

DeFacto

DEFACTO
SUSTAINABILITY
REPORT
2016





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ABOUT THE REPORT

This report is our second comprehensive Sustainability Report on our environmental, social, ethical and economic commitments, practices and performances during the period of January 1, 2015 - December 31, 2016. In addition, we have explained the actions we have taken as aimed for our objectives and commitments in our previous report and the results we have achieved in detail in this report.

We have prepared the contents of this report, which we have developed in line with our corporate priorities and the expectations of our employees, suppliers, customers and the society in compliance with the “Core” option of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4 and applying the “Principles for Defining Report Content” of the GRI G4 Guidelines. This report is also our third Progress

Report that we have prepared in line with being a signatory of the United Nations Global Compact, pioneering in the expansion of universal principles in the private sector on the path of sustainable growth.

Expressions such as “DeFacto”, “we”, “our Company” used in the report have been used in reference to DeFacto Retail Trade Inc. Furthermore, we have included the practices and data of Ozon Textiles, which is one of the companies within our organization, in the report for the first time.

Our ethics, environment, occupational health and safety practices explained in this report cover our retailing

activities and the activities of our supply chain including Ozon Textiles. Unless specified otherwise, the reported performance data are the data of our Headquarters, stores and warehouse in Turkey. We have included the performance data of our overseas companies and Ozon Textiles also in our report, under circumstances where we have been able data in a manner that could be consolidated.

You may reach us through sustainability@defacto.com.tr e-mail address for your recommendations, comments and questions concerning our sustainability performance and practices.



MESSAGE FROM THE CEO

Dear Stakeholders,

As DeFacto, we have continued to improve and implement our social, environmental, economic and ethical practices with the awareness of our corporate responsibility. I am delighted to share our second sustainability report, which covers our practices during 2015 and 2016 and the performance results obtained from these, with you.

In 2014, we have volunteered to become a signatory of the United Nations Global Compact (UNGC). And thus, we took our first step aimed to fulfill our commitment to become one of the pioneer organizations in our sector in sustainability.

We have prepared our second sustainability report, similar to our first report, as based on the GRI G4 Sustainability Reporting Guidelines, which is an international reporting standard that is recognized throughout the whole world. While preparing the contents, we have also taken the 10 principles of the UNGC on labor, human rights, environment and anti-corruption into consideration, in addition to the GRI Guidelines. We have prepared and published this report also as a progress report as per our commitment to the UNGC.

We have expanded the scope of our report

this year so as to include Ozon Textiles, which is a DeFacto Group company, and disclosed the sustainability practices and performance results of this Company also in our report.

ECONOMIC

Today, we have stores in 17 countries in total, namely in Kazakhstan, Iraq, Egypt, Belarus, Georgia, Russia, Tunisia, Morocco, Palestine, Jordan, Azerbaijan, Albania, Saudi Arabia, Croatia, Kosovo, TRNC and Turkey. For each country, we prepare collections that are compatible with the unique culture and lifestyle of that country. We offer differentiated products that are innovative and respect the environment, with product groups such as DeFacto Inova and DeFacto Eco that we have created by innovation and R&D investments, in addition to design products.

With our vision of becoming a global fashion brand, we aim to be operating in 50 countries with our stores and 100 countries with our online trade in 2025, and we will continue our studies in this direction. With this growth objective, we will also contribute in creating employment directly with our stores and increasing employment indirectly through our suppliers in the countries where we operate.

SOCIAL

As DeFacto, employee happiness as well as customer happiness has been one of our priorities since the very first day of our foundation. Accordingly, we have continued our investments for the development and satisfaction of our employees also in 2016.

We aim for our employees to become fashion retailers who have high team awareness and are professionally well-equipped, live with our company values, move forward with leadership vision, and carry out sensitive studies with social responsibility awareness, with DeFacto Academy we have launched in 2016.

We have been chosen the best employer of Turkey in the over-2,000 employees' category in 2016, in the "Best Employers" survey conducted by Great Place To Work in 55 different countries for more than 25 years. In addition, we have received two awards at once by also being found worthy of a Special Award by our "Employee Health and Occupational Safety" practices.

ENVIRONMENT

Energy consumption and packaging wastes take the lead among the main environmental elements that arise from our activities and we manage. Thanks to our energy efficiency practices, we have accomplished the reduction of the average per square meter electricity consumption in our stores by 14% as compared to the previous year. We have ensured that 1,688 tons of cardboard and 328 tons of packaging wastes are recycled through our stores.

The three main approaches we have implemented in order to reduce the impacts of our products on the environment are organic cotton, recycling and water savings.

We are increasing the quantities of products that contain organic cotton, which we have started to offer to our customers at certain intervals since the beginning of 2015, every year. The numbers of our products, where fabrics produced by 100% organic cotton are used, have reached from 65,000 in 2015 to 105,000 in 2016.

In the meantime, we have evaluated 313 tons of clippings in almost 700,000 products in 2016 and prevented them from being disposed of

as waste. We have offered approximately 4.7 million pieces of water-free products for sale in our stores and thus achieved almost 6,220 tons of water savings, within the scope of our water savings approach.

ETHICS

We encourage and support our employees and suppliers to act within ethical values, and remain committed to the ethical values of individuals and organizations. We aim to distribute the "DeFacto Work Ethics and Principles Manual", the contents of which we have developed in 2016, to all our personnel who are employed domestically and internationally in 2017. We will also publish this Manual, which has been prepared in Turkish, English, Russian and Arabic, on the intranet platform as open to the access of all DeFacto personnel.

RESPONSIBILITY IN THE SUPPLY CHAIN

We are aware that we have impacts on the environment and the society, together with our over-200 main suppliers producing the DeFacto products. Informing our suppliers and developing them within the scope of social compliance are included among the activities we carry out to minimize this impact. We have shared the DeFacto Supplier Code of Conduct, where we have set forth our minimum standards in aspects such as human rights, labor practices, occupational health and safety, environment and anti-corruption, with all our ready-wear suppliers in 2016.

I would like to thank all DeFacto employees who have contributed in the preparation of this report that we have published in line with the "transparency" and "accountability" principles that constitute the basis of sustainability.

We will continue to improve our sustainability management processes and performance in line with the opinions, recommendations and comments we will receive from you, our stakeholders. Therefore, we will be delighted to receive your feedback regarding the contents of the report we have published and our practices within the scope of sustainability.

İHSAN ATEŞ
CEO



ABOUT DEFACTO

Our foundation as DeFacto in 2003 has been soon followed by our entry into the retail sector with our first store opened in 2004. We have continued our investments with the vision of becoming a world brand since the day we have been founded, and created a success story within a very short time thanks to our correct business model. We have grown by 49 percent on the average every year since 2008, and reached a turnover of 1 billion 631 million TL in 2015 and more than 2 billion TL in 2016.

We have designed our growth strategy with priority on the MENA (Middle East and North Africa) and CIS (Community of Independent States) regions also in 2017. We aim to invest 137 million TL in total domestically and abroad, enter 10 new markets, open more than 100 new stores and create employment for almost 1,000 more individuals in 2017.

We have also included e-trade, which has changed the dynamics of retailing, among our strategic priorities, developed our

defacto.com.tr e-trade website and focused also on this channel. We plan to start sales through the e-trade website also in the countries where we serve outside of Turkey, to expand omnichannel practices where all communication and sales channels are conducted in an integrated manner and expand the sales network also to global websites such as Amazon and e-bay.

We aim to reach the sales of 3 million products and more than 31 million visitors with the e-trade website, which was visited by more than 25 million visitors and 2.3 million products were sold in 2016,. We aim to continue our investments so that we will be capable of making online sales in 100 countries in 2025 and especially to make online sales from Turkey to countries where we do not have stores. In addition to the sales on Amazon covering 46 states in USA in 2016, we will start online sales in Russia with Lamoda in 2017.

We have accomplished to become the first brand that comes to the minds upon saying “accessible fashion brand” since our foundation; and we offer our collections to those who want to look stylish and modern in all environments at affordable prices.

MISSION, VISION AND VALUES

OUR VISION

We will become a global fashion brand that makes one say “Wow!”

OUR MISSION

We make luxury accessible for happiness.

OUR VALUES

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

DEFACTO FIGURES AS OF 2016



Number of employees:
10,827



Number of countries where we have suppliers::
9



Number of ready-wear suppliers
205



Number of countries with DeFacto stores:
16*



Number of domestic stores:
323



Number of foreign stores:
85*



Number of new stores opened in 2016:
73



Sales area:
316 thousand sqm



Number of annual visitors to the stores:
230 million



Annual number of sold products:
81 million



Number of new products entering the stores daily:
60 new products



Turnover:
2.03 billion TL



Equity capital:
53 million TL



Operating profit
133 million TL



Amount of accrued tax:
14 million TL



Investment:
241 million TL



According to Euromonitor data in the ready-wear sectors

We are the 2nd biggest brand

Note: These data are valid as of December 31, 2016.

Note: Financial data, employee numbers and square meters are consolidated data. Franchise and dealer data are not included.



PRODUCTION (MILLION PIECES)

2013	23.6 million
2014	27.0 million
2015	39.8 million
2016	37.9 million

OZON TEXTILES FIGURES AS OF 2016



Number of employees:
984



Number of Sub-Suppliers:
338



Number of Factories:
3



2016 Total production quantity:
37.9 million



2016 Turnover:
401 million TL

Ozon Textiles has been founded in 2000 for tricot production; it is fully owned by and is also the largest main supplier of DeFacto. As of 2016, the company operates in tricot and knitwear groups in three factories.

Ozon Textiles, which is included among the fastest growing industrial companies of Turkey, takes the 328th rank among the top 500 largest industrial organizations of Turkey listing for 2016.

The first woven ready-wear factory was opened in Sivas in 2005, to support and increase our production capacities. The next development followed in Sivas once more in 2006, adding a knit ready-wear factory to our ever-expanding influence and impact. In 2011, the storage capacity and the number of lines have been expanded with the investments made in the factory in Sivas, and right after the increase in production capacity, Istanbul Logistics Base has also been established in the same year. Ozon Textiles has started exports in the knitwear group in 2014, and has taken a tricot factory into operation in Batman in 2015 and an exports factory in Sivas in 2016.

Ozon Textiles continues its exports journey, which it has started with the Primark, Tally Weijl, Promod brands in 2015, by including the River Island, Tesco, Penneys and American Eagle brands. It primarily exports to England and France and carries out 90% of the cutting, sewing, dyeing, printing, embroidery and ironing-packaging operations in an integrated manner at the Sivas Exports Factory that has been completed.

OPERATION MAP

COUNTRIES WITH STORES AND NUMBERS OF STORES AS OF DECEMBER 2016



Note: These datas are valid as of December 31. 2016

SUSTAINABILITY MILESTONES

2011

- We established the Happiness Management Department and our Happiness Manager took office as a first in Turkey.

2013

- We became a member of Turquality, the world's first and sole state supported branding program.
- We became a member of SEDEX, a social audit organization enabling global supply chain audits.
- We became a member of Turkish Quality Association (Kal-Der).

2015

- We published our first United Nations Global Compact (UNGC) Progress Declaration Report.
- We became a signatory of the United Nations Women's Empowerment Principles (WEPs).
- Our Physical Test Laboratory has been accredited.
- We established the Happiness Envoys Group.
- We became a member of the Private Sector Volunteers Association.
- We developed the DeFacto Supplier Operating Principles and shared these principles with all our ready-wear suppliers.
- Batman tricot factory started operations.



2010

- We became a member of ÇEVKO Foundation for the collection of packaging wastes.

2012

- Our Çerkezköy warehouse received OHSAS 18001 Occupational Health and Safety Management Systems certificate.
- We opened our first store abroad in Kazakhstan.
- With our "Happiness Management" Project, we received the best practice award in the "Practices that Make a Difference" category at the Peryön Human Resources Awards.

2014

- We became a signatory of the United Nations Global Compact.
- We prepared our first "ecological line" composed of products made using recycled products and organic cotton, and added the "ecological line" category in our 2014 fall/winter collection.
- We published the DeFacto Ethical Values and created the DeFacto Ethical Line.
- We established Ozon Textiles exports department.

2016

- We prepared the contents of the DeFacto Business Ethics and Principles Manual and offered it to the access of all our employees during the first quarter of 2017.
- We shared the DeFacto Supplier Code of Conduct with all our ready-wear suppliers.
- Our Analytical Test and Physical Test Laboratories have been entitled to be laboratories accredited according to the ISO/IEC 17025 Standard.
- We launched DeFacto Academy.
- We were found worthy of the "Great Place to Work" award.
- We implemented our Information Security Management System developed in line with the ISO 27001:2015 Standards.
- We put our Business Continuity Management System we have developed in line with the ISO 22301 Standard into practice.
- We published our first comprehensive sustainability report.
- Our second production facility with an indoor area of 15 thousand sqm in Sivas was taken into service.
- We prepared the social compliance risk maps of all our sub-suppliers.
- We prepared the risk maps related with our work processes at our general headquarters and warehouse in Kırşehir and our factories.



OUR SUSTAINABILITY APPROACH

OUTSTANDING ASPECTS IN 2016

At the beginning of 2016, we published our second

UNGC Progress Declaration Report

Within the scope of 2016 sustainability reporting, **two separate surveys** to obtain the opinions of DeFacto and Ozon Textiles employees.

OUR APPROACH

We believe that our sustainability approach is one of the main elements supporting our goal of being a rapidly growing company in the ready wear sector. We manage our impact arising from our activities and products with the awareness that it is our responsibility to the environment, our employees and the society. While aiming for sustainable growth on one hand, we endeavor to create value for our stakeholders on the other hand..

Our sustainability strategy that we have developed within the framework of our sustainability approach has two focal points, as environment and man. Within this context, we identify areas of strategic priority and develop policies and systems to manage our impact, and monitor the results of our practices through the performance indicators we have identified.

Our priorities include minimizing the potential adverse impacts of our supplies, including Ozon Textiles, as well as our own operations, on the environment and man. Our corporate strategic focus areas include many aspects that are directly related with sustainability, and especially touch our customer and suppliers.

The four main topics of the United Nations Global Compact (UNGC), where we are a signatory, “human rights, labor practices, environment and ethics” correspond with the basic application areas of our sustainability approach.

SUSTAINABILITY STRATEGY FOCAL POINTS

ENVIRONMENT

- Reducing operational environmental impacts
- Reducing environmental impacts of products

HUMAN

- Respect to human rights in the supply chain
- Occupational health and safety
- Product safety and Customer Satisfaction
- Diversity and involvement at the workplace
- Employee volunteerism

SUSTAINABILITY MANAGEMENT

Integration of our environmental, social, economic and ethical responsibilities into our company strategy are implemented responsibilities under the leadership of the Company’s senior management. These principles are achieved and implemented into our daily activities with the engagement of all our employees.

The Corporate Governance Committee, composed of the members of the DeFacto Board of Directors is responsible for our Company’s final performance in environmental, social and ethical aspects. The Strategic Supplier Management Directorate is responsible for sustainability practices and thereof their monitorization. The key performance data are reported to

the Board of Directors within our Company, and all our external stakeholders by annual sustainability reports.

Representatives of various departments take part in developing, conducting and reporting the practices regarding sustainability within the DeFacto organization.

DEPARTMENTS TAKING PART IN THE SUSTAINABILITY STUDY GROUP:

Internal Audit	Administrative Affairs	Construction and Technical Works	Human Resources
Training & Happiness	Corporate Communication	Logistics	Operation
Marketing	Risk Management	Social Compliance	Strategy
Supply Chain	Product Management		

STAKEHOLDER ENGAGEMENT (G4-25)

Institutions and organizations, individuals or communities that are impacted by or impact our Company’s activities constitute our stakeholders.

We identified our stakeholders that are important for DeFacto, and our important priority sustainability topics at the “Stakeholder Analysis and Prioritization” workshop we had organized in 2015 with the participation of top and medium level managers representing different departments. As a result of this assessment, employees, suppliers, customers, shareholders, companies in the retail sector and the society emerged to the forefront as our stakeholders, on whom we have the most important impact and, in turn, impact us the most, in other words our stakeholders of first priority. Within the context of sustainability, our stakeholders of second and third priority are as shown in the following table.

STAKEHOLDER ENGAGEMENT PLATFORMS (G4-24, G4-W26, G4-27)

We use various dialogue platforms to find out about the expectations of our stakeholders from our Company on aspects within the scope of sustainability and to inform them about these.

The communication platforms we use in order to be in active dialogue with our priority stakeholders and the scopes of the subjects are provided in the table below. In addition to the platforms in this table, we communicate with the business world and other companies operating in the retail sector in different environments, such as career days with the university youth, through interviews, news and press bulletins with the media organizations, and through the social media in general.

1 st Degree Importance/Priority Employees	2 nd Degree Importance/Priority	3 rd Degree Importance/Priority
<ul style="list-style-type: none">Suppliers (and their employees)CustomersInvestors/Shareholders•Companies in the retail sectorSociety	<ul style="list-style-type: none">Regulatory public institutionsNon-governmental organizations (environment, human rights, etc.)Business worldUniversity studentsMedia organizations	<ul style="list-style-type: none">Local public and local administratorsFinancial entities (banks from which loans are received, etc.)Sector AssociationsUnions

Note: Listed in the order of received scores.

TÜSiAD SÜR2016 CONFERENCE

We found the opportunity to relay to the participants the environmentalist practices implemented by DeFacto within the scope of product management at the SÜR2016 conference on sustainability, organized by TÜSiAD and EBRD in June 2016. We shared our innovative practices such as organic cotton, water-free pants and t-shirt

produced from PET bottles, including the product development processes, with the participants of the event, which was organized through the support of Özyeğin University, European Union, T.R. Ministry of Energy and Natural Resources, and the collaboration of Global Compact Turkey, brought inspiring names of sustainability together.

OUR PRIORITY STAKEHOLDERS	STAKEHOLDER ENGAGEMENT PLATFORM	CONTENT/PRACTICE	DIALOGUE TIME / INTERVAL
EMPLOYEES	Employee satisfaction survey	We conduct surveys where we measure the commitment, satisfaction and motivation of our employees.	Carried out regularly once in every two years.
	DeFacto Sprint to the Future Portal	A platform where we share the prepared e-training modules with our employees and monitor the trainings.	Updated in line with the training plans.
	Bulletin	We publish bulletins aimed for the employees in order to ensure internal communication in our Company.	We continuously inform our employees throughout the ye.
	I’m All Ears	We organize sharing meetings allowing the employees to get together with the senior management.	Organized once in every three months.
SUPPLIERS	Supplier assessments	It is a part of environmental and social compliance assessment during the process of choosing suppliers. We determine the areas that need improvement during this assessment, share the results with our suppliers, and determine the actions that will improve their performances together with them.	Social compliance assessment is applied in the selection of new suppliers to work with and subsequently once in every six months.
	Trainings aimed for suppliers	We give trainings to our suppliers in order to inform them about standards on matters such as product responsibility we apply or update at DeFacto.	Given when necessary.
	Supplier satisfaction surveys	We identify improvement areas to measure the satisfaction levels of our suppliers and develop long-term collaborations.	Conducted regularly once in every six months.
CUSTOMERS	Customer satisfaction monitoring	We organize focus group meetings in order to evaluate the expectations and feedbacks of our customers regarding our products.	Conducted regularly and on different product groups’ basis.
	Wish and grievance management system	Our customers may notify their demands and complaints aimed for our products and services through our call center or our corporate website. In addition, we also respond to wishes and demands received through the social media (twitter, instagram and facebook).	Necessary actions are taken regarding the sent requests, demands, wishes and complaints and feedback is given.
	Customer satisfaction survey	We conduct a survey to evaluate the customer’s experience from the moment he enters the store up to the moment when he leaves.	Applied in pilot stores at defined intervals.
	Customer Experience Days	The members of the Product Management team work as sales advisors at the stores for one day and find the opportunity of one-to-one communication with the customers.	Over 900 visits made in 2016.
INVESTORS/ SHAREHOLDERS	Meetings, informative correspondences	The shareholders and investors of DeFacto, which is a private capital company, are regularly briefed with respect to the Company’s financial, environmental and social performance.	Continued regularly throughout the year.
SOCIETY	Volunteerism activities	Our Happiness Envoys Group organizes volunteerism activities that will generate social benefit, in collaboration with NGO’s.	Continued throughout the year, so as to organize at least one activity every month.
	Presentations at conferences	We share the sustainability practices at DeFacto with our stakeholders in various events.	Varies depending on the frequency of the relevant events that are organized.

OUR CORPORATE MEMBERSHIPS & INITIATIVES WE HAVE SIGNED

DeFacto <ul style="list-style-type: none"> • United Brands Association (BMD) • United Nations Global Compact (UNGC) • Environment Protection and Packaging Wastes Evaluation Foundation (ÇEVKO) • Istanbul Textile and Apparel Exporters Association (İTKİB) • Women’s Empowerment Principles (WEPs) • Private Sector Volunteers Association (ÖSGD) • Turquality 	Ozon Textiles <ul style="list-style-type: none"> • Istanbul Textile and Apparel Exporters Association (İTKİB) • Istanbul Ready-Wear and Apparel Exporters Association (İHKİB) • Environment Protection and Packaging Wastes Evaluation Foundation (ÇEVKO) • Turkish Quality Association (Kal-Der) • SEDEX*
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* A non-profit audit organization dedicated for responsible and ethical business practices improvement processes in the global supply chain.

OUR PRIORITY SUSTAINABILITY ASPECTS

(G4-18, G4-19, G4-20, G4-21)

We identified the main aspects that are important and have priority within the scope of sustainability and thus form the core contents of our sustainability report at a workshop we carried out in 2015 with our top and medium level managers representing different departments.

At this workshop we conducted on “Stakeholder Analysis and Prioritization”, we evaluated the aspects in the globally recognized GRI G4 Sustainability Reporting Guidelines, aspects in the reports published by companies of foreign origin operating in the retail sector and aspects that are of priority in line with our Company’s corporate strategy. While making this assessment, we considered two different criteria, as the importance of the aspect from the perspective of our key stakeholders, and the influence of the aspect on DeFacto’s corporate

success, and our environmental, social and economic impact on it.

Within the scope of 2016 sustainability reporting, we conducted a survey where DeFacto’s practices on the sustainability aspects were evaluated by our employees. We updated our priorities in line with the results obtained from the survey and our corporate priorities. The below graph reflects our current aspects.

OUR PRIORITY AND IMPORTANT ASPECTS (G4-18, G4-19, G4-20, G4-21)

Our first and foremost significant aspects can be seen on the given top right corner matrix chart. The management approaches we apply as aimed for these aspects and the performance results we have obtained are provided in detail in our report.

We have given the aspects that are important from the perspective of our stakeholders in the top center quadrant of the graph, and the aspects that have a high influence on DeFacto’s success, but are less important in the eyes of the stakeholders in the bottom right quadrant of the graph. We have explained how we managed these aspects under the relevant sections of this report.

We evaluated all elements in line with the GRI G4 Guidelines with respect to their internal and external (along our supply chain) impacts. For example, aspects including child labor are handled within the scope of human rights, aspects such as water consumption and waste water management are aspects that are important for our suppliers. We highlighted the aspects outside of DeFacto’s organizational boundaries in red in the following graph and provides detailed information aimed for these aspects in the relevant sections.



Note: Topics in each quadrant of the above graph have been listed irrespective of order of significance among themselves.

Note: Topics shown in red in the above graph are aspects that are also significant.

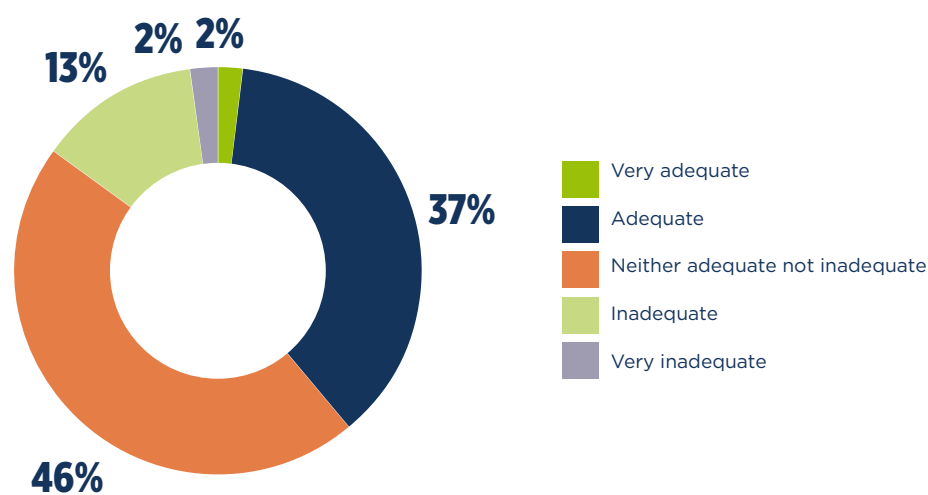


EMPLOYEE SURVEYS

We conducted two separate surveys where DeFacto and Ozon Textiles employees evaluated the sustainability practices of DeFacto, within the scope of 2016 sustainability reporting.

The results of the survey, responded by **330 DeFacto and 74 Ozon Textiles employees** are as provided below:

HOW ADEQUATE DO YOU FIND THE PRACTICES OF DEFACTO IN THE FIELD OF SUSTAINABILITY?



FIVE TOP PRIORITY ASPECTS FOR DEFACTO AND OZON TEXTILES IN ENVIRONMENTAL, SOCIAL AND ECONOMIC SUSTAINABILITY, IN THE EYES OF THE EMPLOYEES:

1. Customer satisfaction
2. Employee satisfaction and happiness
3. Innovation
4. Employment
5. Competency management, training and career development opportunities for employees.



CORPORATE GOVERNANCE & ETHICS

OUTSTANDING ASPECTS IN 2016

We prepared the contents of

DeFacto Business Ethics & Principles Manual;

all employees will be able to access printed and online copy in the first quarter of 2017.

We implemented our

Information Security Management System

developed in line with the ISO 27001:2015 Standard.

We implemented our

Business Continuity Management System

we have developed in line with the ISO 22301 Standard.

Compliance with the laws and the DeFacto Ethical Values and risk management are the priority aspects we handle within the scope of the corporate governance

structure we have formed in order to ensure the continuity and development of our corporate activities.

CORPORATE GOVERNANCE

DeFacto Board of Directors is composed of four members in total, two of whom are independent. There is a CEO affiliated with the DeFacto Board of Directors.

The CEO is appointed by the Board of Directors and makes decisions on behalf of the Board of Directors within a pre-defined framework. He provides guidance to the senior management team in conducting the operations. He monitors the business results in line with the defined performance criteria. The daily operational matters are carried out by the senior management team that is affiliated with him.

The Corporate Governance Committee of the DeFacto Board of Directors is responsible for the final performance of our Company in environmental, social and ethical aspects. Different departments take part in the development and conductance of practices related with sustainability.

SUB-COMMITTEES OF THE BOARD OF DIRECTORS

There are three committees that are active under the Board of Directors. These are the Audit Committee, Early Risk Detection Committee and Corporate Governance Committee, and the duties and responsibilities of each committee have been provided below.

AUDIT COMMITTEE

The Audit Committee provides added value to the Company by its roles and responsibilities in observing the effectiveness and adequacy of the internal control, risk management and internal audit systems, the operation of these systems together with the accounting and reporting systems, and the integrity of the generated information on behalf of the Board of Directors. It evaluates the corporate requirements emerging within the scope of legal arrangements and Company procedures, and plays a guiding role in defining the risks and opportunities that need to be managed and recommends suitable solutions.

The Audit Committee is composed of at least three members. The Committee Chairman and one of the members are independent members. The Committee Chairman and the members are elected by the Board of Directors. The Committee convenes at least four times a year.

EARLY DETECTION OF RISK COMMITTEE

The early detection of risk committee is responsible for the management of the risks that the Company may be exposed to due to its activities. The purpose of the Committee is to prepare the risk management strategy and policies that will be followed by the Company and submit these to the approval of the Board of Directors, to diagnose any potential threats that may endanger the existence, development and continuity of the Company, to ensure the management of all risks arising from the identified threats according to the Company's corporate risk-taking profile, to observe and evaluate that the decision making mechanisms are taken into account and effective internal control systems are developed accordingly, and to monitor the practices along this line.

If the Committee is composed of two members at least one of the members, if it is composed of more than two members the majority of the members, are members of the Board of Directors who are not responsible with execution. The Committee Chairman is elected from among the independent Board of Directors' members. The Committee convenes at least four times a year.

CORPORATE GOVERNANCE COMMITTEE

The main purposes of the Corporate Governance Committee are collected under five main headings:

1) to adapt the Corporate Governance Principles to DeFacto and ensure that they are implemented; 2) to ensure that the Board of Directors has the correct human resources composition, equipped with the knowledge and competences that will maximize performance in line with the strategies aimed for the future of DeFacto; 3) to develop and continually improve internal processes related with performance evaluation, orientation and committee activities; 4) to determine candidate members for the Board of Directors and submit these to the approval of the General Board; 5) to support the Board of Directors in the establishment of the remuneration and rewarding of the Board of Directors' members and the Company's senior management.

The Corporate Governance Committee is composed of three members. At least one of the members is required to be independent. The Committee Chairman and members are elected by the Board of Directors. The Committee convenes at least four times a year.

RISK MANAGEMENT

DeFacto believes that the uninterrupted continuity of its existence and operations will be possible with the reduction of the costs of potential losses, stability of its turnover and profitability, fulfillment of social responsibilities, compliance with the legal arrangements, creation of the highest possible value for stakeholders, and the correct management of all types of risks it is exposed to within the sector.

With the Corporate Risk Management System established with this approach, the critical indicators of risks and actions are monitored by the Risk Management Team; and reported to the Board of Directors six times per year. Strategic, financial, operational, compliance, reputation, information security and business continuity risks are also assessed within the scope of Risk Management, in addition to potential opportunities and threats. It is aimed to provide data to the decision making mechanism of DeFacto directly.

COMPLIANCE MANAGEMENT

Compliance management is intended to ensure quick adaptations to statutory changes, to provide an application standard related with the internal regulations of DeFacto, and to provide a basis for the proactive management of compliance risks. The Compliance Team formed from by the DeFacto Legal and Risk units collects the legal liabilities and sanctions on an inventory and monitors compliance.

INFORMATION SECURITY

Ensuring the security of personal data of our employees, customers and suppliers is included among our priorities. We intend for the following with the Information Security Management System we have established in line with the ISO 27001:2015 Standard:

- To manage information security risks within the scope of DeFacto Corporate Risk Management
- To trust our employees and render their jobs “secure” and “continuous”
- To support the decision making mechanism by rendering information complete, accurate and accessible

- To ensure that information is only accessed by authorized individuals
- To guarantee change management while continuously developing the information systems and components
- To determine information security violation events and eliminate these together with their root causes
- To reinforce the information security awareness of the organization continuously.

Within the scope of our information security studies, we first identified the information technologies process risks, assessed and prioritized the risks and ensured that such risks were improved in compliance with our risk management methodology. Organizing trainings and publishing bulletins aimed to increase the information security awareness of our employees and applying social engineering tests are included among our other activities in this field. Furthermore, we review and update authorizations for access to critical information for the confidentiality of customer information and personal information; and take the necessary measures to prevent the deterioration of the security and integrity of such information.

BUSINESS CONTINUITY

Business continuity is also included among the aspects we handle with priority as a part of corporate risk management. Within this context, we identify threats that would prevent the continuity of customer satisfaction and the continuation of the operations, and implement actions that will minimize or eliminate such threats.

We aim for the following with the Business Continuity Management System we have designed and implemented in line with the ISO 22301 Standard:

- First of all, to ensure the safety of “man” that we observe as the most valuable source
- To determine and test potential contingency scenarios in order to ensure the continuity of critical processes.

- To reinforce our cooperation with our suppliers and minimize service interruption risks
- To restore business and information technology processes interrupted by potential crises with minimal losses
- To assure the sustainability of the information systems by information security policies, and provide these from emergency centers.

Within the scope of the business continuity studies, we prepared the occupational health and safety drill scenario conducted in 2016 by also taking information systems interruption into account. We will continue our studies to prepare and test business continuity scenarios in order to render the relations of critical processes with man and technology sustainable.

CORPORATE PROCESS MANAGEMENT

One of the steps we have taken in the direction of operational perfection is to expand the culture of “managing with processes”. With the “Momentum” project we have initiated for this purpose, we use “Lean 6 Sigma” methodologies and approach processes holistically and aim to ensure that the operations compatible with our objectives and strategies are conducted.

As of the end of 2016, we made 10 fast recovery and 27 critical process improvements. In the meantime, studies are also continued on 70 processes in total.

EXPANSION OF THE CULTURE

Trainings have been given to more than 120 individuals by the Process Development Team in order to expand the process management culture within the institution. We carried out case studies on the available improvement spots of the Company, by increasing process literacy with these trainings.

QUALITY DOCUMENT MANAGEMENT SYSTEM (QDMS)

We have started to carry out the preparation, control, issuance and revisions of the documents necessary in order to be able to manage our work processes through the QDMS Document Management System as of 2016. With the QDMS software, we have ensured that our management system processes are automated and traceable, data analyses are facilitated, data sharing can be managed safely and easily, data loss is prevented and corporate memory is established.

CORPORATE TRANSFORMATION

We have started a comprehensive transformation study in 2016, in order to internalize and support DeFacto’s globalization objective. We have ensured speed and automation with the transformation studies we implemented in the finance department and strengthened information security, communication and cooperation. Thanks to the experiences acquired from these activities, we have

also implemented a similar transformation process in the Human Resources and Product Management departments. We have combined the trainings to be given in order to meet the Company and sector requirements under the roof of DeFacto Academy, which is a transformation project in relation with human resources. We will expand similar visions and methodologies in all departments in the coming period.



INTERNAL AUDIT

We have established internal controls that are necessary within our organization in order to achieve our strategic objectives, ensure the effectiveness and efficiency of our activities, security and accuracy of financial and operational information, protection of assets and compliance with the regulations, policies and procedures. DeFacto Internal Audit Directorate carries out assurance and consultancy activities as aimed to evaluate and improve the efficiency of risk management, internal control and governance processes. The Internal Audit Directorate carries out its activities as affiliated with the Audit Committee and based on the principles approved by the Board of Directors.

The Internal Audit Directorate carries out its studies in compliance with the international internal audit standards. The effectiveness of the available controls in the work processes as aimed to eliminate risks is assessed in the conducted audits. The causes and effects of any control deficiencies determined as a result of the activities are analyzed, management action plans as aimed to eliminate the problems are received from the related units, and these actions are monitored on whether they are being implemented or not. In addition, the Internal Audit Teams that operate in the fields of retailing audits and loss prevention, carry out examination and investigation activities in addition to their audit activities when necessary.

In 2016, we have focused on the most critical aspects in the Company's risk inventory. We carried out controls in 34 main processes. Within the scope of the retailing audit activities, we carried out 1,320 on-site audits in total, at 317 stores domestically and 60 stores abroad.

The DeFacto Internal Audit Directorate also serves Ozon Textiles as of the final term of 2016.

While moving on the path to become a multi-national company, we strive to continue our way of doing business as compatible with universal values. We encourage and support our employees and suppliers to act within ethical values and remain committed to the ethical values of individuals and institutions.

Accordingly, the DeFacto Business Ethics and Principles Manual we have prepared as aimed for our employees and the Supplier Code of Conduct prepared for our suppliers are of guiding nature. The DeFacto Business Ethics and Principles Manual is a document that includes the rules that all employees are required to adopt in their relations with each other, the company and its suppliers.

We have developed the contents of the "DeFacto Business Ethics and Principles Manual" in 2016, and we will distribute it to all our personnel assigned domestically and internationally during the first quarter of 2017. We will also publish the Manual, which has been prepared in Turkish, English, Russian and Arabic, on the intranet platform as open to the access of all DeFacto personnel. Meanwhile, we will receive the commitment of all our employees, including our newly recruited personnel, on that they have read and approved the Manual through this intranet platform as online, and we will conduct the necessary follow-up to ensure the fulfillment of the commitments. In addition, we will share informative messages containing examples with our employees during the year and increase ethics awareness in the form of questions and answers.

In 2016, we have shared the DeFacto Supplier Code of Conduct with all our suppliers. We have re-announced our Ethics Line.

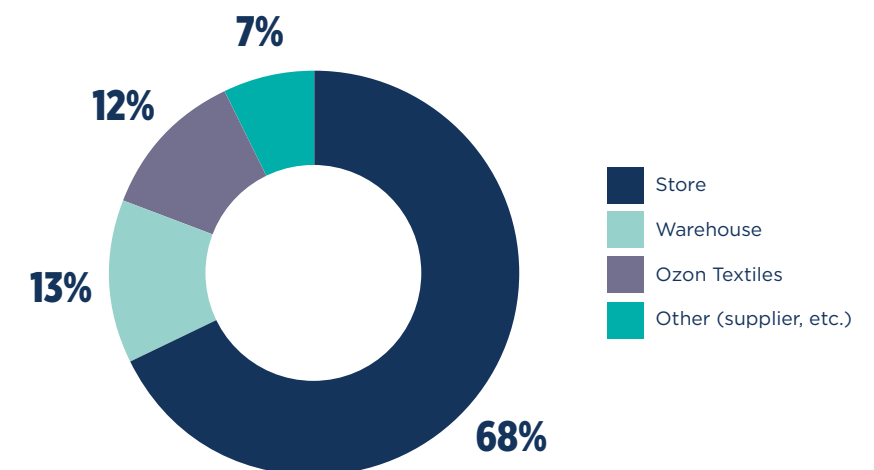
ETHICAL LINE

Any attitudes or circumstances, which are believed to be incompatible with the Ethical Values, may be notified anonymously through the DeFacto Ethical Line, either verbally by telephone or in writing through the defacto@etikhatti.com e-mail address. The Ethical Line is open to the use of all our employees and suppliers, and is operated by an independent and international audit company.

It is not compulsory to disclose identity in the notifications. On the other hand, it is preferred for the notifying individual to specify his identity, in order to be able to examine the notified matter in further detail and considering the potential need to carry out a more detailed discussion with the notifying party.

Calls or e-mails are recorded by a specialized team. The specialized team regularly reports the received notifications to the individuals assigned in the Internal Audit unit and these reports are carefully evaluated by the related officials. Matters which are believed to necessitate sanctions are sent to the Discipline Committee. An employee, determined to act in non-compliance with the Ethical Values, is subject to a variety of discipline penalties ranging from warning to dismissal, as per our DeFacto Discipline Regulation that we provide for the information of every newly recruited employee.

FEEDBACK CHANNELS



ETHICAL VALUES

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

Confidentiality: As DeFacto employees; we take care to protect the confidential and private information of our customers, employees and business partners.

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

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

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

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

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

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

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

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

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

Gifts, Dinners and Entertainments: We refrain from deriving any benefits or accepting any gifts that influence or might influence our impartiality, performance and decisions while performing our job.



PRODUCT RESPONSIBILITY

OUTSTANDING ASPECTS IN 2016

We shared the DeFacto Supplier Code of Conduct with all our ready-wear suppliers.

According to the results of the Supplier Satisfaction Survey we have conducted with the

participation of 88%

our suppliers,

95% of our suppliers stated that they were happy to work with DeFacto.

Our Analytical Test and Physical Test Laboratories have been entitled to be

accredited laboratories

in line with the ISO/IEC 17025 Standards.

We used 100% organic cotton in almost

105,000 products.

We evaluated

212 tons of clippings

from ready-wear fabric wastes in almost

700 thousand products.

With the water-free products, we ensured almost

6,620 tons of water savings

for our suppliers.

In almost

5.6 million product labels,

we preferred to use

recycled paper.

OUR APPROACH

We are aware that we have impacts on the environment and the society with almost 400 stores in 10 countries and over 200 suppliers producing DeFacto products in nine countries. Our environmental and social impact also increases with the increasing number of our products and stores, in proportion with our growth objective. Our approach to product responsibility may be summarized as increasing our positive impacts and reducing our negative impacts on the product value chain.

In the retail sector where we operate, the majority of the environmental and social impacts are created outside of our own operations, namely in more than 500 suppliers, including Ozon Textiles and 338 subcontractors* producing for Ozon Textiles. From these impacts, we primarily focus on working conditions and standards at the workplaces of our suppliers within the scope of social impact, and take compliance with the legislations as basis.

Managing the impacts created at our suppliers is also included among our priority aspects, with the awareness that our responsibilities continue throughout the supply chain. Therefore, we create the necessary infrastructure in order for them to grow and develop together with us, and we support them in improving their technical, environmental and social performances. We carry out regular supplier satisfaction surveys in order to strengthen our cooperation with our suppliers even further, and revise our processes and practices in line with the mutual expectations.

Management of the impacts of our products on customer health, in other words, product safety is an important component of the supply chain. In this respect, we primarily comply with the laws of our country, and also consider the standards that are especially used in European countries for kids and baby products.

We keep the chemical contents in the components composing our products under control in order to minimize the impacts of the products on human health and the environment. We ensure the quality and reliability of our products through product analyses in accredited laboratories and on-site supplier audits.

We also endeavor to offer products that ensure water savings, are produced of organic cotton and recovered filaments to the liking of our customers in increasing amounts, considering the impacts of the raw materials we use in our products, such as cotton, on the environment.

“Increasing customer satisfaction”, which is an important factor in the continuity of our business, is included among the strategic focus areas we have identified along the product value chain. We evaluate practices that will enable our customers to be satisfied with our products and services through customer surveys we conduct regularly and other communication platforms, identify our areas open to development and take actions for purposes of improvement.

With the awareness that our responsibilities continue along the supply chain, it is also our priority to manage the impacts created in our suppliers, who are an integral part of our business.

OUR COMMITMENTS

PRIORITY AREAS	PRIORITY AREAS	EVALUATION OF 2015 & 2016 COMMITMENTS	ACHIEVEMENT STATUS	2017 OBJECTIVES / COMMITMENTS
SUPPLIER AUDITS	We will ensure that the audits of our main suppliers in line with accredited standards are completed by the end of 2015.	We have audited 80% of our main suppliers in Turkey.	Continuing	We will also visit the sub-suppliers of our suppliers and generate a map of our suppliers. We will include our fabric producers within the audit process until 2019.
	We will include our fabric and accessories suppliers within the audit process until the end of 2016.	We have included all our accessories producers in the audit process.	Partially Completed	
SUPPLIER TRAININGS	We will give development program trainings that we have prepared as aimed for our suppliers, including the “social compliance and ecological values” modules, to the relevant employees of all domestic and foreign producers until the end of 2016.	We are continuing to develop the contents of this training module and we have not yet offered it to our employees.	Not achieved	We will start to give the development program trainings that we have prepared as aimed for our suppliers, including the “social compliance and ecological values” modules, to the relevant employees of all domestic and foreign producers.
PRODUCT SAFETY	We will update the Kids’ Products Safety Manual and share it with our suppliers.	We added the baby classification to the kids’ product safety Manual. We are continuing to update the contents.	Continuing	We will update our kids’ product safety booklet and share it with our suppliers.
	We will give training to our employees responsible for Buying on the use of chemicals.	We gave training on the use of chemicals to our store manager candidates.	Partially Completed	
ENVIRONMENT FRIENDLY PRODUCTS	We will ensure that our products produced by using organic cotton are available at our stores throughout the year.	We have ensured that our products produced by using organic cotton are available at our stores throughout the year.	Completed	We will evaluate cooperation options with the Better Cotton Initiative.

SUPPLY CHAIN MANAGEMENT

While we support the development of our suppliers with the integrated supply chain we apply on one hand, we conduct audits in order to assess that they are operating in compliance with our standards, both as DeFacto and Ozon Textiles, on the other hand. In this way, we ensure that our

suppliers carry out their businesses at the high standards we expect from them. Technical, quality, financial and social approvals are of critical significance in order to ensure the same standard and quality in our procurements from different parts of the world.

ABOUT DEFACTO SUPPLY CHAIN

We procure 84.2% of our ready-wear products by volume from our suppliers producing in Turkey. Meanwhile, our global operations continue their production under 9 different countries. We procure 81.2% of the accessories we offer to the liking of our customers from Turkey, and the rest from abroad.

Supply chain perfection is one of our essential strategies. Our Products are taken through/(exposed to) multiple processes before they reach the stores as finished products. We follow the capacities and occupancy ratios of our suppliers as online in order to ensure that these processes are monitored.

Ozon Textiles realizes its production in close collaboration with its sub-suppliers operating in various parts of Turkey. Ozon Textiles, working with almost 320 sub-suppliers for fabrics, accessories and contract production in 2016, has procured 99% of the raw materials it has used in production in 2016 from Turkish producers.

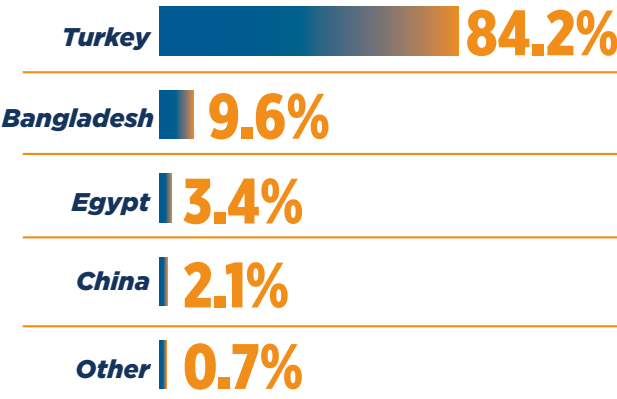
SUPPLIER CODE OF CONDUCT

There are certain minimum conditions that we expect our suppliers to comply with during their activities. We have shared these conditions, which we dealt with within the scope of the Supplier Code of Conduct, with all our ready-wear suppliers in 2016.

The DeFacto Supplier Code of Conduct is based on the UNGC Principles, Universal Declaration of Human Rights and internationally recognized standards such as the International Labor Organization

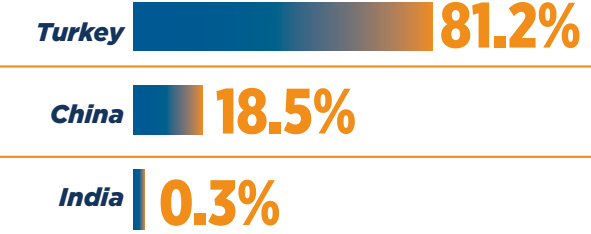
SUPPLY DISTRIBUTION OF READY-WEAR PRODUCTS ON

COUNTRY BASIS



SUPPLY DISTRIBUTION OF ACCESSORY PRODUCTS ON

COUNTRY BASIS



(ILO) Conventions as well as our Company values.

Our “red lines” – in other words, non-compliances – within the scope of our Supplier Code of Conduct, which consists of 11 basic principles, also include the elimination or risks and/or aspects that are definitely necessary to improve the conditions. We provide guidance during the audits as aimed for development in this respect.

OUR VALUES

- Employment of Child Labor:** We do not accept the employment of child labor in our main or sub-suppliers under any circumstances.
- High Fire Risk and Building Safety:** We do not work with suppliers that are nonconforming with respect to Occupational Health and Safety.
- Employment of Illegal or Immigrant Workers:** We do not accept the employment of immigrant workers under conditions in violation of the law.

PERFORMANCE EVALUATION

We subject all our domestic and foreign suppliers to our DeFacto Performance Evaluation system every year. We grade our suppliers, which we evaluate under the main headings of quality, timely dispatch and management, as based on the performance scores that emerge.

For example, while we allow privileges to our producers with a “strategic” performance score, we define corrective actions and offer training programs as aimed for our suppliers with low performance scores. We expect our suppliers to increase their performance scores in the following audit and move to one higher category, in line with our continuous improvement approach. Meanwhile, we stop working with our suppliers who are in the red scale.

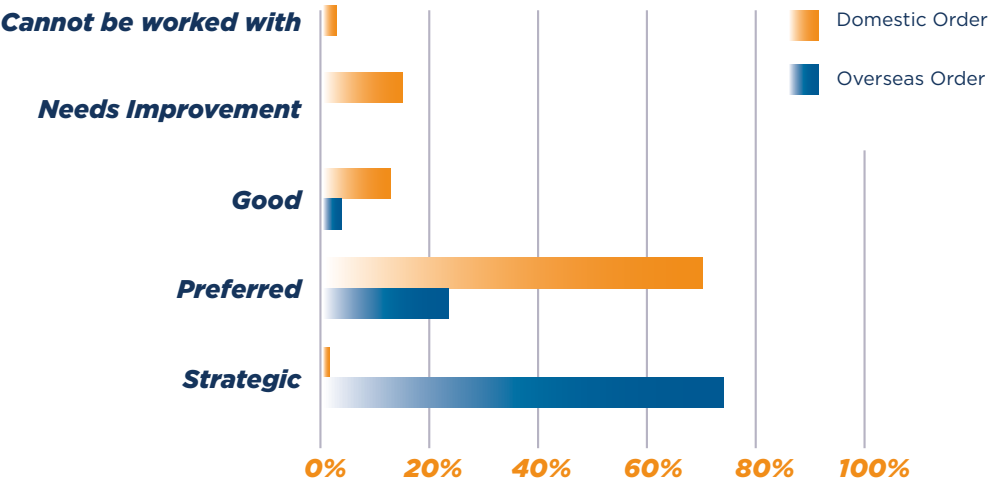
In 2017, we will use the Supplier Performance Evaluation results more effectively. Following assessment, we will give priority to the producers who are determined as “strategic” according to the scoring system in placing orders and monitor them closely from the technical perspective. Our purpose is for these producers to satisfy the DeFacto Standards in technical perspectives, quality levels and social compliance levels.

SUPPLIER EVALUATION

SCORE	GRADING
95 - 100%	Strategic
85 - 94%	Preferred
70 - 84%	Good
50 - 69%	Needs Improvement Areas
% 49 AND BELOW	May not be worked with

The graph below shows the distribution of the performance grading of our suppliers as based on the percentage of the placed orders by volume in 2016. 100% of the foreign goods and 83% of the domestic goods are procured from suppliers who have received a performance score of 70 and above. We cease to work with suppliers who are in the red category in supplier evaluation. We work with producers in the orange category, in other words who need to improve, provided that we place orders in restricted quantities and they improve their deficient aspects. Our goal is to be able to procure 90 percent of our volume from producers above the “good” category.

PERFORMANCE DISTRIBUTION OF SUPPLIERS ON ORDER VOLUME BASIS



Note: Suppliers, to whom we place orders over 20,000 pieces in overseas and over 50,000 pieces in domestic orders, are included in this evaluation.

SUPPLIER AUDITS

We subject our suppliers to audits on different subjects in order to ensure that our products meet our quality expectations and the production processes are conducted according to the principles in the Supplier Code of Conduct, and to control such compliance.

The activities aimed to ensure the social compliance of approximately 160 main suppliers and 900 sub-suppliers of DeFacto domestically and 45 main suppliers abroad, are conducted on three different pillars, which are pre-assessments where the suppliers evaluate themselves, independent third party audits and the field audits by the DeFacto team.

We subject our main suppliers and their sub-suppliers to audits as based on the essential principles in the DeFacto Supplier Code of Conduct composed of 11 main articles and so as to cover especially the aspects that constitute our “red lines” among these principles, in order to improve our suppliers in the sense of social compliance and eliminate the nonconformities, if any. In addition, we expect our main suppliers to pass through an independent audit in line with one of the internationally recognized audit standards.

3RD PARTY AUDITS

Our main suppliers regularly go through an audit every year by the independent audit company SEDEX. We also accept the audits of our suppliers outside of SEDEX, as based on international standards such as BSCI and WRAP as valid. Corrective action plans are generated for our suppliers where nonconformities are determined and their progresses are monitored by the social compliance team. As of 2016, we have included our accessories suppliers in addition to our ready-wear suppliers within the audit scope. Meanwhile, we will take our fabric suppliers within the audit scope in 2017-2018..

DEFACTO AUDITS

As DeFacto, we subject all our main suppliers to a pre-assessment before starting to work with them. Following the pre-assessment, the quality audit team visits our supplier and makes a general evaluation with respect to quality and social compliance, and we start to work with suppliers who have received a passing score. The audits conducted by the quality audit team includes aspects such as child labor, fire safety and the use of personal protective equipment as well as the apparel quality standards.

PASSING RATIOS IN THE AUDIT OF THE QUALITY AUDIT TEAM

	2015	2016
TURKEY	79	90
OZON	88	91
TURKEY IN GENERAL	85	90

We have invested in human resources in the field of quality assurance and established the “interim control” team in 2016. In this way, we have been able to detect potential quality problems on time by controlling our products during production and thus improved the quality levels of our products. As a result of the interim control program we have started in our domestic suppliers first, during the second half of 2016 with the support of the interim control team, we have ensured an improvement by 11% in the ratio of passing from the audit in the first round.

SUBCONTRACTOR AUDITS

The DeFacto social compliance team carries out field visits as based on our red lines at the sub-suppliers affiliated with our suppliers. As a result of these visits, we review the potential to work with both that sub-supplier and the main supplier it is affiliated with in the next term.



DISTRIBUTION AS BASED ON AUDIT TYPES

As of the end of 2016, we accessed all, i.e. 100%, of our main suppliers operating in Bangladesh, Egypt and Turkey and our sub-suppliers in Turkey by pre-assessments or Workshop visits. In addition, starting with the end of 2016, we will concentrate on visits to our sub-suppliers in Turkey and generate a general supplier workshop map in 2017.

SUPPLIER TRAININGS

We visited the workshops of all our suppliers regularly in 2016 and gave trainings about the apparel standards. With these trainings, we ensured that the suppliers share the same perspective to the products with the DeFacto technical teams. In addition to these workshop visits, we re-visited starting with our strategic producers, and made 400 workshop visits and audits in total.

SUPPLIER AUDITS IN OZON TEXTILES

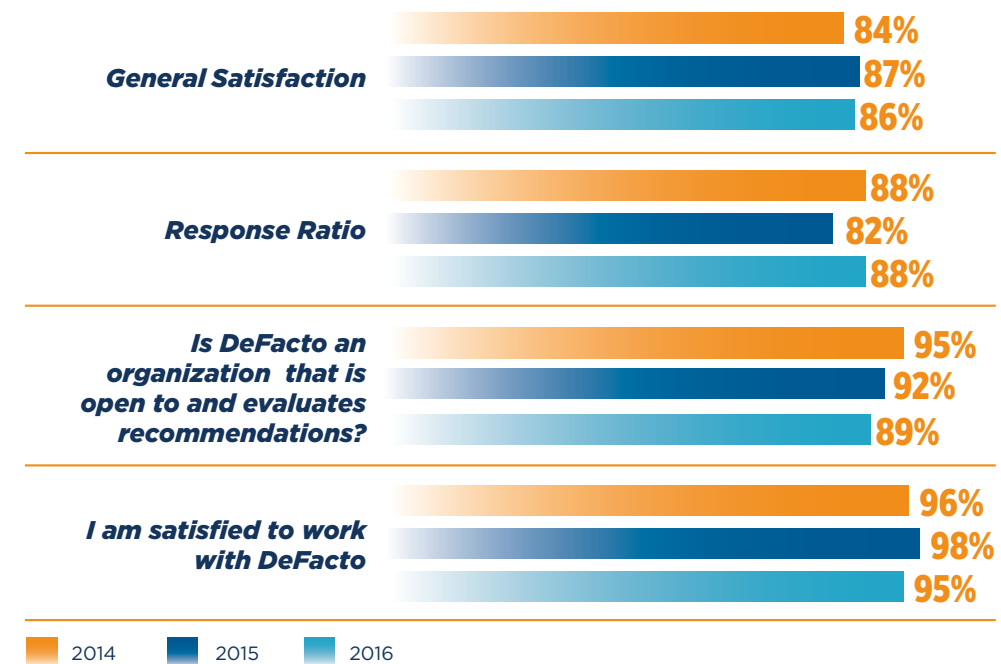
The supplier audit process of Ozon Textiles is similar to DeFacto's process. As Ozon Textiles, before we begin to work suppliers, we ensure product quality by evaluating them through certain procedures such as Supplier Technical

Evaluation Process as well as Social Compliance Assessment Process. In the nonconformities determined as a result of the audits, we support our suppliers in the correction of our red lines both in technical and social compliance and areas open for improvement, and enable the closure of the nonconformities. Regular audits are carried out at our suppliers in İstanbul by our own teams, as based on their degrees of risk. Meanwhile, our suppliers outside of İstanbul are audited twice a year within the scope of the Contract Supplier Technical and Social Compliance Procedure.

SUPPLIER SATISFACTION SURVEY

Mutual satisfaction, which is also significant with respect to business continuity, underlies the long-term business partnership we build with our suppliers. We organize supplier satisfaction surveys once in every six months since 2014, in order to measure the satisfaction of our suppliers about working with DeFacto and the improvement areas. All our domestic and overseas suppliers are invited to participate in the survey, and the results have been provided in the following graphs. We prepare and implement action plans as aimed for the improvement areas determined in line with the results obtained from the survey.

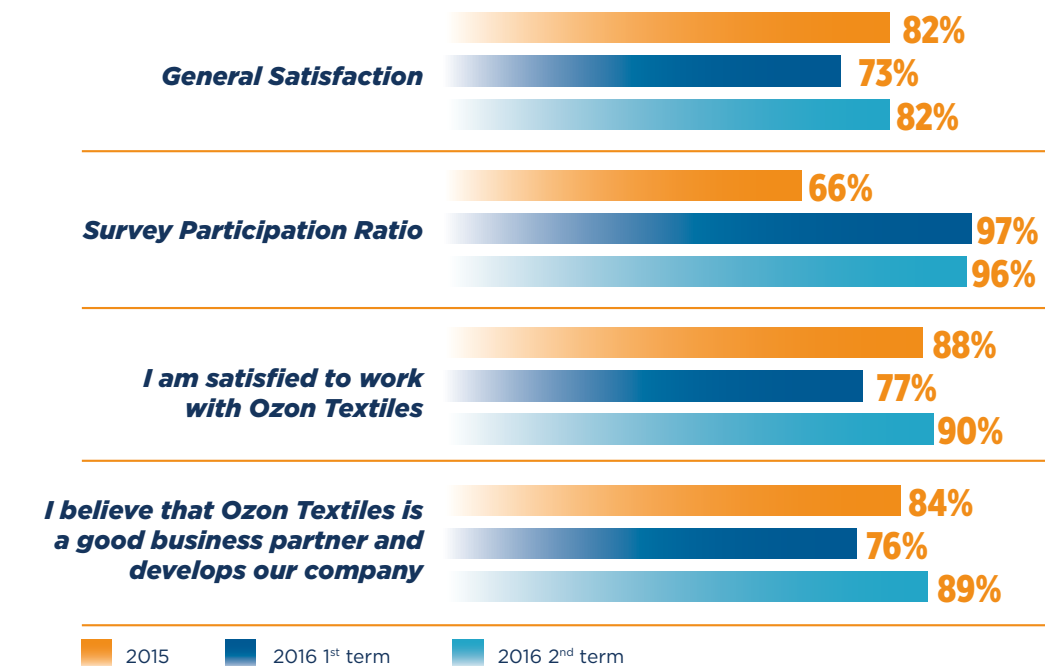
DEFACTO SUPPLIER SATISFACTION SURVEY (%)



Ozon Textiles applies a supplier satisfaction survey twice a year to measure the strength

of its available cooperation and develop its relations further with its suppliers.

OZON TEXTILES SUPPLIER SATISFACTION SURVEY (%)



PRODUCT SAFETY

Ready-wear products constitute an important part of our production. In addition to these, shoes, products such as jewelry that we call accessories are also offered to the liking of our customers at our stores. Minimizing the adverse impacts that these products may cause on human health and the environment is included among our priority aspects.

As is the case in many products that we use on a daily basis, certain chemical based materials such as dyes and adhesives are also used during the production of clothing and accessory products. Such substances are used provided that they are in trace amounts below the legal limits, in other words, in quantities that will not cause any hazards with respect to human health. We have the products we offer to our customers tested in accredited laboratories in order to ensure that the amounts of the residual chemical substances in the products are below the limit values prescribed in the laws. We do not dispatch any products with chemical residue quantities above the legal limits to our stores.

Phthalates, azo-dyes and heavy metals, which are believed to harm human health, are included among the restricted chemicals that we control. We have been testing our products in compliance with the "OEKO-TEX® 100" standards since 2014, when

restrictions had not even been brought yet for hazardous chemicals in the Turkish legislations. In this respect, we are one of the rare Turkish brands that offer products in compliance with standards adopted by world brands for sale at its stores in our country.

We will give trainings to our suppliers and the employees of the related departments on the use of correct and non-hazardous components, with the awareness that it is necessary to manage the potential impacts of products on human health starting from the product selection and procurement processes.

KIDS PRODUCTS

There are certain rules and standards that should be followed in order to ensure the safety of children and eliminate any potential safety threats in products aimed for children. While some of these standards are stipulated by TSE (Turkish Standards Institute), there are European Standards for some others.

In 2016, we have reviewed all our available children's product safety standards; and made revisions in compliance with both the current TSE standards and, when necessary, European standards. The Product Safety Manual, which covers the standards we have updated, includes information on both the technical apparel standards and the technical production methods that should be followed in order to meet these standards.

PRODUCT QUALITY TESTS

We subject our products to tests with respect to quality and residual chemicals considering the satisfaction and safety of our customers. We have established an accredited laboratory within our organization in order to ensure that the tests are conducted effectively at international standards. Our Analytical laboratory and Physical laboratory were entitled to be accredited in line with the ISO/IEC 17025 Standard, following the audit conducted by TÜRKAK in our laboratories in February 2016.

The contents of the tests conducted at the DeFacto laboratories are more comprehensive than the tests that are compulsory for products imported to Turkey.

Furthermore, our laboratories allow for the tests to be made in a more reliable environment and yield more reliable results.

Analytical (ecological) Test Laboratory

is where the used materials and hazardous chemicals coming from the production processes are analyzed in compliance with the requirements of OEKO-TEX, which is recognized worldwide and implemented in more than 40 countries for textile products, and it is ensured that any products that could pose risks for human and environmental health are not placed on sale. The tested chemicals include phthalates, azo-dyes, organic tin compounds, as well as heavy metals such as lead, cadmium, nickel and chromium.

100 finished product analyses are made per day on the average by a technical team of 15 members at the Analytical laboratory we have established with an investment cost of approximately two million TL.

Physical (textiles) Test Laboratory

is the laboratory where we analyze fabric quality by applying physical tests on the fabrics that will be used in ready-wear and accessory products. Our goal is to increase customer satisfaction and reduce the return ratios by determining the faults arising from production in advance, as a result of the performed physical tests. We follow the related TS EN ISO test standards as reference and use the applicable test methods.



Color fastness tests (washing, perspiration, water, light, friction, etc.), piling and pilling, size consistency tests and resistance tests (tearing, breaking, stitch slipping, etc.) are conducted.

The physical test laboratory has been established with an investment cost of approximately 1.7 million TL, and the technical team of 15 carries out 100 fabric and 70 finished product analyses per day on the average.

LABORATORY WASTES

The analytical laboratory generates six tons of hazardous liquid wastes and approximately 1,200 tons of non-hazardous wastes per year on the average. All of these wastes are delivered to institutions authorized by the Ministry of Environment and Urbanization in order to be disposed of. Meanwhile, 380 tons of non-hazardous liquid wastes are generated per year on the average at the physical laboratory..

During 2015 and 2016; we have conducted 144,592 different analytical tests on 37,389 product samples; and 701,224 different physical tests on 87,653 product samples.



TESTS OUTSOURCED TO
ACCREDITED THIRD PARTIES IN
2015 AND 2016

We send samples to accredited independent test organizations under circumstances where the daily laboratory capacity is exceeded or potential failures in the instruments; we have sent 3,412 samples in total to third party analytical laboratories in 2015 and 2016. In addition, we have also sent 2,528 samples in total to third party physical test laboratories during 2015 and 2016.

The availability of the test laboratories within our own premises is an element that reduces the product approval process, increases product safety and supplier satisfaction.

As DeFacto and Ozon Textiles, we conduct broken needle protocols in our production and at our suppliers for the full safety of the end users. Within this context, all our products are checked with metal detectors for a final time prior to dispatch.

ECOLOGICAL PRODUCTS

In addition to our direct environmental impacts generated during our retail activities, we endeavor to minimize our indirect environmental impacts created at different stages of the process, from the procurement of our products as raw materials up their processing by our suppliers.

We implement three fundamental approaches in order to minimize the impacts of our products on the environment:

- Organic cotton
- Recycling
- Water savings

Note: We have handled the environmental impacts of our companies, which are included within the scope of the report, resulting from our activities under the Environment Chapter of this report.

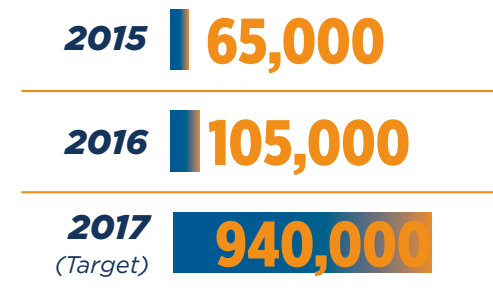
ORGANIC COTTON

We prefer cotton based fabrics in a majority of our products we offer to the liking of our customers at our stores since it is a natural filament. In the meantime, cotton production requires large amounts of irrigation, disinfection and agricultural land use. Therefore, cotton is a raw material with a relatively high negative impact on the environment. Production of cotton with organic

agricultural practices allows to reduce such impacts relatively. In addition, organic cotton is a raw material that is preferred with respect to human health since synthetic pesticides and synthetic fertilizers are not used in its production.

We have started to offer products such as t-shirts, shirts, pants, tricots, which are produced by using organic cotton, to our customers in our stores at certain intervals since the beginning of 2015. In addition to our products where we use fabrics made of 100% cotton, we also have products that are at least 60% organic cotton.

ORGANIC PRODUCT QUANTITIES (PIECES)



As Ozon Textiles, we have procured 20.1 tons of 100% organic cotton fabric in total during 2015 and 2016.



Organic cotton is cotton produced from plants that have not been genetically modified, and have not been treated with synthetic fertilizers and pesticides. It ensures the sustainability of the soil quality and preservation of natural diversity since any chemicals are not used during production.

RECOVERY

We prefer recovered materials, when possible, in different materials from textile filaments to product accessories and parcels in order to use the limited natural resources in a thrifty manner.

We investigate technological alternatives to re-use raw materials obtained from clippings formed during the production of textile products, textile products that are no longer used by the consumers and even PET bottles, and we implement those that are compatible with our production.

PET BOTTLES

Thanks to the technology that allows the recovery of PET packaging wastes as PET chips at recycling plants, approximately 7.5 recovered PET bottles can be used in the production of one t-shirt.

We will recycle approximately 4.5 tons of PET bottles in 15,000 t-shirts that we will offer to the liking of our customers at our stores in 2017.

CLIPPINGS

We utilize the clippings, which emerge during manufacturing at the workshops of our suppliers, in new products; we use fabrics made of recovered filaments that constitute 50% of the product weight in some products.

In 2016, we processed 313 tons of clippings in almost 700,000 products and prevented them from being disposed of as wastes. Meanwhile, our objective for 2017 is to evaluate 430 tons of clippings in approximately 1 million products.

In 2016, we have recovered 166 tons of the clippings that emerged at our workshops during production as Ozon Textiles.

OTHER RECOVERIES

We attach particular importance to the production of product accessories, as well as our products, by observing ecological elements. We encourage the re-use of hangers and product packaging.

We prefer to use parcels that have been produced of recovered paper in handling our products.

We have preferred recovered paper for approximately 2 million product labels in 2015 and approximately 5.6 million in 2016.

Recycling / Recovery mean the recovery of waste materials, which are out of use and can be recycled, into the manufacturing processes as raw materials through different methods.



WATER SAVINGS

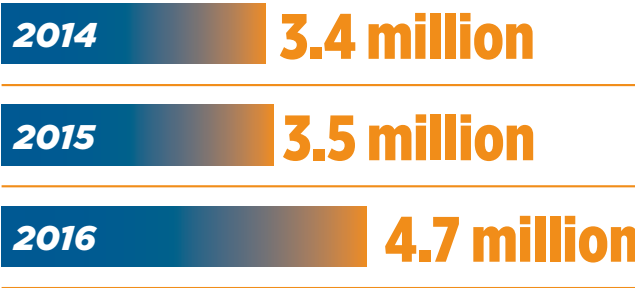
Fresh water is among our restricted natural resources. Textile sector is a sector where relatively a lot of water is used. Therefore, it is important to use water thriftily in order to reduce our impact on the environment.

WATER-FREE PRODUCT

It is necessary to pass a product through washing at the final stage of production in order to bring it to a softness that will appeal to the customer. Silicone softeners are added in the water when the product is being washed. We have named our products, which are produced with a technique applied during fabric production to give this softness instead of by washing, as water-free products. Thanks to water-free products, we ensure both water and energy savings since there are no washing and ironing operations as compared to the normal process.

In 2016, we have released into the market approximately 4.7 million pieces of water-free products for sale at our stores and succeeded to save approximately 6,220 tons of water in this way.

NUMBERS OF WATER-FREE PRODUCTS

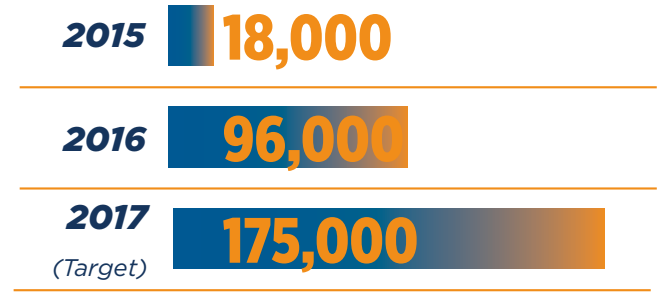


CELLULOSE BASED FILAMENTS

Another practice that helps us reduce water consumption during the production of our products is to use fabrics produced from filaments, which are known with the generic name of lyocell, and trademark name of Tencel® and Modal®. Tencel® and Modal® are cellulose based raw materials, the filaments are produced from cellulose and the impact of the filament on the environment is a lot less than cotton and synthetic fabrics. Cellulose is obtained from trees and is thus a renewable raw material. Water and chemicals are used at minimum levels in the production of Tencel® and Modal® filaments, as compared to the high amounts in cotton production. For example, the water used in the production of Modal® filaments is approximately 10%, and Tencel® filaments approximately 5% of the water used in cotton production. The trees used in the production of both filaments are sourced from producers who carry out responsible forestry activities.

NUMBERS OF PRODUCTS MADE USING FABRICS

PRODUCED OF TENCEL® FILAMENTS



Fabrics containing minimum 65% or more Tencel filaments have been used in these products.

CUSTOMER FOCUS

The customer is at the focus of everything we do as DeFacto. We carry out certain studies in order to measure the total experience of our customer concerning our brand, starting from the time that he has not yet entered our store, so that we are able know our customers closely and feel their pulses continuously.

We monitor the effectiveness of our brand image and communication activities by quantitative customer researches we carry out on a monthly basis. We regularly conduct qualitative and quantitative studies in order to understand the product related requirements and expectations of our customers, and find out about their opinions regarding our collections.

We make customer satisfaction measurements by tablets and conduct surveys with our customers at defined intervals in order to measure and evaluate the in-store experiences of our current and potential customers starting from the moment they enter the store. We test the reflection of our campaigns and in-store activities on the customer side by new generation research methods and ensure that the effective operations are continued.

In line with the researches and studies we carry out under the customer focus theme, we identify and implement areas that will ensure the improvement of also our stores as well as our products and services.

We follow up on all communications of our customers related with us at the call enter and in the social media. In the meantime, we aim to be closer to our customers by working at the stores once a month as the DeFacto team. In 2016, we have organized the “Customer Experience Days” with the participation of the Product Management team. More than 900 store visits have been made during the “Customer Experience Days”, and the team members took charge as sales advisors at the store and found the opportunity to experience the products and services we offer to the customers personally in the store environment.

OMNI-CHANNEL

We make use of different mediums of communication such as store, internet, call center, mobile and social media in order to offer a consistent and coherent experience to the customer from all channels, at the time and place and with the tools the customer wants. We aim to increase customer satisfaction by providing sales and support services at the same quality through different channels. We ensure ease in product sales, replacements and returns ease through the integration of the shopping spots.

GRIEVANCE MANAGEMENT

Our customers may convey their opinions, requests and wishes regarding our products and services to us through different channels. The feedbacks we receive from our customers are opportunities to improve our products and services.

We handle the demands and complaints that reach customer services through the call center and the www.defacto.com.tr address within the framework of our certified ISO 10002:2004 Customer Satisfaction Management System. We immediately resolve complaints that are recorded by the customer representatives, if possible. Under circumstances where an immediate solution is not possible, we refer the matter to the relevant department in order to be evaluated. We notify the result related with the complaint to the customer, and define and implement actions aimed for the improvement concerning the product, service or process when necessary. Acting on the calls received in 2016, we will increase the number of our call center employees by 30% in order to ensure a faster and more effective call center structure and higher customer satisfaction in 2017.



STORE PRACTICES AIMED FOR THE BENEFIT OF OUR DISABLED CUSTOMERS

We have started the practice of cabins compatible for the entry of wheeled chairs as pilot in some stores in 2015, and have applied this at all our new stores since 2015. In addition, we started the wheeled chair compatible cash register practice as pilot in 2016. In the meantime, we have implemented the store entrance ramp practice in order to provide ease for our customers at our stores outside of malls.

INNOVATIVE PRODUCTS

Developing innovative products and offering them to the liking of especially our young customers is among our priorities within the scope of product management. Some of the innovative products which we have developed during the last several years and have set a trend in the sector when implemented, and have acquired a significant share in both domestic and international sales may be listed as follows: Color changing t-shirts, form changing t-shirts, “your design”, sequin application that can be seen on both sides and “3 in 1” t-shirts. We have developed some of these products in collaboration with Ozon Textiles. Meanwhile, “Your design” is the result of a collective study with DeFacto Technology and is a practice that we currently continue to offer to our customers through e-trade.



ENVIRONMENT

OUTSTANDING ASPECTS IN 2016

We have reduced the average monthly per sqm electricity consumption in our stores in Turkey by approximately **14 %** as compared to the previous year.

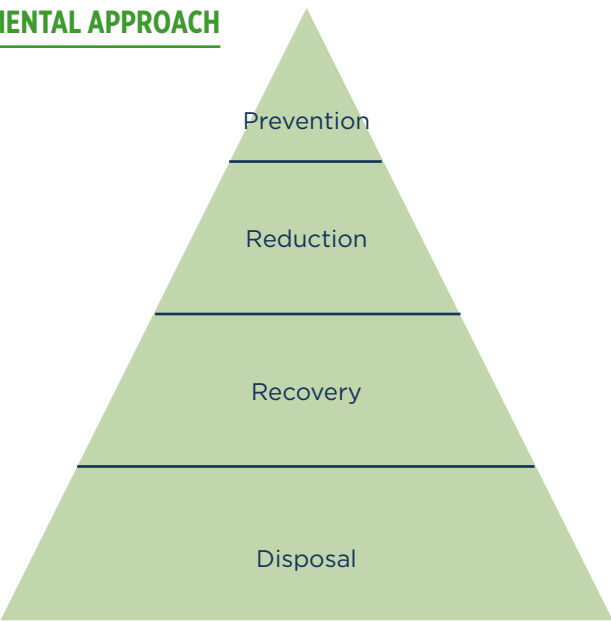
We have ensured the recycling of **1,688 tons of cardboard and 338 tons packaging wastes** through our stores.

Thanks to our e-waste campaign, we have donated **970 kg of electronic wastes to TEMA.**

OUR APPROACH

Prevention and reduction of our impacts on the environment as far as possible constitutes the basis of our environmental approach.

OUR ENVIRONMENTAL APPROACH



Retailing and warehousing are the operations that we carry out primarily. Energy consumption and packaging wastes arising from our activities take the lead among the main environmental elements that we manage. Efficient use of energy and materials such as paper, cardboard and plastics obtained from natural resources are among our priorities since they are important from the perspective of operational expenses, in addition to our environmental impacts.

A significant part of the environmental impacts in the retail sector where we operate is created outside of our own operational boundaries, at our suppliers producing ready-wear and accessories. In addition, the factories of Ozon Textiles, which we have added within the scope of our report this year, also have environmental impacts. Water and energy consumption, use of chemicals, waste water and solid wastes stand out from the environmental perspective in the ready-wear sector.

As DeFacto, our expectations from our suppliers are the management of all environmental impacts created during production in compliance with the law and regulations, in addition to the efficient use of resources. For example, economic use of water, which is consumed in large amounts during fabric production, thanks to innovative practices, and the discharge of waste waters in compliance with the regulations are aspects that are important in our supply chain.

We have explained the practices we have implemented in the product value chain in order to reduce our environmental impacts under the “Product Liability” chapter of this report in detail.

OUR COMMITMENTS

PRIORITY AREAS	2015 & 2016 COMMITMENTS	EVALUATION OF 2015 & 2016 COMMITMENTS	WAS OBJECTIVE ACHIEVED	2017 OBJECTIVES / COMMITMENTS
ENERGY	We will report the data on energy consumption in the warehouse.	We have reported the energy consumption data in our warehouse.	Completed	We will change all lighting at the Headquarters building to LED.
	We will complete the feasibility study for the installation of systems generating electricity from solar energy as pilot in one store.	Feasibility study has been conducted, but we have decided not to implement such a practice.	Completed	
PACKAGING AND WASTES	We will replace the bags in all our stores in Turkey and abroad with those that have been made of biodegradable plastic.	The bags in all stores in Turkey and abroad are made of biodegradable plastic.	Completed	We will reduce the weight of the bags in all our stores by 5%.

ENERGY

We consume energy for a variety of purposes, such as lighting and air conditioning in the buildings, operation of the automation system used to sort the products at the warehouse, and the transportation of our employees to and from work, while conducting our activities. Furthermore, energy is also consumed during the knitting and apparel activities carried out at factories belonging to Ozon Textiles.

While energy consumption causes the emission of greenhouse gases, which lead to climate change, to the atmosphere on one hand, it also results in the decrease of fossil fuels that are among the limited natural resources. We define and

implement a variety of savings measures in order to reduce our negative impacts on the environment such as these

In addition, we establish local warehouses at our overseas locations where our sales are relatively high in volume and send the products of our suppliers directly to such warehouses, within the scope of the logistics activities. In this way, we ensure both fuel savings and operational efficiency.

ENERGY CONSUMPTION

As a company that is growing rapidly, the number of our stores and the quantity of products we offer to our customers exhibit increases every year. The total amount of energy we consume also increases over the years in connection with that. Nevertheless, we have managed to reduce our per unit energy consumption by the energy efficiency practices we have implemented.

The energy consumption amounts as based on years have been explained in the “Performance Data” chapter of this report. Meanwhile, the calculation methodologies aimed for the energy data are provided in the “Reporting Guide”.

Note: Consumption quantities of Ozon Textiles have been added to the data for 2015 and 2016. In addition, the 2016 data include the amount of natural gas consumed at the DeFacto warehouse, which could not be obtained for 2015.

IN-HOUSE ENERGY CONSUMPTION IN TURKEY

YEARS	GJ
2014	170,961
2015	220,485
2016	274,330

The unit we use to monitor energy savings at the stores is the amount of energy consumed per surface area (sqm) monthly. As can be seen in the following table, the average per sqm electricity consumption has been reduced by 14% in 2016 as compared to 2015.

MONTHLY ELECTRICAL ENERGY CONSUMPTION AT THE STORES IN TURKEY (kWh/sqm/month)

2015	18.6
2016	16.0

OUR ENERGY SAVINGS PRACTICES

ELECTRICAL FORKLIFTS

We prefer electrical forklifts when we purchase forklifts in order to be used at the DeFacto warehouse in line with our requirements. Electrical forklifts have a positive impact on the indoor air quality, and furthermore they are more economic. Our impact on the environment is reduced thanks to electrical forklifts since the greenhouse gas emissions arising from the consumption of electrical energy are less than the greenhouse gas emissions arising from diesel fuel consumption.

ECONOMIC LIGHTING

We replace the compatible light bulbs with LED light bulbs, when it is time to replace the light bulbs used for lighting purposes, and we completely use LED luminaires in our newly opened stores. We will replace all our light bulbs in our Headquarters with LED ones in 2017.

ECONOMIC AIR-CONDITIONING SYSTEM IN STORES

In the air-conditioning systems, which we use for heating and cooling purposes in our stores, we prefer those with high efficiency with respect to energy consumption and

are environment friendly with respect to the coolant gas they contain. Furthermore, we ensure that these systems are maintained regularly in order to keep the air quality in the environment within the limit values defined for human health and allow for the ventilation systems to operate at high efficiency.

ECONOMIC LIGHTING AT OZON TEXTILES

We have totally abandoned the use of light bulbs with balance and fluorescent tubes for lighting purposes, primarily at the Ozon Textiles Headquarters, and at the warehouse in Kırac and the factories in Sivas and Batman, and shifted to the use of photocell controlled LED luminaries that provide better lighting at the common areas. Thanks to this measure, we have achieved savings by 60% per year in the electrical energy we use for lighting purposes.

We have prevented the consumption of 86,000 kWh, in other words 309 GJ of electrical energy per year, by shifting to T5 and LED luminaires in 2016. This corresponds to the annual electrical energy consumption of 29 households of four members.

AIR-CONDITIONING CONTROL SYSTEMS AT OZON TEXTILES

We have installed air-conditioning control systems at Ozon Textiles Headquarters and the warehouse in Kırac; we have prevented the operation of the air-conditioners outside of working hours and unnecessary operation of the heating systems in our warehouses.

OUR 2017 OBJECTIVES FOR THE VEHICLE FLEET

We will prefer vehicles with low fuel consumption and environment sensitive exhaust gas emission values while selecting the trailer trucks and trucks we plan to procure in 2017. In addition, we will give economic driving trainings to our drivers in the coming period, and use vehicle tracking systems that will allow us to monitor the fuel consumptions and followed routes, and thus reduce fuel consumptions.



We ensure 35% savings as compared to store of similar sizes, thanks to the low electrical consumption air-conditioning systems and new-generation LED luminaires we prefer at our stores.

PACKAGING AND WASTES

PACKAGING

The most important waste group generated by companies in the retail sector is packaging wastes. As DeFacto, we use cardboard parcels, paper and plastic packaging materials during the transportation of our products from our suppliers to our warehouse and directly to our domestic and overseas stores. Minimizing the use of these materials and thus minimizing the amount of generated wastes, and disposing of the generated wastes in compliance with the law and regulations are among our priorities. In addition, we also carry out studies to reduce the packaging materials at the store, before they become wastes.

CARDBOARD PARCELS AND PLASTIC PACKAGING

The cardboard parcels used in the transportation of the products form wastes when they are out of use. We reduce both our operational expenses and the amount of generated wastes by ensuring that the parcels we procure have longer service lives, and may be used at least three or four times under normal conditions. We re-use the parcels received from our suppliers and emptied and the return parcels received from the stores in product dispatches made from our warehouse in Çerkezköy.



Only 10% of the parcels dispatched from our warehouse are new parcels.





Cardboard parcels that have completed their service lives and the plastic materials used in packaging the products are delivered by our stores to licensed waste collection and sorting firms operating at the provinces and municipalities where they are located. We regularly check the validity of these firms' licenses. In some malls, the wastes are collected and compatibly disposed of by the mall management. 71% of the packaging wastes of our stores in Turkey are delivered to licensed disposal firms.

We have ensured the recycling of 1,442 tons of cardboard and 288 tons of packaging wastes in 2015, and 1,688 tons of cardboard and 338 tons of packaging wastes in 2016.

In addition, 187 tons of paper and cardboard have been collected by ÇEVKO on our behalf, as per the "Releaser Statement" within the scope of the regulation aimed for packaging wastes.

The parcels procured by Ozon Textiles are recycling-certified products. The amount of recoverable parcels procured in 2015 is 936 tons, and 1,286 tons in 2016.

PLASTIC BAGS

At least 52% of the bags we gave to our customers have been collected and recycled by ÇEVKO in 2016, as per the regulation that is in force in Turkey.

While plastic bags are obtained from petroleum, which is a non-renewable source, they also remain in nature without decomposing for many years and cause pollution.

Taking this into account, we have shifted to the use of bags made of biodegradable plastic at our stores in Istanbul in 2014. As of 2015, we have expanded this practice to all our stores in Turkey and abroad.

The plastic bags procured by Ozon Textiles are produced from recyclable materials. The amount of plastic bags procured is 950 tons in 2015 and 670 tons in 2016.

OTHER WASTES

All locations where we operate, including the locations that belong to Ozon Textiles, generate wastes that are required to be disposed of in the hazardous category as per the relevant regulation in our country, as well as domestic wastes.. Laboratory wastes and electrical and electronic wastes at the Headquarters building, and the wastes generated during the maintenances and repairs of the vehicles at the warehouses are in the hazardous category.

The electrical and electronic wastes, fluorescent tubes, batteries at the Ozon Textiles Headquarters and the wastes generated during the maintenances and repairs of the vehicles at the warehouses are in the hazardous category as per the legislation. Meanwhile, there are wastes such as textile wastes (clippings), scrap paper and packaging plastic at our factories, in addition to those in the medical and hazardous waste category.

We sort the generated wastes and deliver them to licensed waste firms as approved by the local administrations and the related ministry.

PAPER

We implement a variety of savings practices in order to reduce the amount of paper we use and increase our operational efficiency. For example, it is possible to monitor the amount of paper consumed on user and department basis by ensuring that printouts can be received from the printers only with a user code. In the meantime, we ensure savings by using digital communication displays instead of printed posters at our compatible stores.

The photocopy papers we use at our Headquarters building have sustainable forest certificates (PEFC). Paper consumption per employee exhibits a decrease as a result of the savings studies conducted at our Headquarters building

WATER

Water consumption is not an environmental priority aspect for our retail activities. Meanwhile, the total amount of water we use is relatively low at the factories belonging to Ozon Textiles within our organization because they do not have production processes with high water consumption, such as fabric dyeing. Almost all of the water we consume at our offices and stores is used for personal and cleaning purposes; in addition, water is consumed at the dining halls in some locations. We use the water in our storage tank for personal and cleaning purposes.

WATER SAVINGS

In the awareness of the fact that fresh water is limited source, we take a variety of measures in order to reduce our water consumption as much as possible. For example, we prefer photocell controlled fixtures at our Headquarters building and newly established stores.

ANNUAL AMOUNT OF WASTE PAPER PER EMPLOYEE (KG)



ELECTRONIC WASTES

We also deliver the electrical and electronic appliances that emerge at our Headquarters building and qualify as wastes to licensed recycling firms. We have disposed of 70 kg of wastes in 2015 and 970 kg in 2016 in this way.

At the Ozon Textiles Sivas factory, we have started to use mains water as potable water by treating it and thus have both saved on potable water and prevented the packaging wastes emerging from the potable water previously procured in bottles. We have ensured significant savings in water consumption by installing photocell controlled faucets in our laboratory and taking measures that will reduce the water storage capacities of the flush tanks in the toilets.

WASTE WATER

The waste water of domestic quality from the warehouse belonging to DeFacto is treated in two treatment plants belonging to our Company and then discharged to the stream adjacent to the establishment. 20,500 tons of waste water has been sent to the treatment plant in the organized industrial zone in 2016 from the two factories of Ozon Textiles in Sivas. There is no waste water emerging from production at the factory in Batman.



OUR EMPLOYEES

OUTSTANDING ASPECTS IN 2016

We were found worthy of the **“Great Place to Work”** award.

In the operations of DeFacto Turkey **ratio of woman employees is 52%**

In DeFacto Turkey **per employee training hours**

were 37.6 in 2015, and have materialized as **58.9** in 2016.

We launched **DeFacto Academy.**
In our DeFacto Turkey operations, **number of lost days** that was 4.26 in 2015, has been reduced to **4.03** in 2016.

OUR HUMAN RESOURCES APPROACH

We assume the principles of being equitable, transparent and efficient in every process we apply in human resources (HR). While rapidly advancing on the path to become a world brand, the basis of our HR approach is to provide the training and technology support that our employees need in order to achieve this objective and to reveal the talents of our employees during this process. Offering a work environment that respects human rights and is employee satisfaction focused also constitutes one of the pillars of our HR approach.

We act in the awareness that our most important power is our human resources while we run towards our objectives as the

Company, and aim to grow by adding talented and creative employees who aim to develop in their careers and acquire an international career, to the DeFacto family. Within this scope, we are continuing the “Success Factors” project, which we have started in 2015 as designed in order to allow us to integrate our HR processes end-to-end, and at the same time support the professional development of our employees with the personal information that will be collected on these systems,. We have implemented the performance, 360 degrees competence evaluation and recruitment modules so far. Our studies are also continued for the succession module.

OUR HUMAN RESOURCES POLICY

- To avoid discrimination in all kinds of HR processes, give equal opportunities to everyone
- To place the correct person to the correct job
- To ensure effective performance assessment and fair remuneration
- To offer trainings based on personal and professional development
- To identify and implement different

practices in order to keep employee motivation and satisfaction at high levels

- To develop systems and practices on creating maximum value with limited resources, within the framework of business efficiency

We act in the awareness that our most important power is our human resources while we run towards our objectives as the Company.

OUR COMMITMENTS

PRIORITY AREAS	2015 & 2016 COMMITMENTS	EVALUATION OF 2015 & 2016 COMMITMENTS	WAS OBJECTIVE ACHIEVED?	2017 OBJECTIVES / COMMITMENTS
EMPLOYEE SATISFACTION	We will continue to implement practices aimed to increase employee satisfaction in order for the employee satisfaction survey results of 2015 show an increase as compared to 2014.	We continued our studies in order to increase employee satisfaction. We were found worthy of the “Great Place to Work” award. With our Happiness practices, we received the “Best Unique or Innovative Workforce Management Program” award from Brandon Hall.	Completed	We will implement the “Instantaneous HR” practice.
	We will launch the Employee Support Program.	We launched the Employee Support Program. It was used actively for one year.	Completed	
	We will start the “happiness room” practice in approximately 120 stores.	We have started the “happiness room” practice in 122 stores.	Completed	
DIVERSITY AND INVOLVEMENT	We will improve the working conditions of our woman employees by implementing the Happy Woman Movement.	We have implemented the Happy Woman Movement.	Completed	We will increase our communication with woman associations and evaluate new projects that we can develop.
TRAINING	We will ensure that all of our employees at and above the executive level receive English training until the end of 2015.	We will ensure that all of our employees at and above the executive level receive English training until the end of 2016.	Completed	We will initiate the Pearson Online English Program as aimed for all our employees, both domestic and international.
	We will launch the DeFacto Business School in 2016.	We launched DeFacto Academy in December 2016.	Completed	We will continue English course trainings for the employees at the executive and above positions in the Headquarters. We will launch Ozon Campus.

PRIORITY AREAS	2015 & 2016 COMMITMENTS	EVALUATION OF 2015 & 2016 COMMITMENTS	WAS OBJECTIVE ACHIEVED?	2017 OBJECTIVES / COMMITMENTS
PERFORMANCE MANAGEMENT	We will start a performance management system consisting of three periods for the domestic and overseas head office employees as of 2016.	We have started to define and evaluate the objectives of our employees on an annual basis through SuccessFactors.	Partially	We will make annual and three-monthly assessments in the main functions, and annual assessments in the support functions.
	We will create a platform for the achievement rewarding system.	We have included this practice in the work plan for next year since we are investigating a more comprehensive and flexible infrastructure for the achievement rewarding system.	Continued	We will create a platform for the achievement rewarding system.
COMPETENCE MANAGEMENT	We will get to know the competences of our employees more closely and conduct the promotion process for one period at the General Headquarters and for four periods at the stores. We will keep the in-company transfer process always alive.	We have conducted the promotion process once at the General Headquarters and for four times at the stores. We have kept the in-company transfer process alive.	Completely	We will interpret evaluations based on leadership competency potential together with the performance assessments of our employees, and form competence pools. We will provide succession for critical positions.
OCCUPATIONAL HEALTH & SAFETY	We will acquire occupational safety and workplace physician services through OHS units in all stores in Turkey until the end of 2016.	We have completed the contract studies in order to acquire occupational safety and workplace physician services through OHS units.	Partially	We will implement the acquisition of occupational safety and workplace physician services through OHS units starting from July 1, 2017.
	We will implement compulsory e-learning on OHS for all store employees in Turkey, and certify the participants as a result of an exam that will be held following the training.	We have designed compulsory e-training on OHS as aimed for our store employees in Turkey and assigned trainings to them. Since certification cannot be made following e-training as per the regulation, we have implemented the e-exam practice in its place.	Completely	We will audit and guide our contractors, which provide services within the scope of construction and technical works, by qualified occupational safety specialists.
	We will translate our occupational health and safety policy to the local languages in the other countries where we operate, and share it with the stores.	The translation of our occupational health and safety policy to the local languages in the other countries where we operate is continued.	Continued	We will implement an OHS software in order to conduct our OHS processes faster and more effectively.
	The Çerkezköy warehouse operates with the OHSAS Occupational Health and Safety Management System; we will continue to develop our practices and processes within this context.	We have continued our practices within the scope of the OHSAS 18001 Occupational Health and Safety Management System at our warehouse in Çerkezköy.	Completely	We will complete the certification process in line with the OHSAS 18001 Occupational Health and Safety Management System at all workplaces belonging to Ozon Textiles.



EMPLOYEE PROFILE

There has been a significant increase in the number of our employees in proportion with the new stores we have opened as a company that is growing rapidly within and outside of the country. We have also included Ozon Textiles in this reporting period and have started to report also on the data of this company.

As of the end of 2016, we have offered employment to 7,924 people in Turkey in general, and 1,828 people abroad, as DeFacto. We are a young and dynamic company and the majority of our employees are from the “Y generation”. The age average of the employees in our stores in Turkey in general is 25; it is 32 in the Headquarters and 29 in the warehouse.

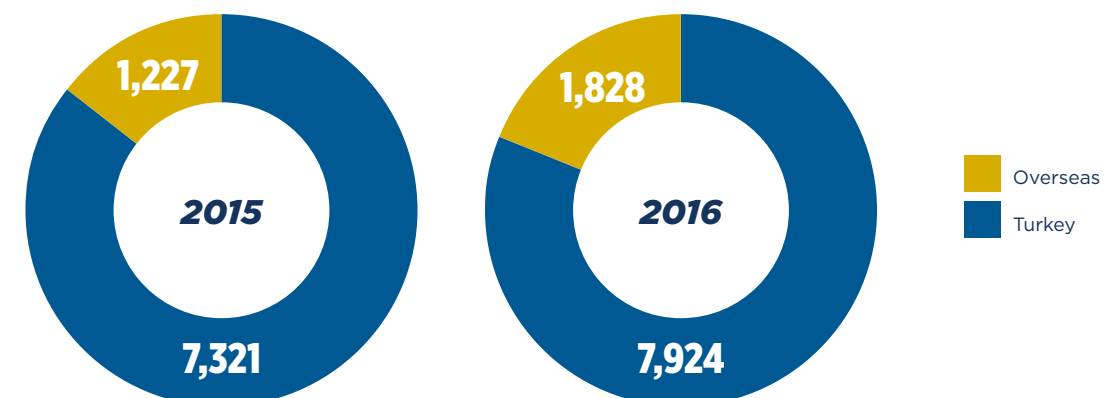
OVERALL AGE AVERAGE IN TURKEY

Headquarters 32

Store 25

Warehouse 29

DEFACTO REGION-BASED NUMBER OF EMPLOYEES





As Ozon Textiles, we have offered employment to 984 people in total as of the end of 2016, as 191 at our Istanbul Headquarters building, 150 in our Istanbul Kiraç warehouse, 559 in our factories in Sivas and 84 in our factory in Batman. The age average is 33 at Ozon Textiles Headquarters, 32 in the Sivas factories and 28 in the Batman factory.

The demographic composition of our employees varies on location basis. Detailed tables showing gender and age based breakdown distribution are provided in the “Performance Date” chapter of this report.

EMPLOYMENT TYPE

We offer equal opportunities to all our employees in Turkey without making any gender discrimination. All our employees in Turkey are subject to indefinite term employment contracts. The ratio of the employees we employ within the scope of defined-term employment contracts is approximately 17%, these employees are also part-time employees.

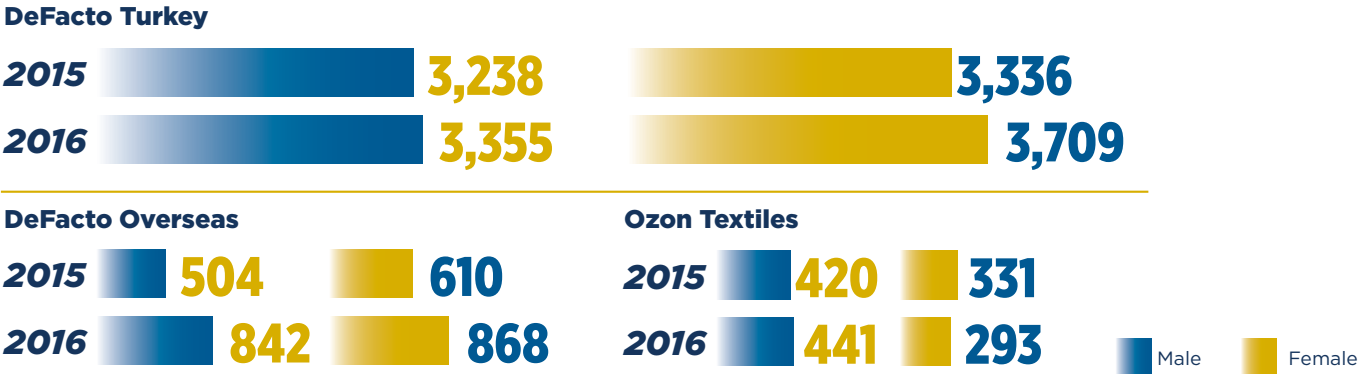
Approximately 47% of our employees in Turkey are part-time employees. The opportunity to work part-time, especially as a customer advisor, is preferred by individuals working in the store, considering our employee profile and the compatibility of the working conditions. Some of our part-time employees subsequently find the opportunity to work full-time and advance in their careers, in line with the needs in our staff.

All of the employees at the DeFacto Headquarters are in the white-collar category. Our employees working on hourly wage, both domestic and international, constitute 90% of our total employees.

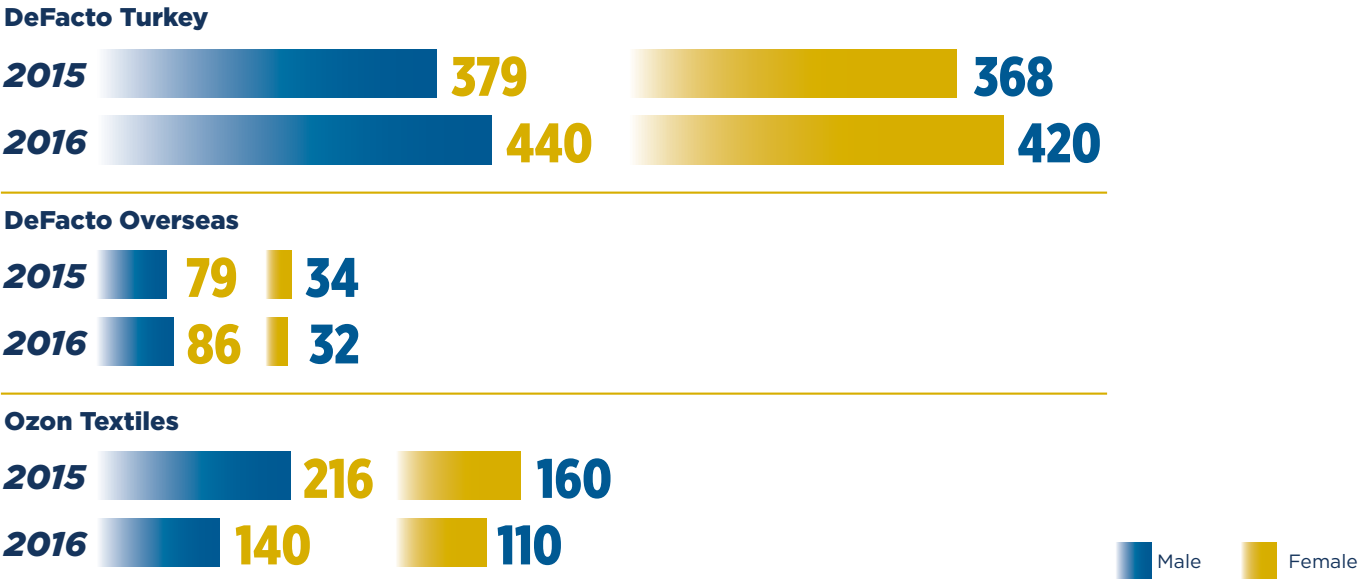
Other than our contracted personnel, we also have customer advisors abroad, and the employees of third parties from which we receive security and cleaning services domestically, working at the workplaces of DeFacto and Ozon Textiles. The number of “outsource” employees which was 1,764 in 2015, has reached 2,565 in 2016 especially with the increase in those working as customer advisors at the overseas stores.

EMPLOYEE CATEGORIES BASED ON EMPLOYMENT TYPE

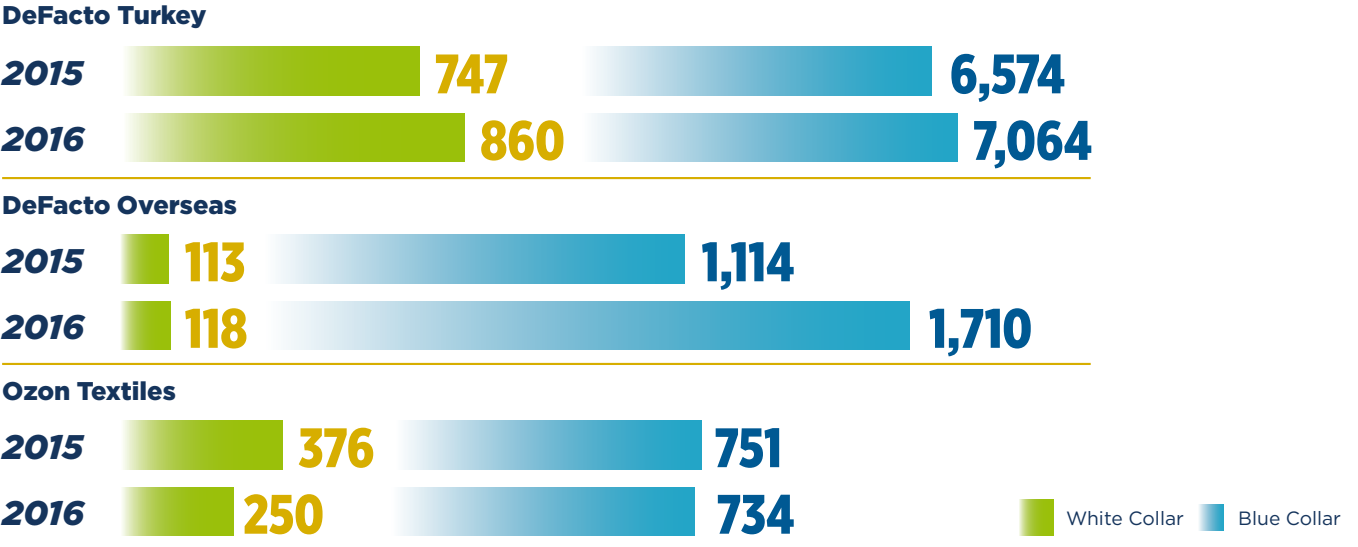
GENDER DISTRIBUTION OF BLUE-COLLAR EMPLOYEES



GENDER DISTRIBUTION OF WHITE-COLLAR EMPLOYEES



NUMBERS OF WHITE-COLLAR AND BLUE-COLLAR EMPLOYEES





DIVERSITY AND INVOLVEMENT

We believe that the differences among our employees add strength to us. We offer equal opportunities to our employees without discriminating as based on gender, age and ethnic matters in all human resources processes.

We have become a signatory of the Women’s Empowerment Principles (WEPs), which is the joint initiative of United Nations (UN) Women’s Organization and the UN Global Compact Organization, in March 2015 and made a commitment to encourage women to take part in the business life. In line with this commitment, we developed the “Happy Woman Movement” in 2015 and continued to offer it to our employees also in 2016.

Some of our practices under the Happy Woman Movement that covers our woman employees in Turkey are as follows:

- Three months extra unpaid leave following birth
- Opportunity to use breastfeeding leave collectively as one day in the week
- Half-day leave to mothers on the first school day and report card day of their children

Furthermore, we have extra practices offered to our Headquarters employees

within the scope of the Happy Woman Movement such as parenthood coaching to all mothers, ability to work part-time following childbirth depending on the compatibility of the job and ability to work from home one day per month for woman employees. Meanwhile, we have implemented the practice for the right to an extra break beyond legal requirements for our pregnant employees at the stores.

We have been invited to the meeting organized by the UN in New York at the beginning of 2015 as a commendable project and found the opportunity to relay the “Happy Woman Movement” within this context.

OUR PRACTICES IN OZON TEXTILES

We have implemented and continue to implement various practices aimed for our woman employees as Ozon Textiles, taking the practices at DeFacto as examples. For example, woman employees working at certain positions, defined as based on the nature of the job, at the Headquarters and our factories may work from home one a month.

In addition to the “Womancare Room” we have designed for our woman employees at the Headquarters building, we have

designed the “Breastfeeding Room” considering our new mothers and will implement it during the first quarter of 2017. Meanwhile, we offer nursery means to our woman employee at our Sivas factory.

WOMAN EMPLOYEE RATIOS

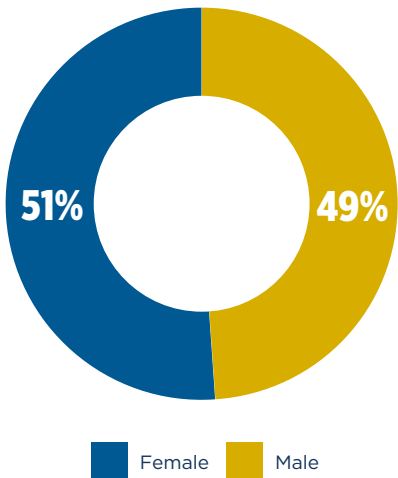
The ratio of woman employees of DeFacto in Turkey has been 52% as of the end of 2016, and 51% as of the end of 2015.

At the domestic and international medium and senior management levels, this ratio has been approximately 25% in 2015 and approximately 23% in 2016. Meanwhile in Ozon Textiles, the ratio of women at the medium and senior management levels, which was 22% at the end of 2015, has materialized as 28% at the end of 2016. Detailed data on seniority based gender distribution are available in the “Performance Data” chapter of this report.



GENDER BASED DISTRIBUTION (%)

	2015		2016	
	MALE	FEMALE	MALE	FEMALE
DEFACTO - TURKEY	49	51	48	52
DEFACTO - OVERSEAS	48	52	51	49
OZON TEXTILES	56	44	59	41
TOTAL	50	50	49	51



HANDICAPPED EMPLOYEES

The involvement of handicapped individuals in business life is another aspect we have handled within the scope of our diversity and involvement approach. We believe that the active involvement of handicapped individuals in business life will contribute positively in their social lives.

As of the end of 2016, our number of handicapped employees employed at the DeFacto Turkey operations has increased by 15% as compared to the preceding year and reached 159. Some of these employees work as half-time and some

as full-time. In the meantime, we had 25 handicapped employees as of the end of 2015 and 22 as of the end of 2016, within the Ozon Textiles organization. There are no handicapped employees in the overseas operations of DeFacto.

Furthermore, our disabled employee quota increases continuously in line with our employment need that increases in direct proportion with our growth. We are in constant communication with Employment Agencies and endeavor to offer employment to more handicapped individuals.

SELECTION AND PLACEMENT

We are aware of the fact that the most important factor that plays a role in the corporate success of our company is manpower, in other words, our intellectual capital. Thus, it is among our priorities to investigate and select this capital from the most correct sources, in the most rational manner. The essential philosophy we adopt in all stages of the selection process is “The correct person for the correct job”.

While we continue to rear personnel for all our domestic and international staff, we also recruit trained personnel externally. In addition, we also value “working, acquiring experience while studying” and we have assumed it as a mission. Accordingly,

we offer half-time work opportunities to university students.

We apply positive discrimination for women in recruitment. We monitor the ratio of the number of female candidates to the number of male candidates, and take care that the number of female candidates is higher. For example, in 2016, 54% of 3,545 individuals we have newly started to work in DeFacto Turkey operations are women; meanwhile, this ratio is 49% in our overseas operations in general.

One of the most explicit indicators of the successful diversity in DeFacto is the high ratio of woman employees. The ratio of woman employees of DeFacto in Turkey is 52% as of the end of 2016. The fact that the ratio women among our white-collar employees in Turkey has reached 49% is also totally the result of this cultural asset that regards diversity.

Detailed data on recruited employees, based on age and gender, are provided in the “Performance Date” chapter of this report.



54% of the 3,545 individuals who have newly started to work in our DeFacto Turkey operations are women; meanwhile, this ratio is 49% in our overseas operations in general.

As a rapidly growing company, we offer important opportunities to the youth who will newly get a start in the business life. We pass new graduates through a very serious training process at DeFacto, and offer them a career opportunity where they will acquire a profession within a short time.

PERFORMANCE MANAGEMENT AND REMUNERATION

We aim to achieve our business objectives, reveal the work achievements our employees and make high performance a corporate culture with our DeFacto Performance Management System we have developed in order to be able to focus on our company strategies and objectives faster and more efficiently and monitor the development in this respect systematically.

The performances of the domestic and overseas head office employees are evaluated only on annual or annual

and three-monthly basis, depending on their functions. The annual assessments are reviewed in the sixth month and the achievement statues of the objectives are reviewed.

The employee performance cards are divided into two main groups as personal objectives and leadership objectives. Personal objectives influence the employee performance by 90% and leadership objectives influence by 10%. Our priority condition is for the objectives to be SMART.

Our support teams (those working at the Headquarters), designate one of their personal objectives as their “wow” objective. The pre-requisite is for the focus of the wow-objective to be “speed” and “efficiency”. Wow-objectives are also monitored closely by the senior management. Meanwhile, our employees working at the domestic and overseas stores are evaluated on a monthly basis.

The outputs obtained from the performance management system provide inputs for the career management, wage management and rewarding processes.

We use different professional calculation methods for our domestic retailing, overseas retailing and expat employees, within the scope of our remuneration processes.

We closely monitor the varying wage markets, living cost indices, fringe benefits and economic dynamics of different geographies. We review the practices every year according to the economic conditions of the company and the relevant countries.

PERFORMANCE MANAGEMENT IN OZON TEXTILES

360 Degrees Performance Assessment System is used within the Ozon Textiles organization. Our white-collar personnel at all our locations have personal cards and all evaluations are measured there on an annual basis. We ensure that the performances of our employees are measured more fairly by the objective and competence valuation we use.



COMPETENCE MANAGEMENT

Our objectives within the scope of competence management include realizing career management in the most effective manner by getting to know the competences and potentials of our employees, keeping in-company career opportunities open and analyzing the competences of our employees correctly for their development. We evaluate the competences of our employees according to the competence model that we continue to develop every year.

We will interpret the leadership based potential evaluations of our employees together with their performance evaluations, and create competence pools with the new competence model we will revise in 2017. In addition, we will arrange succession for the critical positions.

Within the scope of competence management, we take actions such as 360 degrees competence assessment, evaluation center applications made outside of the company, announcement of vacant positions in the company, issuing separate announcements for the stores, announcement of overseas career opportunities. We apply the promotion process once a year for the employees at the Headquarters and four times at the stores. We apply the promotion process in March for our white-collar employees and in September for our blue-collar employees at Ozon Textiles Headquarters and the other workplaces of Ozon Textiles.

DEFACTO ACADEMY

One of our priorities is to offer opportunities for functional, strategic, cultural and personal development in order to ensure that our employees are able to keep pace with change and development, in parallel with our rapidly growing and developing corporate structure.

We have established DeFacto Academy at the end of 2016, following the preparations that took one year, in order to transfer our knowledge and experience as a global Turkish company to the future generations and develop specialized human resources for the sector. DeFacto Academy, setting off with the vision of being a school that makes one say WOW and pioneers in the sector with “global training programs that make a difference”, serves by focusing on sustainable growth, change management and social benefit in all of its operations. It generates training and development options compatible with the company culture and values.

With DeFacto Academy, our objective is to allow our employees to become professionally well-equipped fashion retailers who live with the company values, advance with a leadership vision, carry out sensitive operations with social responsibility awareness, and have high team awareness. While we offer different resources in order to contribute in the strategic, cultural, functional and personal developments, we also aim to access all out stakeholders within our ecosystem and add value to our Company in social responsibility awareness.

DEFACTO ACADEMY DEVELOPMENT SCHOOLS

The DeFacto Academy schools serve under four main categories, which are strategic, functional, cultural and personal development:

- Strategic Development Schools we have designed in line with our focus areas defined according to DeFacto's strategy
- Functional Development Schools we have designed in line with the aspects that emerge to the forefront in the sense of professional knowledge/skills according to our strategic corporate objectives
- Cultural Development Schools we have designed in line with our company culture
- Personal Development Schools we have prepared in order to contribute in the professional development of our employees from all levels in line with our company competence set.

Different learning methods such as on the job training, internship, rotation, distance learning and abundant learning resources are offered in our Development Schools in addition to our classroom trainings.

The schools that are divided into four main categories focus on different subjects. We make luxury accessible for our customers with our Product Management and Innovation, Retailing, E-Trade Schools; and append our signature under studies that make one say “wow” in the sector with our innovative products and practices.

We implement our sales and service standards at global scale for the satisfaction of our customers; increase the number of our happy and loyal customers with our Customer Focus and Service Principles School. We contribute in the development of the textile sector and support our numerous collaborators and stakeholders in our ecosystem to carry out activities that provide added value with our Supply Chain Management School. We assist all our employees, who already are or newly included in our company, to explore the DeFacto world and become individuals who are compatible with the DeFacto culture and values, and aware of their own potential and what they can do in DeFacto, with our Cultural Development Programs.

OUR LEARNING PLATFORMS

DeFacto Academy Learning and Development Portal: Links are provided to our learning related surveys and internal learning systems, as well as a variety of trainings such as orientation, feedback, importance of personal learning on this portal, which we offer to the use of all our employees and certain stakeholders.

DeFacto Learning Management System: This is a SuccessFactors based system where our employees may examine and request all classrooms trainings, access digital learning and development sources, make their personal development plans, and both they and their managers can see and report their learning and development histories.

DeFacto Supply Management Development Portal: There are development tools that increase various competences of our suppliers, such as communication and customer awareness, in addition to the DeFacto working standards, and technical information such as sewing, fabrics, etc., on this portal prepared for the employees of supplier firms that provide the DeFacto products.

DEFACTO ACADEMY INTERNAL COACHES

One of the most important missions of DeFacto Academy is to offer know-how and experience to all employees at the same standards, by forming the corporate memory of the company.

One of our most powerful resources in offering the company know-how to our employees by transforming it into a learning tool according to the learning design principles is our internal coaches.

Some of the benefits we derive with the internal coaching system may be listed as follows:

- To record the company's corporate memory,
- To bolster in-company communication, sharing and synergy,
- To ensure the development of the employees also in different specialty areas,



- To support our executives, who will be internal coaches, to learn and internalize the HR perspective and practices faster, at the same time, become “Executives with HR Hat”,
- To allow our internal coaches to develop different competences and skills that they can always draw upon throughout their careers,
- To ensure that the DeFacto Academy training and development catalog is further enriched.



The number of internal coaches who work at the DeFacto Academy is 150 as of the end of 2016

OUR VISION

To be a school that makes one say WOW and pioneers in the sector by global development options that make a difference.

OUR MISSION

To prepare DeFacto for the future in compliance with its sustainable growth objective and corporate culture by rearing reputable manpower that is preferred in the sector by training, development programs that make a difference and innovative practices.

OUR FOCUS AREAS

- *Change Management:* To prepare the organization to transformation and change in line with DeFacto's renewed vision and strategic objectives.
- *Sustainable Growth:* To change DeFacto's corporate values and culture into competition advantage in line with the strategy of becoming a global company.
- *Social Benefit:* To leverage the employer brand by contributing to the sector in the sense of rearing human resources.

UNIVERSITY COLLABORATIONS

We collaborate with various universities in order to blend our corporate know-how with academic knowledge; get together with our potential employees and develop various projects, increase our brand recognition, enable our executives to share their knowledge and experiences with the students in various courses and events and create a multi-dimensional learning environment together with our universities.

A closed group consisting of DeFacto employees started to attend the “Executive MBA” program at DeFacto Plaza, within the scope of the collaboration we carried out with Istanbul University in 2016. We also carry out a variety of thesis and research studies together with Istanbul University, which houses the sole state business administration faculty of Turkey with AACSB accreditation (The Best Business Schools in the World). In addition, special discounts up to 30% are offered to DeFacto employees in master’s, doctorate and certificate programs within the scope of our collaboration agreements with almost 10 universities.

TRAINING HOURS

DeFacto Turkey



Ozon Textiles



Total Training Hours Average Per Employee Training Hours

Note 1) The training data has not been given as consolidated because the training data for 2015 have been monitored on different systems for our overseas operations.

Note 2) The training hours in this table include all classroom and e-trainings.

TRAINING AND DEVELOPMENT DATA

We have organized the trainings, which we defined in line with the needs of our company and our employees, as based on an annual plan, and continued to give them by enriching with many different methods such as classroom training, on the job training, coaching, mentoring, observation/ internship and distance learning.

Our per employee trainings hours materialized as 37.6 hours in 2015 and 58.9 in 2016 for our employees in Turkey. We have provided the breakdown of the training hours as based on location and employee category in the “Performance Data” chapter of this report.

As DeFacto Turkey, trainings have been given for 58.9 hours per employee and 466,580 hours in total in 2016.

RUNNING TO THE FUTURE PORTAL

The DeFacto Sprint to the Future Portal continued to offer an effective training experience to DeFacto personnel during all stages of their career development processes, starting from the orientation period following the recruitment process, until the end of 2016. This portal has left its place to DeFacto Academy as of December 2016.

We have been one of the first companies that established and used this kind of system, thanks to the Run to the Future Portal we established to offer the best training and communication means to our employees. We conducted the following activities through the Candidate and Personnel Portals within the platform:

- Publishing new recruit digital trainings in the countries where DeFacto operates
- Publishing continuation trainings for behavioral and professional development purposes
- Forming a corporate digital training database
- Organizing and monitoring e-exams for new recruit, continuation and promotion purposes
- Organizing and monitoring e-surveys
- Giving and monitoring trainings in the electronic environment

TRAINING AND DEVELOPMENT IN OZON TEXTILES

We act with our “training first” motto irrespective of the titles of our employees and the departments where they work, while switching to a structure that develops and changes from day to day with our “human values first” motto.

We aim to support our employees to develop their talents and skills, and increase their motivations and job satisfactions with competence based training and development programs.

We will launch Ozon Campus in 2017 with our objective to be recalled in our sector as a school that continuously develops its employees.

The trainings we offer to our employees as Ozon Textiles are grouped under six main headings:

- Trainings on our vision, mission and values given to all our employees
- Technical trainings
- Trainings given within the scope of legal requirements (occupational health and safety, first aid, etc.)
- Personal development trainings
- Managerial trainings

We organize classroom trainings for the personal and managerial development of our employees, without making location and title discriminations. The training plan and programs are generated and implemented by the executives and the Human Resources Department, together with our employees, as based on the results of the performance based evaluation system. We guide our employees to internal and external trainings with the internal training analyses made on department basis. We rear our own employees as internal instructors for trainings that are technical and require specialization, and enable them to give trainings.

As a company that is continually growing and developing, we offer important opportunities and trainings to our youth who will newly start working life. We draw new horizons for young talents who join us with internship programs, and allow them to explore their talents by guiding them to their career maps.

We apply training and development programs in order to accelerate the job adaptation of our employees, who newly start to work, develop their competences and skills in line with their career plans and climb their career steps rapidly.

As Ozon Textiles, we plan and implement trainings that will be beneficial for the quality and process development of our suppliers. We have organized trainings for 55 different suppliers in total in different parts of Turkey during 2016. The trainings cover topics such as broken needle - metal detector control procedure, “Ozon Textiles Red Lines” given within the scope of corporate social compliance.

The breakdowns of the training hours as based on the locations of Ozon Textiles are provided in the “Performance Data” chapter of this report.

At Ozon Textiles, the trainings given in 2016 are 7.9 man hours per employee and 7,791 hours in total.

ON-THE-JOB TRAINING PROGRAM

We participated in the İŞKUR Training Program at our Batman factory in 2016. The program offers significant advantages such as providing professional experience to our newly graduated youth who do not have any working experience. Our main objective in participating in the program is to contribute in the unemployment problem in the region and create qualified labor. We have employed seven individuals with the İŞKUR program at our Batman factory as Ozon Textiles.



EMPLOYEE HAPPINESS

We believe that we can only achieve our corporate objectives with employees who are sincerely committed to the company and exhibit high performance, and that commitment and high performance can only be possible with happy employees.

We have signed a first in our sector in April 2011 in order to ensure that our employees work in a happy and peaceful environment and to show the necessary care

in this respect, and established a Happiness Department within the DeFacto organization. In addition to the Happiness Manager and the team formed under his management, we have assigned all our department executives as happiness supervisors.

We define our actions within the scope of our happiness practices as aimed to make improvements in all processes touching our employees (communication, motivation, physical environment, working hours, socializing, transportation, remuneration, food and beverages, development, equity). We implement these plans in line with the feedback received from our employees and our current circumstances.

One of the practices we have implemented has been to set up “Happiness Rooms” where our employees can spend their break hours with pleasure. This practice has been brought into being in 122 stores in 2016.

We have formed the DeFacto Happiness Envoys Group with the voluntary engagement of our employees in 2015, in order to increase the commitment and personal competences of our employees. Detailed information on this has been provided under the “Contribution to the Community” heading in this report.



EMPLOYEE SURVEY

We regularly conduct satisfaction surveys for our Headquarters, retailing and warehouse employees in order to observe the results of our operations within the scope of employee happiness. We share the results of the surveys, where we measure satisfaction, commitment and motivation indicators, with our employees and take action in subjects we determine as the development areas.

“INSTANT HR”

In 2017, we will implement a practice we have named “Instant HR”, aimed to contribute in increasing the satisfaction levels of our employees. The objective is to revert to the requests of the employees in the fastest and most correct manner, support the Human Resources department in development and improvement processes of the offered services and products, and ensure that the time spent for communication is used most efficiently.

“Instant HR” has been set up in order to respond to the questions and requests of the employees regarding matters they are curious about in the field of human resources through a call center and it will be a system where all our employees in Turkey may resort to.

EMPLOYEE HAPPINESS IN OZON TEXTILES

We generate yearly and monthly action plans for areas that are open to development, considering a variety of factors including the employee satisfaction survey results, within the scope of our employee happiness studies. We implement our action plans by updating them in line with the feedbacks of our employees and our current circumstances. For example, we will take the “Happiness Room”, “Women Care Room” and “Breastfeeding Room”, for which we have prepared action plans, into practice during the first quarter of 2017.

We carry out employee satisfaction surveys with the participation of our white-collar employees at all our locations since 2014. 219 of our 287 white-collar employees have participated in our employee satisfaction survey conducted in 2016. We compare the company averages with our performance using “Pin Nom” and “Pin Benchmark” indicating the highest value among companies, as well as comparing the survey results among themselves as based on years. Our purpose is to improve the results of the survey, which we evaluate within the scope of satisfaction, commitment and motivation indicators, every year.

BUSINESS-PRIVATE LIFE BALANCE AND EMPLOYEE ENGAGEMENT

We have tried to accentuate our work environment as a living space that also bolsters internal communication, setting off from the fact that 95% of our employees are from the Y-generation and the importance that this generation highly takes notice of is socializing in business life.

We offer services such as sports, massage, hairdresser, healthy nutrition counseling that our employees may always benefit from, in order for them to balance their business and private lives. Our employees may spend their break hours more pleasantly thanks to the social clubs that are set up, in addition to our “happiness rooms”, “happiness corridors” within the company.

Flexible working hours is another practice we have implemented as aimed to maintain business-private life balance. Our employees may start work between 7-9 in the morning and end their work between 5-7 in the evening.

DEFACTO SOCIAL CLUBS

We have pioneered in setting up internal clubs allowing our employees to acquire knowledge and skills in the fields of culture, art and sports and socialize as a team. We may list some of these clubs as follows: DeFacto Music Club, DeFacto Dance Club, DeFacto Theater Club, DeFacto Photography Club, DeFacto Travelling Club and DeFacto Sports Clubs (Tennis, Basketball, Volleyball, Rowing, Football, Aikido, Yoga, Chess).

Within the context of social clubs:

- Free of charge trainings are given by professional instructors and counselors.
- Opportunity is offered to represent DeFacto and compete in collective organizations (DragonFest, Corporate Games, Business Cup).
- Various events and shows are organized.

DETALKS

Short-term seminars open to general attendance are organized in order to share information on subjects such as health, career, social life, family, hobby, psychology, communication, leadership with individuals who are specialized in their fields.

INTERNAL COMMUNICATION ACTIVITIES

We implement a variety of activities to create a positive working environment at DeFacto, ensure employee commitment, expand our corporate culture; collect and effectively respond to the requests, recommendations, demands and expectations of our employees and become a learning organization. These include the following practices where we use different communication media:

- News and Announcements
- “Şirket-i Muhabbet” (Company Chat) Meetings
- Coordination Meetings
- End-of-the-year Organizations
- Training Mail
- Leadership Chats
- Depar TV

WE LISTEN TO OUR EMPLOYEES

We listen to our employees by practices such as “I’m All Ears” that are unique to DeFacto. The “I’m All Ears” practice is meetings where the employees may communicate their opinions to their executives. Departments hold internal communication meetings and obtain the opinions of their employees prior to these meetings. The received feedback is relayed to the management and the necessary explanations are made to all employees at the I’m All Ears meeting related with these matters.

HEALTHY LIVING PROGRAM

The “Healthy Living Program”, we have initiated in September 2014 in order to support our employees to be healthier, has continued also in 2016. Within the framework of this program, we have continued to offer our employees healthy meal menus prepared with a quality living specialist doctor. The sports center, which we have opened in November 2014 in the awareness of the importance of regular exercise for healthy living and all our employees may benefit from, was used actively also in 2016. We also shared healthy nutrition videos we prepared with an individual specialized in quality living and exercise videos prepared by our sports instructors, with our store employees.

PRACTICES IN OZON TEXTILES

There are different practices we implement in order to assist our employees in balancing their business and private lives. For example, our white-collar employees at all our locations may use their right to one day leave on their birthdays. In addition, we also apply flexible working hours in order to prevent our employees to spend time in traffic unnecessarily, considering the heavy traffic problem in Istanbul.

HEALTHY LIVING PROGRAM

We have started to offer diet meal menus in our dining hall within the scope of our Healthy Living program we have implemented as of 2016 so as to include our employees in our Headquarters building.

We also offer snacks to our employees at 15:00 in order to encourage healthy nutrition. We will enrich our healthy living program with different practices in 2017. Some of these practices that we will merge with social responsibility projects are healthy living walks, events towards cancer-free living, seminars to quit smoking and balanced nutrition seminars.

NURSERY

Nursery means are made available for our woman employees at our Sivas factory since 2015 in order to contribute to our woman employees in building their business and private life balances and encourage women’s employment. Within the scope of this practice that is highly appreciated in the Sivas Organized Industrial Zone, women working at our factory may leave their children to contracted nurseries.

SPORTS ACTIVITIES

We organize Football Tournaments where Ozon Textiles employees participate in order to increase internal communication. We supported the development of this event by announcing the winning team of the tournament, which we organized with the participation of football fans in our Company in 2016, in the Company. In addition, a team composed of Ozon Textiles employees participated in the Dragon Festival that brings together hundreds of firms together in the same event.

OTHER ACTIVITIES

We organize a variety of events with the event budget we provide on department basis in order to enhance internal communication. For example, we aim to improve communication by our Welcoming Spring, picnic and iftar meal events.



OCCUPATIONAL HEALTH AND SAFETY

It is among our priorities to ensure that our employees are able to work under healthy and safe conditions. We have an occupational health and safety policy that defines the

essential principles too be taken into consideration in order to implement it at all our workplaces and is approved by the senior management.

OUR OCCUPATIONAL HEALTH AND SAFETY POLICY

Our organization, including the senior management and all employees, sets off with the notion that “There is no work that is urgent and important enough to endanger the health and life safety of humans”

It is our primary objective to prevent work accidents and occupational diseases that may occur within our organization.

To that end:

- We will minimize occupational safety non-compliances within the work environment,
- We will actively continue occupational safety.
- It is our primary objective to ensure the health and safety of our customers, our personnel our suppliers and all our related parties during the time when they are within our establishment.
- We will focus more on preventive healthcare services than therapeutic services within our healthcare unit, continue and ensure the continuity of the protective healthcare services and periodical medical examinations of the personnel without interruption.
- We will fulfill our legal obligations and the OHS requirements we have defined,
- We will carry out studies for continuous improvement and ensure the continuity of these activities,
- We will disclose our policy to all our related parties.
- Our organization has adopted the principle of being the “pioneer” in its sector, by ensuring minimum damage and maximum benefit during and at the end of all its activities, as the organization policy.

OHS MANAGEMENT

A comprehensive occupational health and safety management is necessary as the surrounding activities and regarding the ongoing activities being held stores and warehouse among the workplaces of DeFacto and the offices, factories and warehouse of Ozon Textiles, within the DeFacto organization, as per our policy and the legal legislations.

We have signed contracts with two Common Safety and Health (CSH) units for the employment of workplace physicians and occupational safety specialists at all locations of our company. In addition to the workplace physicians and occupational safety specialists working at our Headquarters and Çerkezköy warehouse, we aim for the presence of workplace physicians and occupational health specialists through the CSH units to all our stores in Turkey, irrespective of the number of employees within the store, as of the second half of 2017. We hold three OHS board meetings every month, as separately for the Headquarters, Çerkezköy warehouse and our stores, in order to manage the OHS issues with the participation of our employees.

As of 2017, we aim to audit and guide our contractors, providing services within the scope of construction and technical works, through our contracted, qualified occupational safety specialists in order to establish the internal OHS culture and protect the health and safety of the employees.

We will also implement an OHS software in 2017 in order to continue our OHS services faster and more effectively. We aim to carry out the process analyses and updates until the end of the year, and use our performance results in a more effective and traceable manner in the field.

Furthermore, we will also evaluate our evacuation scenarios within the scope of contingency management, by a software that gives reliable results in 2017.

We will support our current risk assessments and contingency plans with the obtained results, define actions aimed for improvement and plan their implementation.

STORES

The majority of our employees working in our stores, make the most of our focus of OHS management. All store employees and primarily the store managers are responsible for OHS management in the stores. We ensure that our employees receive regular OHS trainings in order to be informed about the relevant law and regulations and the practices in our stores.

We have prepared and OHS manual in order to brief the store employees and collect the criteria that will be checked within the scope of OHS audits. We have shared this manual, which includes detailed instructions as aimed to prevent all potential risks in the stores, with all our employees in our documentation system in 2010.

All our stores in Turkey are assessed with respect to OHS risks and audited three times a year by OHS service provider organizations in line with the prepared audit plans. We expect the corrective and preventive actions defined regarding the nonconformities determined as a result of the audits to be taken by the stores within six months.

All matters that are required to be improved with respect to OHS and the store OHS performance achieved during the year are among the priority aspects of all domestic and overseas stores and, as a matter of fact, these results reflect onto their personal financial performances.

Our supervisors, who are assigned domestically and abroad, also conduct OHS audits in line with an audit list composed of 45 criteria during the store compliance audits. New items may be added to this list according to the legal regulations of different countries. The checklist that is applicable in Turkey is exactly applied in case the laws in the concerned country have not yet reached adequate maturity. Our stores are evaluated as based on the criteria in this list during these operation visits made once a month and the results of compliance with the criteria in the OHS checklist are shared with the store managers.

OHS MANUAL FOR STORES

The headings of the instructions in our OHS manual include the following: Periodical controls, electricity related occupational safety, work accidents, store notification panel practice, occupational safety work environment, fire prevention, duties of contingency teams, contingency action plan, contingency preparations and intervention, occupational safety in manual handling works and general occupational safety.

We provide current information and general instructions on the notification panels in our stores. For example, the current versions of the contingency action plan and contingency team lists are always kept posted on the store notification panels.

In addition to all these audits, we also have OHS audits conducted within the scope of compliance with the OHS legislations by an independent audit company that we call “third eye OHS audits”.

WAREHOUSE

We have ensured that our Çerkezköy warehouse is certified for the OHSAS 18001 Occupational Health and Safety Management System in 2012, in order to guarantee that our activities at this location are governed by international standards with respect to occupational health and safety. We continuously improve our management system, which is audited in compliance with the OHSAS standards every year by an independent audit company, and renew our certificate.

We give eight hours of OHS trainings per employee on the average every year to all those who work at our Çerkezköy warehouse, irrespective of being supplier employees or our contracted employees.

OZON TEXTILES

As Ozon Textiles, it is our priority to comply with all legal legislations, occupational health and safety codes of conduct and national and international standards regarding OHS. Our objective concerning OHS is to prevent work accidents and occupational diseases that may occur at our workplaces. We carry out our activities with the “Nothing is urgent and important enough to endanger

human health and life safety” philosophy as Ozon Textiles senior management and all employees.

Since 2013, we are a member of SEDEX, which is a social audit organization that allows global supply chain audits. Documents concerning OHS and personnel management are reviewed, the working environment and field are examined and employee interviews are conducted within the scope of the SEDEX social compliance audits carried out by an independent audit company.

OHS boards meet at all our workplaces, at periods defined by the legislation depending on the hazard classes. The employees share their opinions with the suggestion, wish and complaint boxes, these are analyzed by authorized boards and rehabilitative, corrective and preventive actions are implemented.

We plan to complete the process of certification in line with the OHSAS 18001 Occupational Health and Safety Standards at all workplaces belonging to Ozon Textiles in 2017.

There are OHS specialists who are employed full-time at our Headquarters, warehouse and Sivas factories. In addition, workplace physicians at all our locations and other healthcare personnel working full-time at our Sivas factory serve our employees.

OHS TRAININGS

We regularly organize OHS trainings in order to brief and increase the awareness of our employees concerning OHS in line with the applicable legislation in Turkey. We ensure that sub-employer employees and suppliers attend these trainings in addition to our own personnel.

We give the trainings that are of refreshment nature on trainings covering the topics referred to as “General Topics” in the legislation as e-trainings to our employees. The classroom trainings may also be followed through the distance education system

The six-months training program given to the store manager candidates who will newly join our company also includes one full-day OHS training. We also give OHS training for four hours within the scope of the orientation program that is compulsory for all newly recruited employees in the Headquarters staff. In addition, we have made personal assignments for the compulsory e-training regarding OHS that we have prepared as aimed for our store employees and ensured that our employees have started to receive this training in 2016.

We have offered trainings on OHS to Ozon Textiles employees for eight hours per employee on the average and 6668 hours in total in 2016.

OUR OHS PERFORMANCE

It is our priority objective to ensure that the occupational health and safety culture is adopted by our employees and to increase our performance in this field continuously. We record performance data such as accident frequency ratios, lost days ratios and absenteeism, and include and implement the necessary within our work plans in order to improve our performance.

We have provided detailed OHS performance data for our operations in Turkey and Ozon Textiles in the “Performance Data” chapter of this report. We will also include the OHS data of our overseas operations in this report in the coming period.

OUR UNIVERSITY COLLABORATIONS

With the collaboration protocol we have signed with the Sakarya University Physical Sciences Institute, we will conduct a study on “product placement with respect to fire evacuation, stand optimization against fire and fire protection systems in retailing” in 2017. We aim to obtain results that will improve our contingency processes in this study.



OHS PERFORMANCE INDICATORS (DEFACTO DOMESTIC)

	2015	2016
ACCIDENT FREQUENCY RATIO	0.882	1.284
LOST DAYS RATIO	4.258	4.029
ABSENTEEISM RATIO	0.016	0.027

OHS PERFORMANCE INDICATORS (OZON TEXTILES IN GENERAL)

	2015	2016
ACCIDENT FREQUENCY RATIO	2.179	3.489
LOST DAYS RATIO	8.582	8.722
ABSENTEEISM RATIO	0.045	0.047



OUR CONTRIBUTION TO SOCIETY

OUTSTANDING ASPECTS IN 2016

DeFacto Happiness Envoys Group was supported by **232 employees voluntarily** in 2016.

Our employees in the Happiness Envoys Group carried out **1,024 hours of volunteerism** activities in total, in 2016.

With the “I’m Returning to My Village” project, we created employment to ensure the livelihood of almost **3,500 people** in total, with their families, in Batman as Ozon Textiles.

OUR APPROACH

We believe that social and economic contributions to the communities where we operate is a part of our social responsibility, as DeFacto and Ozon Textiles.

We support various projects carried out on volunteerism basis by our employees aiming to contribute in the society. We develop and implement social engagement projects focusing on different aspects, ranging from handicapped individuals to

environmental problems, with the collaborations we build with NGO’s operating over a very broad range.

We contribute in the local economy directly and indirectly with our employees employed at the DeFacto stores in different regions and factories of Ozon Textiles located in developing cities and our long-term suppliers.

EMPLOYEE VOLUNTEERISM

We have formed the DeFacto Happiness Envoys Group at the beginning of 2015 as aimed to increase employee commitment, feeling of belonging and personal competences, in order to develop and implement projects intended to create social benefit and awareness. The number of volunteers who support this Group, formed by the participation of individuals working at the DeFacto Headquarters building, has continued to increase with the engagements of field teams.

Supporting the Happiness Envoys Group is completely based on the volunteerism principle. The club’s activities are conducted by our volunteer individuals.

Employees may support volunteerism and awareness projects developed with prominent NGO’s we collaborate with, and also develop their unique projects. The volunteers may support the project within or outside of working hours. Our volunteers are entitled to extra leave for up to two days a year for the projects conducted during working hours.

Members of the Happiness Envoys Group develop and implement projects intended to contribute in the society and aimed for their own fields of interest, in line with the social values of DeFacto.

<p>The primary objectives of the DeFacto Happiness Envoys Group are:</p> <ul style="list-style-type: none"> • Social Benefit and Awareness: To maximize social benefit by increasing the types and numbers of projects where every employee of our Company can be engaged in. 	<ul style="list-style-type: none"> • Increasing Employee Competences: To realize at least one project every month, assign different project leaders from within the Company in each project and thus increase the planning, analysis, problem solving and management competences of both the project leaders and the volunteers. 	<ul style="list-style-type: none"> • Increasing Employee Commitment: To create environments and opportunities that will motivate our employees and increase employee commitment in the medium and long term, and thus contribute in the sustainability of our Company.
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We carry out various studies also with the Private Sector Volunteers Association (ÖSGD) that we are a member of in order to configure the activities of the Happiness Envoys Group more effectively and benefit from their expertise in implementation.

We transform the geographic prevalence of the DeFacto employees into an advantage and receive the support of our volunteers who are located close to the place of the project that requires volunteerism. In addition, we endeavor to increase the numbers of projects that can be conducted as independent of location, and for the activities that may be carried out on club basis to engage all our employees.

We have participated in various marathons and races that were primarily organized on domestic basis in 2016 and supported the collection of donations to AÇEV, TOG, KAÇUV and TEMA. In addition, we carried out campaigns for blood donation to the Red Crescent and donations of books to schools. In the meantime, we have continued the vocational high-school coaching program started in 2015 and conducted together with ÖSGD; and we started a new project for two years with new volunteers in 2016.

In 2016, 232 participants in total were engaged in volunteerism activities for 1,024 hours in total, as 112 hours during and 912 hours out of working hours.



Meanwhile, 561 participants carried out volunteerism activities for 1,818 hours in total, as 1,314 hours during and 504 hours outside of working hours in 2015.

VOLUNTEERISM IN OZON TEXTILES

Ozon Textiles employees voluntarily continued to support various projects providing social benefit also in 2015 and 2016. The following may be listed among the exemplary projects:

- Nursing home visit (2015): We carried out nursing home visits for three times with 20 volunteer employees. We provided clothing, food and general supplies during these visits.
- Aid for elementary school children in village school (School) (2015): With the participation of 18 volunteer employees, we conducted an aid campaign for the children at the Çatalca Kalfa elementary school, where approximately 30 students are being educated. We provided clothes, stationery materials, sweat suits and books to the children as gifts and shared the happiness of our children.
- Shelter building (Reach Out a Hand Too Project) (2016): During 2016 winter, we built 15 animal shelters with 15 employees and distributed them to certain spots.
- Purple Roof aid (2016): Within the scope of March 8th International Women's Day, we purchased hand-made purses produced by Purple Roof and distributed them to our employees as Women's Day gifts in order to provide financial support to the Purple Roof.
- Blood donation to the Red Crescent: Ozon Textiles employees donate blood to the Red Crescent regularly every year.
- Our plans for 2017 include projects aimed for visits to nursing homes and Children Protection Institution dormitories, village school aids and blood donations to the Red Crescent.

CONTRIBUTION TO LOCAL ECONOMY

In addition to our social contributions to the community, we also support the regional economic development with the investments we make in developing regions.

The three factories of Ozon Textiles, which operates within the DeFacto organization and also is one of our main suppliers, established in Sivas and Batman serve this purpose. In this way, Ozon Textiles both contributes in the local economy directly and also reinforces this development through its suppliers.

In the meantime, contribution is made to economic development by supporting the regional people to acquire professions through on-the-job training and job provision programs.

ensured that the costs of our business partners were reduced. In addition, this new activity contributed to the local administration from the economic and employment creation perspective.

The fact that the owners of the workshops included in the project were from Batman and qualified tricot personnel that could be employed were available in Batman also contributed in the process. With the incentive provided for moving the workshops, each workshop was able to make an investment of 300,000 TL on the average. The amount of the investment to the provincial economy materialized as 21 million TL in total, together with the opening of the Ozon Textiles Batman factory.

During 2017, we aim to open our second factory in Batman with priority.

We will also continue our researches and incentives for such projects.

OZON TEXTILE “BACK TO THE VILLAGE” PROJECT

The “Back to the Village” project implemented by Ozon Textiles in 2015 and 2016, derived profits both for the local administration and Ozon Textiles, and also for many workshops and families. Within the scope of the project, four workshops that were near the end of the commercial lives in Istanbul were moved to Batman with incentives and were able to continue production, and at the same time, it was

With the “Back to the Village” project, we created employment that will provide the livelihood of 3,500 people, including families, in Batman. The total investment made in the Batman economy materialized as 21 million TL.

REPORTING GUIDE

(GRI G4-17)

This reporting guide has been prepared in order to provide information on the methodology, approach and standards used in calculating the data disclosed in the 2016 DeFacto Sustainability Report.

This report is our second comprehensive Sustainability Report including our commitments, practices and performance in environmental, social, ethical and economic matters during January 1, 2015 – December 31, 2016.

ORGANIZATIONAL BOUNDARIES

The contents of this report cover the practices and performance of DeFacto Retailing Trade Inc. Expressions such as “DeFacto”, “we”, “our Company” referred to in the report have been used in place of DeFacto Retailing Trade Inc. In addition, we have also included the practices and data of Ozon Textiles, which is one of the companies within our organization, in this report for the first time this year.

The list of companies included in the consolidated balances have been provided below. Our policies and approaches concerning ethics, occupational health and safety explained in this report are applied in all our domestic and overseas companies and workplaces.

The performance data included in the report are the data of the Headquarters, stores and warehouse of DeFacto Retailing Trade Inc. in Turkey, unless expressly specified otherwise. We have also included the performance data of our overseas companies and Ozon Textiles under circumstances where we were able to obtain the process data.

Companies included in the 2016 Consolidated Financial Report of DeFacto Retailing Trade Inc.:

Domestic:

- DeFacto Retailing Trade Inc. Turkey (Headquarters, stores and warehouse)
- DeFacto Technology Services Inc.: Turkey (office)
- Ozon Textiles Apparel Industry and Trade Inc.: Turkey (headquarters, factories, warehouse)

Overseas:

- De Facto Retail KZ: Kazakhstan (stores and head office)
- Ak Ozon General Trade Imports and Exports Ltd. Co. : Iraq (stores)
- De Facto Egypt For Trade Ltd.: Egypt (stores)
- Llc Ozon Retail : Belarus (stores)
- Ozon Giyim RSY : Russia (stores)
- DeFacto Retail Shpk : Albania (stores)
- DeFacto Retail Ge : Georgia (stores)
- DeFacto Retail KS : Kosovo (stores)
- DeFactoretailma Sarl Au. : Morocco (stores)
- DeFacto Retail BV : the Netherlands (stores)

PERFORMANCE DATA

ENVIRONMENT

COMPILATION OF ENERGY DATA

STORES

Approximately 60% of the electrical energy consumed at our stores is used for air-conditioning purposes and 30% is used for lighting purposes. Meanwhile, 10% of the total energy consumption is made in our stores equipped with elevators and escalators.

Almost half of our stores are located in shopping centers (malls). The fees paid for mall electrical energy consumption at these stores are included in the service fees paid to the mall managements. Therefore, the electrical energy consumption amounts cannot be collected on invoice basis for the stores located in malls. The consumptions of stores in malls has been calculated in proportion with the per sqm consumption amounts of stores located on streets and can be monitored on invoice basis.

The amounts of diesel fuels consumed by the generators, which are used during power shortages in the stores, are not being monitored yet.

DEFACTO HEADQUARTERS AND WAREHOUSE

The lighting and air-conditioning requirements of our Headquarters building are provided by electrical energy and natural gas. Meanwhile, electrical energy is used for the automation system and for lighting purposes in the warehouse.

The amounts of electrical energy and natural gas consumed in the Headquarters building are calculated as based on monthly bills. Meanwhile, it has been possible to report on electricity and natural gas consumptions as of 2016 now that electricity consumption has been separated from the service invoice and started to be billed separately.

OZON TEXTILES HEADQUARTERS

100% of the natural gas energy consumed at the Ozon Textiles Headquarters is used for heating purposes. 60% of the electrical energy is consumed for lighting, and 40% for air-conditioning and the operation of machinery and electronic devices.

OZON TEXTILES FACTORY

Energy consumption distribution for the Ozon Textiles factories is summarized in the following table:

FACTORIES	2015	2016
SİVAS SUPPLY FACTORY	(Data is not available for this year because the factory has been opened in 2016)	15% Lighting 85% Heating
SİVAS EXPORTS FACTORY	25% Lighting 75% Heating	25% Lighting 75% Heating
BATMAN FACTORY	10% Lighting 20% Heating (Air-conditioning) 70% Machinery (production)	10% Lighting 20% Heating (Air-conditioning) 70% Machinery (production)

VEHICLES

The fuel consumptions of vehicles belonging to DeFacto and Ozon Textiles are monitored on vehicle basis. As of the end of 2016, there are passenger and commercial vehicles consuming diesel fuel in our rental vehicle fleet recorded on the Headquarters and allocated to our employees. In the meantime, there are various vehicles used in our warehouses.

Diesel consumptions of all vehicles recorded to the name of DeFacto are recorded on license plate basis by our contracted fuel station and shared with us at the required periods.

THIRD PARTY

Our products are delivered to the warehouse by our suppliers, and are distributed from the warehouse to the stores by third party service provides. Therefore, fuel consumption during the services given by third parties is out-of-house consumption and is not reported.

ENERGY CONSUMPTION DATA

IN-HOUSE ENERGY CONSUMPTION IN TURKEY (MJ)

		2015	2016
DEFACTO RETAIL			
HEADQUARTERS	Diesel vehicle fuel	5,997,537	7,116,213
	Diesel (generator)	439,179	452,400
	Natural gas	1,616,657	1,528,181
	Electricity	11,090,977	13,765,702
STORES	Electricity	163,807,584	190,445,944
WAREHOUSE	Diesel vehicle fuel	885,300	721,500
	Diesel (generator)	39,000	39,000
	Natural gas	--	7,540,195
	Electricity	8,288,212	9,171,821
OZON TEXTILES			
HEADQUARTERS	Diesel vehicle fuel	2,522,247	4,617,405
	Diesel (generator)	175,500	31,200
	Natural gas	660,397	789,007
	Electricity	4,416,696	3,397,126
WAREHOUSE	Diesel vehicle fuel	85,449	71,253
	Diesel (generator)	246,051	38,376
	Natural gas	0	5,646,288
	Electricity	0	2,529,875
SIVAS FACTORY EXPORTS	Diesel vehicle fuel	4,485,000	5,460,000
	Diesel (generator)	11,700	11,700
	Natural gas	6,011,007	5,654,456
	Steam	6,456,046	6,581,650
	Electricity	2,700,000	2,952,000
SIVAS FACTORY SUPPLY	Diesel vehicle fuel	0	1,365,000
	Diesel (generator)	0	3,123,092
	Natural gas	0	900,000
	Electricity	45,357	129,519
BATMAN FACTORY	Diesel vehicle fuel	70,590	92,118
	Diesel (generator)	434,686	159,149
	Electricity	434,686	159,149
TOTAL		220,485,170	274,330,167

* Data on natural gas consumption at the warehouse in 2015 cannot be accessed, therefore this data has not been provided.

OUR EMPLOYEES

EMPLOYEE PROFILE

TOTAL NUMBER OF EMPLOYEES ON REGIONAL BASIS

		2015	2016
DEFACTO RETAIL			
TURKEY	Headquarters	747	860
	Stores	6,244	6,724
	Warehouse	330	340
KAZAKHSTAN	Head Office	28	32
	Stores	532	731
EGYPT	Head Office	9	10
	Stores	71	60
KOSOVO	Head Office	0	1
	Stores	27	26
ALBANIA	Head Office	1	3
	Stores	27	37
MOROCCO	Head Office	1	5
	Stores	20	156
GEORGIA	Head Office	0	1
	Stores	48	75
RUSSIA	Head Office	4	5
	Stores	105	69
IRAQ	Head Office	3	9
	Stores	162	404
BELARUS	Head Office	5	10
	Stores	121	152
BANGLADESH	Head Office	38	32
SPAIN	Head Office	13	0
CHINA	Head Office	12	10
DEFACTO TOTAL	Headquarters and Head Offices	861	978
	Stores	7,357	8,434
	Warehouse	330	340
GENERAL TOTAL		8,548	9,752
OZON TEXTILES			
TURKEY	Headquarters	328	191
	Sivas Factory (Exports)	0	206
	Sivas Factory (Supply)	625	353
	Batman Factory	58	84
	Warehouse	116	150
OZON TEXTILES TOTAL		1,127	984
DEFACTO TECHNOLOGY			91

AGE DISTRIBUTION ON EMPLOYEE CATEGORY* BASIS (%)

		2015			2016		
		UNDER 30	30-50	ABOVE 50	UNDER 30	30-50	ABOVE 50
DEFACTO TURKEY	Senior Management	0.0	81.3	18.8	0.0	89.7	10.3
	Middle Management	11.8	87.3	0.9	11.9	86.7	1.3
	Lower Management	52.3	47.3	0.4	56.7	43.0	0.3
	Other	90.1	9.7	0.2	91.4	8.4	0.1
DEFACTO OVERSEAS	Senior Management	0.0	100.0	0.0	0.0	100.0	0.0
	Middle Management	47.6	52.4	0.0	63.8	36.2	0.0
	Lower Management	56.4	43.6	0.0	63.2	36.8	0.0
	Other	94.3	5.7	0.0	96.0	4.0	0.0
OZON TEXTILES	Senior Management	0.0	100.0	0.0	0.0	100.0	0.0
	Middle Management	0.0	93.6	6.4	5.3	89.5	5.3
	Lower Management	44.4	53.4	2.2	46.1	51.6	2.3
	Other	43.3	54.6	2.1	50.4	47.8	1.8

* Senior Management: General Manager and C-level (Vice-General Manager) and Director
Middle Management: Senior Manager, Manager, Regional Manager, Store 1st Manager
Lower Management: Executive, Executive candidate, Specialist, Assistant Specialist, Store 2nd Manager, Department Executive, chief at the warehouse
Other: Factory and warehouse blue-collar employees, other store employees

TOTAL EMPLOYEES ON EMPLOYMENT CONTRACT, EMPLOYMENT TYPE AND GENDER BASIS - DEFACTO TURKEY

		2015		2016	
		MALE	FEMALE	MALE	FEMALE
ON EMPLOYMENT CONTRACT BASIS	Indefinite	3,617	3,704	3,795	4,129
	Definite term	0	0	0	0
ON EMPLOYMENT TYPE BASIS	Full-time	2,004	1,740	2,152	2,009
	Part-time	1,613	1,964	1,643	2,120
ON EMPLOYMENT MODE BASIS	White-collar	379	368	440	420
	Blue-collar	3,238	3,336	3,355	3,709

Note: “Blue-collar” employee data includes store and warehouse employees on hourly wage.

TOTAL EMPLOYEES ON EMPLOYMENT CONTRACT, TYPE AND GENDER BASIS - DEFACTO OVERSEAS

		2015		2016	
		MALE	FEMALE	MALE	FEMALE
ON EMPLOYMENT CONTRACT BASIS	Indefinite	494	600	737	783
	Definite term	89	44	191	117
ON EMPLOYMENT TYPE BASIS	Full-time	494	600	737	783
	Part-time	89	44	191	117
ON EMPLOYMENT MODE BASIS	White-collar	79	34	86	32
	Blue-collar	504	610	842	868

Note: “Blue-collar” employee data includes store and warehouse employees on hourly wage.

TOTAL EMPLOYEES ON EMPLOYMENT CONTRACT, TYPE AND GENDER BASIS – OZON TEXTILES

		2015		2016	
		MALE	FEMALE	MALE	FEMALE
ON EMPLOYMENT CONTRACT BASIS	Indefinite	636	491	581	403
	Definite term	0	0	0	0
ON EMPLOYMENT TYPE BASIS	Full-time	636	491	581	403
	Part-time	0	0	0	0
ON EMPLOYMENT MODE BASIS	White-collar	216	160	140	110
	Blue-collar	420	331	441	293

Note: “Blue-collar” employee data includes store and warehouse employees on hourly wage.

NUMBER OF OUTSOURCED EMPLOYEES ON GENDER BASIS

		2015	2016
DEFACTO TURKEY	Male	171	243
	Female	333	461
DEFACTO OVERSEAS	Male	583	928
	Female	644	900
OZON TEXTILES	Male	22	23
	Female	11	10
TOTAL		1,764	2,565

DIVERSITY AND INVOLVEMENT

GENDER DISTRIBUTION ON EMPLOYEE CATEGORY BASIS (%)

		2015		2016	
		MALE	FEMALE	MALE	FEMALE
DEFACTO TURKEY	Senior Management	61.3	38.7	72.4	27.6
	Middle Management	75.0	25.0	75.2	24.8
	Lower Management	56.9	43.1	55.4	44.6
	Other	46.7	53.3	45.1	54.9
DEFACTO OVERSEAS	Senior Management	100.0	0.0	100.0	0.0
	Middle Management	90.5	9.5	89.4	10.6
	Lower Management	73.3	26.7	67.2	32.8
	Other	42.2	57.8	46.9	53.1
OZON TEXTILES	Senior Management	100.0	0.0	100.0	0.0
	Middle Management	74.5	25.5	68.4	31.6
	Lower Management	52.8	47.2	54.7	45.3
	Other	56.5	43.5	59.9	40.1

TOTAL AND RATIO OF NEWLY RECRUITED EMPLOYEES ON AGE BASIS

		2015			2016		
		UNDER 30	30-50	ABOVE 50	UNDER 30	30-50	ABOVE 50
DEFACTO TURKEY	Number	3,681	291	6	3,302	236	7
	Ratio (%)	93	7	0	93	7	0
DEFACTO OVERSEAS	Number	1,137	90	0	1,700	128	0
	Ratio (%)	93	7	0	93	7	0
OZON TEXTILES	Number	351	317	8	152	115	6
	Ratio (%)	52	47	1	56	42	2

TOTAL AND RATIO OF NEWLY RECRUITED EMPLOYEES ON GENDER BASIS

		2015		2016	
		MALE	FEMALE	MALE	FEMALE
DEFACTO TURKEY	Number	1,889	2,089	1,615	1,930
	Ratio (%)	47	53	46	54
DEFACTO OVERSEAS	Number	583	644	928	900
	Ratio (%)	48	52	51	49
TEXTILE TEKSTİL	Number	449	227	180	93
	Ratio (%)	66	34	66	34

EXPAT EMPLOYEES

We offer all our employees involved in our retailing processes the opportunity to pursue their career abroad. Similarly, we have expat employees from abroad working the Turkey Headquarters.

NUMBER OF EXPAT EMPLOYEES

	2015	2016
TURKEY	14	14
OVERSEAS	16	29

TRAINING AND DEVELOPMENT

TRAININGS GIVEN TO EMPLOYEES - DEFACTO TURKEY

		2015		2016	
		TOTAL TRAINING HOURS	AVERAGE PER EMPLOYEE TRAINING HOURS	TOTAL TRAINING HOURS	AVERAGE PER EMPLOYEE TRAINING HOURS
CLASSROOM TRAINING	Headquarters	60,123	80.5	25,341	29.5
	Stores	124,013	19.9	312,148	46.4
	Warehouse	3,143	9.5	6,638	19.5
E-TRAINING	All employees*	87,928	13.0	122,455	13.3
GENERAL		275,207	37.6	466,580	58.9

* E-training data are not kept as breakdown on location and employee category basis.

TRAININGS GIVEN TO EMPLOYEES - DEFACTO OVERSEAS

		2016	
		TOTAL TRAINING HOURS	AVERAGE PER EMPLOYEE TRAINING HOURS
CLASSROOM	Head Offices	167	1.4
	Stores	20,886	12.2
GENERAL		21,053	11.5

TRAINING HOURS ON EMPLOYEE CATEGORY BASIS - DEFACTO TURKEY

	2015		2016	
	TOTAL TRAINING HOURS	AVERAGE PER EMPLOYEE TRAINING HOURS	TOTAL TRAINING HOURS	AVERAGE PER EMPLOYEE TRAINING HOURS
SENIOR MGMT.	895	45.2	627	12.8
MEDIUM MGMT.	3,446	28.5	8,177	18.2
LOWER MGMT.	12,357	19.7	62,621	17.1
OTHER	139,081	33.2	272,701	47.3

Note: The figures above include only classroom trainings since e-training hours are not kept on employee category basis.

TRAINING HOURS ON EMPLOYEE CATEGORY BASIS - DEFACTO OVERSEAS

		2016	
		TOTAL TRAINING HOURS	AVERAGE PER EMPLOYEE TRAINING HOURS
SENIOR MGMT.		0	0.0
MEDIUM MGMT.		72	1.1
LOWER MGMT.		26	1.5
OTHER		20,789	11.0

HOURS OF TRAININGS GIVEN TO OZON TEXTILES EMPLOYEES

LOCATIONS	2015		2016	
	TOTAL TRAINING HOURS (MAN. HOURS)	AVERAGE PER EMPLOYEE TRAINING HOURS	TOTAL TRAINING HOURS (MAN. HOURS)	AVERAGE PER EMPLOYEE TRAINING HOURS
HEADQUARTERS	6,557	20.0	3,823	20.0
SIVAS FACTORIES	2,160	3.5	2,460	4.4
BATMAN FACTORY	--	--	813	9.7
WAREHOUSE	826	7.1	695	4.6
TOTAL	9,543	8.9	7,791	7.9

OCCUPATIONAL HEALTH AND SAFETY

OHS PERFORMANCE INDICATORS - DEFACTO TURKEY

	2015				2016			
	HEADQ	WAREH.	FACTORIES	CONSOLIDATED	HEADQ	WAREH.	FACTORIES	CONSOLIDATED
ACCIDENT FREQUENCY	0.213	2.235	0.874	0.882	0.332	5.754	1.102	1.284
LOST DAYS RATIO	0.425	22.960	3.036	4.258	2.326	12.604	3.666	4.029
ABSENTEEISM RATIO	0.010	0.039	0.015	0.016	0.025	0.062	0.025	0.027

OHS PERFORMANCE INDICATORS - OZON TEXTILES

	2015				2016			
	HEADQ	WAREH.	FACTORIES	CONSOLIDATED	HEADQ	WAREH.	FACTORIES	CONSOLIDATED
ACCIDENT FREQUENCY	0.000	1.008	4.070	2.179	0.000	0.817	4.807	3.489
LOST DAYS RATIO	0.000	7.059	15.193	8.582	0.000	8.172	10.574	8.722
ABSENTEEISM RATIO	0.004	0.006	0.079	0.045	0.004	0.005	0.062	0.047

Note: The following formulas have been used in the performance indicator calculations:
Accident Frequency = Number of accidents / (Total Working Hours – Lost Working Hours) * 200,000
Absenteeism ratio = Lost days / Total days
Lost Work = Work Accident + Other Health Reasons

GRI G4 “CORE” CONTENT INDEX

This report includes information concerning the sustainability performance and practices of DeFacto during the reporting period. We have developed the report contents in compliance with the G4 “Core” option of the GRI (Global Reporting Initiative) Global Sustainability Reporting Guidelines.

The chapters and page numbers of the information and data disclosed on GRI G4 indicators basis are provided in the following table. Unless specified otherwise, the GRI indicators cover in-Company priority aspects. The “Out-of-house” expression used in the following table indicates circumstances where the referred aspects have priority outside of the Company.

GENERAL STANDARD DISCLOSURES					
STRATEGY AND ANALYSIS					
PROFILE STATEMENT	DEFINITION	CHAPTER IN THE REPORT	REPORTING SCOPE	REFERENCE PAGES / COMMENTS	UNGC PRINCIPLES
G4-1	Statement by the most senior decision maker concerning sustainability	Message of the ECO	Full	6-7	
ORGANIZATIONAL PROFILE					
G4-3	Name of organization		Full	DeFacto Perakende Tic. A.Ş.	
G4-4	Primary brands, products and services	About DeFacto	Full	8-9	
G4-5	Location of the organization's headquarters		Full	Atatürk Mah. Bahariye Cad. DeFacto Plaza No: 31 Halkalı, Küçükçekmece/ İstanbul, Turkey	
G4-6	Primary countries where the organization operates	About DeFacto Product Responsibility	Full	The countries where our stores are located have been listed on page 11. The countries where our suppliers are located have been provided on page 31.	
G4-7	Nature of ownership and legal form	About DeFacto	Full	A private capital incorporated company.	
G4-8	Markets served	About DeFacto	Full	The countries where our stores are located have been provided on page 11.	
G4-9	Scale of the organization	About DeFacto	Full	9	
G4-10	Total work force on employment type, employment contract, gender and region basis	Our employees	Full	53-55	Principle 6

GENERAL STANDARD DISCLOSURES					
PROFILE STATEMENT	DEFINITION	CHAPTER IN THE REPORT	REPORTING SCOPE	REFERENCE PAGES / COMMENTS	UNGC PRINCIPLES
ORGANIZATIONAL PROFILE					
G4-11	Percentage of employees covered by collective bargaining agreements		Full	We do not have employees covered by collective bargaining agreements.	Principle 3
G4-12	Organization's supply chain	Product Responsibility	Full	29	
G4-13	Changes in the organization's size, structure, ownership or supply chain during the reporting period		Full	We continued to open new stores domestically and abroad and expand on supplier basis. We have included practices and performance data of Ozon Textiles, where we are 100% shareholder, for the first time.	
G4-14	Organization's precautionary approach	Product Responsibility	Full	We have practices aimed for product safety and product practices reducing impacts on the environment.	
G4-15	Charters, principles and other initiatives that the organization subscribes or endorsed	Sustainability Milestones	Full	18	
G4-16	Associations, national or International advocacy organizations where the organization is a member	Our Sustainability Approach	Full	18	
IDENTIFIED PRIORITY ASPECTS AND BOUNDARIES					
G4-17	List of entities included in the organization's consolidated balances and any entities excluded from the report scope	Reporting Guide	Full	76	
G4-18	Process for defining report content and Aspect Boundaries	Our Sustainability Approach	Full	18-19	
G4-19	List of all Material Aspects identified in the process of defining report content	Our Sustainability Approach	Full	18-19 The most significant and priority aspects have been listed on the top right part of the graph on page 19, irrespective of the order of priority	

GENERAL STANDARD DISCLOSURES					
PROFILE STATEMENT	DEFINITION	CHAPTER IN THE REPORT	REPORTING SCOPE	REFERENCE PAGES / COMMENTS	UNGC PRINCIPLES
DEFINED MATERIAL ASPECTS AND BOUNDARIES					
G4-20	Aspect Boundary for each material Aspect within the organization	Our Sustainability Approach	Full	18-19 Material Aspects outside the organization have been disclosed in the note under the graph on page 19.	
G4-21	Aspect Boundary for each material Aspect outside the organization	Our Sustainability Approach	Full	18-19 Material Aspects outside the organization have been disclosed in the note under the graph on page 19.	
G4-22	Any restatements of information in the previous report and their impacts and reasons		Full	This report is our Company's second Sustainability Report.	
G4-23	Significant changes in Content and Aspect Boundaries from the previous reporting periods		Full	There are no significant changes in Content and Aspect Boundaries. In the meantime, due to the inclusion of our main supplier Ozon Textiles in the report, we have handled our approach to some aspects more comprehensively and included numerical data when data could be obtained.	
STAKEHOLDER ENGAGEMENT					
G4-24	List of stakeholder groups engaged by the organization	Our Sustainability Approach	Full	17	
G4-25	Basis for identification and selection of stakeholders that will be engaged	Our Sustainability Approach	Full	16	
G4-26	Organization's Stakeholder engagement, including engagement frequency on stakeholder Group basis and report Preparation participation	Our Sustainability Approach	Full	17	
G4-27	Key topics raised through Stakeholder engagement and how the organization has responded to these key topics, including report preparation, for each stakeholder group	Our Sustainability Approach	Full	19-20	

GENERAL STANDARD DISCLOSURES					
PROFILE STATEMENT	DEFINITION	CHAPTER IN THE REPORT	REPORTING SCOPE	REFERENCE PAGES / COMMENTS	UNGC PRINCIPLES
REPORT PROFILE					
G4-28	Reporting period		Full	January 1, 2015 - December 31, 2016	
G4-29	Date of most recent previous report		Full	This report is the second Sustainability Report of our Company	
G4-30	Reporting frequency		Full	Our third Sustainability Report will be published in 2018.	
G4-31	Contact point for questions regarding the report and contents		Full	sustainability@defacto.com.tr	
G4-32	“Accordance” option chosen by the organization and External Assurance Report if report is externally assured	GRI Content Index	Full	The report has been prepared in accordance with the GRI G4 “Core” option. External assurance was not received.	
G4-33	External assurance policy and current practice		Full	External assurance was not received in report scope	
GOVERNANCE					
G4-34	Governance structure and decision making committees	Corporate Governance and Ethics	Full	23	
ETHICS AND INTEGRITY					
G4-56	Organization’s values, Principles, standards and norms such as codes of conduct and ethics rules of the organization	Corporate Governance and Ethics	Full	26-27	Principle 10
SPECIFIC STANDARD DISCLOSURES					
PERFORMANCE INDICATOR	DEFINITION	CHAPTER IN THE REPORT	REPORTING SCOPE	REFERENCE PAGES / COMMENTS	UNGC PRINCIPLES
ECONOMIC					
DMA Aspect: Economic Performance		About DeFacto		Of 2 nd degree significance.	Principle 7
G4-EC1	Direct economic value generated and distributed	About DeFacto	Partial	9	
DMA Aspect: Indirect Economic Impacts		About DeFacto		Of 2 nd degree significance.	
G4-EC8	Significant indirect economic including extent of impacts	Our Contribution Partial to Society	Partial	75	
ENVIRONMENTAL					
DMA Element: Energy		Environment		Of 2 nd degree significance.	Principle 7,8 and 9
G4-EN3	Energy consumption within the organization	Environment	Full	46	Principle 7 and 8

SPECIFIC STANDARD DISCLOSURES					
PERFORMANCE INDICATOR	DEFINITION	CHAPTER IN THE REPORT	REPORTING SCOPE	REFERENCE PAGES / COMMENTS	UNGC PRINCIPLES
ENVIRONMENTAL					
G4-EN5	Energy intensity	Environment	Full	46	Principle 7, 8
DMA Aspect: Water		Environment		Of 2 nd degree significance. Out-of-house	Principle 7 and 8
DMA Aspect: Waste Water and Wastes		Environment		Of 2 nd degree significance. Out-of-house	Principle 8
G4-EN23	Total weight of waste by type and disposal method	Environment	Partial	48-49	Principle 8
DMA Aspect: Products and Services		Product Responsibility		Of 2 nd degree significance.	Principle 7, 8 and 9
G4-EN27	Mitigation of environmental impacts of products and services	Product Responsibility	Full	38-40 (Chemicals, recycled materials, organic cotton, etc.)	Principle 7, 8 and 9
DMA Aspect: Evaluation of Suppliers from the Environmental Perspective		Product Responsibility		Of 2 nd degree significance. Out-of-house	Principle 8
DMA Aspect: Environmental Complaint Mechanisms		Corporate Governance and Ethics Product Responsibility		Of 2 nd degree significance. Out-of-house	Principle 8
SOCIAL: LABOR PRACTICES AND DECENT WORK					
DMA Aspect: Employment		Our employees		Of 1 st degree significance	Principle 6
G4-LA1	Total number and rates of new employees and employee turnover by age group, gender and region	Performance data	Partial	82 Information on employee turnover is not reported.	Principle 6
DMA Aspect: Occupational Health and Safety		Our employees		Of 1 st degree significance In-house and out-of house.	Principle 1
G4-LA6	Type of injury and rates of accidents, occupational diseases, lost days and absenteeism and total number of work-related fatalities by region and gender	Performance	Full	84 OHS performance data have been reported for DeFacto Turkey employees and Ozon Textiles.	Principle 1
DMA Aspect: Training and Education		Our employees		Of 2 nd degree significance.	Principle 6
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Our employees	Full	83	Principle 6
G4-LA10	Skills management and life-long learning programs aimed for the employees	Our employees	Partial	60-64	Principle 6

SPECIFIC STANDARD DISCLOSURES					
PERFOR- MANCE INDICATOR	DEFINITION	CHAPTER IN THE REPORT	REPORTING SCOPE	REFERENCE PAGES / COMMENTS	UNGC PRINCIPLES
SOCIAL: LABOR PRACTICES AND DECENT WORK					
G4-LA11	Percentage of employees receiving regular performance and career development reviews	Our employees	Partial	59	Principle 6
DMA Aspect: Diversity and Equal Opportunity		Our employees		Of 2 nd degree significance.	Principle 6
G4-LA12	Breakdown of employees by gender, age group and monitory groups and composition of governance bodies	Our employees	Full	80-82	Principle 6
DMA Aspect: Supplier Assessment for Labor Practices		Product Responsibility		Of 2 nd degree significance. Out-of-house	
G4-LA14	Percentage of suppliers screened using labor practices criteria	Product Responsibility	Full	All of our new ready-wear suppliers	Principle 1, 6
G4-LA15	Potential negative impacts for labor practices in the supply chain and actions taken	Product Responsibility	Partial	31-33	Principle 1, 6
DMA Aspect: Labor Practices Grievance Mechanisms		Corporate Governance and Ethics Product Responsibility		Of 2 nd degree significance. In-house and out-of-house.	
SOCIAL: HUMAN RIGHTS					
DMA Aspect: Investment		Product Responsibility		Of 1 st degree significance Out-of-house.	Principle 1, 2
G4-HR1	Total number and percentage of past contracts with human rights clauses or passed through human rights screening	Product Responsibility	Full	All our ready-wear suppliers that we will newly start to work with	Principle 2
DMA Aspect: Child Labor		Product Responsibility		Of 1 st degree significance Out-of-house.	Principle 5
G4-HR5	Operations and suppliers identified as having significant risks for incidents of child labor and measures taken to contribute to the effective abolition of child labor	Product Responsibility	Full	31	Principle 5

SPECIFIC STANDARD DISCLOSURES					
PERFOR- MANCE INDICATOR	DEFINITION	CHAPTER IN THE REPORT	REPORTING SCOPE	REFERENCE PAGES / COMMENTS	UNGC PRINCIPLES
SOCIAL: HUMAN RIGHTS					
DMA Aspect: Forced or Compulsory Labor		Product Responsibility		Of 1 st degree significance Out-of-house.	Principle 4
G4-HR6	Operations and suppliers identified as having significant risks for forced or compulsory labor, and measures taken to contribute to the elimination of all forms of forced or compulsory labor	Product Responsibility	Full	31	Principle 4
DMA Aspect: Assessment of Suppliers for Human Rights		Product Responsibility		Of 1 st degree significance Out-of-house.	Principle 2
G4-HR10	Percentage of new suppliers screened using human rights criteria	Product Responsibility	Full	All of our new ready-wear suppliers.	Principle 2
G4-HR11	Significant human rights impacts in the supply chain and actions taken	Product Responsibility	Partial	31	Principle 2
DMA Aspect: Human Rights Grievance Mechanisms		Corporate Governance and Ethics Product Responsibility		Of 2 nd degree significance.	Principle 1
SOCIAL: SOCIETY					
DMA Aspect: Anti-corruption		Corporate Governance and Ethics		Of 2 nd degree significance.	Principle 10
G4-SO4	Communication and training on anti-corruption policies and procedures	Corporate Governance and Ethics	Full	26-27	Principle 10
DMA Aspect: Compliance		Corporate Governance and Ethics		Of 2 nd degree significance.	
DMA Aspect: Supplier Assessment for Impacts on Society		Corporate Governance and Ethics Product Responsibility		Of 2 nd degree significance. Out-of-house	Principle 10
DMA Aspect: Grievance Mechanisms for Impacts on Society		Corporate Governance and Ethics Product Responsibility		Of 2 nd degree significance.	Principle 10

SPECIFIC STANDARD DISCLOSURES					
PERFOR- MANCE INDICATOR	DEFINITION	CHAPTER IN THE REPORT	REPORTING SCOPE	REFERENCE PAGES / COMMENTS	UNGC PRINCIPLES
SOCIAL: PRODUCT RESPONSIBILITY					
DMA Aspect: Customer Health and Safety		Product Responsibility		Of 1 st degree significance.	
G4-PR1	Percentage of products assessed for impacts on health and safety	Product Responsibility	Full	All our product groups are subjected to a variety of tests with respect to human health.	
DMA Aspect: Product and Service Labeling		Product Responsibility		Of 2 nd degree significance.	
G4-PR3	Type of product information required by the organization's procedures for product and service information and labeling and percentage of product categories subject to such requirements	Product Responsibility	Full	The contents of raw materials used in the products are specified on the product labels in line with the related regulations.	
G4-PR5	Results of surveys measuring customer satisfaction	Product Responsibility	Partial	43	

REPORT CONSULTANCY

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REPORT DESIGN

MYRA
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Please visit **defactokurumsal.com** for further information and to download the report.

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