occupational safety non-compliances in working environments;
- We will effectively continue our occupational safety trainings;
- Our main goal is ensuring health and safety of our customers, personnel, subcontractors and all relevant parties within the period they are in our organization;
- In our works in the health department, instead of curative services, we will concentrate on preventive healthcare services, we will keep providing preventive healthcare services to our personnel and carry out their periodical health examinations;
- We will fulfill our legal obligations and the OHS terms we specified;
- We will continuously carry out improvement works;
- We will keep our policy open to relevant parties.

Our Occupational Health and Safety Practices in Pandemic Period

In 2020, Covid-19 Pandemic turned the life around the world upside down just in few months. In this context, many decisions and practices implemented by countries and organizations changed in time and according to conditions. In this challenging period, we implemented certain OHS practices about health and safety of all our stakeholders.

As of the beginning of 2020, we started to make first implementations and measurements for disinfection of sample packages. Disinfectant was applied to ventilation system and to the head office through the system, and the status before and after the application is checked. Offices and ventilation system was periodically disinfected with ULV device, hand-washing and hand disinfectant instructions were placed. Necessary measurements were made before and after cleaning and disinfection, and the status was monitored.

All company cars were disinfected, hand disinfectants were placed to all cars. Shuttle transportation capacities were revised in accordance with the recommendations of ministry. It is ensured that company cars were used by preferably one person, and maximum two person in obligatory cases.

The frequency of cleaning the floors, desks and shared areas in offices was increased. Regular disinfections were made in all places. Hygiene and protective materials were swiftly supplied and put into common use.

In dining halls, products such as salad, yoghurt etc. were served in disposable dishes. Use of disposable gloves was initiated for salad sauces. Forks, knives and spoons were served in protective papers. Hand-washing frequency of dining hall personnel was increased to 20 minutes. In the following period, foods were distributed in disposable dishes, dining hole was closed, and since social distancing

was easily ensured, foods were distributed to the tables of employees.

With the increase of pandemic's impact, personnel were informed about travels, and all abroad trips were canceled. After obligatory abroad trips due to personal reasons or abroad duties, the practice of working from home or taking annual leave was initiated. After returning from trips, the practice of seeing occupational physician before coming to work place was initiated. Trips with domestic flights were canceled and it was decided to use company cars in obligatory cases.

Our employees were informed about online meeting rules. It was decided to organize online meetings instead of face-to-face meetings. And meetings with more than ten participants and with participants coming from other countries were canceled for a while. It was decided to request passport record stating border entry minimum 14 days before or request health report in obligatory cases. And it was decided not to allow visitors visiting areas other than the meeting rooms in first floor. In parallel with this, it was recommended not to attend any activities, conferences, seminars.

As a result of OHS assessments, our employees in the risk group started to work from home. For half of the employees, it was decided to work from home with 14-day periods. Gymnasium and happiness room were kept close during Pandemic. In the upcoming period, it was decided that all employees except the executives were going to work from home. Occupational health and safety information presentation was prepared for working from home.

Gloves, hand disinfectants and sprays for surface disinfection were sent to prior 50 stores in Turkey. In the upcoming period, it was decided to close all stores in Turkey.

Emergency action plan was updated and sent to stakeholders. Covid-19 Case management pro-

cesses and documents were prepared and put into effect. The whole process and all documents were incorporated under a single document named «DeFacto Covid-19 Action Plan».

Cargo and sample acceptance room was moved outside the building. It was decided to place meeting tables in garden room, organize meetings in this place, and not to allow suppliers and visitors in Head Office. Entrance marks were placed in accordance with social distance rules, social distancing was ensured, and crowding was prevented. Thermal camera use was initiated for contact-free temperature measurement for employee entrance. In all doors with high transmission risk, foot supports were installed. Use of elevators is limited with two people and contacted surfaces were frequently disinfected.

For keeping social distance between the employees in work places, one of the adjacent seats was left empty. The seats that will not be used were marked and due to social distancing rule, remote/alternate working methods were preferred.

In order to ensure natural ventilation in infirmary, where transmission risk is at highest level, window was opened to outer atmosphere. Ventilation system was completely renewed and fresh air supply was maximized. In the area outside the company, a quarantine room was built for keeping the people suspected of Covid-19.

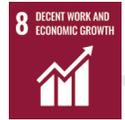


DeFacto

COMMUNITY DEVELOPMENT



4 QUALITY
EDUCATION



8 DECENT WORK AND
ECONOMIC GROWTH



17 PARTNERSHIPS
FOR THE GOALS

Employee Volunteering

In 2019, with participation of 31 volunteers, we planted more than 100 saplings and created a memorial forest in the yard of our Çerkezköy Warehouse. In 2020, in Edirne, Yenicegörice area, a memorial forest consisting of 10,000 saplings was named as “DEFACTO MEMORIAL FOREST”.

With the organization of 10 of our volunteers, 290 small packages of animal food were distributed to our employees as 60 kg cat & 60 kg dog food. Our employees took these friendship foods, given them to street animals in their regions and made our cute friends happy.

After the earthquake in Elazığ, 192 pieces aid boxes were delivered to Elazığ Provincial Disaster and Emergency Management (AFAD) Directorate via AFAD.

Vocational High School Coaches Program is a voluntary-based program that started in 2012 and implemented with participation of Association of Private Sector Volunteers (ÖSGD) member companies, and protocol of Ministry of National Education and Directorate of Technical Education. Volunteer coaches in ÖSGD member companies come together with vocational high school students from 10th and 11th grade within the framework of “Coaching Model with Bordered Restrictions” and implement the two-year voluntary coaching program. DeFacto participated in the program for the first time in 2016 as volunteer company. In the first practice year, we had 6 volunteer coaches. And in year 2018, this number reached 16. At the end of 2020, we have contributed to lives and personal development of approximately 110 students.



PERFORMANCE DATA

EMPLOYEE DEMOGRAPHICS

	2020	
	Male	Female
Total Workforce (Number)		
<i>DeFacto Turkey</i>	4,113	5,288
<i>DeFacto Employees</i>	3,965	4,932
<i>Outsource Employees</i>	140	352
<i>Ozon Tekstil</i>	382	255
<i>DeFacto Abroad</i>	1,434	1,677
Total Employees by Category (Number)		
<i>DeFacto Turkey</i>		
<i>Office Employees</i>	3,239	4,305
<i>DeFacto Abroad</i>		
<i>Office Employees</i>	11	5
<i>Field Employees</i>	1,423	1,672
<i>Ozon Textile</i>		
<i>Office Employees</i>	130	84
<i>Field Employees</i>	252	171
Employees by Age Groups (%)		
<i>DeFacto Turkey</i>		
<i>Under 30</i>	70%	
<i>Between 30-50</i>	29%	
<i>Over 50</i>	1%	
<i>DeFacto Abroad</i>		
<i>Under 30</i>	82.4%	
<i>Between 30-50</i>	17.2%	
<i>Over 50</i>	0.4%	
<i>Ozon Textile</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>	52	17
Number of Disabled Emploess	413	217
<i>DeFacto Turkey</i>	186	
<i>DeFacto Abroad</i>	28	
<i>Ozon Textile</i>	19	

ENVIRONMENTAL PERFORMANCE INDICATORS

	2015	2016	2017	2018	2019	2020
Turkey total store energy consumption (kWh)	45,502,107	52,901,651	61,694,980	63,983,980	58,355,302	52,311,266
Turkey store energy intensity (kWh / m2)*	222.8	192.5	178.7	160,7	161.7	141.06
Total forklift fuel consumption (l-Diesel)	7,000	7,000	5,960	6,850	5,387	10,100
DeFacto Headquarters water consumption intensity (m3/ person)		17.42	13.82	14.85	10	10.84

Total Packaging Waste Amount in Production Facilities (Ton)

	2015	2016	2017	2018	2019	2020
<i>Paper-cardboard</i>	9	12	173,341	218	10.66	57.71
<i>Metal</i>	--	--	0.55	0	0	0
<i>Plastic</i>	2.5	4.5	56.82	53	0.165	19.53

Hazardous Waste Amount in Production Facilities (Ton)

	2015	2016	2017	2018	2019	2020
<i>Disposal</i>	--	--	29.76	42	4.69	12
<i>Recycling</i>	--	--	--	0	62.31	40.02

Non-Hazardous Waste Amount in Production Facilities (Ton)

	2015	2016	2017	2018	2019	2020
<i>Disposal</i>	--	--	--	0	58.87	0
<i>Recycling</i>	--	--	664.34	275	782.13	77,236

Recycled Waste Amount in Analytical Test Laboratory (Ton)

	2015	2016	2017	2018	2019	2020
<i>Hazardous</i>	--	--	6	11	11	5,1
<i>Non-Hazardous</i>	--	--	1,200	1,600	1,550	0

Recycled Waste Amount in Physical Test Laboratory (Ton)

	2015	2016	2017	2018	2019	2020
<i>Hazardous</i>	--	--	0	0	0	0
<i>Non-Hazardous</i>	--	--	380	990	1,900	52.56

*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	2020
Number of OHS Committees						
<i>DeFacto Employees</i>	3	3	3	12	20	21
<i>Ozon Tekstil Employees</i>	20	22	24	19	16	4
Number of OHS Committee Members						
<i>DeFacto Employees</i>	120	126	126	122	136	81
<i>Ozon Tekstil Employees</i>	38	41	42	36	30	26
Number of OHS Committee Employee Representatives						
<i>DeFacto Employees</i>	12	12	31	1	329	321
<i>Ozon Tekstil Employees</i>	4	5	5	5	11	14
Accident frequency rate						
<i>DeFacto Employees</i>	1.26	1.48	1.57	1.49	1.23	1.68
<i>Ozon Tekstil Employees</i>	2.18	3.49	1.46	3.26	3.05	4.1
Lost day rate						
<i>DeFacto Employees</i>	4.91	2.91	2.82	1.04	0.27	0.33
<i>Ozon Tekstil Employees</i>	8.58	8.72	5.46	4.91	4.3	3.2
OHS trainings (person-hour)						
<i>DeFacto Employees</i>	--	--	9,602	6,144	24,088	41,020
<i>Ozon Tekstil Employees</i>	--	--	4,108	1,232	6,600	11,216



GRI CONTENT INDEX

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

	Descriptions and Page Numbers	Omission
	Corporate Profile	
102-1	Contact (p.74)	—
102-2	www.defacto.com.tr	—
102-3	Contact (p.74)	—
102-4	DeFacto From Yesterday to Today (p.9)	—
102-5	Zeki Cemal Özen (66.5%), İhsan Ateş (13.7%), Şahin Demir (4.57%), İdris Özçelik (4.57%), DF Retail Holdco Coöperatif U.A. (8.66%), OZN Investments S.á.r.l (2%)	—
102-6	DeFacto From Yesterday to Today (p.9) DeFacto Operations (p.17-18)	—
102-7	2020 in Numbers (p.16-17)	—
102-8	Employee Demographics (p.53-54)	—
102-9	DeFacto Management (p.43-46)	—
102-10	There were no significant changes in the company organization, capital structure or supply chain during the reporting period.	—
102-11	Business Ethics (p.24-26) Product Responsibility and Customer Satisfaction (p.36-42) Sustainability in the Supply Chain (p.43-47)	— — —
102-12	Social Development (p.64-65)	—
102-13	Social Development (p.64-65)	—
	Strategy	
102-14	CEO's Message (p.4)	—
102-15	CEO's Message (p.4)	—
	Ethics and Integrity	
102-16	Business Ethics (p.24-26)	—
102-17	Business Ethics (p.24-26)	—

GRI CONTENT INDEX

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

Descriptions and Page Numbers

Omission

Governance

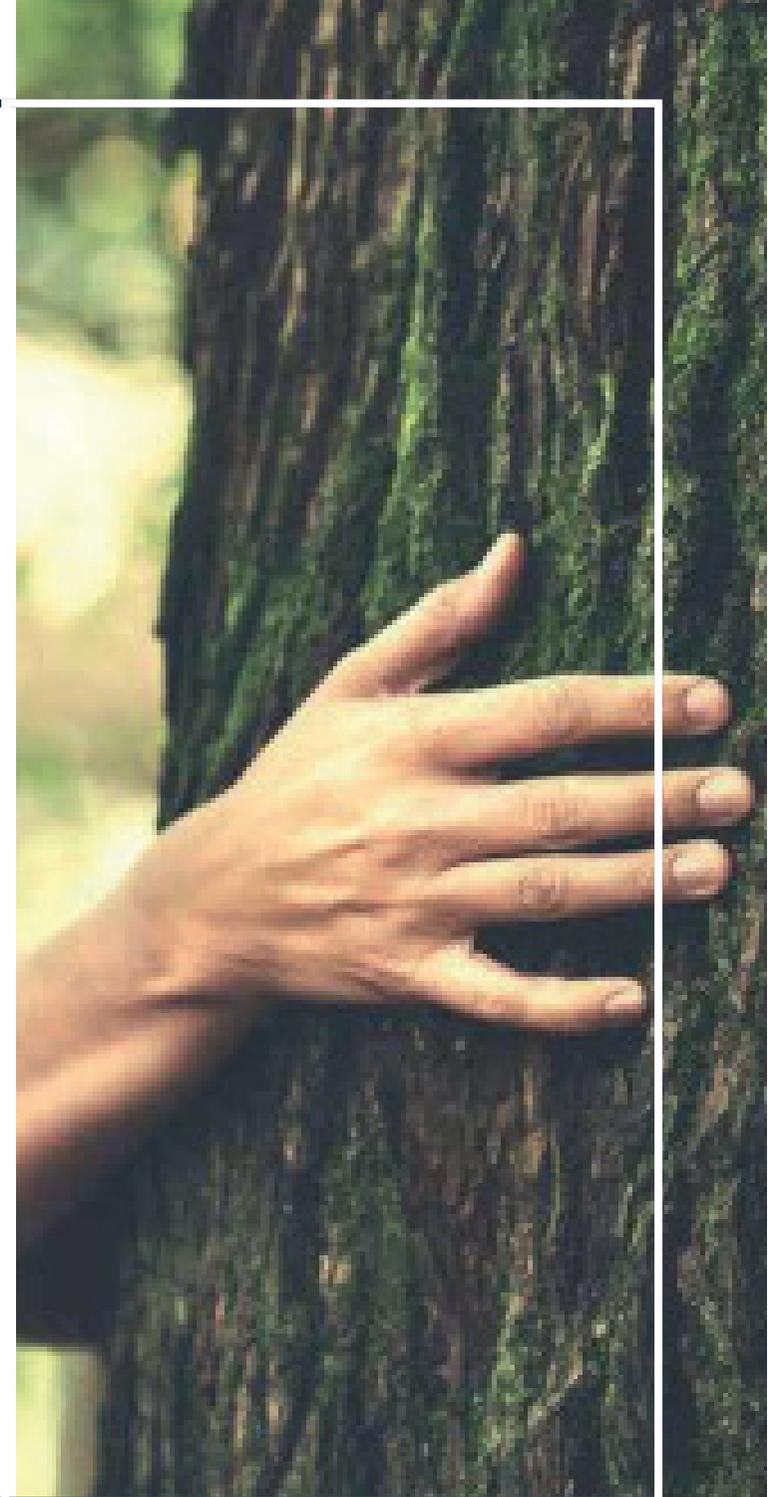
102-18	Corporate Management (p.18)	—
102-19	Sustainability Management (p.26-27)	—
102-20	Sustainability Management (p.26-27)	—
102-29	Sustainability Management (p.26-27)	—
102-30	DeFacto Sustainability Priorities (p.26-27)	—

Stakeholder Engagement

102-40	Dialogue with our Stakeholders (p.30-34)	—
102-41	We do not have any employees covered by collective bargaining agreement	—
102-42	Dialogue with our Stakeholders (p.30-34)	—
102-43	Dialogue with our Stakeholders (p.30-34)	—
102-44	Dialogue with our Stakeholders (p.30-34)	—

Reporting Practices

102-45	About Report (p.3)	—
102-46	About Report (p.3)	—
102-47	DeFacto Sustainability Priorities (p.28)	—
102-48	About Report (p.3)	—
102-49	About Report (p.3)	—
102-50	About Report (p.3)	—
102-51	https://corporate.defacto.com.tr/sustainability.html	—
102-52	https://corporate.defacto.com.tr/sustainability.html	—
102-53	Contact (p.86)	—
102-54	About Report (p.3)	—
102-55	About Report (p.3)	—
102-56	External audit has not been received.	—



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.28)	-
	103-2 Management approach and its components	Sustainability Management (p.25-27), Environment (p.47-49)	-
	103-3 Evaluation of the management approach	Sustainability Management(p.25-27), Environment (p.47-49)	-
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Environment (p.47-49)	-
	301-2 Recycled input materials used	Environment (p.47-49)	-
	301-3 Recycled products and their packaging materials	Environment (p.47-49)	-
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Environment (p.47-49), Environmental Performance Indicators (p.68)	-
	302-3 Energy intensity	Environment (p.47-49), Environmental Performance Indicators (p.68)	-
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Environment (p.47-49)	-
	303-2 Management of impacts related to water discharge	Environment (p.47-49)	-
	303-5 Water consumption	Environment (p.47-49)	-
GRI 305: Emissions 2016	305-1 Direct (Scope 1) Emissions of Greenhouse Gas	Environment (p.47-49)	-
GRI 306: Waste 2020	306-2 Wastes by type and disposal method	Environment (p.47-49), Environmental Performance Indicators (p.68)	-

Economic Sustainability

GRI 201:Economic performance 2016	201-1 Generated and Distributed Direct Economic Value	Supply Management (p.43-46)	-
GRI 201:Economic performance 2016	202-1 Ratios of standard entry wage by gender compared to the local minimum wage	Compensation 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.28)	-
	103-2 Management approach and its components	Business Ethics (p.24-26)	-
	103-3 Evaluation of the management approach	Business Ethics (p.24-26)	-
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 Tax: 2019	207-1 Approach to taxation	Tax (p.21-22)	-
	207-2 Taxation governance, control and risk management	Tax (p.21-22)	-
	207-3 Stakeholder engagement and taxation governance	Tax (p.21-22)	-
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

	<i>Indicators</i>	<i>Descriptions and Page Numbers</i>	<i>Omissions</i>
Social Compliance			
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	Our Employees (p. 53-62)	-
GRI 411: Rights of indigenous Peoples 2016	411-1 Violations involving the rights of local communities	No such non-compliance cases were 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 non-compliance cases were observed during the reporting period	--
	412-2 Employee training on human rights policies or procedures	Society (p.32), Diversity and Inclusion (p.55)	--
GRI: 413 Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and improvement programs	Society (p.32), Diversity and Inclusion (p.55)	-
GRI: 415 Public Policy 2016	415-1 Political contributions	Society (p.32), Diversity and Inclusion (p.55)	-
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.44)	-
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1 Explanation and binding nature of the material topic	DeFacto Sustainability Priorities (p.28)	-
	103-2 Management approach and its components	Occupational health and Safety(p.63-65)	-
	103-3 Evaluation of the management approach	Occupational health and Safety(p.63-65)	-
GRI 403: Occupational Health and Safety 2018	403-1 Official management-employee occupational health and safety committees	Occupational health and Safety (p.63-65), Social Performance Indicators (p.68)	-
R&D and Innovation			
GRI 103: Management Approach 2016	103-1 Explanation and binding nature of the material topic	DeFacto Sustainability Priorities (p.25-27)	-
	103-2 Management approach and its components	Design and Innovation (p.33-35)	-
	103-3 Evaluation of the management approach	Design and Innovation (p.33-35)	-
GRI 203: Indirect Economic Impacts 2016	203-1 Supported infrastructure investments and services	Our Values (s.25), Corporate Management (p.18-21)	--
	203-2 Significant indirect economic impacts	Design and Innovation (p.33-35)	--
Brand and Reputation			
GRI 103: Management Approach 2016	103-1 Explanation and binding nature of the material topic	DeFacto Sustainability Priorities (p.28)	-
	103-2 Management approach and its components	Business Continuity (p.19), Product Responsibility and Customer Satisfaction (p.36-42)	-
	103-3 Evaluation of the management approach	Business Continuity (p.19), Product Responsibility and Customer Satisfaction (p.36-42)	-

GRI CONTENT INDEX

Supply Management

Supply Management

	Indicators	Descriptions and Page Numbers	Omissions
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Environment (p.47-49)	-
	303-2 Management of impacts related to water discharge	Environment (p.47-49)	-
	303-5 Water consumption	Environment (p.47-49)	-
GRI 305:Emissions 2016	305-1 Direct (Scope 1) Greenhouse Gas emissions	Environment (p.47-49)	-
GRI 306: Waste 2020	306-2 Wastes by type and disposal method	Environment (p.47-49), Environmental Performance Indicators (p.68)	-
GRI 305:Emissions 2016	305-1 Direct (Scope 1) Greenhouse Gas emissions	Environment (p.47-49)	-
GRI 306: Waste 2020	306-2 Wastes by type and disposal method	Environment (p.47-49), Environmental Performance Indicators (p.68)	-
GRI 305:Emissions 2016	305-1 Direct (Scope 1) Greenhouse Gas emissions	Environment (p.47-49)	-

Employee Development and Talent Management

GRI 103: Management Approach 2016	103-1 Explanation and binding nature of the material topic	DeFacto Sustainability Priorities (p.28)	-
	103-2 Management approach and its components	Performance Management (p.55), Talent Management (p.56)	-
	103-3 Evaluation of the management approach	Performance Management (p.55), Talent Management (p.56)	-
GRI 401:Employment 2016	401-1 New employee recruitment and turnover	Our Employees (p.53)	-
GRI 402:Labor/Management Relations 2016		Our Employees (p.53)	-
GRI 404: Training and Education 2016	404-1 Average training hours per employee per year	Talent Management (p.56), Social Performance Indicators (p.68)	-
	404-2 Support programs aimed at developing and transforming employee skills	Talent Management (p.56), Social Performance Indicators (p.68)	-
GRI 405:Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Social Performance Indicators (p.68)	-
GRI 406: Non-discrimination 2016	406-1 Discrimination incidents and regulatory measures taken therein	DeFacto does not allow discrimination under any circumstances. No such case occurred 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.54)	-

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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REPORTING COOPERATION

Turkish-German University
Sustainability, Innovation and Trend Studies Platform

DESIGN

HEPTA CREATIVE

CONTACT

DeFacto Perakende Tic. AŞ
Genel Müdürlük: DeFacto Plaza Basın Ekspres Yolu Bahariye Cad. No.31 34303 Halkalı - Küçükçekmece İSTANBUL
T: +90 212 715 1212
F: +90 212 886 5129

For obtaining documents regarding the report and submitting your opinions and recommendations, you can visit our address www.defacto.com.tr or contact us through sustainability@defacto.com.tr e-mail address.

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Youtube

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