

DeFacto



2022
SUSTAINABILITY
REPORT

CONTENTS



About DeFacto

- Message from the CEO
- Message from the Head of Sustainability
- DeFacto and Ozon Tekstil in Figures
- About Us
- Our History
- Corporate Memberships and Signatures
- Awards
- Our Vision, Mission and DeFacto DNA
- Our Strategic Areas of Focus



Corporate Governance

- Our Organisation and Corporate Structure
- Corporate Risk Management
- Information Security
- Internal Audit
- Business Ethics and Compliance
- Fight against Corruption and Bribery
- Fight against Anti-Competitive Conducts
- Policies, Procedures and Protocols
- Our Sustainable Supply Chain Management Approach



Sustainability Approach

- Sustainable Value Creation Approach
- Sustainability Governance
- Our Sustainability Governance
- Stakeholder Engagement
- Priority Subjects and Our Contribution to the United Nations Sustainable Development Goals
- Our Targets for 2023, 2030 and 2050



Our Economic Performance

- Economic Performance
- Our Tax Approach
- Grants and Supports
- Digitalisation and Innovation
- DeFacto GiftClub
- Our Intellectual Property Rights
- Product Innovations for Children's and Baby Products
- Product Responsibility and Customer Satisfaction



Our Environmental Performance

- Environmental Impact
 - Combating Climate Change and Energy Management
 - Circularity and Waste Management
 - Water Efficiency and Waste Water Management
- Sustainable Logistics
 - The Better Cotton Initiative
 - Eco-Label
- Innovative Sustainable Products
 - Back to Nature with Apple Skin



Our Social Performance

- Diversity and Inclusivity
- Happy Women Movement
- Equal Opportunities
- Employee Development
- Career and Talent Management
- Happiness Management
- Social Responsibility
- Occupational Health and Safety

Annexes





ABOUT THE REPORT

DeFacto Perakende Tic. A.Ş.'s 9th Sustainability Report is a reflection of our goal to carry our Company into the future as a part of the global environmental, economic and social transformation. We have committed ourselves and all our stakeholders that we will fulfil our responsibility in line with the Sustainable Development Goals and support sustainable development in all geographies where we operate, especially in Turkey.

We share with all our stakeholders the steps we have taken in line with our corporate governance and sustainability goals, of which Ozon Giyim Sanayi ve Ticaret A.Ş. is a part. We have carried out many studies to realise our commitments in the field of sustainability, and there are many projects we are currently carrying out.

Our Company, DeFacto Perakende Tic. A.Ş. which was established in Turkey in 2005 and has become a global brand today, imports and exports textile products. Headquar-

tered in Istanbul, Turkey, our Company's activities include the production and wholesale and retail sale of a wide range of outer and underwear products, from workwear to casual wear, from maternity fashion to children's collections, and all kinds of textile products, including accessories such as hats, shoes and socks.

The 2022 Sustainability Report, which is our 9th sustainability report, was prepared in accordance with the GRI content index and GRI Sustainability Reporting Standards, just like our previous sustainability reports. The report conveys the environmental, social and economic impacts of all activities carried out by DeFacto and Ozon Tekstil between January 1, 2022 and December 31, 2022 and our approach to these impacts.

For more information about our sustainability efforts and our report, please contact us at sustainability@defacto.com.tr. We would be happy to hear your comments and suggestions.

.....
“ For more information about our sustainability efforts and our report, please contact us at sustainability@defacto.com.tr. We would be happy to hear your comments and suggestions. ”

MESSAGE FROM THE CEO

Dear Stakeholders,

We continue our growth journey that we started in 2005 with the motto "Accessible Fashion" and as pioneers of innovation with exciting initiatives. As DeFacto, we had a highly productive period in 2022, and we achieved a very strong growth with a 103.4% increase in our revenue. We increased our sales revenue both in our country and abroad. In 2022, we reached our products to 11 new countries, started to be available on online market platforms in South Africa, Chile, Colombia, Spain, and Australia, and expanded our physical accessibility by opening 34 new stores in Turkey and abroad throughout the year.

Today, we take pride in being a global fashion institution whose products are liked and preferred in 93 countries across 5 continents, with 41% of our revenue coming from international operations. We can say that the rising sensitivity of consumers towards sustainability has emerged as a decisive factor, along with the new business order dominated by digitalization, in the success we have achieved together with our employees, suppliers, and customers.

We are a brand that places sustainability at the heart of our business. Our corporate philosophy and values are based on production that respects the ecosystem and protects the world and natural resources. A sensitive approach to projects that add value to people and social issues is also part of this philosophy. We strive to maintain all of this by involving our internal and external stakeholders, taking their needs into account, and making them a part of our operational integrity. As a global brand, we attach great importance to having a production and supply chain that respects



“ Our long-term approach, financial strength, and motivation to lead the fashion industry towards circularity give us the courage to invest in technology and innovative sustainability initiatives. ”

the environment and society while continuing our growth. With the investments we have made and planned, we directly contribute to the United Nations Sustainable Development Goals and add value to sustainable development in all the countries where we operate.

For many years, we have been using sustainable materials in production and developing strategies that aim to protect future generations through transparency in the supply chain and practices that enable product recycling. Our long-term approach, financial strength, and motivation to lead the fashion industry towards circularity give us the courage to invest in technology and innovative sustainability initiatives.

With this strength, we are advancing in our sustainable growth journey by setting sustainable goals for short, medium, and long term, while realizing sustainable pioneering projects such as our DeFactoLIFE brand made from recycled or sustainable materials, and our Apple Leather Accessories and Shoes Collection.

Among our goals for 2023 are to use 20% sustainable cotton and recycled polyester in our raw materials, and to ensure that 100% of shopping bags, cardboard, paper, and other packaging is recyclable and sustainable. Our goals for 2030 include having 90% of our ready-to-wear collections be sustainable and reducing our carbon footprint by 55%. By 2050, we aim to achieve net zero emissions and ultimately become a climate positive brand, and we are committed to these goals.

In parallel with the goals we have set, we are also developing production methods that save energy and water. Despite increasing our store numbers both in Turkey and globally, we have managed to reduce energy intensity. With our water-saving denim projects and new technology washing methods, we are achieving high levels of water conservation. With our efforts focused on reducing the threat to the climate, we aim to manage our own operations with 100% zero waste by 2023 and 100% renewable energy consumption principles by 2030.

At DeFacto, we focus on making a positive contribution to the world, people, and society by incorporating our sustainability approach into all processes from design to production and customer service. We aim to create a positive change for all customers and stakeholders we interact with. As an extension of this philosophy, we are delighted to offer options for our customers' health through our DeFactoFIT application. Through our DeFactoFIT website and application, customers can access exercise, nutrition, yoga and breathing exercises, as well as sports products, all in one platform. We offer a wide range of educational content from Fitness, Yoga, Pilates, Crossfit to Kickboxing, Wing Chun, Tennis, Dance, Basketball, Aikido, and more through DeFactoFIT, and we respond to the needs of a healthy lifestyle with DeFacto quality and sensitivity.

One of the versatile innovations of 2022 was our DeFacto GiftClub project. With this loyalty program, we are able to offer our customers personalized advantages ranging from

discount opportunities to point applications, making their shopping experiences even more convenient with a digital and innovative perspective. We increased the number of Gift-Club members from 2.6 million in January 2022 to 9.2 million, including 7.6 million customers who shopped, achieving 3.5 times growth.

We make full use of the benefits of technology in our life-easing innovations and sustainability initiatives. With our strong and developing team of 300 people at DeFacto Technology, which has been operating since 2015, we carry out pioneering and innovative studies in many areas such as multi-channel services, increasingly expanding online structures on a global level, "fijital" innovations, and artificial intelligence applications. We have reached the level we planned to achieve in 2025 with our agility in taking action quickly and our increasing technological capabilities. The share of e-commerce in our turnover has increased from 3% to 17%. We also made our agile organization, which was 5%, 100% agile.

With the support of our technological capabilities, we developed the "Pay at Store" application to provide a shopping experience that combines online sales platforms with our stores. With the "Pay at Store" application, which enables customers to easily access the products they are looking for, such as color or size, for products that are not in stock at our stores, we achieved 668,000 product sales in 2022.

2022 was also a year in which we responded intensively to the rising online demand with physical investments. We put our e-commerce warehouse in Istanbul Yassiören into operation. With our advanced technology automation systems, we achieved very high efficiency in inventory control and

product counting operations, and significantly reduced our carbon emissions with faster and more practical working systems.

We were awarded with this warehouse.

We are using our strength in the technology field to realize our innovations and sustainability goals. In 2022, we signed 21 software projects in the fields of e-commerce, corporate applications, business intelligence, infrastructure services, CRM, and supply chain management, which are innovative and R&D-oriented, in DeFacto Technology. In addition to our R&D projects, we completed 18 projects in 2022 with agile management discipline, and also carried out nearly 300 software and product development studies.

We are using our strength in the technology field to realize our innovations and sustainability goals. In 2022, we signed 21 software projects in the fields of e-commerce, corporate applications, business intelligence, infrastructure services, CRM, and supply chain management, which are innovative and R&D-oriented, in DeFacto Technology. In addition to our R&D projects, we completed 18 projects in 2022 with agile management discipline, and also carried out nearly 300 software and product development studies.

While doing all of these, we evaluate improving our suppliers, our closest business partners, as one of the indispensable priorities in our sustainability journey. Our "Technical and Social Compliance" audits, which we have been conducting since 2017, enable us to create a supply chain that is sustainable and in line with DeFacto standards. As a global brand, we will continue to reflect our sustainability priorities to our business partners and stakeholders with great care in

our product and raw material procurements. We take maximum care to use environmentally friendly or least harmful methods or raw materials in our procurements, production, and in creating our collections.

In January 2022, we became a member of Better Cotton Initiative (BCI). BCI, one of the leading initiatives in sustainability in cotton production, supports millions of farmers to produce more efficiently while using less water and harmful chemicals. While working to protect the environment and restore natural life, it also supports the development of farmers who earn their livelihoods from cotton production. As the second BCI member brand in Turkey, in our first year of membership, we have reached to supply 10% of our total cotton needs from Better Cotton sources. We commit to sourcing 50% of our total cotton needs with the Better Cotton label at the end of the next 5-year period.

Another strong part of our sustainability approach is our perspective on gender equality. We believe that for social welfare to be achieved, women need to exist more and stronger in the business and social world. We are the first retail company in Turkey to sign the United Nations Women's Empowerment Principles protocol in 2015. Women make up 60% of our employees. With our initiative "Happy Woman Movement," which aims to strengthen the place and participation of women in the business world, and the "Dreams from Fabric" project, which is supported by the company's social responsibility understanding, we lead inspiring stories.

"Happy Woman Movement" is a privilege to be the first in our industry. We try to improve the lives of our female colleagues not only in Turkey but also in 93 countries where we operate with initiatives that emphasize technology and education.

As a global brand, we approach all of our business processes with sensitivity, considering the future of our people and the planet with the values we have adopted while touching our customers from all over the world. With our inclusion, diversity, and sustainability-based business model, we will continue our journey to become a more talked-about brand in the world with excitement every day.

We are pleased to share with you the DeFacto 2022 Sustainability Report, which describes the development and stage of our journey. We sincerely thank all our colleagues, suppliers, business partners, and customers who inspire us to create a better world.

With Love and Respect,

İhsan ATEŞ
CEO

MESSAGE FROM THE HEAD OF SUSTAINABILITY



Dear Stakeholders,

DeFacto's sustainability strategy is based on creating shared value not only for economic development but also for a sustainable future that is friendly to society, people, and nature. We officially launched DeFacto's sustainability journey with the publication of our first sustainability report in 2016, which plans and manages all of our efforts in this direction. Over the years, we have developed our corporate policies and strategies within the scope of sustainability, and started to approach economic, social, environmental, and governance factors in a holistic way. With the steps we have taken and the projects we have implemented in the field of sustainability, DeFacto has successfully carried the identity of an exemplary institution for years in the textile sector and our country.

Being a healthy brand requires minimizing negative impacts on nature and people throughout all processes from product production to transportation, sales points, and reaching the consumer. As DeFacto, we are aware that the climate crisis is a great risk for our world, our sector, our customers, and the areas in which we operate, and with this idea, we are aware of our responsibility to design products that treat the world fairly.

We do not see sustainability as a passing trend or just a rising awareness, but we place it at the very heart of all our processes. Our founding philosophy and values are based on a respectful production for the ecosystem, protection of the world and natural resources, adding value to people, and a sensitive stance towards social issues. We concretized our sustainability goals by signing the UN Global Compact in 2014. While drawing strength from sustainability in all processes from design to production and from production to the customer, our main aim is to create a positive change for

every customer we interact with and all stakeholders we affect. While supporting our suppliers' and customers' efforts to reduce their carbon footprint, we also focus on raising awareness among fashion lovers with various projects and campaigns.

In line with our goal of providing multidimensional benefits to society and the future in addition to environmentally friendly production, we launched the "Dreams from Fabric" project as a corporate social responsibility project in 2018. With this upcycling project, textile waste and surplus fabric and accessories obtained from our factories and suppliers were sent to vocational high schools through the provincial/national Ministry of Education, where they were transformed into new designs by the students. The products, designed and produced by these schools, were sold in our stores, and the revenue generated was donated to KAÇUV (Children with Cancer Foundation). We have continued to expand this project throughout Turkey to support young people and contribute to sustainability in areas such as circular economy and upcycling, reaching approximately 5,000 students in over 90 schools to date.

We prefer to use raw materials and technologies that have the least impact on nature in our collections. While carrying out pioneering sustainable projects such as the DeFactoLIFE brand produced from recycled or sustainably sourced materials and the Apple Leather Accessory and Shoe Collection, we are advancing on our sustainable growth journey by setting short, medium, and long-term sustainability goals.

Among our 2023 goals, we aim to use 20% sustainable cotton and recycled polyester in our raw materials, and ensure that 100% of our shopping bags, cardboard, paper, and other packaging is recyclable and sustainable. Our 2030 goals include making 90% of our clothing collections sustainable and

reducing our carbon footprint by 55%. By 2050, we aim to achieve net zero emissions and eventually become a "climate positive" brand. We are committed to these goals.

In 2023, we aim to make all our product labels FSC certified for sustainability, while targeting 35% of our collections to be sustainable. By 2030, we are working towards making 90% of our collections sustainable, reducing the water impact in our supply chain by 25%, and obtaining 100% of the electricity we use in our operations from renewable sources.

With our Apple Skin Collection, we have created sustainable designs from apple peel waste and produced an accessory collection from apple skin. This collection consists of women's and men's shoes and accessories made from apple skin that contains no animal fibers such as wool, fur, and silk, and no animal material is used at any stage of the production process. In the coming period, we plan to diversify our vegan leather collection by adding more ambitious materials.

Our main approach to sustainability is based on creating long-term value for all our stakeholders by paying attention to social and environmental issues while ensuring economic development and growth. We will continue to benefit society and the environment, want better and work together for the better for our planet, country, city and the entire ecosystem with which we share limited resources.

Rahmi SAY
Product and Sustainability Deputy
General Manager

“ In 2023, we aim to make all our product labels FSC certified for sustainability, while targeting 35% of our collections to be sustainable. ”

DEFACTO AND OZON TEKSTİL IN FIGURES

DEFACTO IN 2022 IN FIGURES



OZON TEKSTİL IN 2022

15 MILLION

Annual Production Units



675

Employees



70

Sub-Suppliers



20%

of Total Production Sustainable Products



Annual Turnover of **1.2 BILLION ₺**



Social Suitability and Sustainable Summit

(SUSZ'21) AWARD



2

Production Facilities





1. About DeFacto

About Us

Founded in 2005, DeFacto continues its operations with the vision of becoming a global fashion brand. We reach consumers in more than 500 stores in 33 countries. Together with our on-line operations, we operate in 93 countries.

In addition to being among the pioneers of the ready-to-wear sector, we also continue our operations in the field of technology. Under the roof of DeFacto Technology, we produce the infrastructures of omnichannel, multi-channel, technologies with our developer team consisting of more than 300 people. With our omnichannel approach, we aim to provide a holistic, integrated and uninterrupted customer experience in all our distribution and communication channels. In 2019, we created the Smart Store, a first in the world. Following this development, we launched the DeFacto Phygital Store concept as an output of the “digitalisation” strategy that offers physical and digital retail experience together. In our DeFacto Phygital Stores, we offer our customers the opportunity to touch, try on and choose the products, as well as the opportunity to buy the products they like on smart screens without going through the cashier queue and payment processes. In line with the demands and expectations of our customers, we offer our DeFacto COOOL, DeFacto FIT, DeFacto Modest, DeFacto LIFE, DF Plus, Fall in Love sub-brands in our stores and online channels all over the world.

As Defacto, we are committed to a sustainable future. We are a signatory of the United Nations Global Compact and the United Nations Women’s Empowerment Principles (WEPs). As a member of the Better Cotton Initiative, we resolutely fulfil both our social and environmental commitments. In 2022, we shared our 9th sustainability report with the public. The main operations of our Company include the production, trade, purchase, wholesale and retail sales, import and export of ready-to-wear garments and a wide range of accessories from hats, shoes, socks to jewellery and cosmetics.



SUB-BRANDS :

DeFacto **FIT**

DeFacto **LIFE**

PLUS
DeFacto

DeFacto
BABY

FALL
in
LOVE

DeFacto

DeFacto
KIDS

DeFacto
Modest

COOL
DeFacto

STUDIO
DeFacto

CO-OPERATIONS :



nefes x DeFacto



Gürbüz Doğan Ekşioğlu x DeFacto



Sorbe x DeFacto



TOUCHÉ x DeFacto



Nihan Peker x DeFacto



“As a global brand, our goal of carrying our promise of “accessible fashion” to every part of the world is our strongest motivation for growth and creating our success story.”



The core business of our company involves the collection, trade, purchase, wholesale and retail sale, import and export of ready-made clothing products and a wide range of accessories and cosmetics, from hats to shoes, socks to jewelry. Since 2005, when we opened our first store in Istanbul, we strive to contribute to sustainable development in all continents and countries where we operate, especially in Turkey.

In addition to our extensive collections of women’s and men’s clothing including casual, business, special occasions, denim, outerwear, underwear, maternity and sportswear, we also offer youth, children and baby collections. We also include a wide collection of footwear and accessories in our product portfolio.

In all our sales channels, we serve with a one-stop-shop approach that enables our customers to meet their clothing, accessories, shoes, bags and cosmetics needs at a single point of sale.

We offer our products through four main sales channels. Our main channel is retail. We also have stores that we operate as franchises abroad together with our strategic partners, which have given us the opportunity to become a global brand. In regions where we do not have retail or franchise sales, we also offer our products in multi-brand stores in Turkey or abroad through the wholesale channel. In addition to these, we also offer our products to our customers in leading marketplaces with our own e-commerce platform and mobile appli-

cation at www.defacto.com.tr and www.defactofashion.com. Our number of stores, which has increased rapidly over the years, is an important and objective indicator of consumer appreciation.

In the 2022 reporting period, we continued our growth and increased the number of our stores to a total of 537, of which 306 are in Turkey, 196 are abroad and 35 are franchised.

In addition to our stores, we continue our sales on our e-commerce platform accessible from www.defacto.com.tr and www.defactofashion.com, our mobile application accessible from IOS and Android Platforms, and franchise and wholesale channels.

We are deservedly proud and happy to operate in a wide geography by extending our operations to countries other than Turkey. Our overseas growth strategy is primarily based on the MENA (Middle East and North Africa) and CIS (Commonwealth of Independent States) regions. In addition to Turkey, we continue our journey in 33 countries including the Turkish Republic of Northern Cyprus, Albania, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Egypt, Georgia, Germany, Kazakhstan, North Macedonia, Malaysia, Moldova, Montenegro, Morocco, Iraq, Romania, Russia, Serbia, Ukraine, Uzbekistan, Lebanon, Jordan, Kyrgyzstan, Kosovo, Oman, Palestine, Qatar, Tajikistan, Cameroon, Democratic Republic of Congo and Turkmenistan.

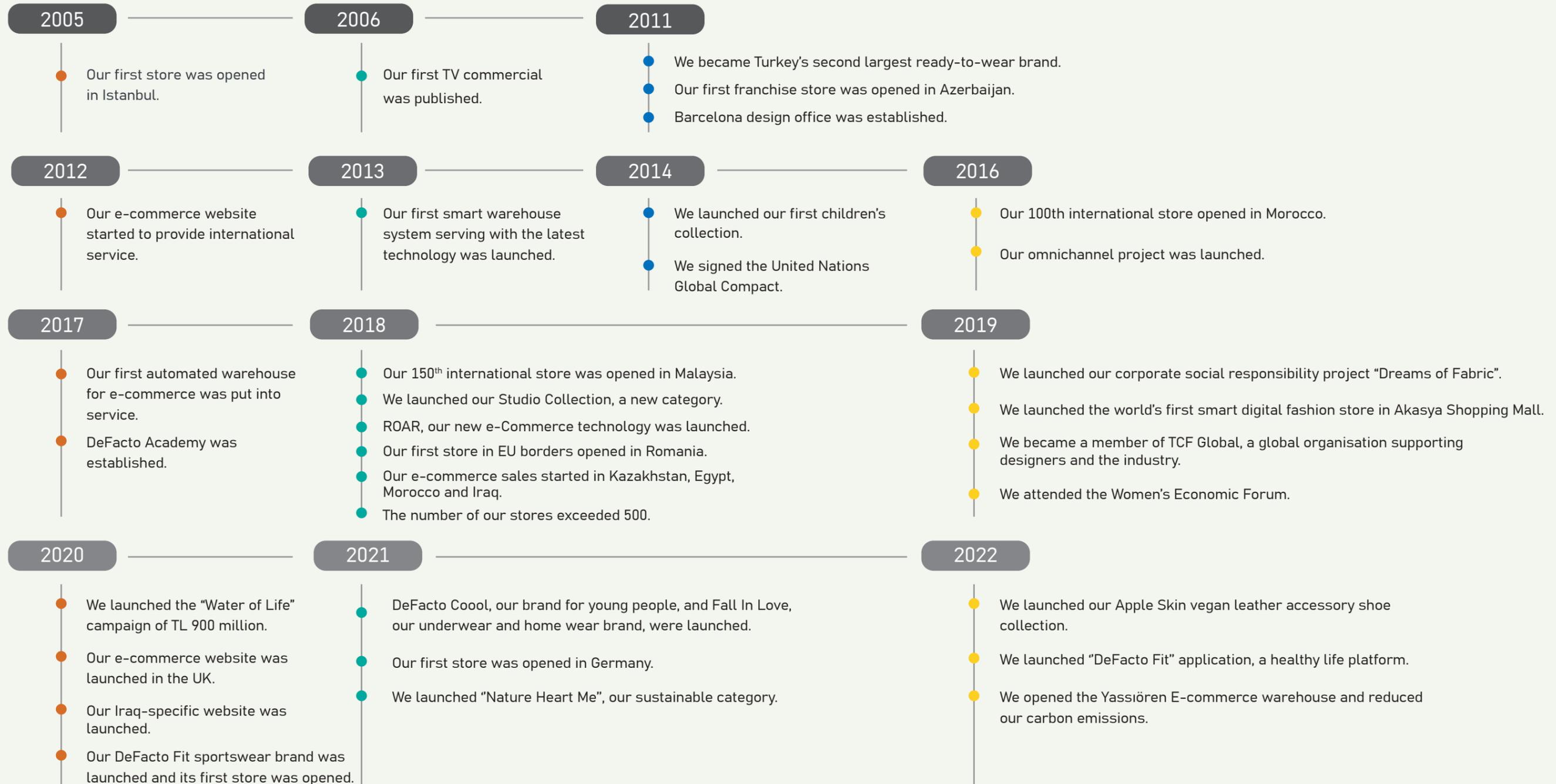
As a global brand, our goal of carrying our promise of “accessible fashion” to every part of the world is our

strongest motivation for growth and creating our success story. In the upcoming periods, we aim to grow in promising categories such as home wear, child-baby wear, work wear, underwear, sportswear and plus size clothing, to increase the number and area of our stores in Turkey and abroad, to develop our e-commerce capacity and to operate in new countries. While realising these goals one by one, we consider creating a globalisation model that adapts to local conditions, digitalisation in operations and putting the customer at the centre in the Internet world as our main focus areas.

Established in 2000, Ozon Tekstil Konfeksiyon Sanayi ve Ticaret A.Ş., our subsidiary, is our largest supplier with its factories located in Sivas. Carrying out cutting, sewing, printing and ironing-packaging processes in an integrated manner in Sivas factory, Ozon Tekstil has been among the fastest growing industrial companies in Turkey for some time. The primary manufacturer of our brand, Ozon Tekstil operates at its Head Office in Istanbul and in two factories in Sivas. The total closed area volume of the production facilities in Sivas is 22,500 m².

Ozon Tekstil aims for operational excellence by adapting technological developments to business processes. Adopting a lean approach in all management processes, Ozon Tekstil has improved its quality control system through enterprise resource planning. . It continuously improves its sustainable quality system through internal and independent audits and training.

Our History



Our History

OZON TEKSTİL

<p>2000</p> <p>Ozon Tekstil was established.</p>	<p>2005</p> <p>Our woven garment factory was opened in Sivas.</p>	<p>2006</p> <p>Sivas knitted garment production was commissioned.</p>
<p>2011</p> <p>We increased the storage capacity and the number of production lines of our Sivas factory with the investments we made.</p>	<p>2013</p> <p>We ranked 15th in the ISO second 500 list.</p>	<p>2015</p> <p>Our Batman knitwear factory started production.</p>
<p>2016</p> <p>We established our second factory in Sivas.</p>	<p>2018</p> <p>We started our Lean Transformation project.</p>	<p>2020</p> <p>We started our Digital Transformation project.</p>
<p>2021</p> <p>We increased women employment and production capacity with İşkur programmes.</p>	<p>2022</p> <p>We received the Export Silver Award.</p>	



Corporate Memberships and Signatures **DEFACTO**

- United Nations Global Compact;
- United Nations Women’s Empowerment Principles (WEPs)
- TCF Global;
- United Brands Association (BMD);
- Istanbul Textile and Apparel Exporters’ Association (ITKİB);
- Istanbul Ready-to-Wear and Apparel Exporters’ Association (İHKİB);
- Private Sector Volunteers Association (ÖSGD);
- Turkish Clothing Manufacturers Association (TGSD);
- Environmental Protection and Packaging Waste Recovery Foundation (ÇEVKO);
- Central Registry Agency
- Turquality;
- Turkish Federation of Shopping Centres and Retailers
- Public Relations Association of Turkey
- Human Management Association of Turkey
- PMI
- Better Cotton



OZON TEKSTİL

- Global Compact
- Istanbul Textile and Apparel Exporters’ Association (ITKİB);
- Istanbul Ready-to-Wear and Apparel Exporters’ Association (İHKİB);
- Istanbul Chamber of Commerce
- Sivas Chamber of Commerce and Industry
- Target Gender Equality
- Çevko
- Kalder
- Sedex Type-B Membership
- SLCP
- Higg Index
- ZDHC
- Clean Chain
- Better Cotton



Ödüller



LODER National Logistics Grand Prizes with E-Cosb Warehouse Regional Gathering and Automatic Assortment project and SFS Zone-Hub project

BOSA 2022 Awards with DarkStore Project and being the most requested brand for employment in Retail sector

Sikayetvar Customer Experience Index
A.C.E. Awards Grand Prize

4th CX Awards with **Chatbot** and **D-Fact** projects

Atlas Logistics Awards Competition
"Contribution to Logistics"

Felis Awards – with our BTS and BTC campaigns, "Success" in **"Movie and Integrated Campaign"**, **"Mastery and Design in Production"** category, "Jingle" awards with DeFacto Cool jingle work.

IDC Türkiye DX Award in Future of Operations with **"DFPOS"**

Most Innovative Companies Research with Dreams of Fabric Project

50 Technology Leader Shaping the Future Research (CSCO & CTO Cenk Karapınar)

With Woman Friendly Companies Research,
• 10th place with Women Managers
• 15th place with Women Employees

Strongest 50 HR Leader Research (Yesim Cokaker)

The Hammers Awards
• Best PR Team Silver Award
• Best Marketing Team Silver Award
• Best Loyalty Program Team

"Undefeated champion" in Inter-Company E-Game Tournament (with Maksim Sivaev)
CX Awards Türkiye Customer Experience Awards in Customer – Centric Culture – Retail category

Best of Sales Awards 2022 **the most requested company for employment in Retail sector**

Best of Sales Awards Silver Award with **DarkStore Project**

IDC CIO 2022 Summit, Change Management with Agile Transformation Story of DeFacto Technology

Türkiye's Most Effective 50 CHROs List (Yesim Cokaker)

Most Innovative 50 HR Leaders List (Yesim Cokaker)

DeFacto Business Academy Stevie 3 awards
• Innovative Usage of Technology in HR award
• "Future Lab" Gold with Technology Chamber
• Bronze Award with Talent Up

For Sales and Customer Service
Bronze Stevie Award



Our Vision, Mission and DeFacto DNA

Vision

To be a sustainable and digital fast fashion brand that accompanies its customers in 180 countries to renew with enjoyment.

Mission

We make luxury accessible for happiness.

DeFacto DNA
Whatever makes you who you are and us who we are

Thousands of DeFactonians in hundreds of countries, **we are running towards becoming the world's leading phygital brand in accessible fashion.**

With our hard work, our dedication, but **most of all, our original attitude.**

On this path, the principles that make you who you are and us who we are and come to life in our countless actions every single day are defined in DeFacto DNA.





Your field,
get in the game



Your dream,
think about the leap



Your team,
walk together



Your world,
treat it well

DeFacto **DNA**
Whatever makes you who you are and us who we are

Our Strategic Areas of Focus

Growth

In all the geographies where we are operate and aim to operate, we focus on multi-channel growth by expanding our customer segments and personas with our product variety.

Customer Loyalty

We aim to gain loyal customers by focusing on their expectations and needs, and providing them with quality services and value.

Becoming a Phygital Retail Company

With the implementation of new retail formats, big data, and digital processes, we are progressing towards becoming a “phygital” retail company, providing a seamless omni experience.

Efficiency

By focusing on increasing the efficiency of our processes, we keep our operational costs under constant control and manage potential risks by following global developments with our flexible supply strategy.

- Our International Distribution Centre network, which is planned to be expanded, and our international supply network, which we project to grow
- Direct shipping to overseas stores to reduce costs and shorten delivery times
- Effective management of possible risks related to taxation and maintaining quality in production
- Utilization of Turkey's high quality textile production, which is recognised by international clothing retailers

Global Human and Our Culture

By creating innovative cultural transformations, we aim to sustain our company and the entire ecosystem.

One-Stop-Shop

We enable our customers to meet all their clothing, accessory, and cosmetic needs through DeFacto stores. We take advantage of e-commerce channel and omnichannel opportunities to improve the one-stop-shop perception..

Our Flexible Supply Strategy

- We vertically integrate our supply chain and production activities through Ozon Tekstil, our production arm, and other strategic suppliers.
- In order to keep up with the rapidly changing fashion trends in the world, we have increased and continue to increase the share of domestic suppliers, which has increased over the years.
- In selecting suppliers, we consider:
 - Proximity of the suppliers to our store network;
 - Shorter delivery times;
 - Higher production quality; and
 - Cost reduction.

Effective Collaborations Developed with Strategic Suppliers

We establish effective collaborations with our strategic suppliers who have the necessary capacity and expertise to meet our supply needs.

- We engage in joint planning with our suppliers to utilize capacity efficiently,
- Make annual capacity allocation agreements with our suppliers in order to manage the supply and production calendar effectively.

- We work with more than 300 suppliers to prepare design samples and closely monitor developments in the global market.
- We take the following factors into account when developing our collaborations:
 - Long-term objectives;
 - Achieving sufficient supply capacity in Turkey's competitive clothing market;
 - Rapid introduction of the product to the market;
 - Reducing costs while maintaining quality standards;
 - Sustainable and ecological production sensitive to the environment and society;

Country-Based Right Product, Right Price, Right Time

We strive to become a brand that offers right products on time for everyone that are wearable for every occasion, in terms of price & fit & fabric & design that makes them say WOW. We aim to provide each store with the products that meet the customers' expectations, at the expected price, by analyzing the clustering characteristics of each region where our stores are located. By planning the correct order quantities that will meet customers' expectations on time, we improve our inventory turnover rate.

Fast Supply and Logistics Network

We develop strategic collaborations with our suppliers and other business partners in order to offer our customers the right product at the right time at prices that make them say WOW and to meet their needs. As we improve our own business, we also improve our partners and work closely with them to create environments where they can also improve us. We are developing mechanisms to take greater advantage of the knowledge and experience of our business partners and employees, and to establish more collaborations. We aim to increase our production speed and performance in supplier partnerships and to source a significant portion of our collection from our suppliers. We create trust-based processes, proactively manage capacities, and develop business models with intensive communication that benefit both parties. We establish our supply chain by considering:

- Achieving sufficient supply capacity in Turkey's competitive clothing market;
- Rapid introduction of the product to the market;
- Reducing costs while maintaining quality standards;
- Sustainable and ecological production sensitive to the environment and society





2. Corporate Governance

Our Organisation and Corporate Structure

Our Organisational Structure



İhsan ATEŞ
CEO



Önder ŞENOL
Online General Manager



Serdar ERSOY
Alternative Sales Channels
& Business Development
General Manager



Barış SÖNMEZ
Retail & Marketing
General Manager



Alparslan DURAL
Operations Deputy
General Manager



Yeşim ÇOKEKER
Human Resources Deputy
General Manager



Pınar AYORAK
Strategy & Transformation
Office Deputy General Manager



Sinem ÇOLAKOĞLU
Product Deputy
General Manager



Rahmi SAY
Product & Sustainability
Deputy General Manager



Deniz CANPOLAT
Product Deputy
General Manager



Funda KÜÇÜKMERİÇ
Product Deputy
General Manager



Seda DIŞLIK
Production Deputy
General Manager



Cenk KARAPINAR
Supply Chain Deputy
General Manager



Berkin MADEN
Marketplace Deputy
General Manager



Emre ADİLCE
Finance Deputy
General Manager



Hamdi BURGAÇOĞLU
Finance Deputy
General Manager

Corporate Risk Management

Corporate Risk Management is a systematic process that supports the identification of potential events that may affect our Company, finding risks that will affect the creation of corporate values, goals and strategies, determining the positive or negative effects of these risks and managing risks in accordance with the Company's corporate risk appetite.

Corporate Risk Management involves four basic phases:



We, as DeFacto, aim to prevent potential risks by applying risk management stages. We accept risk management as a common responsibility of everyone from senior management to all company employees and we carry out our risk assessments regularly, at least once a year.

We carry out risk assessments of projects, activities, tasks and operations that are classified as risky at more frequent intervals.

Identification and Definition of Risks

Identifying and defining risks is the first stage of our Corporate Risk Management Process. The main purpose of this stage is to identify and define in as much detail as possible the risks that may prevent our Company from achieving its goals.

Our Risk, Control and Business Continuity Team identifies risks through face-to-face meetings, video conferences and workshops with our company's management team and, where necessary, process owners in order to identify and define corporate risks. Participants are encouraged to express themselves freely in these studies. The studies are recorded in the risk inventory by the Risk, Control and Business Continuity Team.

In addition, the following tools and methods are used to identify and define risks:

- Review of internal and external audit reports
- Source reports published on the sector and risk management
- Surveys to be conducted throughout the Company
- Operational process analyses

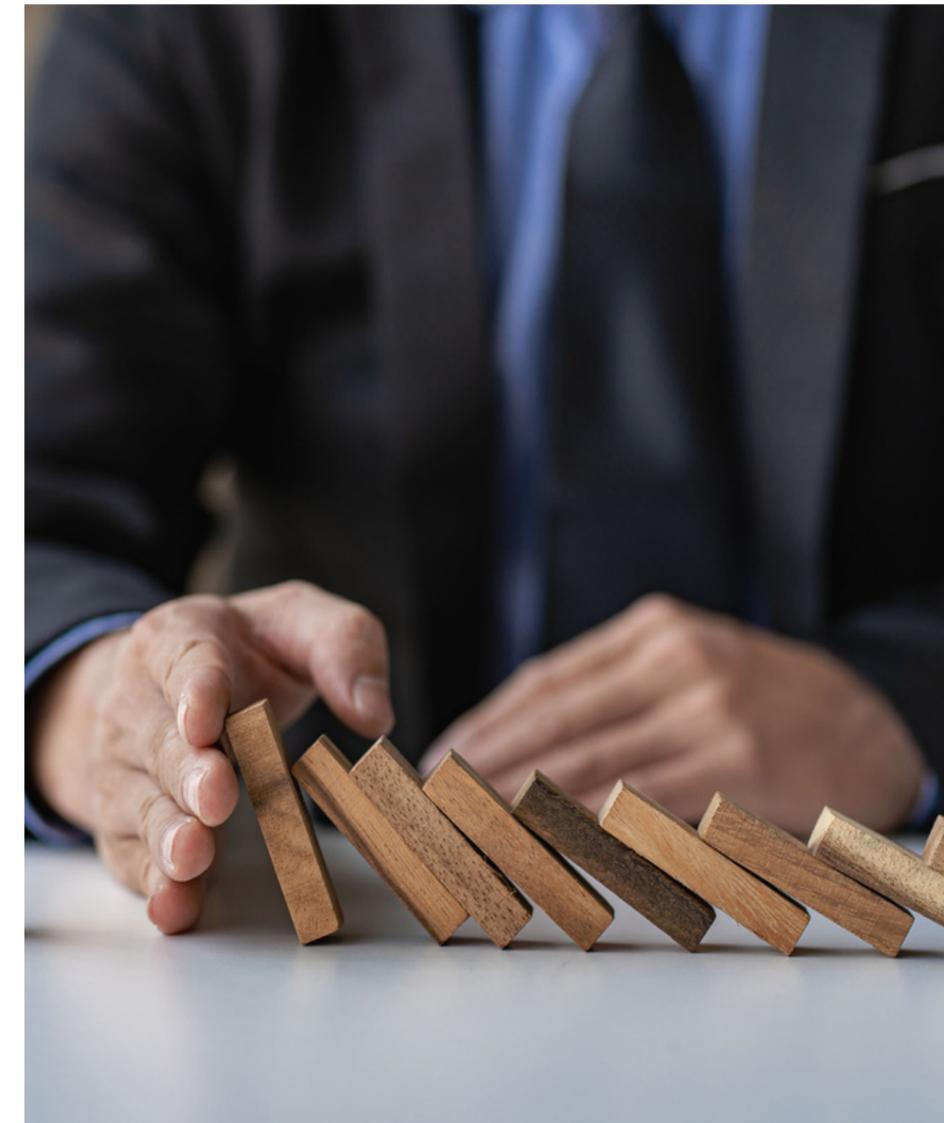
Analysis and Assessment Model of Risks

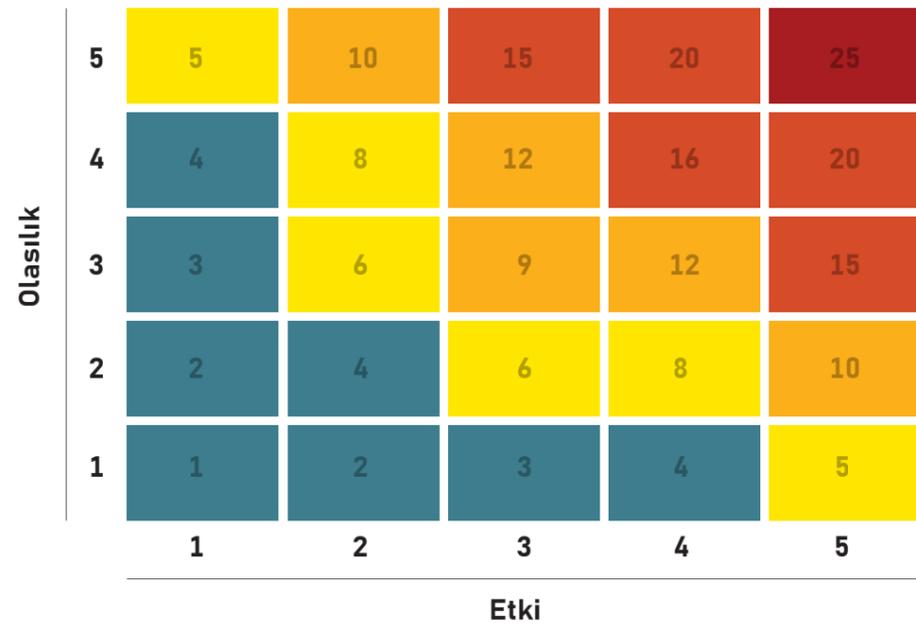
We make risk assessments by making probability (frequency of occurrence) and impact analyses of the risks identified and defined during the risk analysis and assessment phase.

We carry out the analyses and assessments of the risks of the organisation with the management staff and process owners when necessary.

Risk types;

- Financial impact: The negative impact on the Company's financial structure and the resources it needs to maintain its financial activities.
- Reputation (prestige) impact: A bad reputation about the Company. Negative impact on employees, customers, subsidiaries and/or other key stakeholders.
- Strategic impact: Potential strategic impact. Disruption of management, planning, key initiatives and execution.
- Operational impact: Potential operational impact on sales and marketing, performance, supply chain, production, people, information technology, potential accidents and fixed assets.
- Compliance impact: The impact of potential non-compliance with laws, regulations, standards and DeFacto's policies and procedures.





Risk Score	Risk Rating	Risk Assessment
25	Critical Risk	The risk is unacceptable and requires an urgent action plan
15-20	High-Degree Risk	An action plan for the risk must be determined and checked
9-12	Moderate-Degree Risk	Controls for the risk should be identified and monitored
5-8	Low-Degree Risk	The risk should be monitored
1-4	Insignificant Risk	The risk is acceptable

Classification and Management of Risks

Taking into account the distribution of the risk map, we classify risks and prioritize critical risks in our risk classification process.

In collaboration with our Risk, Control, and Business Continuity Team, process owners consider the Company's risk appetite and tolerance to identify preventive measures and actions against risks along with their underlying causes. Existing controls are examined, evaluated, and improved as necessary. Our goal is to reduce the impact of potential risks and effectively achieve our planned targets in case of any risk occurrence.

Objectives of Corporate Risk Management

- **EARLY WARNING** to identify possible surprises
- **ADVISING** on actions taken to prevent surprises
- **ASSURANCE** for the effectiveness of the actions taken
- **REPORTING** to see the risks in all our operations together
- **SUPPORT** for culture and strategy setting, business development, resource allocation, performance monitoring functions

Components of Corporate Risk Management

- Implementation by the Board of Directors of risk oversight, establishing the operational structure, defining the desired culture, demonstrating commitment to core values, attracting, developing and retaining skilled staff.

- Analysing the business environment and context, defining and determining risk appetite, evaluating alternative strategies, establishing business objectives, identifying and determining risks, assessing their severity, classifying and rating them, implementing risk attitude responses, developing a holistic and broad flow perspective
- Evaluating significant structural changes, reviewing risk and performance, following developments and changes related to Enterprise Risk Management
- Strengthening the information management system, communicating and sharing risk-related information, reporting on risk, risk culture and performance

Roles and Responsibilities of Corporate Risk Management

At Defacto, the corporate risk management process is not under the role and responsibility of a single person and/or a team.

This process is a part of the duties of all employees at all levels.

Parties with roles and responsibilities in the DeFacto corporate risk management process;

- Board of Directors
- Risk Committee
- Risk, Control and Business Continuity Team
- Senior Management (C Level)
- Employees (Process Owners)

RISKS AND OPPORTUNITIES TABLE

Category	Main Risk	Explanation	Opportunities and Precautions Taken	DeFacto DNA Focus Areas	Strategic Focus Areas
ENVIRONMENTAL	1 Risk of non-compliance with environmental legislation and international regulations.	<p>Financial losses and reputational risk as a result of lawsuits and/or criminal sanctions that may be encountered due to non-compliance with the relevant legislation</p> <p>Within the scope of the European Green Agreement, the risk of problems in product supply in case of emission cost and non-compliance</p> <p>Risk of being banned from selling products if international standards are not followed (especially in Europe)</p>	<p>Although Turkey has signed the Paris Agreement and announced its commitment, an application has not yet been initiated in the textile sector. The Sustainability Committee monitors the Emissions Trading System and developments in Turkey. With the aim of becoming a climate-positive brand, project determination studies and evaluation of new investments with carbon pricing and ensuring 100% renewable energy use in its own locations by 2030, cost-benefit analysis studies are carried out.</p> <p>In the Final Declaration of the Climate Council February 2022, there are recommendations on the topics of increasing renewable energy resources, ensuring energy efficiency, reducing greenhouse gasses in all sectors, determining climate change adaptation policies.</p> <p>Focus on recycling of textile products by 2030 in line with the European Green Consensus.</p>	Your field, get in the game	Growth; Global Human and Our Culture; Country-Based Right Product, Right Price, Right Time; Fast Supply and Logistics Network
	2 Climate Change	<p>The change in weather conditions because of the current climate crisis, the negative impact of changing weather conditions on the environment and ecology,</p> <p>Risk of experiencing a resource crisis and/or difficulty in accessing resources,</p> <p>The risk of changing customer preferences due to the change in climate conditions and not being able to adapt to this situation in an agile manner, etc.</p>	By becoming a member of Better Cotton, the Sustainable Cotton initiative, the sustainability of cotton farming has started to be supported. In order to protect global resources, production is made with sustainable raw materials (recyclable, organic, etc.), and it is aimed to make 90% of our ready-made clothing products sustainable until 2030.	Your world, treat it well	Global Human and Our Culture; Fast Supply and Logistics Network; Effective Collaborations Developed with Strategic Suppliers
	3 Sustainability Risk	The environmental, social and governance risks that will be created if the resources of the institution cannot be managed effectively	<p>Reducing paper consumption with the commissioning of the in-house "Paper Cut" project in 2022</p> <p>With the "Apple Skin Accessory" collection, the production of shoes, wallets, bags, etc., made by recycling apple peels.</p> <p>Conversion of surplus fabrics into art in collab.</p>	Your world, treat it well	Global Human and Our Culture; Customer Loyalty
	4 Energy Crisis Risk	The risk of interruption of production and operation in cases such as energy crisis (power cuts, etc.)	GES Project was started. By 2030, it is aimed to obtain the electrical energy we consume at its own locations from sustainable sources.	Your field, get in the game	Effective Collaborations Developed with Strategic Suppliers

Category	Main Risk	Explanation	Opportunities and Precautions Taken	DeFacto DNA Focus Areas	Strategic Focus Areas
ENVIRONMENTAL	5 Raw Material Crisis Risk	The risk of interruption of the operation due to the unavailability of the raw material to be used in production	With each passing year, the effects of climate change on the world become more severe. It is possible to experience serious supply problems in the supply of raw materials in the textile sector. For these reasons, we plan to make products produced with energy-efficient, water-saving, low-emission production methods and sustainable raw materials, and to make up 90% of our collection from sustainable products until 2030.	Your dream, think about the leap	Efficiency; Customer Loyalty
	6 Natural Disasters (Earthquake, Flood, Fire Etc.)	Operational disruptions, stoppages, capacity problems, business continuity risk as a result of natural disasters	The Business Continuity Plan aims to continue the Company's activities with minimum interruption and damage in all emergency situations, from minor incidents to major disasters. For this reason, while only certain parts of the plan, which is prepared in the widest scope, are used when needed, it is possible to put the whole plan into use when necessary. The plan is built on the following management framework: 1. EMERGENCY ACTION 2. CRISIS MANAGEMENT 3. JOB RESCUE	Your field, get in the game; Your path, make a difference with data	Our Flexible Supply Strategy
	7 Chemical Risk	Negative effects of chemicals on human and environmental health	Our laboratory examines the chemicals remaining on the product and approves the products according to the test results. To review the chemicals used in our supply chain and production processes from this perspective and to create a banned chemical list that will be valid in all our suppliers in order to protect human and environmental health, and we want to ensure compatibility.	Your world, treat it well; Your path, make a difference with data	Global Human and Our Culture; Effective Collaborations Developed with Strategic Suppliers
	8 Water Crisis Risk	Production and reputational risk due to production in water-poor geographical areas	We produce collections designed for waterless production. We are investing in technologies that significantly reduce the amount of water consumed in wet processes in terms of water efficiency. As of 2022, we measure our water footprint. We aim to strengthen our collaboration and communication with our suppliers in terms of water efficiency and wastewater management to ensure that our supply chain shares the same sensitivity and takes action.	Your world, treat it well; Your field, get in the game	Global Human and Our Culture; Effective Collaborations Developed with Strategic Suppliers
	9 Biodiversity Loss	The destruction of nature and the loss of biodiversity it causes to meet the increasing demand for the raw materials and resources that make up our production	We are preparing a biodiversity action plan. We use recycled and eco-certified materials. We are working to increase the share of sustainable labeled materials in our material usage.	Your world, treat it well; Your field, get in the game	Global Human and Our Culture; Customer Loyalty

Category	Main Risk	Explanation	Opportunities and Precautions Taken	DeFacto DNA Focus Areas	Strategic Focus Areas
SOCIAL	1 Green Laundering Risk	Loss of prestige as a result of incomplete or misleading statements about our environmental or sustainable steps	We continue our sustainability reporting every year. We share our data and strategy transparently and inform our customers and the public. We verify ourselves in our reporting by obtaining verification. Starting in 2023, we plan to take a step further for transparency and our reputation by transitioning to Integrated Reporting methodology. Additionally, we disclose our environmental impact in the CDP statement. We continue to prepare and share our verified reports in accordance with the standard required by the EU Corporate Sustainability Reporting Directive.	Your path, make a difference with data; Your team, walk together	Customer Loyalty
	2 Risk Of Adaptation To Global Culture	As a result of not keeping the mission, vision and values equally alive in every location and level, there is a weakness in the loyalty of the employees and the employees to the company, which negatively affects the business goals and the operation.	We have set and announced our global company principles in line with our goal of becoming a global company and have conducted efforts to disseminate them. We are continuing our Agile transformation efforts by adopting the Agile Transformation method. We have implemented Global Leadership programs. We are working to increase and expand our collaborations with NGOs both locally and globally.	Your field, get in the game	Growth
	3 Employee Circulation Risk	High employee circulation and consequently disruption of business continuity in operation, management of processes by non-experts, lack of standard in work output quality, etc.	Development and leadership programs DeFacto Academy External training support Job enrichment projects Internal communication and happiness activities	Your team, walk together	Fast Supply and Logistics Network; Our Flexible Supply Strategy; Customer Loyalty
	4 The Risk Of Customer Dissatisfaction	Risk of decrease in customer satisfaction level due to internal and external factors	Keeping abreast of developments Establishment of a committee for the evaluation of periodic risk analyzes	Your customers, make them fall in love; Your team, walk together; Your path, make a difference with data	Growth; Customer Loyalty
	5 Epidemics (COVID-19, SARS, plague, etc.)	Negative impact on business goals, revenues, operations and employee health as a result of the health epidemic	Gift Club Customer service activities Customer relationship management process Customer surveys Field visits	Your customers, make them fall in love	Country-Based Right Product, Right Price, Right Time; Effective Collaborations Developed with Strategic Suppliers; Efficiency, Fast Supply and Logistics Network
GOVERNANCE	1 Supply Chain Crisis	Negative impact on business targets as a result of the global supply chain crisis	Supplier evaluation and development criteria Organizing support programs to strengthen and develop suppliers Creation of alternative supply networks By evaluating our business volume with suppliers on the basis of sustainability performance as well as production performance, we are starting our preliminary studies to work more with high-performing suppli	Your path, make a difference with data; Your field, get in the game	Effective Collaborations Developed with Strategic Suppliers; Efficiency, Fast Supply and Logistics Network
	2 Risk of non-compliance with business ethics and principles	The risk of not complying with universal legal rules, laws and regulations within the scope of bribery and corruption, ethical and professional principles in all countries where we operate and are represented	Ethics Line Practices Disciplinary Regulations Business Ethics and Principles Handbook Trainings and awareness activities	Your field, get in the game; Your customers, make them fall in love; Your strength, use it efficiently	Customer Loyalty; Growth

Information Security

Business Continuity

Business continuity constitutes an important part of our Corporate Risk Management approach. We, as DeFacto, aim to eliminate or minimise all threats that have the potential to adversely affect our work integrity, operations and customer satisfaction, and in this context, we have implemented the Defacto Business Continuity Management System to perform business continuity in a specific methodology.

In our Defacto Business Continuity Management System, we have aimed to:

- Ensure the safety of “human”, which we regard as our most valuable resource;
- Identify and test potential emergency scenarios in order to ensure the continuity of critical processes;
- Minimise the risks of service interruption that may occur by further strengthening the strong cooperation with our suppliers;
- Be able to normalise business and information technology processes that may be interrupted in possible crises with the least possible loss;
- Ensure the continuity of information systems through emergency centres by securing them with information security policies.

Information Security

Information security, which is an important priority in our risk management system and closely monitored, includes the security of data of our employees, customers and suppliers. We created our DeFacto Information Security Management System in line with the 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, and make our employees’ work “safe” and “continuous” by trusting them
- Support decision-making mechanisms with complete, accurate and accessible information
- Ensure that only and only authorised persons have access to information
- Ensure change management security while continuously improving information systems and components
- Identify potential information security breach risks and incidents and eliminate them together with their root causes
- Keep the information security awareness of the entire organisation high.

Within this framework, we have defined the organizational roles that will be responsible for establishing, implementing, protecting, and continuously improving our information security management system, along with their respective roles and responsibilities, and we are providing the necessary resources. As we conduct business processes across all channels where we offer

our services, we identify information and information resources, evaluate associated risks, and take necessary measures. In this process:

- We make necessary infrastructure investments to protect information system components from cyber-attacks and keep them under control through periodic scanning and testing.
- To ensure uninterrupted service in different geographies and distributed systems, we create plans to ensure the continuity of critical business processes and information resources and review their effectiveness.
- We provide training to our employees and third parties we work with to increase awareness of information security in their work processes. We ensure that information security is seen as a part of organizational process management.
- We assess the effectiveness and compliance with our objectives of the activities we carry out through periodic audits and management review meetings.

We, as Defacto, undertake and commit to fulfilling all legal requirements and obligations in compliance with the law in order to achieve the objectives we declare in information security, and to continuously improve the performance of the information security management system.

As part of our regular information security work, we evaluated information technology process risks in 2022 and made updates and improvements in accordance with the methodology. Additionally, we reviewed and updated access permissions for critical information to ensure the confidentiality of customer information and personal

data. In this regard, we are taking all necessary measures promptly to ensure the security and integrity of information is not compromised.

Customer Privacy

In the context of protecting our customers’ privacy, we, as Defacto, prioritize compliance with the law in our operations. As a company, we uphold accountability by fulfilling decisions, rules, and regulations in a transparent and understandable manner. Accordingly, we aim to protect the confidentiality of relevant individuals’ personal data by ensuring continuity and taking care to meet the requirements of evolving technology.

We conduct awareness campaigns and provide training on personal data for our employees as part of managing our customers’ privacy.

We obtain our customers’ personal data when they become members on our website, contact us through communication channels, or place orders without membership. We act in accordance with data protection legislation provisions and decisions, guidelines, and public announcements issued by the Personal Data Protection Authority with regard to our customers’ personal data.

For the year 2022, there have been no confirmed complaints about breaches of customer data confidentiality.

Internal Audit

Our Internal Audit Unit is one of the fundamental components of the Company's corporate governance, responsible for planning, executing, and reporting on audits within the Company, as well as coordinating DeFacto's audit activities in accordance with the Internal Audit Standards published by the Institute of Internal Auditors (IIA). Our DeFacto Internal Audit Procedure provides guidance on the practices for conducting audits in line with IIA requirements and includes templates to be used.

Our internal audit processes, which are conducted by our Audit, Risk Management, and Revenue Protection Directorate, are approved by the Board of Directors, ensuring the assurance of our internal control systems and operations. As we carry out our operations, we ensure that strategic objectives are achieved, operations are effective, financial and operational information is reliable and accurate, assets are protected and regulated, and compliance with policies and procedures is ensured.

We conduct our internal audit activities in accordance with international internal audit standards. In our audits, we evaluate the effectiveness of existing internal controls to address risks involved in business processes. By analysing the causes and effects of control deficiencies identified as a result of our audits, we receive management action plans for the elimination of problems from the relevant unit and monitor whether these actions are taken on time.

Under the Audit, Risk Management, and Revenue Protection Directorate, our Retail Audit, Risk, Control and Business Continuity, Loss Prevention, and Incident Investigation Units carry out internal control and risk management activities.



Business Ethics and Compliance

As Defacto, we believe that transparency is the basic requirement for establishing sustainable relationships based on trust with all stakeholders. We carry out our operations in accordance with our Business Ethics Policies in order to use resources effectively, to carry out all kinds of services and activities openly, transparently and in accordance with the legislation, to prevent unfair competition, to create corporate and social responsibility awareness for directors, managers and employees.



As Defacto, we have adopted the principle of not engaging in any behaviour that may damage mutual trust in our business relations with our employees, customers, business partners, suppliers, competitors, environment and society.

Integrity, accountability and transparency are our core values in all our business processes and relationships.

We are aware of the importance of our responsibility with our stakeholders and act in line with the principles of business ethics in order to fulfil this responsibility. We are aware of the need to be open and honest about our business and performance while protecting our interests. The principles we have determined in this direction reflect positively on our brand image and reputation in all fields of operation home and abroad.

Our Business Ethics Stakeholders

At DeFacto, business ethics is a process that is carried out with the different tasks and responsibilities of the Company Employees, Board of Directors, and Ethics Committee. Our company employees are responsible for conducting all their activities in accordance with laws, the DeFacto Code of Business Ethics and Principles Handbook, the Disciplinary Regulations, and other relevant corporate standards and values specified in internal company documents.

Reporting, reviewing, and enforcement mechanisms in case of non-compliance with rules and regulations are within the authority of our Board of Directors to establish, implement, and monitor.

Our Ethics Committee, which operates under the supervision of our Board of Directors, is responsible for monitoring our company to ensure an ethical, reliable, and compliant working environment and conditions in accordance with relevant laws and regulations. The committee also evaluates complaints and is responsible for creating necessary preventive/deterrent investigation and disciplinary procedures. Additionally, the Ethics Committee is tasked with forwarding evaluation results that require sanctions to the Disciplinary Board.

Our Compliance Unit, which works in conjunction with our Ethics Committee, is responsible for preparing, developing, updating, providing training in, and implementing the Anti-Bribery and Corruption Policy, the Code of Business Ethics and Principles Handbook, the Competition Compliance Policy, and other relevant procedures in this area.



Fight against Corruption and Bribery

In the countries where we operate, it is our principle to adhere to universal legal rules, laws and regulations regarding bribery and corruption, as well as ethical and professional principles.

Within the Company, the investigation and evaluation of any reports related to bribery, corruption, and ethical violations fall under the responsibility of our Ethics Committee. The Ethics Committee Members consist of the top-level managers of the Audit, Risk Management and Income Protection, Legal, and Human Resources Departments. Upon the decision of the Ethics Committee, the director and/or senior executive of the relevant department can be involved in the process related to the investigation.

Reports and other ethical agendas/evaluations received by the ethics hotline are forwarded to the Ethics Committee by the Audit, Risk Management, and Income Protection Directorate. Upon receipt of the report, investigations and agendas are urgently organized, and a roadmap for the process is determined based on the assessment of the current situation. If any violations of the Disciplinary Regulations are identified as a result of the investigation, the matter is referred to the Discipline Committee.

The aim of the fight against corruption is to ensure that all the Company activities are conducted in accordance with laws, regulations, procedures, DeFacto ethical rules, and other regulations, fairly, honestly, and correctly, while protecting the rights of all the Company stakeholders in this regard.

We continue our necessary investigation and inquiry activities by assessing corruption and abuse risks through

the Internal Audit, Loss Prevention and Case Investigation, and Retail Audit Departments. All domestic and international activities of DeFacto fall within this scope.

Even if such practices exist in the country or sector in which the Company operates, it is essential that all employees do not obtain any illegal or unethical advantage, including for the benefit of the Company.

However, as DeFacto, we explicitly prohibit illegal and unethical behaviours that may be considered as bribery and corruption.

Notifications of all incidents and situations related to bribery and corruption can be made to defacto@etikhat.com or 0212 4013799. The identity of the reporting person will always remain confidential and this confidentiality is guaranteed by the Board of Directors. The ethics line is open to Defacto employees and suppliers.

Evaluation and Decision-Making Method of the Ethics Committee

1. The Ethics Committee makes the necessary evaluations for bribery and corruption cases, denunciations, etc.
2. The Ethics Committee makes sure that the documents and records such as evidence/papers, etc. required for the decision are complete and that they are addressed and included in the assessment process before a decision is taken.
3. Decisions are taken by consensus and necessary legal notifications are made.

Communication and Training on Anti-Corruption Policies and Procedures

Percentage of members of the management body and employees to whom the Company's anti-corruption policies and procedures are communicated.	100%
Breakdown of the percentage of our employees who have received anti-corruption training by employee category.	Headquarters - 85.04% Domestic Stores - 96.10% Overseas Stores - 70.19% Overseas Centres - 64.09%

Fight against Anti-Competitive Conducts

Our management approach towards anti-competitive conducts aims to promote compliance with anti-trust regulations from top to bottom through the implementation of our Competition Compliance Program. The objective of the program is to raise awareness amongst our executives and employees of topics that may be considered violations of competition laws, and to ensure that they do not engage in anticompetitive conducts in communication with competitors and suppliers. Accordingly, we establish the fundamental principles and rules for ensuring that all activities of the Company's subsidiaries comply with the regulations of competition law.

All of our executives and employees are obligated to act in accordance with the Competition Compliance Program. At DeFacto, we believe in free competition and embrace current competition conditions. Under these conditions, we act with integrity and in accordance with the rules of trade and conduct our relations with business partners accordingly.



Policies, Procedures and Protocols

As a company with a vision to become a global fashion brand that elicits a "WOW" reaction, and as an innovative and dynamic leader in its industry that embraces the principle of continuous development, we recognize the importance of strengthening our corporate structure. Under our professional management approach, we prioritize corporate governance principles. We conduct our activities based on transparency, corporate responsibility, and accountability. We form our partnerships in a transparent structure that can be monitored by internal and external stakeholders, in compliance with ethical rules.

We make all our policies, procedures, and protocols accessible to our employees and we document our processes. Approval and enforcement for documents are carried out through the "QDMS Document Management System". All documents are first approved by the managers of the process owners. If deemed necessary, the Process Development Department reviews them. The approval process for controlled documents is carried out in the order shown in the table below.

Certificates Awarded to Ozon Tekstil



In determining our corporate governance strategy and objectives, we have established a governance system that takes into account the environmental and social impacts in our operations and management. We design and manage our processes in accordance with global standards. The ISO certificates we have obtained thereunder:

Certificates Awarded to DeFacto



Document Type	Approval Process
Job Descriptions	<ol style="list-style-type: none"> 1. Organisational Development Manager 2. The first management body to which the relevant employee reports
Policies	<ol style="list-style-type: none"> 1. Management Representative 2. Relevant Department Director/ Manager 3. Manager/Director to whom the relevant department reports
Handbooks Manuals Procedures Standards Instructions Regulations	<ol style="list-style-type: none"> 1. Relevant Department Director/ Manager 2. Manager/Director to whom the relevant department reports
Templates and Forms	<ol style="list-style-type: none"> 1. Management Representative

Our Sustainable Supply Chain Management Approach

As DeFacto, we aim to be economically, socially and environmentally sustainable in all geographies where we produce, supply, sell and distribute. We plan all our investments, initiatives, innovations and operations according to our sustainability objectives in these areas.

Recognising that a qualified portion of our social, environmental and economic impacts are generated in our supply network, we implement responsible supply management practices. We contribute to the operational and financial growth of our suppliers and ensure the management of their social and environmental impacts through various systems and practices. We develop processes and practices to strengthen our communication and co-operation with our suppliers. Our efforts are based on mutual benefit, expectations and the “win-win” principle.

Supply Chain Management

Within the scope of the sustainable supply chain in the textile sector, many factors such as efficient use of raw materials, use of natural materials, water efficiency, clean energy and biodegradable packaging and labelling should be taken into consideration. In fact, sustainability in the textile sector covers not only the production phase, but also the management processes of waste and emission that will occur during and after the use of the product.

When considering the life cycle of a textile product, it is essential for circularity and sustainability to minimise its environmental impact at the stages of production, logistics, and sales in the store, consumer use, recycling and waste. We strive to be a leader in sustainability in the

apparel industry with our effective supply management, optimised operations and sensitivity to social and environmental issues. The steps we, as DeFacto, take to this end constitute the pillars of our sustainable supply chain. We believe that our agile actions we take in supply management contribute greatly to our annual growth rates that we target and realise. In 2022, we had 507 suppliers with whom we established and developed business ties. Of this figure, 417 suppliers are based in Turkey and 90 companies are based abroad. Among 507 companies, our largest supplier is Ozon Tekstil, our subsidiary. We prioritise our Gold suppliers from our supplier pool at the order placement stage.

In 2022, 32.94% of our total number of orders placed for production were given by our suppliers with Silver, 0.20% with Supplier Development and 66.86% with Capacity Control status. Of the companies in our supplier pool, 82.25% are Turkish companies and 94% of our orders are placed by our domestic suppliers and 6% by our international suppliers. With our experienced and well-equipped supply network, we contribute to both the ready-to-wear sector and the local economy.

In 2022, we had 507 suppliers with whom we established and developed business ties. Of this figure, 417 suppliers are based in Turkey and 90 companies are based abroad.



Number of Suppliers in 2022

Regularly evaluating and monitoring the performance of our suppliers is critical to our performance development. In 2019, we renewed the assessment criteria and methods in use in 2018 in order to be objective. Accordingly, between the 1st and 31st of each month, we evaluate our orders received at the warehouse in terms of order delivery (40%), audit performance (40%) and average purchase price (20%) and record them in

the system. We calculate the resulting data and determine the KPI scores of our suppliers. In the first week of the following month, we share the Supplier Assessment Results with all our suppliers via e-mail via the "Supplier Assessment System" platform. We classify our suppliers in five (5) main categories according to the criteria mentioned above:

Supplier Assessment Scale

Supplier Grade	KPI
Gold	Score >85%
Silver	85% >= Score > 75%
Bronze	75% > = Score > 70%
Supplier Development*	69% > = Score > 60%
Capacity Control**	< 60%



* "In the supplier development process, suppliers with a score between - x60 and 69 are requested to improve the shortcomings.

** We terminate our relations with suppliers with a score below -x60 in the capacity control process.

Breakdown by Number of Orders

	% Rate
Domestic Orders	6%
Overseas Orders	94%

Supplier Scores

Supplier Grade	% Rate	Description
Gold	0%	In 2022, the ratio of suppliers determined as gold, silver, supplier development and capacity control, which are currently included in our total number of suppliers, was subtracted from the remaining suppliers. No bronze supplier was included in the list since we did not have any.
Silver	32,94%	
Bronze	0%	
Supplier Development	0,20%	
Capacity Control	66,86%	

Assessment Based on Total Production Volume

	% Rate	Description
Gold Producer	0%	Distribution was calculated based on the number of orders placed according to supplier KPI status.
Silver Producer	72,10%	
Bronze	0%	
Supplier Development	0,009%	
Capacity Control	27,81%	

Our suppliers are periodically checked throughout the time they produce for us, to ensure that production and delivery comply with the Company's quality standards and the rule set in the supplier acceptance process. During production, occupational health and safety, labour law practices, human rights, environmental management and anti-corruption are essential elements of our supplier relations rule set.

In order to ensure continuity in terms of performance and efficiency, we expect our suppliers to continuously improve their performance, thus reaching and remaining at the Gold level.

With the new assessment system, we have put into effect, we carry out the process of defining sub-suppliers, if necessary, in order to increase the capacities of our suppliers who have reached the Gold level and are sustainable. We revise the production capacities defined for our Silver and Bronze level suppliers by their performance. We reduce the capacity of our suppliers whose last three-month performance average decreases and who do not take the agreed-upon actions. In addition to suppliers that do not show improvement in the following three months, we stop working with suppliers who act contrary to our sustainability reports that we publish every year, exhibit unethical behaviours, do not respect human rights and similar conducts, and prevent them from working again.

Supplier Acceptance Process

In DeFacto, the current opening process is initiated by our Global Strategic Supplier Management Directorate in order to meet the needs of the business units related to the suppliers approved to work with following the supplier identification process within the scope of the Supplier Identification and Exit Procedure. Following the approval of the supplier by the Legal Directorate, Finance Directorate, Global Quality Directorate and Global Strategic Supplier Management Directorate, we finalise the current opening process.

Our current opening process starts with the form and document set sent to the supplier via e-mail by the Global Strategic Supplier Management Directorate.

Following the completion of the document preparation process, the supplier submits the document to the Global Strategic Supplier Management Directorate.

We evaluate the supplier, whose current account is opened, as a “candidate supplier” for the first three months and we open a maximum capacity of 20K units per month. After the first three months, we can increase the capacities opened for suppliers with a KPI score of 85% and above in direct proportion to their production capacity. After the completion of the process, we include the candidate suppliers whose supplier assessment scores meet our criteria in the Supplier Capacity Management Procedure. We define and follow up the candidate supplier as a candidate supplier in the Supplier Database screens.

In accordance with our procedures, we do not open current accounts for the following companies:

- Having the same partnership structure with another current account open in the system;

- Defined as a sub-supplier under the main supplier whose current account is open in the system;
- Working on commission and acting as an intermediary;
- With a company history of less than one (1) year;

Supplier Development Programs

Environmental and social compliance assessments are an integral part of the Supplier Assessments, which are the key element of the supplier selection process. In this assessment, we identify the areas that need improvement, share the results with our suppliers, determine the actions that will improve their performance together, check the results of the actions with repeated audits and ensure that the level reached before is not dropped below.

Through Supplier Training, we inform our suppliers about our standards on product responsibility, etc. that we apply at DeFacto or that have been updated.

We organise Supplier Days where we come together with our suppliers throughout the year, both to see their creations and to exchange ideas.

We include our suppliers who have recently joined our supplier pool in the training portal prepared by DeFacto Academy and expect them to complete the inspection, fabric quality, fabric supply and supplier development training assigned to them within a maximum of one (1) week following the current opening. We guide the suppliers by explaining the contents of the assigned training and our processes for newly acquired suppliers.

Within the framework of the Supplier Capacity Management Procedure, we consider new suppliers, who have recently joined the pool, as “candidate suppliers” for

Our Principles

- 1 Compliance with Laws and Regulations
- 2 Prevention of Child Labour
- 3 Prevention of Forced Labour
- 4 Non-Discrimination
- 5 Human Approach
- 6 Wages and Social Benefits
- 7 Working Hours
- 8 Freedom of Association
- 9 Safe and Healthy Working Conditions
- 10 Environment
- 11 Anti-Corruption

three (3) months and we open a maximum capacity of 20K per month. The controlled capacity process serves the adaptation and orientation process between us and our suppliers.

Supplier Work Commitment

We expect all our suppliers to comply with our Supplier Code of Conduct, which consists of a total of 11 Principles, four of which are our “Red Lines”. Our main suppliers undergo regular audits by SEDEX, BSCI and reputable third-party accredited audit firms, to ensure that they are in compliance with our Supplier Code of Conduct. By partnering with these esteemed organizations, we can ensure the transparency and accountability necessary to achieve our sustainability goals. In the event that any non-compliance with our principles is identified, we expect our suppliers to take necessary actions to eliminate the risk.

Red Lines

Child Labour

Under no circumstances do we tolerate child labour in our supply chains or operations, whether it be from our main suppliers or subcontractors.

High Fire Risk and Building Safety

We demand that our suppliers comply with the necessary occupational health and safety requirements to prevent risks that could result in individual or mass casualties due to inadequate building safety and high fire risks.

Employment of Illegal Workers

We reject the use of illegal or undocumented labour.



Supplier Performance Assessments

At DeFacto, we believe that “Technical and Social Compliance” audits are very important. Our suppliers are regularly subjected to audits using different methods. These audits allow us to continuously improve our quality and social standards at DeFacto. Since 2017, our audits have helped us create a sustainable and DeFacto-standard-compliant supply chain.

We have developed a **Social Compliance Scoring System** that evaluates our suppliers based on our Supplier Code of Conduct and Red Lines. Using the data collected from

these audits, we categorize our suppliers into three categories: “Green,” “Yellow,” and “Red.”

Suppliers who score 80% or higher in the audit are considered “compliant” and taken in the Green category. Those who score below **80%** are considered as “**Needs Improvement**” in the Yellow category. If any non-compliance with any of our Red Lines is identified, the supplier will be classified as “**Unacceptable**” in the Red category, meaning we cannot work with them.

In 2017, only 17% of our suppliers were in the Green category, while this figure had increased to 60% by 2022. The percentage of our suppliers in the Yellow category, which was 23% in 2017, is now 39% in 2022. In 2016, the year we started audits, 20% of our suppliers were in the Red category, while this figure is now 1% in 2022.

SUPPLIER TECHNICAL AND SOCIAL COMPLIANCE AUDIT RATE

Category	2020	2021	2022
Green	39%	56%	60%
Yellow	58%	44%	39%
Red	3%	0%	1%

Social Compliance Score

Compliant	Room for Improvement	Unacceptable
80%	80%	Any negative score from to the Red Questions renders the supplier “Unacceptable”.

Supplier Audits

We inspect our suppliers through various methods, starting before production and throughout our business partnership. We have a two-pronged audit process, consisting of independent third-party audits and field audits conducted by DeFacto teams. In 2022, social and technical compliance audits were conducted for both main and sub-suppliers.

DeFacto Quality Audits

Before starting to work with us, all of our main suppliers undergo a preliminary evaluation. Our technical and social compliance teams visit our suppliers and make a general assessment in terms of quality and social compliance. In these evaluations, it is determined whether our principles and red lines, such as the use of metal detectors and metal material control, child labour, fire safety, and the use of personal protective equipment, as well as DeFacto standards, are complied with. Companies that receive a valid score proceed as our suppliers.

Our suppliers’ workshops are regularly visited, and training is provided on garment standards. This ensures that our suppliers’ quality understanding is in line with DeFacto standards and our technical teams.

We give our compliant suppliers our own quality control and inspection authority. In 2018, 14 suppliers were granted “inspection” authority, while this number reached 62 in 2022.





3. Sustainability Approach

Sustainable Value Creation Approach

We are constantly working to build a sustainable future by leveraging the influence of fashion.

We value the commitments we have made to ourselves and all stakeholders in the area of sustainability. Accordingly, we embrace corporate sustainability as a core value of our company culture and carry out work in this field. As one of the first two signatories of the United Nations Global Compact in the apparel and fashion industry in Turkey, we continue our sustainability journey with great motivation. Throughout all of our operations, we aim to reduce the environmental impact of our products and support local economic development. As DeFacto, as part of our mission to lead our company towards a sustainable future, we place great importance on human rights, business ethics, occupational health and safety, product safety, workplace diversity, and equal opportunities.

Our promise is to always work towards a better, more sustainable society by producing in harmony with nature and being environmentally conscious.

Since we signed and began implementing the United Nations Global Compact in 2014, we have taken our sustainability goals to the next level.

We are working to make all of our processes sustainable, from design to production to the customer, to make the world and society a better place. We want to create positive change for all of our customers and stakeholders with whom we interact. With a holistic vision, we want to transform the power of fashion for good in our supply chain and play an active role in treating all parties with respect and sensitivity.



Our Promise;
We are constantly working to build a sustainable future by leveraging the influence of fashion.



ENTEĞRE DEĞER YARATMA MODELİMİZ

Capital	Input	Output	Value Created	BM SKA
<p>FINANCIAL</p> 	<ol style="list-style-type: none"> Revenue from operations Risk protection practices for the business model <ul style="list-style-type: none"> Effective use of hedging instruments Strong liquidity position Diversity of financing <ul style="list-style-type: none"> Bank loans Sustainable financing transactions Syndication transactions Eximbank and CBRT resources with favourable interest rates Capital and Affiliate Structure Digital finance transformation <ul style="list-style-type: none"> e-wallet Digital loan Transfer of cash flow to the system SAP finance transformation VSRM purchase transformation Process digitalizations (robots, cockpit,..) 	<p>Revenue of TL 15.6 billion</p> <ul style="list-style-type: none"> Share of Domestic Turnover: 46% Overseas: 41% Online: 17% <p>1.43 Consolidated Indebtedness Ratio</p> <ul style="list-style-type: none"> Working capital loan from the Development Investment Bank of Turkey was obtained. While using this loan, all companies and warehouses were audited and a sustainability report was prepared. 	<p>Value created with sustainable growth</p> <ul style="list-style-type: none"> Real growth Investment expenditure <p>Strong balance sheet structure</p> <ul style="list-style-type: none"> Liquidity performance Optimum average cost and maturity of debt Predictable profit performance <p>Dividends paid and dividend yield</p> <p>Value created for the economies of the countries of operation</p> <ul style="list-style-type: none"> Contribution to GDP Employment Domestic Production <p>Value created for the Turkish economy</p> <ul style="list-style-type: none"> Widespread Turkish brand Domestic production Contribution to export Employment Foreign currency entry into the country 	   
<p>NATURAL</p> 	<p>21.088 m³ Water</p> <p>11,53 TJ Natural Gas</p> <p>38.025.814,23 kWh Electricity</p>	<p>Apple Skin Collection</p> <p>Waterless products and Innovative sustainable products</p> <p>Water efficiency projects in production</p>	<p>Sustainable product rate 15%</p>	 
<p>HUMAN</p> 	<ol style="list-style-type: none"> Employment practices, inclusion, equal opportunity <ul style="list-style-type: none"> Increasing Female Employment Bringing Young Talents to the Organization MT Programs Happy Women Project Recommend a Friend Career and Competency Development Opportunities: Competent Employee Culture <ul style="list-style-type: none"> Digital Transformation Data-Driven Culture Agile Culture Leadership Practices Agile Coach Happiness Practices <ul style="list-style-type: none"> New Generation Working Model Effective Occupational Health and Safety Management 	<p>59% Female Employees Ratio</p> <p>43% Female Managers Ratio</p> <p>58% Generation Z Employees</p> <p>66 MT Employment</p> <p>Defacto Business Academy: - Total Training Time of 838,760 Hours</p> <p>Happy Women Movement activities</p> <p>10 Points Increase in Employee Engagement Score</p> <p>44,933 hours of OHS training</p> <p>7.4% Improvement in Accident Severity Ratio</p> <p>SMART goal setting</p>	<p>Competent Leader & Human Resources</p> <p>Work Plan Ready for the Future's Business Model and Digital Transformation</p> <p>Support for Women, Youth & Disabled Employment</p> <p>Fully Adaptive Positive Corporate Culture</p> <p>Inclusivity and Equal Opportunity</p> <p>Analytical and Data-Driven Approach Culture</p> <p>Effective OHS Management: 75% improvement in risky processes</p>	  

Capital	Input	Output	Value Created	BM SKA
SOCIAL AND RELATIONAL 	<ol style="list-style-type: none"> 1. Social contribution activities 2. Diversity and inclusivity 3. Supporting young people 4. Environmental projects 5. Technology projects 	<p>Social projects and cooperation with 16 NGOs Educational projects and supporting young people</p> <ul style="list-style-type: none"> · Dreams of fabric · Supporting young designers <p>Reduction in carbon emissions of our suppliers and customers</p> <p>Happiness Ambassadors Group (HAG)- Social Responsibility Club</p> <p>DeFactoFIT</p>	<p>Contributing to the awareness of gender equality among our stakeholders and society</p> <p>More effective communication with stakeholders</p> <p>Increasing company reputation</p> <p>Reducing the environmental impact of our stakeholders</p> <p>Stakeholders maintaining a healthy life</p>	 
INTELLECTUAL 	<ol style="list-style-type: none"> 1. Our Investments for Our Trademark Registrations and Brand Value 2. R&D and Design Incentive Applications 3. Software developed in-house 4. Product license agreements 5. Digitalization Projects and Omnichannel Applications 6. Phygitalization and Digital Innovation Projects 7. Product Innovations 8. Supply & Franchise & Expansion Knowhow 9. Collaboration with Universities 10. Collaborations with Startups 11. Managing 20 Applications and 8 Processes for Cyber Security 	<p>We rank second in the Turkish market in terms of Brand Value</p> <p>Our NPS score in 2022 is 46</p> <p>Number of R&D employees 31, Number of Design Center Employees 99</p> <p>In 2021 and 2022, ~TL 74 M R&D Incentive for DeFacto Technology in total</p> <p>8 Design Registrations up until today, A total of 8 royalties, 5 of which were received in 2022</p> <p>7 patents</p> <p>23 Licences for use in DeFacto products</p> <p>Opening of the first smart store in Akasya in September 2019</p> <p>2.9 M active APP users in TR in average in 2022</p> <p>In 2022, the ratio of CAC orders to ECP orders 20.25%</p> <p>Total number of receipts of PAS orders 668K in 2022</p> <p>Supply Management School: In 2022, 16 training of 67.514 hours, to 1953 persons, Supplier Training</p> <p>386 training with different contents given by internal trainers since 2020</p> <p>University - Industry Cooperation with Istanbul Technical University</p> <p>1 start-up collaboration</p>	<p>Developing the R&D and innovation ecosystem</p> <p>Increasing employee competencies</p> <p>Presenting new products and services to customers</p> <p>Delivering sustainable products and services to customers</p> <p>Improving the customer experience</p>	  

Capital	Input	Output	Value Created	BM SKA
<p>PRODUCED</p>	 <ol style="list-style-type: none"> 1. Our Physical Stores 2. Our Experience and Online Stores 3. Our Technology Investments 4. Our Warehouse Investments 5. Our Production Facilities Factories 6. Our Laboratories 	<p>489 stores Domestic: 302, Overseas: 152, Franchise: 35</p> <p>Store investment of TL 369 Million</p> <p>Information Technologies investment of TL 158 Million</p> <p>Warehouse Investment of TL 90 Million</p> <p>Production Facility Investment</p>	<p>Value created for our customers</p> <ul style="list-style-type: none"> • Accessible fashion brand • Sub-brands according to each customer's needs • Fast delivery with investments in the supply chain • Investments in technology <p>Value created with sustainable growth</p> <ul style="list-style-type: none"> • End-to-end store, information technology, warehouse and production facility investment expenditures <p>Value created for the Turkish economy</p> <ul style="list-style-type: none"> • Widespread Turkish brand • Domestic Production • Contribution to export • Employment • Turkey's first fully automatic ready-to-wear warehouse 	  

Sustainability Governance

To establish our sustainability principles and manage the process in accordance with our sustainability goals, the Sustainability Committee is actively working. The committee makes all decisions based on our company's sustainability objectives through a simple majority vote. The Committee reports directly to the Board of Directors, and decisions that will shape the Company's sustainability strategy are submitted to the Board of Directors for approval.



Sustainability Committee

The Sustainability Committee is responsible for approving and implementing projects received from the Sustainability Programme Team within the Sustainability Committee. The Sustainability Committee is chaired by our CEO and the coordination and secretariat of the Sustainability Committee is carried out by the Sustainability Programme Leader.

The Sustainability Committee convenes regularly twice a year and organises additional meetings if necessary. The meetings, the agenda of which is determined by the Committee Chairman, are held with the participation of the absolute majority of the Committee members.

The Sustainability Committee prepares a road map for the short, medium and long term sustainable development of the Company by monitoring domestic and international developments. In this context, the Committee is responsible for determining policies, developing projects and publishing them with the decision of the Board of Directors.

In line with the corporate sustainability strategy, we aim to inform employees and involve all stakeholders in the process. In order to support the activities for effective sustainability management, the committee establishes working groups within its body and provides the necessary authorisation and coordination.

Finally, within the scope of the Company's membership to the United Nations Global Compact, the Sustainability Committee submits sustainability reports at least once a year for the approval of the Board of Directors for publication and declaration to the Global Compact. The Committee is also responsible for conducting compliance studies with the principles of the UN Global Compact and declaring progress reports.

Sustainability Program

The Sustainability Committee carries out the tasks assigned to it through our Sustainability Programme. Through the programme, the Committee's decisions are followed up, implemented, targets are defined and up-

dated. . In addition, the Programme Leader is responsible for the coordination of the relevant working group, keeping the minutes of the meetings and reporting the outputs to the Committee.



Our Sustainability Programme Members:

- Sustainability
- Strategy
- Law
- Risk Management and Compliance
- Internal Audit/Ethics
- Corporate Communication
- Finance
- Operations
- Marketing
- E-Commerce
- Human Resources
- Administrative Affairs
- Construction and Technical Work
- Occupational Health and Safety
- DeFacto Academy
- Happiness and HR Projects
- Social Relevance
- Supply Chain Management
- Fabric Quality and Supply
- Product Technology and Quality
- Agile
- Product Management
- Planning
- BTO

Stakeholder Engagement

An organisation's stakeholders are its most valuable resource. As DeFacto, we are aware of this situation. We determine our material issues by taking into account the demands, priorities and satisfaction of our internal and

external stakeholders. For this purpose, we follow the sustainability-related agendas of our stakeholders at various frequencies.



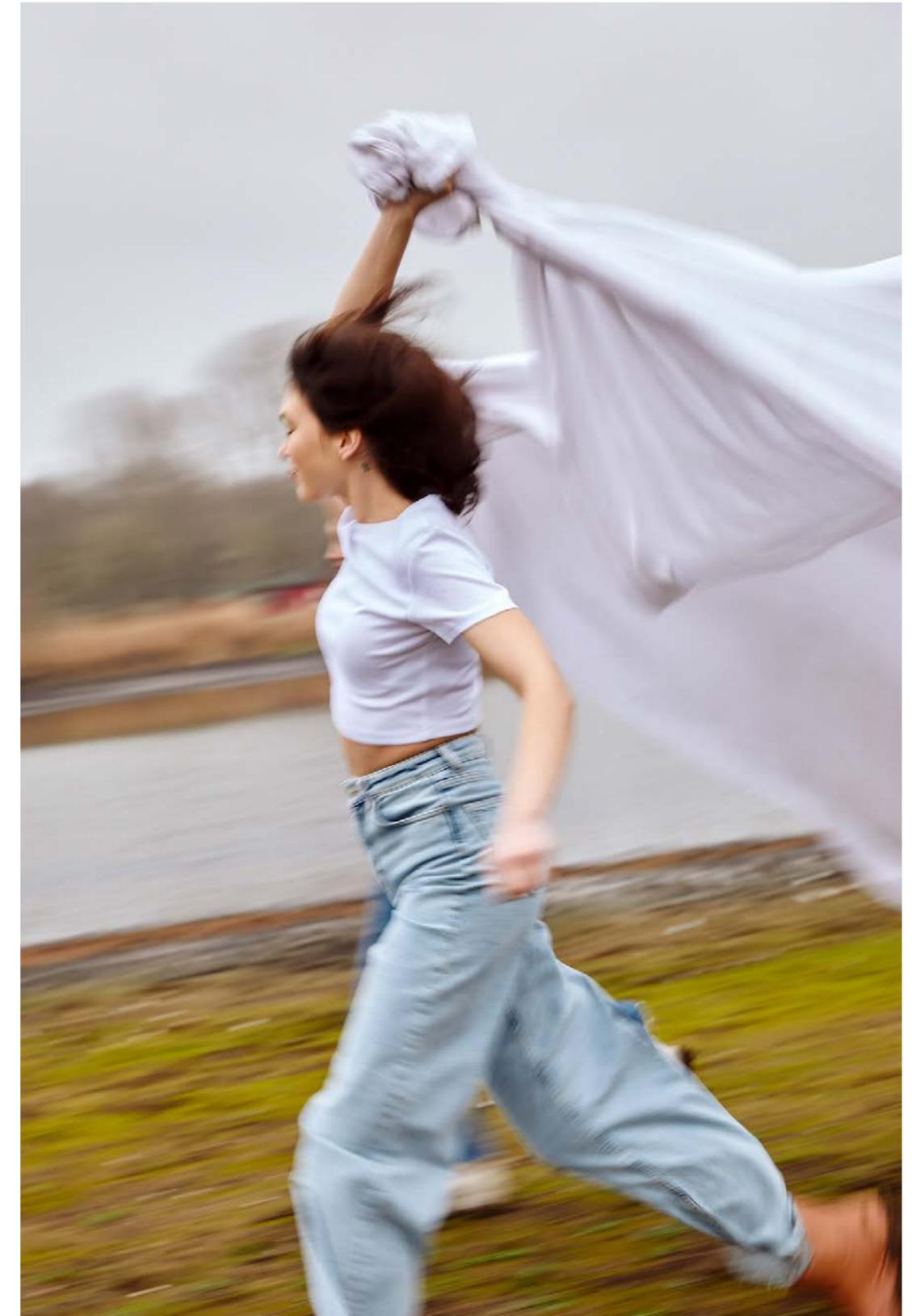


STAKEHOLDER ENGAGEMENT

Within the scope of stakeholder engagement, the key stakeholders of the Company, the needs and expectations of these stakeholders, our method of communication with them and the frequency of their participation are given in the table.

Key Stakeholders	Stakeholders' Needs and Expectations	Communication Management	Participation Frequency
Employees	A good working environment, employee rights, performance appraisals, health and safety measures	Employee Satisfaction Survey, DeFacto Business Academy, Information Bulletins, Ethics Line, Open Door, Suggestion Mechanism, Meetings	Continuous
Customers	Reliability, quality, price performance, innovative products, sustainable products, product capacity	Requests, Complaint Suggestion System, Customer Experience Surveys, Customer Experience Days and Cheerleading Activities, NPS & Customer Experience, Experience Retailing, Online Surveys, Messages, E-mails, Telephone, Social Media Interactions	Regular
Suppliers	Information and training on purchasing, long-term agreements, timely payments, volume increase, business conduct	Supplier Assessments, Supplier Days, Strengthening and Training Programmes, Meetings, E-mail, Telephone, Online Surveys	Continuous and Regular
Management and Shareholders	Profitability Growth, Increase in Brand Value, Operational Efficiency	Regular management meetings, regular shareholder meetings, public disclosure platforms, notifications, annual reports	Continuous and Regular
Investors	Financial performance, transparency, growth	Public disclosure platforms, annual reports, corporate sustainability reports	Regular

Key Stakeholders	Stakeholders' Needs and Expectations	Communication Management	Participation Frequency
Certification Organisations	Reporting on standards, compliance with requirements	Audits, meetings	Regular
Business Organisations	Developing industrial approaches, collective action	Meetings, seminars, conferences, online surveys	Regular
Non-Governmental Organisations	Social and environmental projects, awareness	Workshops, projects	Regular
State Organisations	Compliance with the Law	Conferences, projects, face-to-face meetings, audits, reports	Continuous and Regular
Affiliated Associations and Organizations of which the Company is a Member	Compliance with local, national and international laws and regulations; compliance with social and environmental regulations, permits, financial incentives and incentives	Training, seminars, meetings, joint projects, newsletters	Regular
Financial Institutions and Banks	Sustainable financial performance, transparency, governance	Public disclosure platforms, annual reports, financial statements	Regular
Universities	Training and development, sectoral experience sharing	Mentoring, trainings, conferences, promotions, collaborations with R&D and design centres	Regular





Priority Subjects and Our Contribution to the United Nations Sustainable Development Goals

We are aware of the priorities brought about by sustainability and take the necessary actions in this direction. Accordingly, we emphasise that our targets and activities support the United Nations Sustainable Development Goals.

Very High Priority Matters

Equal Opportunity and Diversity	Greenhouse Gas Emissions	Energy Efficiency	Water and Wastewater Management	Human Rights and Fair Working Conditions	Customer Health and Safety	Sustainable Raw Material Management	Sustainable Products	Supply Chain Management

High Priority Matters

R&D and Innovation	Employee Loyalty and Satisfaction	Circular Economy

Priority Matters

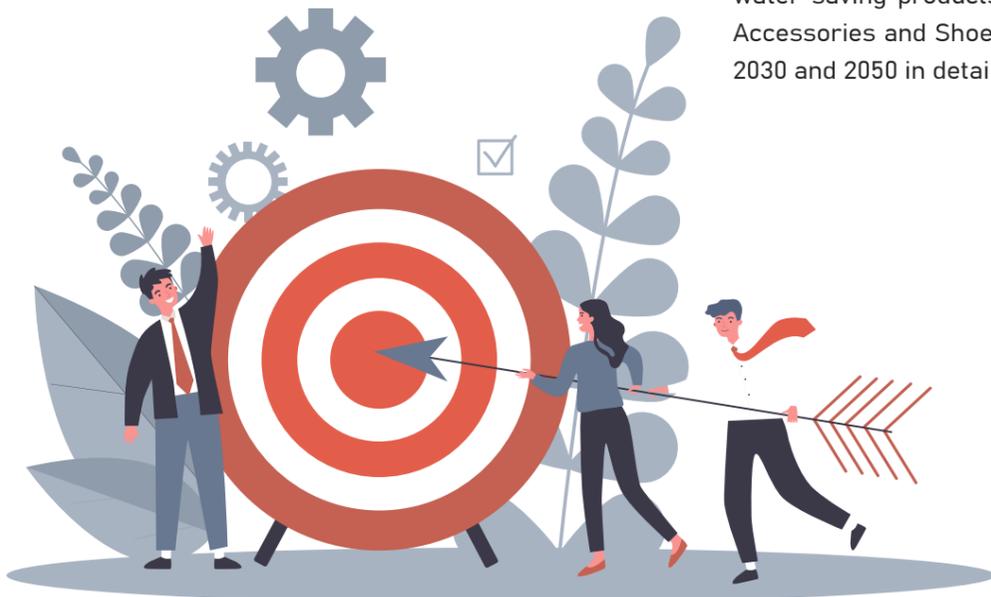
Talent Management	Training	Occupational Health and Safety

Our Targets for 2023, 2030 and 2050

We, as DeFacto, attach importance to values such as human rights, occupational health and safety, product safety, diversity and equal opportunities in the workplace as part of our mission to carry the Company to a sustainable future.

We, as the Company, attach importance to our responsibilities towards ourselves and all our stakeholders in the field of sustainability. Accordingly, we accept corporate sustainability as a fundamental value of our corporate culture and we carry out studies to improve ourselves in this field.

We continue our sustainable development journey, which we started as a signatory of the UN Global Compact in the ready-to-wear and fashion industry in Turkey, with great devotion. In all our operations, we endeavour to reduce the environmental impact of our products and support the development of the local economy. We, as DeFacto, attach importance to values such as human rights, occupational health and safety, product safety, diversity and equal opportunities in the workplace as part of our mission to carry the Company to a sustainable future. In this context, we have set our sustainability targets for 2023, 2030 and 2050 and we plan to add new projects to our sustainable collections such as our water-saving products, Natural Heart Ben, Apple Skin Accessories and Shoes. We share our targets for 2023, 2030 and 2050 in detail below.



Targets for 2023	Targets for 2030	Targets for 2050
To ensure that 35% of our Ready-to-Wear Collections are sustainable	To make 90% of our Ready-to-Wear Collections sustainable	To become a “net zero” brand in 2050 and a “climate positive” brand in the following period by zeroing our emissions,
To use 20% sustainable cotton and recycled polyester in our raw materials	To use 100% recycled polyester and sustainable cotton in our raw materials	
To ensure that our shopping bags, cardboard, paper and other packaging is 100% recyclable and sustainable	To reduce our greenhouse gas emissions in Scope 1 and 2 by 55%	
To ensure that 100% of our product labels are sustainable and FSC certified	To reduce our greenhouse gas emissions in Scope 3 by 25%	
To implement the eco-efficient store movement	To reduce the water impact in our supply chain by 25%	
To ensure that all waste, including textile waste, produced in our head offices, logistics centres and stores is recycled or reused by 2023 in accordance with the Zero Waste Principle	To obtain 100% of the electrical energy used in DeFacto operations from renewable sources by 2030	

4. Our Economic Performance

Economic Performance

With our operations in 93 countries on five continents, we maintained our leading position in the Turkish textile industry in 2022 as well. With our investments and projects, we support the development of high-tech

solutions in the Turkish industry while contributing to sustainable development. We also reached 388.5 million views on our e-commerce website.

We created 15.6 Billion TL revenue in 2022

46% of our revenue was obtained from domestic channels, 41% from abroad and 17% from online channels.

489 stores, 13,485 employees worldwide

We have 489 stores, 13,485 employees worldwide, and a total of 489 stores, including 302 domestically, 152 abroad and 35 franchisees, and 13,485 employees worldwide.

We have an export of 170 million USD

Our consolidated revenues in 2022 reached 15.6 billion TL with an increase of 104% and we have 170 million USD in exports.

Our TURQUALITY support has reached 54 million TL

In 2022, our TURQUALITY support reached 54 million TL. Our VAT refund amounted to approximately 215 million TL.

We support the local economy

We support our local economy by making 90.38% of our purchases from local suppliers.

Our goal of accessibility in 180 countries

We are taking firm steps forward to realize our goal of becoming an accessible, digital, global and sustainable fashion brand in 180 countries by 2025.

158 million TL investment in information technologies

As of October 2022, we are investing 158 million TL in information technologies in DeFacto Techno technology company, and we are taking firm steps to realize it.

Our Tax Approach

Tax is one of the fundamental elements of social security and sustainable development. Tax is the main source of financing for sustainable development and the activities to be carried out for sustainable development goals. We, as DeFacto, follow a tax strategy that is transparent, objective, ethical, reliable and based on sustainability principles with this responsibility. We have established a solid financial structure and tax process through independent audits and controls with our financial advisors at home and abroad. We have adopted 100% compliance with all legal regulations, especially tax regulations, in all countries where we operate as a principle.

Our entire financial affairs team, especially our tax unit, works in synergy to fulfil our tax obligations correctly and on time. All tax-related practices are monitored by our financial affairs and finance unit. All of our departments form their working organisations in line with our tax strategy.

In addition, all our financial processes in Turkey are controlled by our certified public accountants within the scope of full attestation audit and by independent audit companies within the scope of independent audit. For abroad, our financial advisors and independent auditors provide the necessary controls and audits in each country. After all studies and declarations are audited, we proceed by informing our senior management.

In all countries where we operate, we organise our processes according to local tax legislation practices. In order to minimise the risk in all our processes, we take the fulfilment of our tax duties fully and completely as a basis. Our internal audit unit and Ethics Committee within our organisation examine and control all processes home and abroad. In addition to these audits and controls, in Turkey and in other countries where we operate, our financial consultants, who are experts in their fields, ensure the control of all processes followed by the financial affairs unit

of the Company in accordance with the legal regulations of the relevant country. In the light of the data we collect as a result of these controls, we redesign our processes and make improvements if necessary. In addition, we are regularly audited by independent audit companies. In this way, we manage a transparent and reliable financial structure and tax process.

When fulfilling all our tax and legal obligations, we attach importance to working in harmony with tax administrations. Our certified public accountants and tax experts, from whom we receive consultancy, closely monitor this entire process.

The Company has a transparent, reliable, ethical and sustainable tax approach by considering the benefit of all stakeholders. Within the framework of our responsible taxation approach, we fulfil all our duties and responsibilities on time in order to contribute to the national economy and development. Through our investments, the employment we provide, and the full and complete fulfilment of our tax and other legal obligations, we directly contribute to the development of the countries in which we operate, particularly Turkey.

Within the framework of our responsible taxation approach, we fulfil all our duties and responsibilities on time in order to contribute to the national economy and development. Through our investments, the employment we provide, and the full and complete fulfilment of our tax and other legal obligations, we directly contribute to the development of the countries in which we operate, particularly Turkey.

Grants and Supports



Since 2013, we have been benefiting from TURQUALITY, the world's first and only state-sponsored branding programme managed by the Ministry of Trade of the Republic of Turkey. In this process, we benefited from the opportunities offered

by the programme only for our investments abroad. We did not receive any support for domestic investments. As one of the four companies that benefited from the support under the programme at the upper limit, the net amount that we received in 2022 was TL 54,171,390.

Brand Value

Our DeFacto brand is a registered and recognised brand with the Turkish Patent Office in the ready-to-wear sector. In 2015, we continued to invest in our brand value after our well-known trademark registration. We have a brand protection strategy in order to position our brands correctly in Turkey and in the world by protecting our brand itself and its sub-brands, and to prevent the demands that may come from third-parties.

We have 309 registered trademarks and 14 pending trademark applications in Turkey. For abroad, our registration

has been completed in 118 countries and application process continues in 26 countries. For secondary trademarks such as **DEFACTO FASHION, DEFACTO COOL, DEFACTO MODEST, DEFACTO FIT, DEFACTO PLUS, DEFACTO LIFE, DEFACTO STUDIO**, we have been registered in 14 countries and our trademark application has been made in 44 countries.

According to the Ipsos 2022 Brand Health Survey conducted in Turkey, Morocco, Egypt and Kazakhstan, the value of DeFacto brand maintains its upward trend.



Digitalisation and Innovation

We, as DeFacto, closely follow the latest developing technologies around the world and integrate these technologies into our processes by making significant investments. Digitalisation is one of our strategic priorities. The retail sector, which also includes ready-to-wear apparel, is one of the sectors most affected by digitalisation due to its dynamic and innovative structure. The dynamism of the sector makes digitalisation and innovation a fundamental need.

Our innovation and new technology development activities are carried out by DeFacto Technology, which we established in 2015 and operates in Istanbul Technopark. DeFacto Technology develops many of the applications we use with its staff of approximately 400 people and has intensive R&D activities.

In 2022, DeFacto Technology signed 21 software projects in the fields of e-commerce, corporate application, business intelligence, infrastructure services, CRM and supply chain management, which are of innovation and R&D nature. As of October 2022, we made an information technology investment of TL 158 million. In 2022, we benefited from TL 31.8 million incentives in connection with these projects.

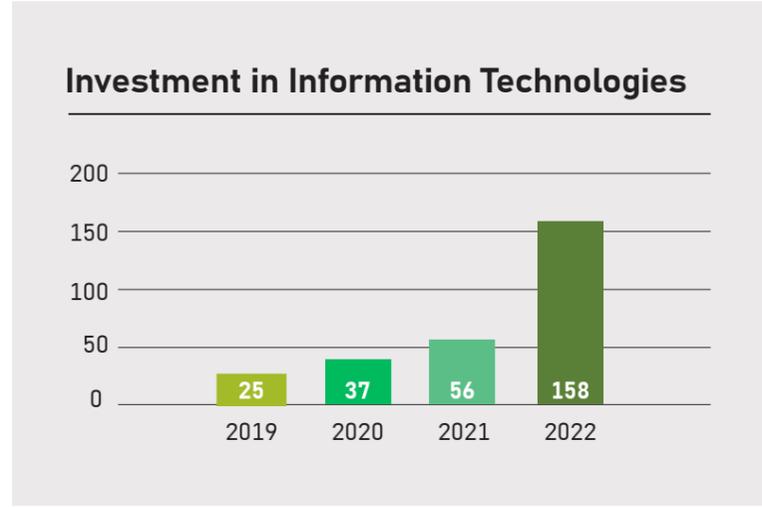
Our innovation and new technology development activities are carried out by DeFacto Technology, which we established in 2015 and operates in Istanbul Technopark.

Apart from our R&D projects, we have 18 projects that we carried out and completed with agile management discipline in 2022. In addition, we carried out nearly 300 software and product development studies.

We continue our efforts for our Design Centre within our Headquarters.

As DeFacto Technology, we made the project application for "Data Deduplication for Omnichannel Platforms and Development of Sales Loss Prediction System Due to Inventory Loss" on 31.05.2022 within the scope of TÜBİTAK 1707 Order R&D application. Our project was approved with a project budget of TL 494,154 and reporting studies were planned in accordance with the project schedule.

As DeFacto, we have been attracting attention with our technology and fashion investments for several years. Leading the sector in omnichannel applications, mobile and web-based projects, the Company finally entered the NFT world with the character Firat, which was brought



to life by successful cartoonist Uğur Gürsoy and carried his visionary work to Web 3.0. Today, the Company, which comes together with fashion enthusiasts in 93 countries and leads the accessible fashion sector, will transfer all these experiences to The Metaverse Standards Forum and will be among the brands leading the creation of new standards.

Eureka is an international cooperation platform established to encourage the research and development of advanced technologies, products and services that will increase the competitiveness of industry and research organisations in European countries in world markets, and to encourage the creation and execution of joint projects between countries. Within the framework of the 1509-TÜBİTAK International Industrial R&D Projects Support Programme under the Eureka umbrella, we, as DeFacto Technology, made a project application and joined the consortium. The project application, in which 17 companies from five countries participated, has passed the first approval stage, and we are following the process for the second stage.



Although the main principle of our projects carried out within the scope of digitalisation is efficiency, we aim to increase the satisfaction of our customers as well as creating time, resource efficiency and cost savings. During 2022, 64 digitalisation-oriented projects were opened with 350 employees within Defacto Technology.

Of the 64 projects opened, 16 were successfully completed. Our 48 projects are ongoing as of 2023.

Apart from our small digitalisation-oriented developments, we have nine comprehensive studies continuing in 2023.

DeFacto Inhouse Digital Products

- DFHR is a structure that gathers the modules needed in Human Resources processes under a single platform and is end-to-end integrated with other applications.
- DeFacto APP is our application that enables our customers to shop, with an average of 2.9 million active users in Turkey in 2022.
- VMSmart is our warehouse management system that increases operational speed and efficiency.
- Retail Master is our system that can instantly provide customers with stock information of all products and stores, within approximately 0.95 milliseconds.
- Gift Club is our system that facilitates customer experience with digital and innovative approaches, providing personalized advantages to customers who continuously prefer our brand, and has grown 3.5 times within a year.

Smart Retailing

We have blended online and offline customer experience in our Smart Stores, which offer an innovative, technology-oriented service that responds to changing customer needs. In our Smart Stores, which we have equipped with RFID technology, our customers can access different sizes of the products they have tried on without leaving the cabin, and they can pay from kiosks without waiting in queue at the cash desk.

In our Smart Stores, which we developed with a sustainable approach, we do not use labels to reduce paper and plastic waste. Our customers can access price details via digital price tags. They can also order the products they have tried and liked to the addresses of their choice via shopping kiosks. They can complete their shopping easily and securely thanks to the POS devices offering contactless payment options at the kiosks. In addition, our digital signboards are used by replacing them inside and all lighting is made with energy-saving LED.

Uninterrupted and Holistic Customer Experience

We strive to provide our customers with a holistic and seamless customer experience.

We developed the Pay in Store application to offer a shopping experience that combines online sales platforms and our stores. In 2022, 668,361 products were sold with the Pay in Store application, which allows our customers to easily access the product, colour or size they are looking for for products that are not in stock in our stores.

With the Pick-up from Store, we provide our customers with the opportunity to pick up their e-commerce orders from the store of their choice. In 2022, 20% of our e-commerce orders were made with the Pickup from Store.

With the Shipping from Store, we ship e-commerce and Pay in Store orders directly from the store where the product is located. In addition, through our Hub Warehouse, products can be picked from stores, combined and sent to the customer.



Smart Warehouse

Established in 2014 in Tekirdağ/Çerkezköy on a 50,000 m² closed area, our Smart Warehouse, the second phase of which became operational in 2017, is Turkey's first fully automated ready-to-wear warehouse. We carry out 85% of our distribution operations in Turkey and all of our e-commerce shipments from our Smart Warehouse.

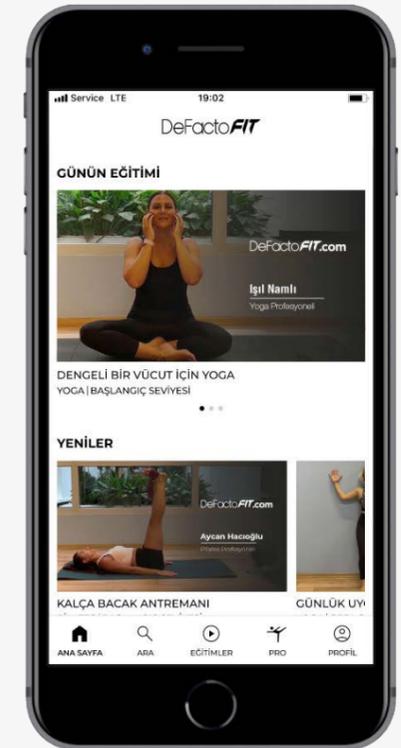
While our robots in our smart warehouse move at a speed of 30 km per hour, we have the opportunity to store up to 20 metres high. We achieve very high accuracy rates in our stock control and product counting processes with our advanced technology automation systems. With six ramps deployed at the entrance and exit of the Smart Warehouse, we provide convenience in deliveries and product distributions and we have the opportunity to work up to five times faster.

DeFactoFIT

DeFactoFIT is our application that combines products related to exercise, healthy and fit life under a roof that our customers can easily access. Through this application, you can access exercise, nutrition, yoga, breathing exercises and sports products through a single platform. While DeFactoFIT increases the recognition of professionals by using the advantages of the digitalised world, it enables individuals to access healthy life more easily and comfortably.

More than 700 exercise contents and more than 100 expert professionals can be accessed free of charge through DeFactoFIT. We offer a wide range of training content from Fitness, Yoga, Pilates, Crossfit branches to Kick Boxing, Wing Chun, Tennis, Dance, Basketball, Aikido branches through DeFactoFIT.

With the effective filtering option that enables our visitors to quickly access the content they are looking for, we support the efficient use of the time allocated for exercise by using firstly target, region and branch breakdowns, and then equipment, level and duration filters.



OTHER PROJECTS

DeFacto Metaverse Membership	https://www.girisimhaberleri.com/defacto-metaverse-forum-ilk-asil-uye/
Digital Store Debit Inventory	We are preparing our project through which the debits of domestic and foreign stores will be displayed, new debit requests and approvals will be made through DFLife.
Migration of Studio Infrastructure from Dfstore to ROAR	We continue the process of migrating the studio infrastructure from Dfstore to Rapid Omnichannel Agile Retail (ROAR).
Web Content Console Projesi	We aim to automatically create web and SEO names for the products displayed on the e-commerce site according to the product features using predefined rule sets.
Warehouse Discipline Process	We revise the discipline process, which is actively used by the store, according to the needs of the warehouse and turn it into a separate module.
Lot Shipment from Warehouse	We aim to increase in-store product efficiency by converting warehouse shipments, which are currently made on a parcel basis, into a lot-based structure.
Cross Border	We are developing processes for crossborder QR product shipments in the CIS region.
E-Waybill	We are realising e-waybill transition in our Belarus and Romania operations.
SAP Transformation Project	We aim to adapt the ERP system managed within the scope of the Financial Transformation project to SAP.
Service Continuity and Efficiency	We are working on increasing the speed of the internet infrastructure of the stores and expanding the backup system with 4G backup hardware. We ensure that the IT inventory system of the stores is monitored and debited in digital environment. We ensure the continuity of Tera-1C-Ls Retail and 1C Servers. We carry out the installation of SSD hard drives and Windows maintenance of cash registers and computers in all countries where we operate.

DeFacto GiftClub

We aim to be the first brand of choice for retail shopping by offering individual privileges to our customers who constantly prefer our brand. With our GiftClub project, we make the shopping experiences of DeFacto customers even easier with a digital and innovative perspective. We increased the number of GiftClub members from 2.6 million in January 2022 to 9.2 million in January 2023, including 7.6 million shoppers, and achieved a 3.5 times growth.

We aim to increase customer satisfaction and loyalty through easier customer relations processes and the individual advantages we offer to our customers. We make sense of customer needs and requests with accurate and high quality data we collect at every touch point that touches our customers, and integrate the inferences we draw with our company processes and strategies.

For example, in this context, we combat the low scalability of the systems on the physical servers in our data centres and the customer dissatisfaction

arising from the subsequent system density. We aim to reduce our sales loss due to this problem by 5% by providing fast and single-source access to systems. In August 2022, we activated the CRM interface Insider. App and Web Push messages started to be sent in September 2022. We communicated with 18.47% of our customers via App Push. We contributed to our customer sustainability with App and Web Push. Our Customer Analytics Team helped us get to know our customers by creating 27 breakdown segments based on five basic customer behaviour and value segments.

DeFacto GiftClub played a measurable and visible role in customer sustainability with a 6.8% turnover share and 4.18% increased turnover during campaign periods in 2022.



Our Intellectual Property Rights

We apply for copyright for each project completed in the R&D portal. In 2022, we received copyright for five of our projects, making our total number of copyrights eight.

To date, DeFacto has received **7 patents and 8 design registrations.**



Our Patents

- ✓ DF Mobile Safe
- ✓ Digital Planning and Allocation Module
- ✓ Multichannel International Sales Application
- ✓ Digital Agile Warehouse
- ✓ Agile PLM Digital Supplier Management System
- ✓ Defacto-Hybrid Project
- ✓ SFS Zone Project
- ✓ Giftclub Project

- ✓ A system developed for colour detection to be applied on fabric
- ✓ Personalisation of the product by using QR codes in the ready-to-wear sector
- ✓ The use of microcapsules on the textile surface in the ready-to-wear sector
- ✓ Wearable textile products and accessories that act as chargers with solar panels on them
- ✓ Spreading the colour changing technique in sunlight over the entire textile ground
- ✓ The use of sequins in the textile industry for colour and pattern variation on a product
- ✓ Colour and shape changing textile prints

Our design registrations



- | | |
|--------------------|----------------|
| Backpack | Cash Desk Wall |
| Panel | Cabin |
| Panel Spanish Wall | Label |
| T-shirt | Table |

Product Innovations for Children's and Baby Products

Innovations for Children's and Baby Products

- Colour/Shape Changing Graphic Products
- Illuminated and Sound Products
- Hologram Products
- Painting with Light
- Masked Products
- Knee Protected Products
- Chalk Painted Products
- Illuminated T-Shirts
- 3D Detailed and Illuminated Sweatshirts
- Art Graphics (Oil paintings)
- Arm & Waist & Leg Extending Newborn Sets

DeFacto
BABY

DeFacto
KIDS

Innovative Projects

- Shaping & Contouring Leggings
- Seamless Collection
- NFL Collection
- WARMTech&Outdoor Collection
- Cooltech Collection
- SoftTouch function
- Ski Collection
- 3D Communication and Online Sales



Product Responsibility and Customer Satisfaction

In all our operations, we aim to fully meet the expectations of our customers, to ensure that our products do not create any negative consequences for human health, to have a positive social impact and to reduce our ecological footprint. In case there is a suspicion that our products will have negative consequences, we take all preventive measures without waiting for them to happen.

In line with our goal of becoming an international fashion brand, we do not compromise on customer satisfaction and quality. Our main motivation is to develop products and services that appeal to the taste of our customers.

We aim for excellence in business processes and take international quality systems and standards as reference. One of the most important factors in ensuring customer satisfaction is managing the impacts of our products on consumer health and the environment. When managing these impacts, we take into account the regulations and legal legislations of all countries where our products meet with consumers as well as for our domestic operations.

We ensure consumer health by subjecting our products to tests and controls in our accredited laboratories in line with the TS EN ISO/IEC 17025:2017 standard. We monitor the impact of the results of our work on the satisfaction of our customers through various research.

Product Safety

We are committed to ensuring that our consumers can safely use the products they buy and that we take all measures to ensure this.

To this end, we go beyond meeting legal requirements in the safety of our products and carry out a wide range of controls and assurance practices. Many raw materials are used in clothing and accessory products.

Some of these are chemicals such as dyes and adhesives. The size of chemical residues is directly proportional to the amount of chemicals used. In terms of consumer health, the amounts of these substances that can be found in the final product are specified in legal regulations. With our studies and the measures we take, we ensure that the chemical substances in the end products are in trace amounts far below the limits specified in the



legal regulations and that they do not pose a risk to the health and safety of any of our consumers. To guarantee this, we test our products in our accredited laboratories. We do not ship any product to our stores if we determine that the amount of residue is above the required level.

We restrict the use of phthalates, azo colourants and similar chemicals, which are classified by the World Health Organization (WHO) as proven or suspected hazardous to human health, in our products, keep them under control and inspect them with the tests we perform in our accredited laboratories. We place our products on the market after testing them in accordance with the legal regulations of the countries in which we operate, and even with higher standards.

For us, product safety requires a holistic approach. In order to ensure that our products meet the necessary health and safety conditions in accordance with our standards at DeFacto, we provide training to our manufacturers and employees on the use of correct and non-hazardous materials.

Baby and Children's Products

Our collection where our understanding of product responsibility is at the highest level is our baby and children's products. We cannot accept the slightest non-compliance with safety standards for these products.

There are some special safety requirements for children's products in Turkish and European Union legislations. TS EN 14682 and TS EN 17394-1,2,3 and 4 Safety Standards for Children's Clothing are among these reference standards.

We, as DeFacto, operate in compliance with the norms in TSI and European Union standards. The DeFacto Product Safety Handbook, which includes our standards, contains detailed information about the required technical apparel standards and the technical production methods to be followed to realise these standards.

Product Tests

In order not to compromise customer satisfaction and confidence, all our products are subjected to quality and harmful chemical tests. The tests are carried out in our analytical and physics laboratories accredited by TURKAK within the scope of TS EN ISO/IEC 17025 Standard. In accordance with the legislation, there are a number of tests required to be performed on products imported into Turkey. Beyond meeting these requirements, the tests we carry out in our laboratories are carried out in a wide range in accordance with our high quality, safety and health standards. Thanks to these tests, we ensure that products that pose a risk to human and environmental health do not go on sale.

In our physical (textile) test laboratory, fabrics and accessories to be used in our ready-to-wear and accessory products are subjected to physical tests and quality analyses. In our analytical (ecological) test laboratory, we analyse a number of harmful chemicals that may arise from raw materials and production conditions in our textile and accessory products.

Another purpose of these tests we apply is to increase customer satisfaction and reduce the return rate by identifying defects arising from production in advance. Reducing the rate of defective production and returns also reduces our environmental impact. In the Physical Test Laboratory, we perform an average of 100 fabric and 100 finished product analyses per day, including colour fastness tests, fluffing, pilling, dimensional stability and strength tests.

Having our test laboratories in-house creates a great advantage in terms of increasing the efficiency of the production approval process, improving product safety and increasing supplier satisfaction. When necessary, we also receive support from independent accredited testing organisations.

The risk of broken needle is a critical factor that threatens consumer safety in textile products. In the production processes of all suppliers of DeFacto and Ozon Tekstil, broken needle protocols are followed for the complete safety of the consumer. In this context, all of our products are loaded onto vehicles after being checked with metal detectors before they leave the production facilities.

We inspect the quality and ecological standards of the products by testing them in our accredited laboratories in line with the KKDIK regulation at home and the customs legislation of the countries based on REACH Annex VII and OEKO-100 standards abroad. We complete chemical (ecological) tests locally and in accordance with the relevant legislations in the countries where our stores are located, and we assess the test results according to the criteria determined by the countries. In Turkey, we make final decisions for the sale of the products in line with the "Regulation on Registration, Assessment, Authorisation and Restriction of Chemicals".

In the physical and chemical tests of the fabrics from our suppliers, we also take into consideration the legal obligations of the countries where the products will be sent. We also receive label information from our suppliers and we check the accuracy of the information on the product labels during the quality control of the products.

Details of Tests Performed in the Physical Laboratory in 2022

35.886

requests were made for **bulk fabric** and **Gold Seal** tests.



1.871 bulk tests were performed by our accredited dyehouses.

3.582 Physical dmy tests and Pre-Production tests were performed.



Our rate of finalising the tests in time (three working days) is

99,45%

Costs of tests in 2022 and comparison of them with external laboratories: It is calculated that the tests performed in the DeFacto Physical Laboratory are 85% cheaper than external laboratories.

Details of Tests Performed in the Analytical Laboratory in 2022

31.200

Pre-Production and Gold Seal test requests were made.

Total number of tests performed is

123,777

Performance of passing tests is **94%**



Our performance of finalising tests on time is

99%

By using the DeFacto Analytical Laboratory for our tests, we achieved **80%** cost advantage compared to external laboratories.





5. Our Environmental Performance

Environmental Impact



Combating Climate Change and Energy Management

As part of our commitment to mitigate the effects of climate change, we aim to become “net zero” by eliminating our emissions in 2050 and become a climate positive brand in the future. To achieve this, we are working to switch to renewable energy and use resources more efficiently. We are developing green logistics measures to reduce our emissions from logistics. We act in an eco-efficient manner in our stores and warehouses.

We carry out afforestation activities in co-operation with foundations to protect forests.

In order to reduce greenhouse gas emissions, which are at the root of climate change, we carry out efficiency-enhancing activities in all processes where energy consumption takes place. Within the scope of our operations,

lighting and air conditioning systems in our stores and buildings, and lighting and automation systems in our product warehouses are the main areas where energy consumption occurs. The increase in the number of our stores in parallel with our rapid growth naturally brings with it the need for more energy. In order to limit



our energy consumption, we carry out a series of efficiency studies such as converting lighting fixtures to LED systems and using efficient air conditioning systems in stores. Thanks to the environmentally friendly air conditioning and lighting systems we prefer in our stores, we achieve significant savings in energy consumption. In 2022, our total energy consumption was measured as 276.97 TOE. For Ozon Tekstil, we measure this figure as 386.16 TOE.

The amount of energy per product in Ozon Tekstil, where we carry out our production, was measured as 423.60 kWh.

While the electricity consumption of the stores in Turkey under the management of DeFacto was 222 kWh per m² in 2015, this value was reduced to 152.94 kWh per m² in 2022.

Energy consumption is as follows:

	DEFACTO	OZON TEKSTİL
Natural gas	11,53 TJ	10,64 TJ
Electricity	38.025.814,23 kWh	1,713,370.71 kWh

We calculate the Carbon Footprint data of Defacto and Ozon Tekstil under six categories in accordance with the ISO 14064 standard. In accordance with the standard requirements, we include all data in the categories

of direct emissions, energy indirect emissions, emissions from transport, emissions from purchased products, emissions from sold products and other indirect emissions.

COMPREHENSIVE EMISSION DATA	DEFACTO (tonCO ₂ e)	OZON TEKSTİL (tonCO ₂ e)
Category 1	6,317.14	1,162.45
Category 2	16,731.36	1,109.37
Category 3	21,172.90	42,911.18
Category 4	235,691.58	391,756.94
Category 5	10,678.19	1,631.56
Category 6	-	-
TOTAL	290,591.17	438,571.5

Circularity and Waste Management

We act with a 360-degree sustainability approach. At every stage, we aim to reduce all consumption that will adversely affect natural resources and the climate. In all our operations and facilities, we reuse products that can be recycled. To reduce our impact on the climate, we reuse products and resources wherever possible before ultimately recycling them. Where this is not possible, we work with waste management facilities in a way that does not cause any damage to the environment.



One of our main priorities is to reduce the use of cardboard boxes, paper and plastic packaging materials used in our shipment processes. In our warehouses and stores, the parcels that are reusable are separated and reused. Those that are not reusable are recycled through licensed recycling companies. We recycle and/or dispose of our wastes according to laws and regulations. We reduce our ecological footprint by reusing 23,320 parcels.

As a result of our activities, wastes such as packaging, organic wastes, inorganic wastes, laboratory chemicals, etc. containing or contaminated with residues of hazardous substances are also generated. The disposal of these wastes, which are classified as hazardous waste in the relevant legislation, requires special treatment.

Within the scope of resource efficiency, we carry out various activities to reduce packaging before it turns into waste. As one of the most important steps taken, we reduce our negative impact on nature by reducing the use of delivery note paper to zero at warehouse exits. On the other hand, we have eliminated the process of printing and putting them into packages/boxes at warehouse exits. Since printers are not used on the packaging tables in the warehouses, maintenance costs and electricity use have also been reduced.

In 2022, our waste declarations arising from our activities in the production facilities within Ozon Tekstil were as follows:

2022 WASTE DECLARATIONS			
	Non-Textile Non-Hazardous Wastes	Hazardous Wastes	
DeFacto Headquarters	11.660 kg	6.899 kg	
DeFacto Warehouses	235.863 kg	647 kg	
	Non-Textile Non-Hazardous Wastes	Hazardous Wastes	Textile Waste
DeFacto Stores	11.626,62 kg	10 kg	35 kg
Ozon Textile	77.804 kg	35.174 kg	272.470 kg

Water Efficiency and Waste Water Management

We adopt the principle of responsible use in the protection of water resources, which are at a great risk. In order to reduce the amount of water used from the beginning of our production processes, we tend to use fibres and raw materials produced using lower amounts of water and to develop production with highly water-efficient techniques. In addition to responsible use, we act with the understanding of permanent and continuous savings in our water use through efficiency practices and effective wastewater management.

We discharge our wastewater in accordance with legal regulations and legislations. We direct all domestic waste water from our Headquarters and logistics operations centres to the treatment centres of municipalities.

We produce our collections from the design stage with the perspective of protecting water resources and by applying environmentally friendly production techniques. We use materials such as certified LENZING™, ECOVERO™ Viscose, EUROPEAN FLAX™ linen fabrics that are certified to consume less water.

The ready-to-wear industry we operate in is a sector where water consumption is quite intensive. With this in mind, we conducted a study to raise awareness about water consumption in our production processes and to measure our current water footprint. In 2022, we conducted a water footprint study within our headquarters, warehouses, and street stores, covering the water consumed and used by our suppliers in producing our products. The results will enable us to measure and compare our performance in the water sector in the coming years by repeating and expanding the scope of this study.

We are sharing the water footprint values of the products produced as of 2022 in the table below:

HEADQUARTERS WATER CONSUMPTION IN 2022	
Headquarters Water Consumption (m ³)	12.095
Number of Headquarters Personnel	2.494
Headquarters Water Consumption Per Personnel (m ³)	4,85
Change in Water Consumption Per Personnel Compared to Base Year 2016	-72%

DEFACTO 2022 WATER FOOTPRINT	GL (Gigalitre, million litres)
Water Footprint Sourced from Materials Used in Production	230.613
Head Office, Warehouse and Street Stores Operations Sourced Water Footprint	21.088

We want our suppliers, with whom we have close business relations, to be as sensitive as we are about water and wastewater management. To this end, we plan to establish a more transparent dialogue with our suppliers in the near future and develop new practices regarding the water and wastewater management of our supply chain in line with our principle of continuous savings. In this context, we aim to reduce the water impact of our supply chain by 25%.



Sustainable Product Management

Sustainable Apparel Coalition

Within the scope of our efforts to improve our environmental performance within Ozon Tekstil, we carry out Higg Facility Environmental Module (Higg FEM) self-assessment studies by uploading our supporting documents.

We closely follow the standards developed by the Sustainable Apparel Coalition, which aims to reduce the environmental and social impacts of products in these areas by bringing together actors in the clothing, footwear and textile sectors. The Higg Index, developed by the Sustainable Apparel Coalition, makes it possible to monitor the environmental and social impacts throughout the supply chain.

Sustainable Raw Materials

All materials used in production have environmental impacts covering production, use and end-of-life disposal. As DeFacto, considering these impacts, we aim to reduce our environmental impact by using 35% by 2023 and 90% by 2030 materials with certified sustainability.

The proportion of our products in the sustainable class within DeFacto collections reached 15% in 2022.

We care that our accessories also fall within the scope of sustainable production. We procure all of the materials used in our cardboard price tags from Forest Stewardship Council® (FSC®) certified suppliers. FSC® is a non-profit, non-governmental organisation that advocates the conscious and responsible management of the earth's forests. It is considered a pioneer among organisations working on sustainable forest management

globally. In 2023, in addition to our previous efforts, we set a goal to supply all our labels as FSC® certified.

Among the accessories we use in textile products, we produce 10% of our labels and 20% of our buttons from recycled materials and offer 100% recycled shopping bags to our customers.

Organic Cotton

Cotton produced without the use of chemical pesticides or fertilisers and without genetically modified organisms (GMOs) is called ecological cotton. This production method contributes to the preservation of seed biodiversity and soil fertility. We aim to reduce our impact on the environment by using organic cotton, which causes less water consumption and less greenhouse gas emissions compared to processes in non-ecological agricultural practices.



As DeFacto, we use Organic Content Standard (OCS) or Global Organic Textile Standard (GOTS) certified cotton grown only with ecological methods and we spread the relationship of ecological agriculture with the environment to our entire supply chain from the field to production.

Recycled Cotton and Polyester

It is possible to produce new yarns by recycling leftover fabrics and used clothes.

Textile waste is recycled and then mixed with raw yarns to produce new yarns. These processes significantly reduce total emissions and waste by reducing the production of raw materials and thus, the consumption of water, energy and natural resources.

We work in collaboration with our suppliers to create a circular system that enables textile waste to be used in new clothes.

We use recycled raw materials certified by the Global Recycled Standard (GRS) or Recycled Content Standard (RCS), which ensures control of the entire process from raw material to the final product.



Sustainable Viscose

Sustainable cellulose fibres are obtained from trees grown for industrial purposes. In sustainable cellulose production, trees are used in a controlled manner and under programmes that guarantee reforestation. It is a completely natural material.

The production process is water friendly. It also helps us prevent climate change by reducing CO2 emissions. It also contributes to the protection of biodiversity.

As DeFacto, we use viscose fibres obtained from industrial tree resources certified by the Forest Stewardship Council® (FSC) or LENZING™ ECOVERO™, which ensures the control of the entire process from raw material to the final product in our sustainable viscose products.

The Better Cotton Initiative (BCI)

The Better Cotton Initiative (BCI) is one of the world's leading initiatives in sustainability in cotton production. Supporting millions of farmers working in cotton production to use less water and harmful chemicals when producing more efficiently, BCI works for the protection of the environment and the recovery of natural life, while at the same time supporting and developing the communities that earn their lives from cotton production.

In its practices, BCI focuses on issues such as minimising the negative impacts of industrial agriculture, effective management and use of water resources, soil health, biodiversity, protection of fibre quality and welfare of agricultural workers.

In addition to the quality and sustainability of cotton as an agricultural product, BCI represents a fair, balanced and inclusive statement that covers the progress of production processes with a focus on respect for both the environment and people.

As DeFacto, Turkey's second BCI member brand, we stand by BCI in its efforts on environmental health and farmers' welfare in cotton production, where 2.4 million people work in 25 countries around the world, including Turkey.

As DeFacto, we have been a member of BCI since January 2022. As of the first year of our membership, we supply 10% of our total cotton needs from Better Cotton sources. At the end of the next five-year period, we are committed to supply 50% of our total cotton needs with the Better Cotton label.



Eco-Label

We produce all of our cardboard price tag cards FSC certified and sustainably. The Forest Stewardship Council (FSC) is a non-profit organisation that promotes conscious and responsible management of our planet's forests. This independent organisation is recognised globally as one of the pioneers in supporting responsible forest management.

In addition to our improvements to date, we aim to have all our product labels FSC certified by 2023.

Innovative Sustainable Products

As a result of operating in an industry with high water use and wastewater production, water saving plays a crucial role in limiting our environmental impact. Textile products are washed by adding silicone softeners at the final stage of production to ensure that they are soft enough for our customers to use. In order to save water and reduce waste water, we soften our suitable products with a technique we apply in fabric manufacturing instead of washing them. We call such products "Waterless Products". Thanks to the production techniques we use in our waterless products, we save both water



and energy as there is no washing and ironing process. In 2022, we saved 13,511,834 litres of water in 1,930,262 products.

PROJECT YEAR	NUMBER OF WATERLESS PRODUCTS	TOTAL WATER SAVINGS (LT)
2022	1,930,262	13,511,834
2021	1,566,489	16,347,575
2020	770,000	7,700,000
2019	1,220,000	9,700,000



Back to Nature with Apple Skin

Leather is used in many categories ranging from clothing, accessories, furniture, and vehicle upholstery to different area coverings. However, due to its animal-based nature and increasing demand, leather production increases greenhouse gas emissions. On the other hand, the unacceptable living conditions of animals as a result of overproduction and violations of the right to life caused us to look for different solutions. In this context, we switched to a skin solution produced from plant fibres in order to prevent the use of real leather and protect animal life.

Our Apple Skin Collection, created with a sustainable fashion perspective, the first of which we launched in 2021 as DeFacto, brings fashion and sustainability together. The collection is produced from vegan leather obtained from apple peel and pulp. As a result of the production of fruit juice and fruit jam, a significant amount of pulp, core and peel are left over. PETA-approved apple skin is obtained by drying the pulp, peels and cores with natural methods, then grinding them into powder and drying and pressing the mortar formed with binders added to this powder. Our Apple Skin Collection not only utilises apple leftovers that would otherwise be thrown away or buried, but also contributes to the reduction of animal production and thus unit greenhouse gas emissions and deforestation caused by animal breeding by providing vegan production. Furthermore, chromium and similar toxic materials used in the processing of animal skins are not used in apple skin production. Toxic substances used in leather production pose a danger both for the workers in the leather sector and for the area where they are dumped as waste after use. These chemicals can damage ecosystems and soil for 50 to 70 years.



Sustainable Logistics

As DeFacto, we put sustainable and conscious logistics approach at the centre of our operations. Thanks to the improvements we have made and our use of mixed transportation methods, we prevented our logistics operations from emitting 6,657 kg of CO₂ emissions in 2022 and in this context, we saved 3646 litres of fuel as well as saving 303 trees. In addition, with the Zero Waste Principle, one of our main goals is to ensure that all waste produced in our head offices, logistics centres and stores is recycled or reused by 2023.

Moreover, our local purchasing practices strengthen the local economy and thus support local businesses. These practices reduce greenhouse gas emission rates in logistics processes, thereby reducing environmental damage. In this direction, we also develop green logistics measures to reduce emissions from logistics.



DeFacto

While we were carrying your goods, you also carried the world to a **better situation**.

Thanks to our intermodal solutions, you made a considerable contribution to **climate and environment protection**.

Total Numbers of 2022:

6.657kg	3.646L
CO ₂ emission reduction	diesel saving

* Equals to a positive impact of:

303 trees

6. Our Social Performance

The ready-to-wear sector in which we operate requires a labour-intensive and creative working environment. Our employees play a decisive role in our successful performance that we have demonstrated in the past years and that we aim to maintain in the coming years. For this reason, we support our workforce with highly qualified and competent employees and provide our employees with various opportunities to improve their skills. One of our primary goals is to provide a fair, transparent and equitable working environment for our employees and to progress with talented and creative employees who aim to have a career in an international company.

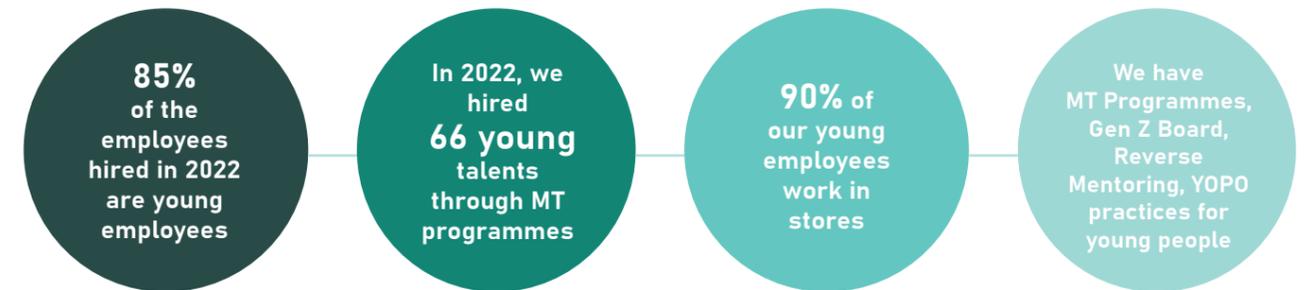
EMPLOYEES BY CATEGORY	FEMALE	MALE	TOTAL
Total number of company employees	8,054	5,550	13,604
DeFacto Domestic			
White Collar	5,630	3,433	9,063
Blue Collar	509	534	1,043
DeFacto Overseas			
White Collar	1,911	1,580	3,491
Blue Collar	4	3	7
Ozon Tekstil			
White Collar	139	170	309
Blue Collar	214	279	493

EMPLOYEES BY TO TYPE OF EMPLOYMENT	FEMALE	MALE	TOTAL
DeFacto Domestic			
Full-time	3,706	2,872	6,578
Part-time	2,433	1,095	3,528
DeFacto Overseas			
Full-time	1,210	1,048	2,258
Part-time	705	535	1,240
Ozon Tekstil			
Full-time	353	449	802
Part-time			

Diversity and Inclusivity

At DeFacto, we work to create a diverse and inclusive working environment and provide equal opportunities. In human resources and recruitment processes, we do not discriminate employees based on gender, age, religion, socioeconomic status, ethnic origin, and approach all candidates and employees with an equalitarian perspective. We expect our employees to act in line with our philosophy of justice and equal opportunity and to show the same sensitivity.

Youth Employment

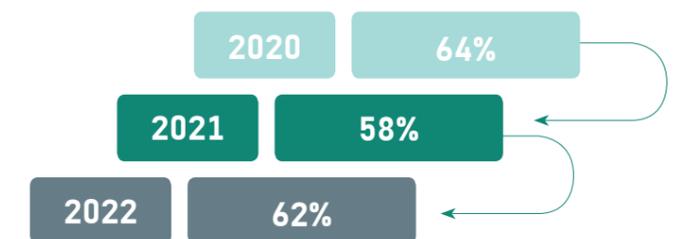


Gender Equality

As part of our efforts towards gender equality, we are among the signatories of the United Nations Women's Empowerment Principles (WEPEs), which work to encourage women to participate in business life. In line with this commitment, we continue our "Happy Women Movement" activities.

Our female manager ratio has increased from 39% to 43% in the last one year

The ratio of female employment in our total number of employees



Employment of Disabled People



EMPLOYEES BY AGE GROUPS	FEMALE	MALE	TOTAL
DeFacto Domestic			
<i>Aged below 30</i>	4,729	2,747	7,476
<i>Aged 30 to 50</i>	1,392	1,167	2,559
<i>Above 50</i>	18	53	71
DeFacto Overseas			
<i>Aged below 30</i>	1,545	1,206	2,751
<i>Aged 30 to 50</i>	362	373	735
<i>Above 50</i>	8	4	12
Ozon Tekstil			
<i>Aged below 30</i>	108	132	240
<i>Aged 30 to 50</i>	230	305	535
<i>Above 50</i>	15	12	27

Providing a fair working environment for our employees is among our top priorities. We carry out recruitment processes with the philosophy of “Right Person for the Right Job” and do not consider any criteria other than the eligibility of candidates for the positions, roles and responsibilities required by the roles.

In 2022, the total female employee ratio within DeFacto and Ozon Tekstil is 59.2%. The ratio of female employees among middle and senior managers in our domestic and international operations increased to 43% in 2022. In Ozon Tekstil, where the majority of the workforce consists of blue-collar employees, the ratio of female employees increased by 20% compared to the previous year and reached 53%.

NUMBER OF NEW HIRES DURING THE REPORTING PERIOD

DISTRIBUTION OF NEW RECRUITS BY AGE GROUPS	FEMALE	MALE	TOTAL
DeFacto Domestic			
<i>Aged below 30</i>	4.481	2.620	7.101
<i>Aged 30 to 50</i>	250	244	494
<i>Above 50</i>	3	8	11
DeFacto Overseas			
<i>Aged below 30</i>	1.651	977	2.628
<i>Aged 30 to 50</i>	110	98	208
<i>Above 50</i>	9	1	10
Ozon Tekstil			
<i>Aged below 30</i>	56	26	81
<i>Aged 30 to 50</i>	53	51	104
<i>Above 50</i>	1	4	5

Happy Women Movement

We have been a signatory of the United Nations Women's Empowerment Principles, which were established to increase women's participation in business life, since 2015. In line with the commitments we have made in this context, we have implemented the Happy Women Movement and we continue our efforts in this regard.

With the Happy Women Movement, we implement various practices for our female employees and offer them additional opportunities. In this context, we provide three months of unpaid leave after childbirth in addition to their legal rights and present the "Happy Mother Package" to our female employees who return to work after maternity. In addition, we provide pregnant women working in our stores with additional breaks in addition to their legal rights, give mothers half a day off on the first day of their children's school and on school report days, and establish Manager Training Groups consisting exclusively of women.



EMPLOYEES BY MATERNITY LEAVE	FEMALE	MALE	TOTAL
DeFacto Domestic			
Number of employees entitled to maternity leave	145	83	228
Number of employees granted maternity leave	145	83	228
Number of employees returned after maternity leave	122	81	203
Number of employees still working in the Company 12 months after returning from maternity leave	41	81	122
DeFacto Overseas			
Number of employees entitled to maternity leave	203	153	356
Number of employees granted maternity leave	120	6	126
Number of employees returned after maternity leave	56	6	62
Number of employees still working in the Company 12 months after returning from maternity leave	16	-	16
Ozon Tekstil			
Number of employees entitled to maternity leave	8		8
Number of employees granted maternity leave	8		8
Number of employees returned after maternity leave	8		8
Number of employees still working in the Company 12 months after returning from maternity leave	5		5

Equal Opportunities

We attach great importance to providing a fair and equitable working environment for our employees. We adopt equal opportunity in all human resources processes and offer equal opportunities to our employees regardless of their characteristics such as gender, age and ethnic origin. We aim to increase employee loyalty while encouraging high performance and development of our employees by providing a fair, healthy and safe working environment that complies with the relevant legislation and respects employee rights.

Our diversity and inclusion criteria also include the ratio of female candidates to male candidates. Within the scope of positive discrimination towards women, we pay attention to the majority of female candidates. In addition, within the scope of our equal opportunity approach, we provide employment to disabled individuals by working with employment agencies to support their participation in business life. With our rapid growth performance, our increasing number of employees brings with it an increasing number of disabled employees.

NUMBER OF DISABLED EMPLOYEES	FEMALE	MALE	TOTAL
DeFacto Domestic	58	162	220
DeFacto Overseas	22	31	53
Ozon	5	19	24

Employee Development

Our vision, strategy and goals require our employees to be competent, skilled and efficient. Our employees play an important role in our success. We handle performance management systematically to sustain our success. We implement Defacto Performance Management System in order to put our strategy into effect and achieve our targets. In this context, we regularly assess the performance of our domestic and overseas head office employees. We ask our employees to set SMART (Specific, Measurable, Realisable, Realistic and Timely) targets under two main headings: individual and leadership targets, and we monitor their progress towards these targets. The assessments made within the scope of the performance management system play a decisive role in career management, wage management and rewarding decisions.

Our remuneration management process is based on objective and measurable criteria. We use customised performance criteria for our head office, domestic retailing, international retailing, blue collar and expat employees. Within the scope of our wage policy, we closely monitor the economic conditions of the countries in which we operate and carry out regular wage revisions to ensure that living standards and purchasing power do not decline. In line with the principles of equality and inclusion, we do not discriminate between our male and female employees in terms of remuneration.

We measure the satisfaction and expectations of our employees through regular Employee Experience Surveys. By evaluating the results of these surveys, we identify our development areas and opportunities, prepare special development reports for our leaders and monitor their development. In the last quarter of 2022, 61% of our

employees participated in the Employee Experience Survey, which we shared with all our domestic employees. The results of this survey were as follows:



In line with our Open-Door policy, all our employees, regardless of seniority and position, have the opportunity to meet with senior managers and convey their opinions and suggestions. Thanks to these meetings, which we attach importance in line with our social sustainability strategy, we work to provide a transparent and sustainable business environment.

In line with the communication of our employees with senior management, we regularly organise DeFacto On Air Meetings. In this context, we bring all our domestic employees together with the CEO and senior executives and share the Company's agenda items and strategies. As a company operating in different countries, we record the meetings for our employees who cannot attend these meetings due to different time zones and working hours and broadcast them on DF TV, the internal communication platform. In line with our principle of inclusivity, we translate these recordings into local languages and add subtitles for our employees in other countries.

Career and Talent Management

One of the most decisive factors in the performance of the Company is our employees. We aim to support our employees to increase their competences throughout their career journey by taking into consideration their performance and potential. We keep career opportunities within the Company open for our employees, conduct performance assessments of our employees through the Talent Committee, and create talent pools by analysing their potential.

We offer promotion opportunities once a year for our employees at the Head Office and at various periods in our stores, if need be. Within the scope of our retailing activities, we carry out promotion programmes to train company leaders from within the Company.

As part of the Internal Assessment Practice, we support the development of our internal assessors through a special training and certification programme. Through our internal assessors, we develop special practices within the scope of talent management, strengthen internal communication and cooperation, and help all our employees develop competencies that they can benefit from throughout their careers.

We offer our employees various opportunities for horizontal and vertical movement within the Company. We announce domestic and international career opportunities throughout DeFacto to all employees through internal adverts, and offer different career opportunities to our employees through internal rotation and internal transfer opportunities.

"In line with our vision of becoming a global fashion brand that makes you say "Wow", we carry out various training

and development programmes under the umbrella of DeFacto Business Academy in order to prepare for the developments in the sector and the change and transformation it brings, to turn our corporate values and in-house culture into sustainable competitive advantage, to strengthen our brand value, and to train competent and qualified human resources. When designing these programmes, we take into consideration our corporate strategy, culture, values and DeFacto DNA, which was determined as a result of workshops and surveys conducted with the participation of employees from all levels. In order to ensure that these principles are adopted by our employees, we created the Principles Development Catalogue and redesigned our feedback processes within the framework of these principles. Our employees receive feedback from their managers about their strengths and aspects open to development within the framework of these principles. In line with these feedbacks, we provide our employees with the opportunity to improve themselves through online training contents such as virtual classroom training, video contents, e-learning contents, articles and podcasts.

Within the scope of DeFacto Business Academy, training courses are categorised with the theme FIT. Thus, we offer programmes that best suit the development areas and goals of our employees. Accordingly, we organise our training under five basic categories:

- Original FIT consists of cultural programmes that support the sustainability of our Company. These programmes cover our corporate culture, principles and strategic focus of the Company. In addition to our legally mandatory training programmes, we convey the mission and vision of the Company, its foundation

and growth story, our principles and all our activities in our value chain to all our colleagues who start working at DeFacto.

- Built around six different schools, Business FIT includes training programmes that ensure continuous development and renewal:
 - Retailing School
 - Product Management School
 - Supply Management School
 - Franchise School
 - E-Commerce School
 - Internal Training School
- Personal FIT consists of training programmes for the personal development and interests of our employees. In this context, we offer various opportunities such as English training, Design Thinking workshops and astrology training.
- Leaders FIT consists of training programmes designed to improve the leadership skills of our employees. Accordingly, we regularly include our existing and new leaders in development programmes designed according to their levels within the organisation. When designing development programmes, we take into consideration the development areas and leadership competencies determined according to the results of competency assessments.
- Talent FIT includes promotion programmes and young talent development programmes to increase the skills of our employees. The aim of these programmes is to support our talented employees in their career development and to train young talents as future leaders. We regularly implement development programmes every year and prepare our talents for managerial roles according to their levels. We offer MT (Management Trainee) programme opportunities

to external young talents for periods ranging from six months to one year, and provide them with the opportunity to develop themselves for specialist roles.

We determine our training programmes by taking into account the needs of both the Company and our employees. We conduct our training programmes through various learning methods such as classroom, virtual classroom, on-the-job training, coaching, mentoring, observation and distance learning. In 2022, we organised a total of 515,410 hours of training in domestic and international operations, with an average of approximately 16 hours of training per person. These training programmes included 15,680 hours of environmental training and 3,650 hours of human rights, social compliance and business ethics training.

We attach importance to training internal trainers. We have a total of 195 internal trainers, being 48 internal trainers working in retailing and 147 internal trainers working at our Head Office. Our internal trainers have provided training in 386 different contents since 2020. Thanks to the internal trainer system, we enrich the DeFacto Business Academy training and development catalogue and record our corporate memory. In addition to strengthening internal communication, sharing and synergy, we support the development of our employees in different areas of expertise. Thanks to the system, our internal trainers develop different competences and skills that they can always benefit from in their career lives. Another function of the internal trainer system is that it contributes to our managers and manager candidates becoming “Managers with HR Hat”; the process enables our managers, who will become internal trainers, to learn and internalise the HR perspective and practices faster.

TOTAL TRAINING HOURS (PERSON*HOUR)	TOTAL
DeFacto Domestic	411,780
DeFacto Overseas	99,680
Ozon Tekstil	8,312

EMPLOYEE TRAINING HOURS (HOURS PER PERSON) (INCLUDING ACADEMY AND ALL FACE-TO-FACE TRAINING)	AVERAGE
DeFacto Domestic	16
DeFacto Overseas	16
Ozon Tekstil	14

We cooperate with various universities in order to blend our corporate knowledge with academic knowledge, to come together with our potential employees to develop various projects, to increase our brand awareness, to enable our managers to share their knowledge and experience with students in various courses and events, and to create a multi-dimensional learning environment with universities.

Within the scope of our cooperation agreements with nearly 10 private universities, we provide special discounts to our employees to support their master's, doctorate and certificate processes.

Happiness Management

We attach importance to employee satisfaction and investment in people. In this context, we established the Happiness Directorate, a first in Turkey, within our company and took important steps to increase the personal development and satisfaction of our employees by launching the Happiness Suits Us Programme.

We attach importance to employee satisfaction and investment in people. In this context, we established the Happiness Directorate, a first in Turkey, within our company and took important steps to increase the personal development and satisfaction of our employees by launching the Happiness Suits Us Programme.

With the Happiness Suits Us Programme, we implement practices that support corporate culture and sense of belonging, make our employees say "Wow" and increase their happiness. We will continue our investments in this context.

In line with the expectations of our employees, we strive to ensure work-life balance, keep working hours within reasonable limits and support social life. We offer our employees services such as sports facilities, healthy nutrition counselling and health insurance. We support the social life of our employees with facilities such as Mediterranean gardens and social clubs within the Company and help them make better use of their breaks. DeFacto social clubs provide our employees with opportunities for cultural, artistic and sports activities and support team spirit by allowing them to socialise as a team. Our social clubs include various clubs such as Music Club, Theatre Club, Social Responsibility Club, Table Tennis Club, Chess Club and Rowing Club. We provide free training opportunities to our employees with professional trainers and counsellors within our social clubs. Club members organise various events and shows in their fields, and represent DeFacto by competing in organ-

isations such as DragonFest and Corporate Games. In 2022, our DeFacto FIT rowing team became the champion at DragonFest.

In addition to these clubs, DeFacto employees can spend their free time more productively by chatting in the happiness room and using our library, which offers a reading room and a rich selection of books. In addition to these facilities, we offer our employees the opportunity to perform various sporting and cultural activities such as play golf, table football, billiards, table tennis, PlayStation games and tournaments on the terrace during lunch breaks.

Below is some of the practices we implement within the scope of happiness management and the services we offer to our employees;

- Breakfast, lunch and snacks organized exclusively for our employees
- Healthy life seminars, contracted health institutions and free medical examinations
- Webinars and workshops on healthy living and nutrition
- Comfortable and well-equipped gym
- Mediterranean themed garden and break areas
- Yoga, coffee making, aromatherapy and cooking workshops etc.
- WOW Times by DeFacto: Our bi-monthly online magazine that includes news about what is on the Company's agenda, articles about our employees such as Talents Within Us and Travel Diaries, event, book and film recommendations.



Social Responsibility

Our management approach is based on the principles of the United Nations Global Compact (UNGC), of which we have been a signatory since 2014. We adopt these 10 universal principles, which are set out under the themes of human rights, labour, environment and anti-corruption, in all our operations and cooperate for the development of communities in the geographies where we operate in order to promote a fair and equitable society. To this end, we implement social assistance and education-oriented programmes with the support of social organisations.

Our social responsibility club, called Happiness Ambassadors Group (MEG) within DeFacto, where participation is voluntary, aims to benefit the society and the environment by carrying out various social responsibility projects since 2015. The Happiness Ambassadors Group designs and implements various social responsibility projects in cooperation with non-governmental organisations. The Happiness Ambassadors Head Team, formed within MEG after the pandemic, is a focus group of 15 people responsible for designing, planning and collaborating on projects. Following its launch, the Happiness Ambassadors Head Team received the "Most Successful Volunteering Programme" award from the Private Sector Volunteers Association (PSVA). Within MEG, 100 social responsibility projects serving various Sustainable Development Goals have been implemented in eight years.



“ The Happiness Ambassadors Head Team received the **“Most Successful Volunteering Programme”** award from the Private Sector Volunteers Association (PSVA). Within MEG, 100 social responsibility projects serving various Sustainable Development Goals have been implemented in eight years. ”

“Çorbada Tuzun Olsun” project launch, designed in line with the sustainable development goal of ending hunger, was organised by MEG Head Team and our CEO.

“ Within MEG, **100 social responsibility projects** serving various Sustainable Development Goals have been implemented in eight years. ”



DeFacto Happiness Ambassadors ran in N Kolay 44th Istanbul Marathon for the benefit of “Umutlu Kutular Project” to give hope to our children undergoing treatment.

Other NGOs Collaborated



We carried out a physical awareness campaign in cooperation with LÖSEV for the Awareness Week of Children with Leukaemia.



We identified two schools in need and realised the New Year wishes of the children there.



We raised awareness by sharing the “World Sharing Day” activities organised by the association to prevent excessive consumption after the “Black Friday” discounts every year through our internal and external channels.



We participated in the “E-Coaching Programme” organised by PSVA for the first time after the pandemic.



We support the “Blue Cap Project”.



On Women’s Day, we donated certificates to Darüşşafaka, which provides educational support on behalf of the daughters of all our female employees.



We donated saplings to TEMA Foundation during the sad forest fires in our country.



We donated water pumps on behalf of all our employees for the regions in Africa where water supply is difficult.



We participated in the Istanbul Marathon.



We donated blood with a total of 48 blood donors.



We donated clothes.



We implemented the “Happy Tales Project” with Laughter Heals Association for children struggling with difficult diseases.



We participated in the “Caddebostan Coastal Cleanup” project organised by Turmepa Association, which strives to keep the seas clean and for a more sustainable future.



In line with the motto “#SarıyıFarkEt!”, we made yellow colour claddings in public areas such as elevators in our headquarters.



Our happiness ambassadors participated in the 23 April project organised by the Foundation by sharing photos.



We participated in the Runtalya Run for the benefit of Tohum Autism with our headquarters and Antalya region field employees.

Dreams of Fabric

With our Dreams of Fabric project, which is a corporate social responsibility project, we support upcycling, economy, education, students’ imagination and hope. The project has become the social responsibility project of the sector and the whole of Turkey.

With our project, which we started in 2021, we reached a total of 4,514 students in 92 schools in 21 provinces. Our students in vocational high schools turn waste fabrics into products with their own imagination and design skills in fashion and design courses. Within the scope of the project, we upcycled a total of seven tonnes of textile waste.

21 provinces	92 schools	4,514 students
1,206 sales	Upcycling of seven tonnes of waste	

Supporting Young Designers

In order to encourage and empower young designers, we include their designs in our collections.



Ahmet Atalay X DeFacto Cool

Occupational Health and Safety

We care about the health and safety of all employees working in our value chain. We take various measures to create a healthy and safe work environment in our own operations and those of our suppliers and aim to raise awareness. We proactively identify occupational health and safety risks and take action to take necessary measures.

We follow occupational health and safety legal requirements at all our locations. We set KPIs and monitor performance for continuous improvement of occupational health and safety practices. We have ISO 45001 certificate on storage and logistics.

LOCATION	WORK ACCIDENT FREQUENCY RATE (AT 200,000 HOURS)	WORK ACCIDENT WEIGHT RATE (PER 1000 DAYS)
Merkez	1.48	0.02
Mağazalar	1.77	0.05
Kapaklı Depo	3.67	0.47
Yassiören Depo	19.22	0.56

Workplace Health and Safety activities:

- ✓ Root cause analyses
- ✓ Preparing OHS bulletins, informing stores about occupational accidents and publishing announcements to raise awareness on these issues
- ✓ Taking permanent actions to prevent recurrence of occupational accidents by carrying out joint studies with the operation and construction departments
- ✓ Organising OHS committee meetings in stores with 50 or more employees
- ✓ Assignment of OHS employee representatives to all locations
- ✓ Carrying out field inspections and annual periodic controls and measurements, which are legal obligations
- ✓ Conducting employee health checks and follow-ups
- ✓ Making emergency plans and drills

In our locations with 50 or more employees, we employ full-time or part-time occupational physicians and occupational safety experts, and in our locations with less than 50 employees, we receive audit and risk assessment services from experts every six months and prepare emergency plans.

Our risk assessment and incident investigation teams utilise the following tools to investigate incidents and manage the process to determine actions.

- Field audits
- Work accident records
- Health records
- Ambient measurements
- Technical checks
- Near-miss notifications
- Emergency information
- Routine and non-routine events
- Action recommendations from occupational safety specialist, occupational physician and other health personnel,
- Records and documents resulting from external expert support requiring special technical and knowledge

We regularly carry out awareness raising activities on occupational health and safety issues. All our employees have access to occupational health and safety training via the LMS system. We also consider and evaluate employee opinions within the scope of field audits. We evaluate non-conformities reported through the employee representative channel and take into account employee opinions in risk assessment studies. We inform employees by issuing bulletins via e-mail.

OHS TRAINING	NUMBER OF PARTICIPANTS	TOTAL TRAINING HOURS
DeFacto	12,870	35,410

ANNEXES

Performance Tables

ECONOMIC PERFORMANCE INDICATORS

Capital	Input	Output	Value Created
FINANCIAL	<ol style="list-style-type: none"> Revenue from operations Risk protection practices for the business model <ul style="list-style-type: none"> Effective use of hedging instruments Strong liquidity position Diversity of financing <ul style="list-style-type: none"> Bank loans Sustainable financing transactions Syndication transactions Eximbank and CBRT resources with favourable interest rates Capital and Affiliate Structure Digital finance transformation <ul style="list-style-type: none"> e-wallet Digital loan Transfer of cash flow to the system SAP finance transformation VSRM purchase transformation Process digitalizations (robots, cockpit,..) 	<p>Revenue of TL 15.6 billion</p> <ul style="list-style-type: none"> Share of Domestic Turnover: 46% Overseas: 41% Online: 17 % <p>1.43 Consolidated Indebtedness Ratio</p> <ul style="list-style-type: none"> Working capital loan from the Development Investment Bank of Turkey was obtained. While using this loan, all companies and warehouses were audited and a sustainability report was prepared. 	<p>Value created with sustainable growth</p> <ul style="list-style-type: none"> Real growth Investment expenditure <p>Strong balance sheet structure</p> <ul style="list-style-type: none"> Liquidity performance Optimum average cost and maturity of debt Predictable profit performance <p>Dividends paid and dividend yield</p> <p>Value created for the economies of the countries of operation</p> <ul style="list-style-type: none"> Contribution to GDP Employment Domestic Production <p>Value created for the Turkish economy</p> <ul style="list-style-type: none"> Widespread Turkish brand Domestic production Contribution to export Employment Foreign currency entry into the country

ENVIRONMENTAL PERFORMANCE INDICATORS

	DEFACTO	OZON TEKSTİL
Natural gas	11,53 TJ	10,64 TJ
Electricity	38.025.814,23 kWh	1,713,370.71 kWh

COMPREHENSIVE EMISSION DATA	DEFACTO (tonCO ₂ e)	OZON TEKSTİL (tonCO ₂ e)
Category 1	6.809,74	1.133,92
Category 2	21.111,93	951,26
Category 3	52.121,80	11.936,16
Category 4	409.598,54	61.727,63
Category 5	21.026,87	2.892,33
Category 6	0,60	0,45
TOTAL	510.669,47	78.641,75



CATEGORY	DEFACTO (tonCO ₂ e)	OZON TEKSTİL (tonCO ₂ e)
1.1 Direct Emissions from Fixed Combustion	685,96	606,89
1.2 Direct Emissions from Mobile Combustion	1.726,06	509,79
1.4 Fugitive emissions from anthropogenic systems	4.462,70	17,24
2.1 Indirect emissions from purchased energy	21.111,93	951,26
3.1 Indirect emissions from the transportation and distribution of raw materials	37.631,22	5.385,11
3.2 Indirect emissions from the transportation and distribution of products	12.821,87	6.328,87
3.3 Indirect emissions from employee commuting	408,55	162,75
3.5 Indirect emissions from business travel	1.260,15	59,43
4.1 Indirect Emissions from Purchased Goods and Services	405.707,43	60.748,14
4.2 Capital Goods Indirect Emissions	-	376,79
4.3 Wastes Indirect Emissions	10,27	13,00
4.5 Food Service Indirect Emissions	3.880,84	589,70
5.1 Product Use Phase Indirect Emissions	5.583,76	773,55
5.2 Leased Assets Indirect Emissions	18,91	-
5.3 Product End-of-Life Indirect Emissions	15.294,12	2.118,78
6. Other Indirect Emissions	0,60	0,45

2022 WASTE DECLARATIONS			
	Non-Textile Non-Hazardous Wastes		Hazardous Wastes
DeFacto Headquarters	11.660 kg		6.899 kg
DeFacto Warehouses	235.863 kg		647 kg
	Non-Textile Non-Hazardous Wastes	Hazardous Wastes	Textile Waste
DeFacto Stores	11.626,62 kg	10 kg	35 kg
Ozon Textile	77.804 kg	35.174 kg	272.470 kg

HEADQUARTERS WATER CONSUMPTION IN 2022	
Headquarters Water Consumption (m ³)	12.095
Number of Headquarters Personnel	2.494
Headquarters Water Consumption Per Personnel (m ³)	4,85
Change in Water Consumption Per Personnel Compared to Base Year 2016	-%55
Defacto 2022 Water Footprint	GL (Gigalitres, million litres)
Water Footprint Sourced from Materials Used in Production	230.613
Head Office, Warehouse and Street Stores Operations Sourced Water Footprint	21.088

PROJECT YEAR	NUMBER OF WATERLESS PRODUCTS	TOTAL WATER SAVINGS (LT)
2022	1,930,262	13,511,834
2021	1,566,489	16,347,575
2020	770,000	7,700,000
2019	1,220,000	9,700,000

SOCIAL PERFORMANCE INDICATORS

EMPLOYEES BY CATEGORY	FEMALE	MALE	TOTAL
Total number of company employees	8,054	5,550	13,604
DeFacto Domestic			
White Collar	5,630	3,433	9,063
Blue Collar	509	534	1,043
DeFacto Overseas			
White Collar	1,911	1,580	3,491
Blue Collar	4	3	7
Ozon Tekstil			
White Collar	139	170	309
Blue Collar	214	279	493

EMPLOYEES BY TO TYPE OF EMPLOYMENT	FEMALE	MALE	TOTAL
DeFacto Domestic			
Full-time	3,706	2,872	6,578
Part-time	2,433	1,095	3,528
DeFacto Overseas			
Full-time	1,210	1,048	2,258
Part-time	705	535	1,240
Ozon Tekstil			
Full-time	353	449	802
Part-time			

EMPLOYEES BY AGE GROUPS	FEMALE	MALE	TOTAL
DeFacto Domestic			
Aged below 30	4,729	2,747	7,476
Aged 30 to 50	1,392	1,167	2,559
Above 50	18	53	71
DeFacto Overseas			
Aged below 30	1,545	1,206	2,751
Aged 30 to 50	362	373	735
Above 50	8	4	12
Ozon Tekstil			
Aged below 30	108	132	240
Aged 30 to 50	230	305	535
Above 50	15	12	27

DISTRIBUTION OF NEW RECRUITS BY AGE GROUPS	FEMALE	MALE	TOTAL
DeFacto Domestic			
Aged below 30	4.481	2.620	7.101
Aged 30 to 50	250	244	494
Above 50	3	8	11
DeFacto Overseas			
Aged below 30	1.651	977	2.628
Aged 30 to 50	110	98	208
Above 50	9	1	10
Ozon Tekstil			
Aged below 30	56	26	81
Aged 30 to 50	53	51	104
Above 50	1	4	5

EMPLOYEES BY MATERNITY LEAVE	FEMALE	MALE	TOTAL
DeFacto Domestic			
Number of employees entitled to maternity leave	145	83	228
Number of employees granted maternity leave	145	83	228
Number of employees returned after maternity leave	122	81	203
Number of employees still working in the Company 12 months after returning from maternity leave	41	81	122
DeFacto Overseas			
Number of employees entitled to maternity leave	203	153	356
Number of employees granted maternity leave	120	6	126
Number of employees returned after maternity leave	56	6	62
Number of employees still working in the Company 12 months after returning from maternity leave	16	-	16
Ozon Tekstil			
Number of employees entitled to maternity leave	8		8
Number of employees granted maternity leave	8		8
Number of employees returned after maternity leave	8		8
Number of employees still working in the Company 12 months after returning from maternity leave	5		5

NUMBER OF DISABLED EMPLOYEES	FEMALE	MALE	TOTAL
DeFacto Domestic	58	162	220
DeFacto Overseas	22	31	53
Ozon Tekstil	5	19	24

TOTAL TRAINING HOURS (PERSON*HOUR)	TOPLAM
DeFacto Domestic	411,780
DeFacto Overseas	99,680
Ozon Tekstil	8,312

EMPLOYEE TRAINING HOURS (HOURS PER PERSON) (INCLUDING ACADEMY AND ALL FACE-TO-FACE TRAINING)	AVERAGE
DeFacto Domestic	16
DeFacto Overseas	16
Ozon Tekstil	14

LOCATION	WORK ACCIDENT FREQUENCY RATE (AT 200,000 HOURS)	WORK ACCIDENT WEIGHT RATE (PER 1000 DAYS)
Headquarters	1.48	0.02
Stores	1.77	0.05
Kapaklı Warehouse	3.67	0.47
Yassiören Warehouse	19.22	0.56

OHS TRAINING	NUMBER OF PARTICIPANTS	TOTAL TRAINING HOURS
DeFacto	12,870	35,410

GRI Index

GRI STANDARD	EXPLANATION	PAGE
GRI 101: TEMEL 2021		
GRI 2: General Disclosures 2021	2-1 Organizational information Defacto Perakende Ticaret A.Ş. & Ozon Giyim Sanayi ve Ticaret A.Ş. DeFacto Plaza Basın Ekspres Yolu Bahariye Cad. No: 31 34303 Halkalı - Küçükçekmece / İSTANBUL	5
	2-2 Entities included in the organization's sustainability reporting	5
	2-3 Reporting period, frequency, and contact point	5
	2-4 Restatements of information	No important changes compared to the last report.
	2-5 External assurance	97
	2-6 Activities, value chain, and other business relationships	5, 19
	2-7 Employees	128-131
	2-8 Non-employee workers	128-131
	2-9 Governance structure and composition	42, 82, 83
	2-10 Nomination and selection of the highest governance body	82, 83
	2-11 Chair of the highest governance body	82, 83
	2-12 Role of the highest governance body in oversight of environmental and social topics	82, 83
	2-13 Responsibility for the management of environmental and social topics	82, 83

GRI 2: General Disclosures 2021	2-14 Role of the highest governance body in sustainability reporting	82, 83
	2-15 Conflicts of interest	62, 63
	2-16 Communication and training on critical concerns	59-63
	2-17 Collective knowledge of the highest governance body	82, 83
	2-18 Evaluation of the highest governance body's performance	82, 83
	2-22 Sustainable development	77-81, 91
	2-23 Policy commitments	58-62, 129, 133
	2-26 Mechanisms for advice and concerns about ethics	58, 60, 87, 88
	2-28 Membership of associations	30, 31
2-29 Approach to stakeholder engagement	84-89	
GRI 3: Priority Disclosures 2021	3-1 Process for defining report content and topic Boundaries	85, 90, 91
	3-2 List of material topics	90, 91
	3-3 Management of material topics	82-93

GRI 200 SERIES: ECONOMIC STANDARDS

GRI 3: Priority Disclosures 2021	3-1 Process for defining report content and topic Boundaries	76, 77, 96
	3-2 List of material topics	76, 77, 96
	3-3 Management of material topics	98, 100
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	98, 100
	201-4 Financial assistance received from government	98, 100
<i>Procurement Practices</i>		
GRI 3: Priority Disclosures 2021	3-1 Process for defining report content and topic Boundaries	64
	3-2 List of material topics	64, 68, 69
	3-3 Management of material topics	64-71
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	64
<i>Anti-Corruption</i>		
GRI 3: Priority Disclosures 2021	3-1 Process for defining report content and topic Boundaries	60
	3-2 List of material topics	60
	3-3 Management of material topics	56-61
GRI 205: Anti-Corruption 2016	205-1 Activities assessed for risks related to corruption	60
	205-2 Communication and training on anti-corruption policies and procedures	60
	205-3 Confirmed incidents of corruption and actions taken	60

Vergi

GRI 3: Priority Disclosures 2021	3-1 Process for defining report content and topic Boundaries	97
	3-2 List of material topics	97
	3-3 Management of material topics	97
GRI 207: Tax 2022	207-1 Approach to tax	97
	207-2 Tax governance, control, and risk management	97
	207-3 Stakeholder engagement and management of concerns related to tax	97
<i>Anti-competitive Behavior</i>		
GRI 3: Priority Disclosures 2021	3-1 Process for defining report content and topic Boundaries	62
	3-2 List of material topics	62
	3-3 Management of material topics	62
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	62

GRI 300: ENVIRONMENTAL STANDARDS SERIES
Energy

GRI 3: Priority Disclosures 2021	3-1 Process for defining report content and topic Boundaries	114, 115
	3-2 List of material topics	114, 115
	3-3 Management of material topics	114, 115
GRI 302: Energy 2016	302-1 Energy consumption within the organization	114, 115 147, 148
	302-4 Reduction of energy consumption	114, 115, 125

Water

GRI 3: Priority Disclosures 2021	3-1 Process for defining report content and topic Boundaries	118, 119
	3-2 List of material topics	118, 119
	3-3 Management of material topics	118, 119
GRI 303: Water Use and Discharge 2018	303-1 Interaction with shared water resources	118, 119
	303-2 Management of impacts of water discharge	118, 119
	303-3 Water withdrawal by source	118, 119

Emissions

GRI 3: Priority Disclosures 2021	3-1 Process for defining report content and topic Boundaries	114, 115
	3-2 List of material topics	114, 115
	3-3 Management of material topics	114, 115
GRI 305: Emissions 2016	305-1 Direct (Scope 1) greenhouse gas emissions	115, 148
	305-2 Indirect (Scope 2) greenhouse gas emissions	115, 148
	305-5 Reduction of greenhouse gas emissions	115, 148

Waste

GRI 3: Priority Disclosures 2021	3-1 Process for defining report content and topic Boundaries	116, 117
	3-2 List of material topics	116, 117
	3-3 Management of material topics	116, 117
GRI 306: Waste 2016	306-2 Waste by type and disposal method	116, 117

Supplier Environmental Assessment

GRI 3: Priority Disclosures 2021	3-1 Process for defining report content and topic Boundaries	64
	3-2 List of material topics	64, 68, 69
	3-3 Management of material topics	64-71
GRI 308: Supplier Environmental Assessment 2016	308-2 Significant actual and potential negative environmental impacts in the supply chain and actions taken	64-68, 71

GRI 400: SOCIAL STANDARDS SERIES

GRI 3: Priority Disclosures 2021	3-1 Process for defining report content and topic Boundaries	128
	3-2 List of material topics	128
	3-3 Management of material topics	128

Employment

GRI 3: Priority Disclosures 2021	3-1 Process for defining report content and topic Boundaries	128
	3-2 List of material topics	128
	3-3 Management of material topics	128
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	131
	401-3 Return to work and retention rates after parental leave, by gender	132, 133

Occupational Health and Safety

GRI 3: Priority Disclosures 2021	3-1 Process for defining report content and topic Boundaries	144, 145
	3-2 List of material topics	144, 145
	3-3 Management of material topics	144, 145
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	144, 145
	403-2 Types of injuries and injury rates, occupational diseases, lost days, absenteeism, and number of work-related fatalities	144
	403-3 Occupational health services	144, 145
	403-4 Worker participation, consultation, and communication on occupational health and safety	144, 145
	403-5 Education and training on occupational health and safety	145
	403-6 Promotion of worker health	144, 145
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked to business relationships	144, 145
	403-9 Work-related injuries	144
403-10 Work-related ill health cases	144	

Training and Education

GRI 3: Priority Disclosures 2021	3-1 Process for defining report content and topic Boundaries	134-137
	3-2 List of material topics	134-137
	3-3 Management of material topics	134-137
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	137
	404-2 Programs for skills management and lifelong learning that support the continued employability of employees	135-137

Diversity and Equal Opportunity

GRI 3: Priority Disclosures 2021	3-1 Process for defining report content and topic Boundaries	129-133
	3-2 List of material topics	129-133
	3-3 Management of material topics	129-133
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	129-133

Non-discrimination

GRI 3: Priority Disclosures 2021	3-1 Process for defining report content and topic Boundaries	129-131,133
	3-2 List of material topics	129-131,133
	3-3 Management of material topics	129-131,133
GRI 406: Non- discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	129-131,133

<i>Child Labor</i>		
GRI 3: Priority Disclosures 2021	3-1 Process for defining report content and topic Boundaries	68, 69, 71
	3-2 List of material topics	68, 69, 71
	3-3 Management of material topics	68, 69, 71
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	68, 69, 71
<i>Forced or Compulsory Labor</i>		
GRI 3: Priority Disclosures 2021	3-1 Process for defining report content and topic Boundaries	68, 69, 71
	3-2 List of material topics	68, 69, 71
	3-3 Management of material topics	68, 69, 71
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	68, 69, 71
<i>Local Communities</i>		
GRI 3: Priority Disclosures 2021	3-1 Process for defining report content and topic Boundaries	140-143
	3-2 List of material topics	140-143
	3-3 Management of material topics	140-143
GRI 413: Local Communities 2016	413-1 Percentage of operations that involve local community participation, impact assessments, and development programs being implemented.	140-143

<i>Supplier Social Assessment</i>		
GRI 3: Priority Disclosures 2021	3-1 Process for defining report content and topic Boundaries	64, 68, 69
	3-2 List of material topics	69
	3-3 Management of material topics	70, 71
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that are socially monitored/audited	64, 68-71
	414-2 Negative social impacts observed in the supply chain and measures taken to address them	64, 68-71
<i>Public Policy</i>		
GRI 3: Priority Disclosures 2021	3-1 Process for defining report content and topic Boundaries	108-111
	3-2 List of material topics	108-111
	3-3 Management of material topics	108-111
GRI 416: Public Policy 2016	415-1 Total value of political support received by country and recipient/beneficiary	108-111
<i>Customer Privacy</i>		
GRI 3: Priority Disclosures 2021	3-1 Process for defining report content and topic Boundaries	55
	3-2 List of material topics	55
	3-3 Management of material topics	55
GRI 418: Customer Privacy 2016	418-1 Confirmed complaints related to breach of customer privacy and loss of customer data	55

Connections with SDGs

PRIORITY LEVEL	PRIORITY TOPIC	RELEVANCE TO SDGS	RELATED SECTION
Very High Priority Topics	Equal Opportunities and Diversity	 	Our Social Performance
	Greenhouse Gas Emissions	 	Our Environmental Performance
	Energy Efficiency		Our Environmental Performance
	Water and Wastewater Management	   	Our Environmental Performance
	Human Rights and Fair Working Conditions	 	Our Social Performance
	Customer Health and Safety		Our Economic Performance
	Sustainable Raw Material Management		Our Environmental Performance
	Sustainable Products		Our Environmental Performance
	Supply Chain Management	  	Our Sustainability Approach
High Priority Topics	R&D and Innovation		Our Sustainability Approach
	Employee Engagement and Satisfaction		Our Sustainability Approach
	Circular Economy	  	Our Sustainability Approach
Priority Matters	Talent Management	 	Our Social Performance
	Priority Topics Education	 	Our Social Performance
	Occupational Health and Safety	  	Our Social Performance

Disclaimer and Contact Information

Defacto Perakende Ticaret A.Ş.

DeFacto Plaza Basın Ekspres Yolu Bahariye Cad. No: 31
34303 Halkalı - Küçükçekmece / İSTANBUL

For more information about the report and to submit your comments: sustainability@defacto.com.tr

Sustainability and Reporting Consultants

KPMG Sürdürülebilirlik Danışmanlığı Hizmetleri
Tel: +90 212 316 60 00
www.kpmg.com

Design by

Pelin Günaltay

Legal Disclaimer

The information and analyses included in the DeFacto sustainability report (report) are written for informational purposes only, using sources and information believed to be accurate and reliable at the time the report was prepared, and do not aim to form the basis for any investment decision. The company, its managers, employees, and all other individuals and institutions that contributed to the production of the report cannot be held responsible for any damages that may arise from the use of the information contained in this report. The report belongs to DeFacto and all rights are reserved. Our report is prepared in digital format and has not been printed in a printing house.

DeFacto

www.defacto.com.tr
