

DeFacto



2021  
**SUSTAINABILITY**  
REPORT

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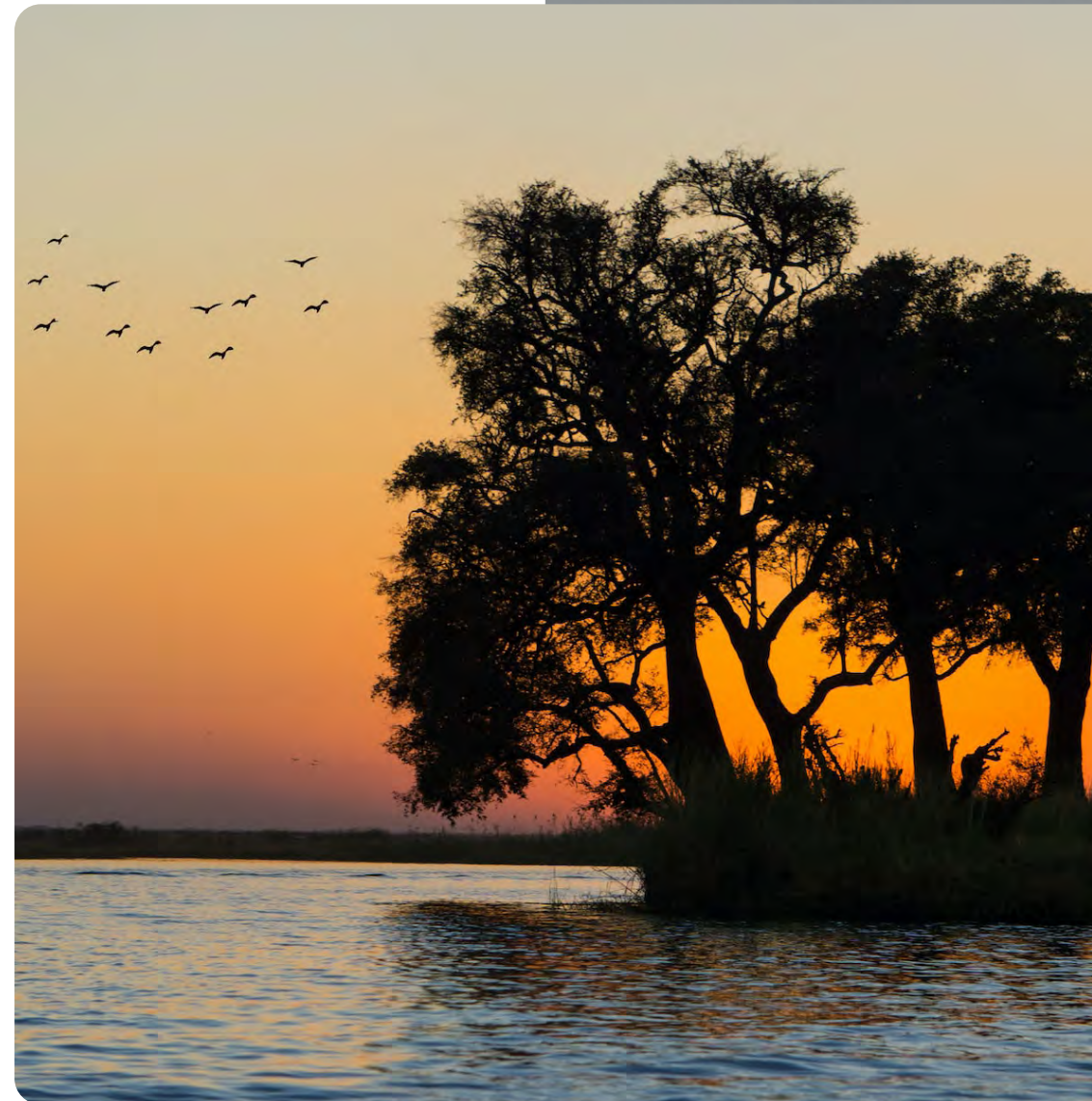


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- Risk and Opportunity Analysis
- Stakeholder Analysis
- Materiality Topics







## ABOUT THE REPORT

This report is a manifestation of DeFacto's goal to carry our company into the future as a partner in the global environmental, economic and social transformation. We have committed ourselves and all our stakeholders that we will fulfil our responsibility within the framework of the Sustainable Development Goals, and support sustainable development in all geographies of operation, especially in Turkey.

The steps we have taken towards our corporate governance and sustainability goals, of which Ozon Textile is a part, have been shared with all our stakeholders. Our commitments in the field of sustainability have not only turned into a promise, but also into the efforts we are already implementing.

Headquartered in Istanbul, Turkey, our company's activities include the manufacture, wholesale and retail of all kinds of textile products including outerwear such as t-shirts, shirts, trousers, jackets, suits, coats, skirts, blouses, dresses and accessories such as hats, shoes and socks. Established in 2005 in Turkey and pursuing its goal of becoming a global brand, DeFacto Perakende Tic. A.Ş. today carries out the import and export of its textile products.

The DeFacto 2021 Sustainability Report is the seventh published sustainability report, conveying the environmental, social and economic impacts of all activities conducted by our company and our approach to these impacts.

This report will be issued based on DeFacto and Ozon Textile. DeFacto, whose previous sustainability report was published in 2020, issues GRI reports annually.

DeFacto has reported the information used in this GRI content index with reference to GRI Sustainability Reporting Standards for the period **1 January 2021–31 December 2021**.

For more information about our sustainability efforts and our report, please contact us at **[sustainability@defacto.com.tr](mailto:sustainability@defacto.com.tr)** We would be glad to hear your comments and suggestions.

GRI 2-1, 2-2, 2-3, 2-5







## Message From The CEO



İHSAN ATEŞ  
CEO

### Dear Stakeholders,

2021 was an intense year in which the effects of the climate crisis felt deep, and uncertainties continued even though normalization steps were taken. The most valuable output of these challenging times was undoubtedly the decision of companies and consumers to change their consumption habits for a fairer and more livable planet. In a world that is conscious and aware, the use of sustainable materials in production, providing transparency in the supply chain, and practices that ensure the recycling of products have become the most critical agenda of not only the retail industry but also the entire business world.

### We have been aware of this sensitivity since the day we were established with our prudent approach.

Our founding philosophy and values are based on production that respects the ecosystem, the protection of the world and natural resources, **adding value to people**, and a conscious approach in the face of social issues. For this very reason, as a brand that puts sustainability at the center of its business, we consider the needs of our internal and external stakeholders and continue to carry out our activities without interruption.

We focus on delivering the best combination of fashion, quality, price, and sustainability by quickly turning technology into benefits with our 100 percent agile team structure. We use our power in the technology domain to achieve our sustainability goals.

**Under the umbrella of DeFacto Teknoloji, our developer team of 250 people produces the infrastructures of our omnichannel technologies.**

Thanks to the technologies we developed and our ability to leverage data, we reached the planned level for 2025 in 2021. **The share of e-commerce in our turnover has increased from 3 percent to 20 percent.** At the same time, we transform our 5 percent agile organization to 100 percent agile.

And we increased the number of countries we operated from 28 in 2019 to 93 in 2021. In light of these developments, we are very proud to continue our activities uninterruptedly in 2021 by achieving strong and stable growth with our customer-focused and agile structure, our collections that add innovations to the sector and admired applications, and quality products at affordable prices.

**Our financial strength, long-term approach, and motivation to lead the change of the fashion industry towards circularity; encourage us to invest in technology and innovations in sustainable initiatives.**

While we contribute directly to the United Nations' **Sustainable Development Goals** with the investments that we have realized and planned, we add value to sustainable development in our country and all countries where we operate. We believe that a more robust economy and social welfare are possible with a greater presence of women in business and social areas.

Women make up 59 percent of our employees, and the **"Happy Women's Movement,"** which we started to make our female employees more visible, is a first in our sector and inspires the business world both in Turkey and around the globe. At the same time, as a signatory of the **UN Women's Empowerment Principles (WEPs)**, we underline the support we give to women in business life with bold lines. We support sustainable and environmentally friendly shopping. We aim to have 90% of our collections sustainable by 2030.

**We brought our green-labeled products, which are produced with materials obtained from recycled or sustainable sources, to our customers under the umbrella of DeFacto LIFE.**

Each DeFacto LIFE product is made from sustainably sourced materials such as organic cotton, BCI cotton, and recycled polyester. In addition, we develop production methods that save energy and water. Therefore, we aim to reduce the threat to the climate. We are preparing to manage our operations with the principles of 100% Zero Waste until 2023 and 100% renewable energy consumption until 2030.

Within the scope of our corporate social responsibility project, **Fabric Dreams**, we send the fabric and accessories surplus from our production to vocational high school students all over Turkey, visit them on-site, and contribute to the development of future representatives of our industry to control waste management on the axis of sustainability. **We create multi-faceted benefits by providing KAÇUV cooperation integration to the project.**

At DeFacto, we contribute to moving the world, people, and society forward through our sustainability approach in all processes, from design to product, from product to production, and from production to customer, while we question our stakeholders' compliance with environmental laws through audits and support their development.

**As the DeFacto ecosystem, we are committed to being a "Climate Positive" brand by 2050 with our robust goals in the field of sustainability.**

Our commitment is to always work for a better, more sustainable society by making environmentally friendly production in harmony with nature.

We would like to thank our dear colleagues, valuable customers, suppliers, business partners, and all our stakeholders for their valuable contributions, who inspire with their innovative perspectives for the sustainability of our planet and our company as we are happy to share the DeFacto 2021 Sustainability Report with you.

**İhsan Ateş**  
CEO



## DeFacto in 2021



Operating in  
**5 Continents**  
**93 Countries**



**115.8 Million**  
Pieces Product Sales



**18.4 Million**  
Pieces Product Sales



**802**  
as Total Number  
of Employees



**7.67** Billion ¥  
Turnover



**iHKiB**  
Platinum Award



Sustainable  
Products which is  
**20%**  
of Total Production



**580** Million ¥  
Turnover



**82%**  
Growth Rate  
*Calculated based  
on turnover*



**500+**  
Stores



**127.5 Tonnes**  
of Recyclable Fabric  
Using

Social Compliance and  
Sustainability Summit

**(SUSZ'21)  
Award**



Approximately  
**15,000+**  
Employees



**561**  
Sub-Suppliers



## About DeFacto

Opening its first store in 2005 in Istanbul, DeFacto Perakende Tic. A.Ş. operates its production activities together with Ozon Textile Konfeksiyon Sanayi ve Ticaret A.Ş., which has 2 factories in Sivas. Since its establishment, our company has made a commitment to implement its production based on principles that will contribute to sustainable development in all continents and countries of operation, primarily in Turkey.



Ozon Textile, the primary manufacturer of DeFacto brand, operates in two factories located in Sivas. One of the production facilities in Sivas has an indoor area of 6.500m<sup>2</sup> and the other has an indoor area of 16.000m<sup>2</sup>.

The number of stores, which has been growing rapidly since the beginning of our company's activities, is an indication of both our success in the sector and the customer satisfaction provided by us. In this context, our company, which aims to transform its success in local production to the international level, successfully represents Turkey in the global ready-to-wear sector by serving in a total of 93 countries from 5 different continents in the ready-to-wear sector. DeFacto is engaged in the wholesale and retail production and purchase of tops, underwear, outerwear and accessories, and exports these products.

DeFacto operates its products through four main sales channels. Its main channel is retail, and there are DeFacto Stores operated as franchises abroad, which creates the opportunity to strengthen its international presence with DeFacto's strategic partners.

To strengthen its presence in regions where retail or franchise sales are unavailable, the Company also offers its products in multi-brand stores in Turkey or abroad through wholesale.

Finally, the sale of the products is carried out at [www.defacto.com.tr](http://www.defacto.com.tr) and [www.defactofashion.com](http://www.defactofashion.com) with its e-commerce platform and mobile application, and also in the leading marketplaces. The number of our stores, which has increased rapidly over the years, is an essential and objective indicator of consumer appreciation.

In addition to more than 500 stores, we continue our sales on the e-commerce platform that can be accessed at [www.defacto.com.tr](http://www.defacto.com.tr) and [www.defactofashion.com](http://www.defactofashion.com), on the mobile application that can be accessed from the IOS and Android Platforms, and the franchise and wholesale channels.

**Our goal of making DeFacto a global brand and carrying our promise of "accessible fashion" all over the world strongly motivates us to write new growth and success stories constantly.**



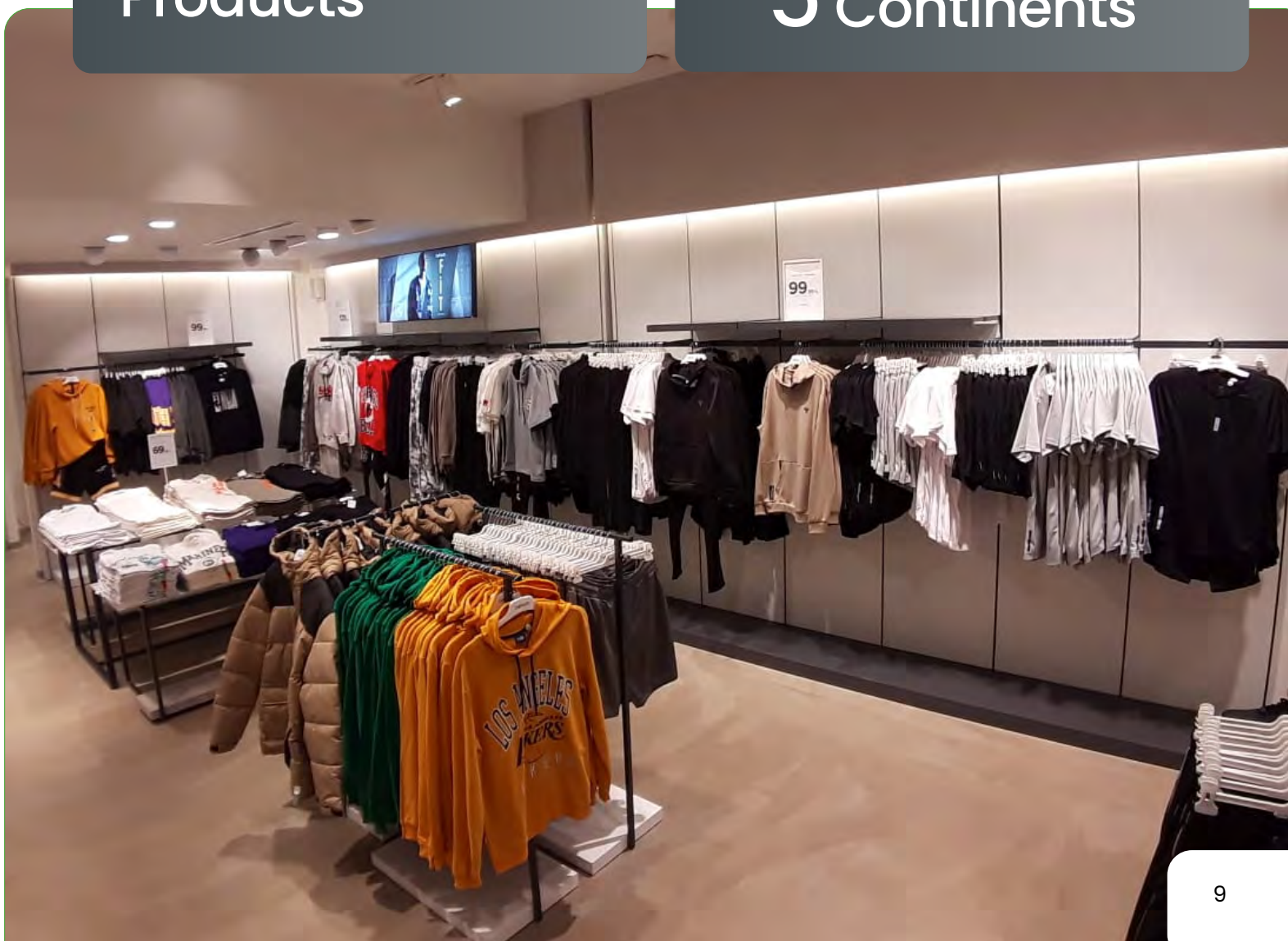
Since we DeFacto prioritize serving various consumers and needs, we strive to offer our customers as wide a selection of products as possible. Our women's and men's clothing collections, which we have gradually enriched with this perspective, include daily wear, intimates, outerwear, sportswear, maternity wear, baby clothing, and children's and youth clothing, as well as selections covering business life and special days. At the same time, there is a collection of accessories and shoes in our product range.

Since 2005, DeFacto has gradually expanded its production volume and product range and sold a total of 115,768,609 products in 2021, the reporting year. The aforementioned number of products covers all sales categories and are classified as local, franchise, international, e-commerce, old season and wholesale.

The category with the highest sales share is local sales with 49%, followed by international sales with 24%, and e-commerce sales with 19%. The remaining wholesale, old season and franchise categories have a share between 2% and 4%.

**115.8 Million  
Products**

**on 93 Countries  
5 Continents**



**Our brand is our most fundamental value that determines our promise to all our stakeholders, especially our customers, and our perception in their eyes.**

Our goal of strengthening our brand on a global scale is also a driving force in improving our performance in every field, thanks to the perceptions and values that this goal represents. With our experienced design team and collaborations, we add designs that adapt to global trends to affordable and quality products. We produce designs suitable for all countries where we operate, with our creative marketing strategies and design office providing significant added value as an innovative perspective.

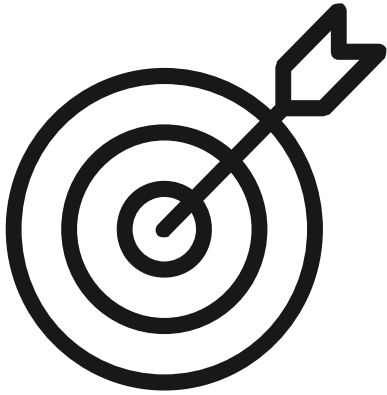
**Ozon Textile also produces for brands such as Bershka, Primark, Asos, C&A, George, and Matalan within the scope of export activities in addition to DeFacto.**

Ozon Textile, the largest supplier of DeFacto, continues its activities in its factories in Istanbul and Sivas. Ozon Textile, which carries out the cutting, sewing, printing, and ironing-packaging processes in an integrated manner at its Sivas Factory, has been among the fastest-growing industrial companies in Turkey for a while.



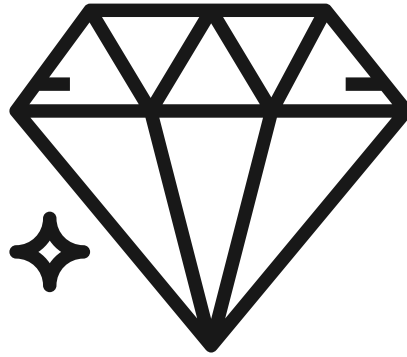
As a brand, we think differently and run fast. We stay close to our customers. We achieve more with less. We march shoulder to shoulder and work with passion by focusing on respect for the environment and people.





## Vision

**We will become a global fashion brand that will make everyone say, "Wow!".**



## Mission

**We make luxury accessible for happiness.**



## Our Values

**We think differently and go fast.  
We stay close to the customers.**



**We achieve more with less.**



**We march shoulder to shoulder and work with passion.**



**We are sensitive to the environment and people's needs.**

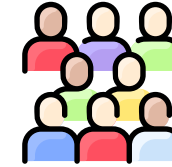
DeFacto believes that the biggest motivation source for achieving goals is the interaction with its **stakeholders**, the support of suppliers, and the emergence of energy and talent in its employees. For this reason, it aims to shape its activities to benefit the **whole ecosystem** in which it is located. DeFacto's core values, which are necessary to achieve these goals and manage change, are defined to include these perspectives:



### **We stay close to the customers**

The happiness of our customers is at the center of our business.

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



### **We march shoulder to shoulder and work with passion**

We value each other's ideas and approaches and work collaboratively towards the same goal. We work with passion to succeed. Our energy and motivation dazzle.



### **We think differently and go fast**

We think outside the box and boundaries.

We always believe that there are new things to learn, and we produce innovative ideas to achieve better. We conclude our work in the most effective and fastest way to achieve our goals.



### **We achieve more with less**

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



### **We are sensitive to the environment and people's needs**

We are directing our awareness on climate change and environmental impacts to reduce our footprints in this area and to increase our handprints. We respect different cultures and beliefs.



# Our Strategic Focus



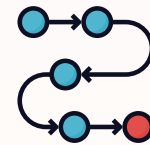
**Growth by  
Leaps**



**Digitalization**



**Globalization**



**One Stop Shop**



**Customer  
Orientation**



**Fast Supply  
and Logistics  
Network**



**Expense  
Management and  
Efficiency**



**Global People  
and Culture**

## Growth by Leaps

DeFacto focuses on businesses that will bring growth **bigger than the average growth rate** with the think different and run fast approach.

## Globalization

DeFacto's value proposition is to provide (innovative) services that will meet and, when necessary, exceed the expectations of customers in 5 continents, 93 countries, and 500+ stores, with the same targeted global standards, also to pursue the local needs and be an organization where most people embrace diversities, which is **open and can adapt to change** while deciding with a global perspective.

We will work to offer our products **(80% global, 20% local)** based on the customer needs while understanding the customers and with respect to local cultures.

## Digitalization

Digitalization is the process of transforming digitalized resources into operational results that will add new revenue, growth, and value to the company rather than having a non-integrated IT infrastructure. In other words, **digitalization** means applying technology to these resources to develop new business models, combine information, resources, and digital technologies with new ways to create unique **customer experiences**, enable new products and services, and use company resources more effectively.

We will conduct our business processes with digital transformation. We aim to develop digitally equipped processes within DeFacto. For example, the working environment has now become digital, using online tools such as Microsoft Teams. In addition, product forecasting and budgeting processes were digitalized by using artificial intelligence tools in decision-making processes.

An illustration showing a man and a woman engaged in shopping. The man is sitting on the floor, using a laptop that displays a shopping cart icon. The woman is standing, holding a smartphone in one hand and a large shopping bag in the other. A large percentage sign (%) is floating in the air between them. There are also some small decorative elements like a plant and a shoe on the floor.

5 Continents  
93 Countries  
500+ Stores

## Customer Focus



We identify and understand our customers (both internal and external customers), and we make decisions and direct our activity in a way that will meet their needs (and even exceed their expectations).



We offer diversity and innovation that makes our customers say, "I must stop by DeFacto" every time they go shopping.



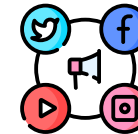
We use big data analytics to understand and serve our customers.



We adapt our designs and products to meet customer expectations rather than our preferences.



We are evolving into a **"digital customer-oriented"** business that can successfully turn the information we receive into high-performance products by acknowledging the customer's presence in all industries and without borders in the digital world.



We provide clients with dynamism both in-store with innovation and price themes for 52 weeks and online with social media distribution for 52 weeks. We will stand out in customers' minds with our innovations.



We provide visibility in all spheres of social media and the online world weekly with innovation.



## Strategic Partnership



### Target and Scope

- Creating Strategic Business Partnership Awareness Across DeFacto,
- Establishing a Sustainable, Transparent, and Win-Win Relationship with Strategic Suppliers,
- Effective and Efficient Management of Capacities,
- Receiving Collection Support from Strategic Suppliers,
- Realization of Purchasing Targets from the Strategic Supplier Determined based on the Buyer Group,
- Execution of 65% of the Total Purchase Amount through Strategic Suppliers,
- Alignment of On Time Delivery to 85% target.

**The company aims to have a cost structure that supports speed, innovation, and flexibility through successful strategic collaborations.**



### Flexible Supply Strategy

- Vertically integrated supply and production processes made possible by DeFacto's production arm, Ozon Textile, and other key suppliers;
- Domestic product growth over time in response to the rapidly shifting global fashion trends, supplier share,
- Proximity of suppliers to the network of stores,
- Quicker deliveries,
- Strict production quality standards,
- Cost Reduction (lower logistics and tax costs).



## Planning the Future

Global trends are followed, and potential risks are controlled thanks to the flexible supply strategy.

- The planned expansion of the International Distribution Center network and the expected growth of the international supply network,
- Possibility of direct shipment to abroad stores for decreasing costs and shortening delivery time,
- Effective management of potential risks related to taxation and maintenance of quality in production,
- Taking advantage of quality textile production in Turkey that is well-accepted by international clothing retailers.



## Making Effective Collaborations with Strategic Suppliers

Collaborations are formed with strategic suppliers who are capable and knowledgeable enough to provide the necessary supply capacity:

- Planning with suppliers to use the capacity efficiently,
- Annual capacity agreements with suppliers to effectively manage the supply and production schedule,
- Working with more than 200 suppliers to prepare design samples and closely monitor developments in the global market,
- Long-term goals,
- Achieving sufficient supply capacity in Turkey's competitive clothing market,
- Quick launch of new products, reducing costs while maintaining quality standards,
- Sustainable production that is sensitive to the environment and society.

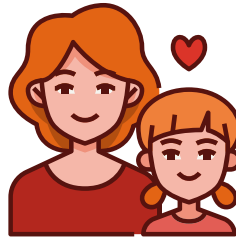
## One-Stop-Shop

We will ensure that DeFacto stores can satisfy all of our customers' apparel, accessories, and cosmetics needs.



**We bring street fashion to our stores**

**We use DeFacto's proximity to both fashion and everyday items to create a brand that people talk about.**

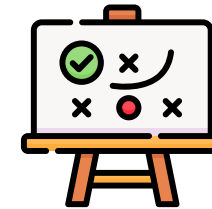


**Under the direction of rapidly expanding groups like women and children, we guarantee ongoing development and growth in every segment.**

By developing our products and supply, we recognize the expectations that customers cannot express and present them even before the demand. We strive to provide enough variety for each categorization while making ongoing improvements to our products during the transitional era.

We will also adapt our stores in terms of size. We will increase our existing store space in order to exhibit all the collections under the DeFacto brand in the most efficient way.

To be in suitable locations, we will close our small and inefficient stores with optimization in our existing stores and open more extensive and efficient stores instead.



**We benefit from e-commerce channels and omnichannel opportunities to improve One-Stop-Shop perception.**





## Ideal Product Based on Country



**Right  
Price,**



**We strive to be a brand that consistently provides the correct goods at the right prices, in the proper fits, fabrics, and designs that everyone can appreciate in every setting and say, “Wow!”.**



**Right  
Moment,**



**We prepare the appropriate number of orders to satisfy the customer’s expectations on time and increase our stock turnover rate.**



**We examine each area in which our stores are located, and we try to provide each store with the goods that customers expect at reasonable prices given the characteristics.**

## Fast Supply and Logistics Network

We establish strategic business collaborations with our suppliers and other business partners to provide our clients with the right product at the right time at “Wow!” pricing and to meet their demands. As we grow our firm, we also expand our network of business associates, provide spaces for their growth, and collaborate closely with them.

We create systems that will allow us to collaborate more and gain more from the expertise of our employees and business partners.

**We develop business models that benefit both parties by establishing trust-based procedures and proactively managing capacities.**

- Securing adequate supply capacity in Turkey's competitive clothing market,
- Putting products on market rapidly,
- Cost reduction while maintaining quality standards,
- Sustainable and ecological production that is mindful of the environment and society.

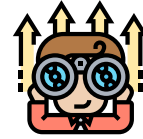
**In supplier cooperation; we aim to increase the production speed and our on-time performance and to buy the important part of the collection from the supplier.**





## Expense Management and Efficiency

Our primary goal is to make our operations more effective while continuously reducing operational costs.



## Planning the Future

Following global developments and managing potential risks thanks to our flexible supply strategy:

- The international distribution network is planned to be expanded, and the global supply network is expected to grow
- Possibility of direct shipment to abroad stores for decreasing costs and shortening delivery time
- Effective management of potential risks related to taxation and maintaining production quality
- Taking advantage of quality textile production in Turkey that is well-accepted by international clothing retailers.



## Development of Agile Organization and Data Driven Culture

We concentrate on changing our organizational structure to work agilely and fostering a culture where data-informed decisions are made to achieve our goals.

The proportion of domestic suppliers has risen over time to keep up with the rapidly shifting global fashion trends:

- The proximity of suppliers to the store network,
- Shorter delivery times,
- Higher production quality requirements,
- Cost Reduction (lower logistics and tax costs).



## Effective Collaborations Developed with Strategic Suppliers

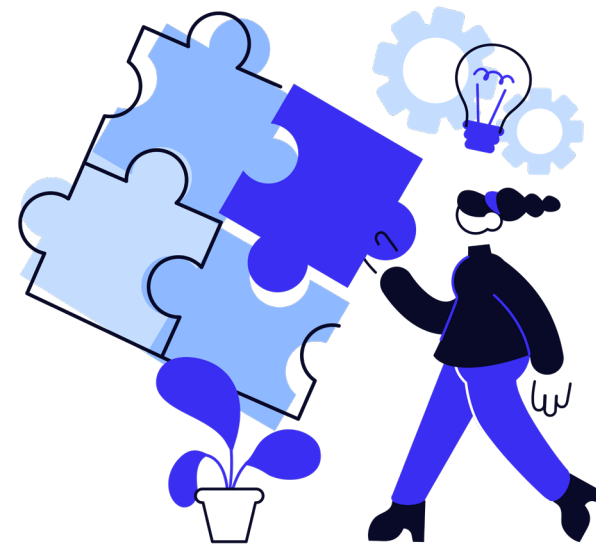
Collaborations are formed with strategic suppliers who are capable and knowledgeable enough to provide the necessary supply capacity:

- Joint planning is made with the suppliers to use the capacity efficiently,
- To manage the procurement and production schedule effectively, suppliers and the company collaborate on joint planning and annual capacity allocation agreements.
- The company works with more than 200 suppliers to prepare design samples and closely monitor market trends.



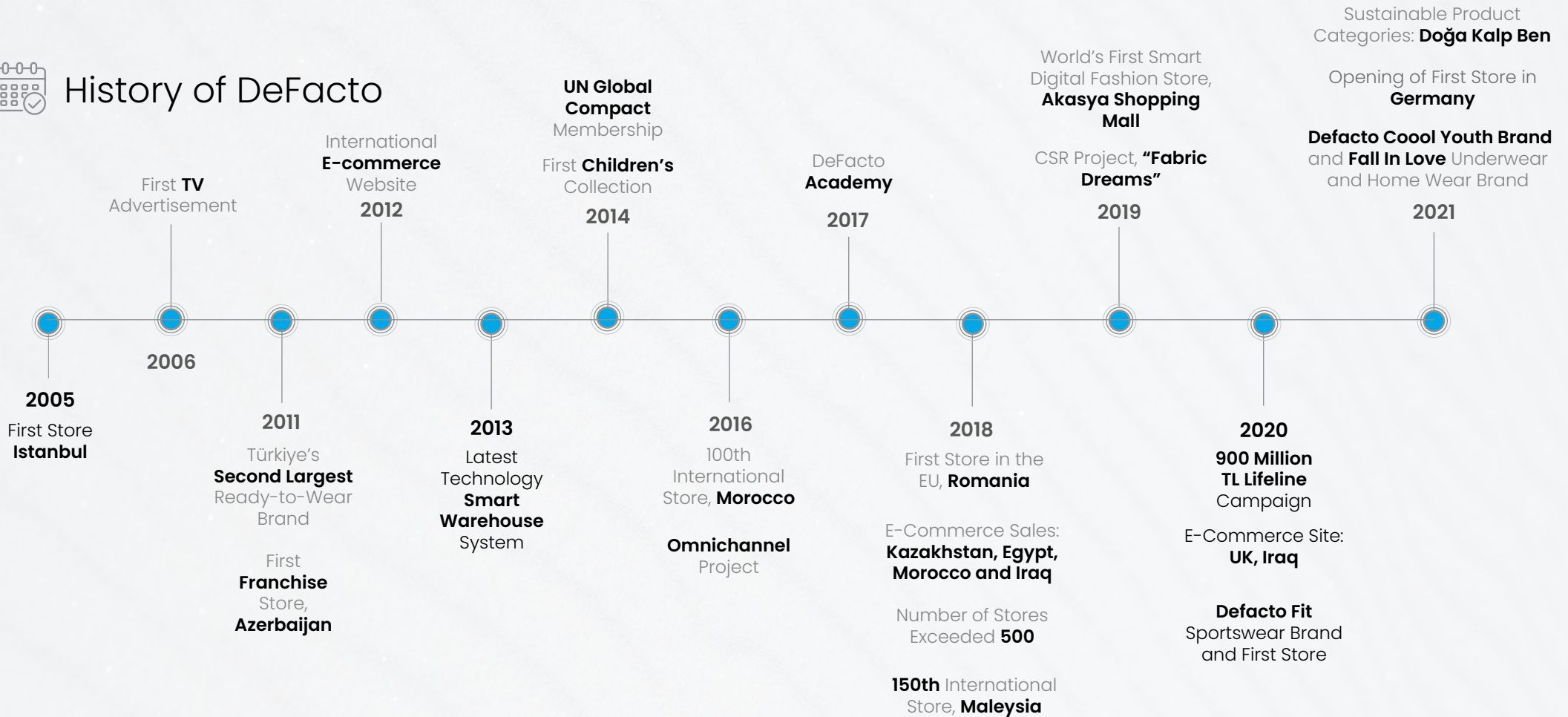
## Long-Term Objectives

- Securing adequate supply capacity in Turkey's competitive clothing market.
- Putting products on market rapidly
- Cost reduction while maintaining quality standards
- Sustainable and ecological production that is mindful of the environment and society



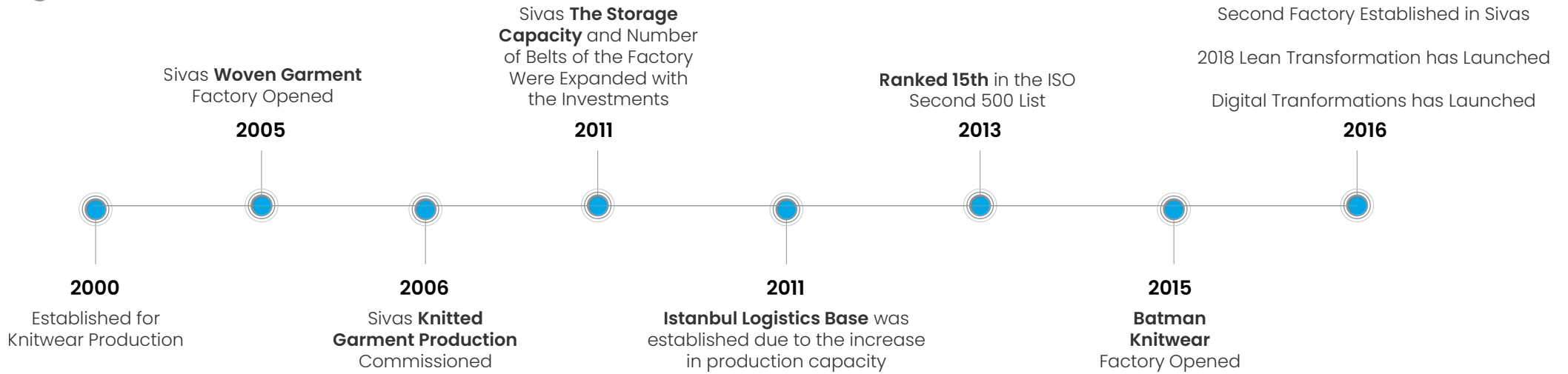


## History of DeFacto





## History of Ozon Textile







## External Initiatives and Memberships



### DeFacto



**BCI**  
Better Cotton Initiative



**BMD**  
United Brands Association



**UNGC**  
United Nations Global Compact



**WEPS**  
United Nations Women's Empowerment Principles



**ÇEVKO**  
Environmental Protection and Packaging Waste Recovery and Recycling Foundation



**İTKİB**  
Istanbul Textile and Apparel Exporters' Association



**İHKİB**  
Istanbul Ready-to-Wear and Apparel Exporters' Association



**MKK**  
Central Registry Agency -Standard Membership



**ÖSGD**  
Private Sector Volunteers Association



**TCF Global**  
Textile, Clothing, Footwear, Leather



**Turquality**  
Brand Programme Supported



**TGSD**  
Turkish Clothing Manufacturers' Association

### Ozon Textile



**ÇEVKO**  
Environmental Protection and Packaging Waste Recovery Foundation



**İTKİB**  
Istanbul Textile and Apparel Exporters' Association



**İHKİB**  
Istanbul Ready-to-Wear and Apparel Exporters' Association



**KalDer**  
Quality Association Membership



**Sedex**  
Type B Membership



**Higg Index**  
Higg Facility Environmental Module

### DeFacto ISO Certificates



ISO 9001

ISO 27001

ISO 10002

ISO 27025

ISO 45001



## DeFacto's Approach to Sustainability



As DeFacto, we are mindful of the pledges we make to ourselves and all our stakeholders in the field of sustainability. Accordingly, we adopt corporate sustainability as a core value of our company and initiate activities in this field.

Our sustainability journey, which we started by becoming one of the first two signatories of the United Nations Global Compact (UN Global Compact) in the ready-to-wear and fashion industry in Turkey, continues with great dedication. Throughout all our operations, the reduction of the environmental impact of our products and the support for the growth of the local economy is our main objective. As DeFacto, within the scope of our mission to carry our company to a sustainable future, we attach great importance to human rights, occupational health and safety, product safety, workplace diversity and equal opportunities.

In this respect, we have three different sustainability objectives, namely for **2023**, **2030** and **2050**. New projects are planned to join our sustainable collections such as **Nature Likely Me, Apple Leather Accesories and Shoes**, which have been offered to our customers in the past years. Within the scope of our sustainability efforts, raw material supply, product labels and packaging are targeted to add new projects.

In the scope of our sustainable activities, we aim that all operation processes are sustainable.





## 2023 Goals

- ✦ Ensuring the sustainability of **35%** of our Ready-to-Wear collections.
- ✦ Utilising **20% sustainable** cotton and recycled polyester in our raw materials.
- ✦ Ensuring that our shopping bags, cardboard, paper and other packaging is **100% recyclable** and sustainable.
- ✦ Ensuring that **100%** of our product labels are sustainable and FSC certified.
- ✦ Implementing the eco-efficient store movement.
- ✦ With the Zero Waste Principle, ensuring that all waste produced in our head offices, logistics centres and stores is recycled or reused after 2023.



## 2030 Goals

- ✦ Making **90%** of our Ready-to-Wear collections sustainable.
- ✦ Utilising **100%** recycled polyester and sustainable cotton in our raw materials.
- ✦ Reducing our Scope 1 and 2 greenhouse gas emissions by **55%**.
- ✦ Reducing our Scope 3 greenhouse gas emissions by **25%**.
- ✦ Reducing the water impact in our supply chain by **25%**.
- ✦ Obtaining **100%** of the electrical energy used in DeFacto operations from renewable sources by 2030.



## 2050 Goals

- ✦ Becoming a “**climate positive**” brand by offsetting our emissions to zero by 2050.





## Sustainable Governance

At DeFacto, a Sustainability Committee has been established to determine our corporate sustainability principles in line with our sustainability goals and to manage the process in the most effective method.

**The Sustainability Committee** is responsible for approving the projects received from the Sustainability Programme team and putting them into action. The Sustainability Committee is chaired by the CEO and its coordination and secretariat is carried out by the Sustainability Programme Leader.

## Sustainability Committee



The Sustainability Committee meets regularly twice a year. Additional meetings are held as and when required. The agenda is defined by the Committee Chairman and the meetings are held with the participation of the absolute majority of the Committee members.

**The Committee draws upon expert opinion if deemed necessary.**

The Committee takes decisions within the scope of sustainability targets that concern the entire company by absolute majority of votes.

Among the relevant decisions reported to the Board of Directors, the decisions shaping the company's sustainability strategy are submitted to the approval of the Board of Directors.







## Sustainable Governance

The Sustainability Committee draws DeFacto's short/medium/long-term corporate sustainability roadmap by following national and international developments. To this end, the Committee undertakes the tasks of identifying policies, developing projects and subsequently disclosing them to the public with the decision of the Board of Directors.

**Target is to inform employees and involve all stakeholders in the process in line with the corporate sustainability strategy.**

The necessary authorisation and coordination is provided by establishing Working Groups under its structure to support the activities for effective sustainability management.

The Committee conducts projects supporting the transition to a low-carbon economy as part of the fight against climate change, and reducing the carbon emissions of all operations.

Its responsibility is to regularly audit and refine corporate sustainability goals, policies and practices. As part of DeFacto's membership to the **United Nations Global Compact** (UN Global Compact), the **Sustainability Committee** submits sustainability reports at least once a year for the approval of the Board of Directors for publication and declaration to the Global Compact.

Other duties of the Committee are to execute the compliance studies with the **UN Global Compact** principles and to declare the progress reports.





# Sustainability Programme

**The Sustainability Programme executes the tasks assigned under the Sustainability Committee. The Programme is responsible for the monitoring and implementation of Committee decisions, defining and revising targets.**

The Programme Leader is responsible for the coordination of the relevant Working Group, recording the meeting minutes and reporting the outputs to the Committee.

Duties and responsibilities:

- Reporting to the Committee and fulfils the tasks assigned by the Committee.
- Monitoring projects and actions
- Tracking and implementation of the Committee's decisions, identifying targets and revising them when necessary
- The Sustainability Programme Leader is responsible for the coordination of the relevant Working Group, keeping the minutes of the meetings and reporting the work outputs to the Committee.

## Members of Sustainability Programme





## Risk and Opportunity Analysis

DeFacto focuses on preventing potential risks through risk identification, assessment and monitoring processes. Risk assessments are conducted on a regular basis, at least once a year at DeFacto, where risk management is considered as a common responsibility of everyone from senior management to all employees of the company.

Accordingly, risk assessments of projects, activities, tasks and operations classified as “high-risk” are executed at frequent intervals.



**Significant risks are managed with a risk portfolio approach by considering the risk-opportunity balance.**

The Enterprise Risk Management programme is included in main processes such as strategic planning and operational management to ensure that risks are taken into account in decision-making processes.



Main steps of the Enterprise Risk Management process:

### 1-Determination of risks

- Identification of risks with a systematic approach,
- Identification of risks and risk impacts,
- Application of risk categories,

### 2-Assessment of risks

- Evaluating the identified risks,
- Calculating the net and gross risk by measuring the activities to mitigate the existing risk,

### 3-Response to risks

- Development of risk mitigating activities,
- Designing and implementing of risk mitigating activities,

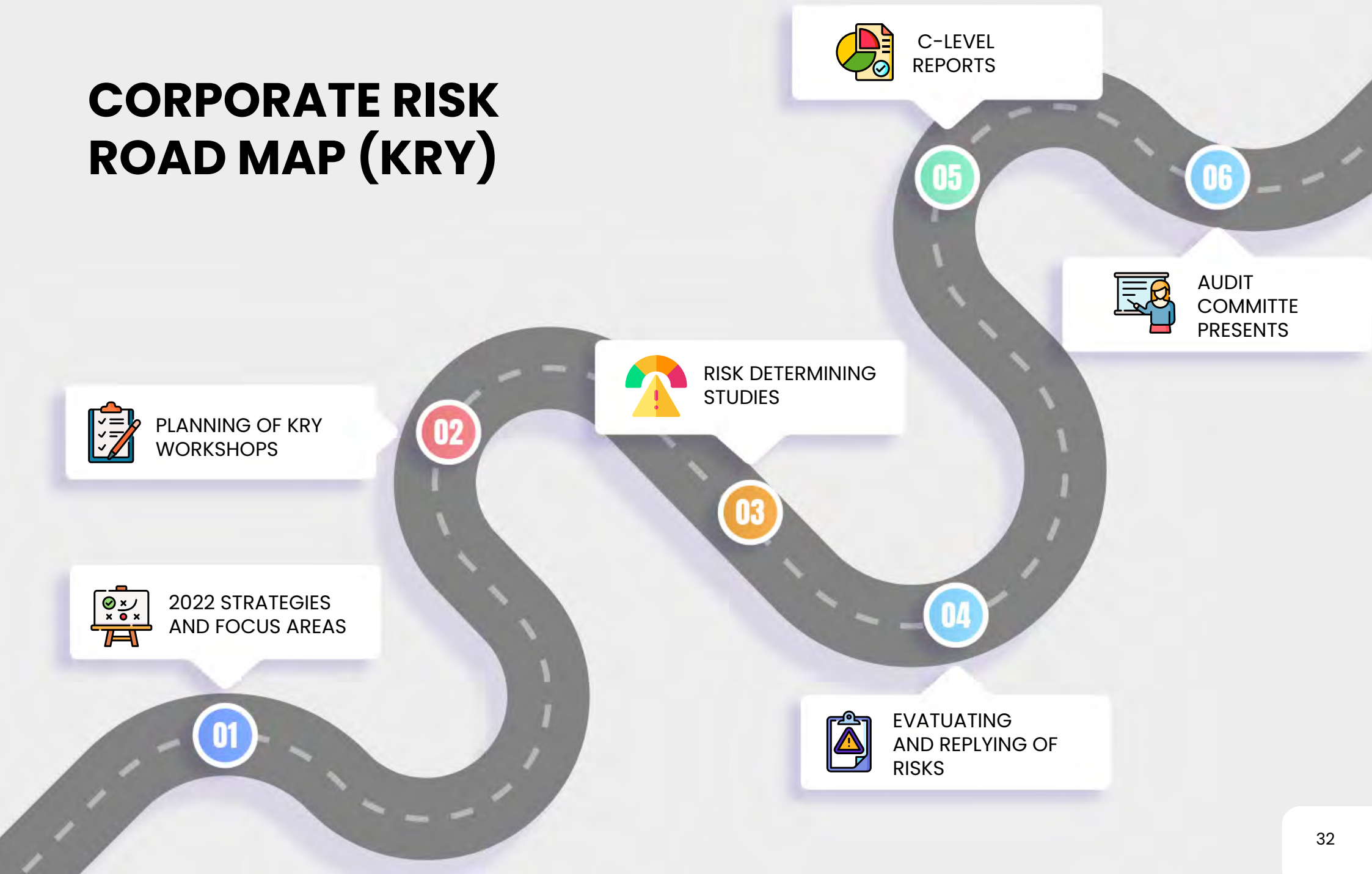
### 4-Reporting of risks

- Reporting of the changes that occur as a result of the risk assessment of risk exposure and the current status of risk management,

### 5-Monitoring of risks

- Monitoring risk exposure and risk management activities.

# CORPORATE RISK ROAD MAP (KRY)







## Information Security

Ensuring the security of the data of our employees, customers, and suppliers is a priority that is followed within the scope of the risk management system. DeFacto Information Security Management System has been created in line with the ISO 27001:2015 standard.

### **Our information security management system allows us to:**

Manage information security risks within the scope of DeFacto Enterprise Risk Management; Make their jobs “safe” and “permanent” by trusting our employees; Support decision-making mechanisms by making information complete, accurate, and accessible; Provide access to information only and only by authorized persons; Ensure change management while continuously improving information systems and components; Identifying possible information security breach risks and cases and eliminating them together with their root causes; Striving to maintain the information security awareness of our entire organization high.

Information technology process risks were assessed and prioritized in 2021 as part of information security studies, and updates and improvements were made in accordance with the methodology. We also review and update access authorizations to critical information for the confidentiality of customer information and personal data. We quickly take the necessary steps to measures that the security and integrity of this information are not compromised.





## Internal Audit

One of the critical components of the company's Corporate Governance and Assurance Concept is the DeFacto Internal Audit Unit. It is accountable for coordinating and harmonizing DeFacto audit activities in accordance with the widely acknowledged Internal Audit Standards published by the "Internal Audit Institute," as well as the planning, execution, and reporting of audits within the organization (IIA). The DeFacto Internal Audit Procedure is organized in accordance with the IIA's requirements. It contains templates that should be used in addition to offering helpful advice on how to conduct audits.

Internal control systems at DeFacto ensure that strategic objectives are met, activities are effective, financial and operational information is trustworthy and accurate, assets are protected, and rules, policies, and procedures are followed.

Internal audit work is carried out in accordance with international internal audit standards. During the audits, the effectiveness of the existing internal controls regarding eliminating the risks in the business processes is evaluated. The reasons and effects of the control deficiencies identified as a result of the audits are analyzed, and the management action plans for the elimination of the problems are obtained from the relevant units. It is followed whether these actions are implemented promptly.

Additionally, the Retail Audit, Risk Management, Compliance, Loss Prevention, and Case Investigation Units—all of which fall under the purview of the Audit, Risk Management, and Revenue Protection Directorate—conduct internal control and risk management studies.

**According to the guiding principles adopted by the Board of Directors, the DeFacto Audit, Risk Management, and Revenue Protection Directorate performs assurance and consulting tasks to assess and enhance the efficacy of risk management, internal control, and governance processes.**



Risk Type	Risk Definition	Risk Management
<b>Risks Arising From Legal Regulations</b>	The cost increase that will arise from carbon pricing mechanisms with Turkey's signature of the Paris Agreement and the European Green Deal	Although Turkey has signed the Paris Agreement and announced its commitment, no action has been taken in the textile industry yet. Sustainability Committee follows the Emission Trading System and related progress in Turkey. With the objective of becoming a climate positive brand, project identification studies and assessment of new investments with carbon pricing and ensuring 100% renewable energy use in its own locations by 2030, cost-benefit analysis studies are conducted.
<b>Market Risks</b>	Potential loss of income due to an increased demand for sustainable products	Developing sustainable products and increasing their proportion within the collection Innovative sustainable collections
<b>Physical Risks</b>	Extreme weather events that may occur due to climate change	Efforts are underway to design products and technologies that are kind to the world and minimise climate change.
<b>Physical Risks (Supply Chain)</b>	In relation with climate change, the possible effects of supply chain disruptions on the production	Establishing alternative supply networks and organising support programs to foster and improve suppliers.
<b>Supply Chain Risks</b>	Environmental impact of our products through the supply chain in processes such as raw material procurement, manufacture of intermediate products, and shipment	Year by year, the adverse effects of climate change on the world are becoming more severe. The textile industry is likely to experience major supply difficulties in the supply of raw materials. Therefore, we intend to make products produced with energy and water efficient, low-emission production methods with sustainable raw materials, and we aim to create 90% of our collection from sustainable products by 2030.
<b>Technological Risks</b>	Falling behind technological advancements and breakthroughs	Technological improvement and innovative activities are carried out to meet the expectations and requirements of all stakeholders.
<b>Reputational Risks</b>	Shifts in DeFacto's consumer preferences, stakeholder expectations and feedbacks Current and potential effects of adverse public opinion on DeFacto	Customer experience processes and relations of DeFacto are analysed continuously and systematically. With the data obtained from these observations, roadmaps are specified and modified.
<b>Strategic Risks</b>	Unpredictable threats arising from political, economic, social and other changes in DeFacto's environment, threatening the reasons for the existence and vitality of the organisation.	Based on DeFacto's corporate identity, all risks are defined, materialised, and evaluated in relation to strategic targets. The steps within the framework of the strategy management model implemented at DeFacto are determined and annual strategy meetings are organised.





## Stakeholder Analysis

DeFacto maintains the demands and satisfaction of both its internal and external stakeholders at the utmost level with the awareness that its stakeholders are its most valuable resource.



Key Stakeholders	Stakeholder Requirements And Expectations	Communication Method	Frequency of Participation
<b>Employees</b>	A pleasant working environment, employee rights, performance reviews, health and safety measures	Employee Satisfaction Survey, Defacto Business Academy, Information Bulletins, Ethics Line, Open Door, Recommendation Mechanism, Meetings	Continuously
<b>Customers</b>	Credibility, quality, cost performance, innovative and sustainable products, production capacity	Request, Complaint Suggestion System, Customer Experience Surveys, Customer Experience Days and Cheerleading Activities, NPS & Customer Experience, Experience Merchandising, Online Surveys, Messages, E-mails, Telephone, Social Media Interactions	Continuously
<b>Suppliers</b>	Information and training on purchasing, long-term agreements, timely payments, growth in production volumes and business practices.	Supplier Assessments, Supplier Days, Empowerment and Training Programmes, Meetings, E-mail, Telephone, Online surveys	Periodically
<b>Administration and Shareholders</b>	Profitability, Growth, Increase in brand value, Operational efficiency	Periodic Management Meetings, Periodic Shareholder Meetings, Public Announcement Platforms, Notifications, Annual Reports	Continuously and Periodically
<b>Investors</b>	Financial performance, transparency, growth	Public Announcement Platforms, Annual Reports, Corporate Sustainability Reports	Continuously and Periodically
<b>Certification Organisations</b>	Reporting on standards, compliance with requirements	Audits, Meetings	Periodically
<b>Business Organisations</b>	Emerging industrial approaches, collective action	Meetings, Seminars, Conferences, Online Surveys	Periodically
<b>Non-governmental organisations</b>	Social and environmental projects, awareness	Workshops, Projects	Periodically
<b>State Authorities</b>	Compliance with Law	Conferences, Projects, Face-To-Face Meetings, Audits, Reports	Periodically
<b>Associations and Member Organisations</b>	Compliance with local, national and international laws and regulations; compliance with social and environmental regulations, permits, financial aids and incentives	Trainings, Seminars, Meetings, Joint Projects, Newsletters	Periodically



## Materiality Topics

As DeFacto, the issues prioritised in our sustainability report prepared in 2021 have been evaluated as the highest priority topics.

Subsequently, the sections classified as higher priority and priority topics are expressed in the report as already initiated or to be initiated.

GRI 3-1, 3-2, 3-3



### Priority

- Skill Management
- Youth Empowerment
- Women's Empowerment
- Training
- Biodiversity
- Occupational Health And Safety



### High Priority

- R&D And Innovation
- Digitalisation And Customer Experience
- Employee Engagement And Satisfaction
- Circular Economy
- Entrepreneurship



### Very High Priority

- Equal Opportunities And Diversity
- Greenhouse Gas Emissions
- Energy Efficiency
- Renewable Energy
- Water And Wastewater Management
- Waste Management
- Compliance With Environmental Norms
- Work Ethics
- Human Rights And Fair Working Conditions
- Combating Child Labour
- Brand Reputation
- Customer Confidentiality
- Customer Satisfaction
- Risk Management
- Sustainable Raw Material Management
- Sustainable Products
- Supply Chain Management



DeFacto

2021 SUSTAINABILITY REPORT

# ECONOMIC PERFORMANCE

- Grant / Support
- Tax Approach
- Innovative Solutions
- Smart Store Project
- Smart Warehouse Concept
- DeFacto Gift Club
- Sustainable Supply
- Business Ethics – Business Ethics Stakeholders





## Economic Performance

Textile sector, which garnered an essential position in the global economy, operates in a highly competitive market and provides various advantages to countries such as development of the local economy, **increase of competitiveness** and gained market share. In this context, the Turkish textile sector has a significant share in the world textile trade with its ability to meet high standards and its extensive product diversity.

As DeFacto, we maintain our pioneering position in the Turkish textile industry with a total of **more than 500 stores in 5 continents and 93 countries**. In the extent of Turkish textile production and export, which has shifted from low-value-added to high-value-added and fashionable products in recent years, our ingenuity has been persistent with advanced technology solutions and comprehensive production capacity.

The retail industry develops in a **continuous and dynamic manner**. Moreover, the apparel industry has been tremendously affected by the shift of customer behaviours due to the impact of the pandemic process, and **the effects of climate change**.

To be a sustainable textile company conscious about climate change is valuable in terms of meeting the demands of the consumer whose concern for the environment is growing rapidly.

Responsibility towards our stakeholders and the environment is critical on our behalf. Hence, we are one of the first two signatories of the **United Nations Global Compact** in the apparel and fashion industry in Turkey. Beginning with the production process, our aim is to minimise the environmental impact of our products, and to reinforce economic development in all our activities.

Set as three individual stages, there are sustainability targets for the years **2023, 2030 and 2050**. Sustainable collections such as **Doğa Kalp Ben** have been made available to our customers and the expansion of similar collections are in the works.

**In 2021, Defacto manufactured a total of 115,768,609 products, with a turnover of TL 7.67 billion in the same year.**

In **2021, 179.5 million** people visited our stores. In addition, our e-commerce website received **388.5 million** views.

The sales of these products are categorised as local, international, franchise, e-commerce, wholesale and old season.



Local

**56,839,776**  
Unit

**%49**



International

**27,970,226**  
Unit

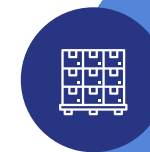
**%24**



E-Commerce

**2,124,975**  
Unit

**%19**



Wholesale

**4,732,743**  
Unit

**%4**



Old Season

**1,770,803**  
Unit

**%2**





## Grant / Support



DeFacto has been participating in TURQUALITY, the world's first and only state-sponsored branding programme managed by the Ministry of Commerce of the Republic of Turkey, since 2013. In 2021, rent and decoration support was received for our 50 stores abroad and no support was received for local stores in this five-year period. Within this scope, as one of the four companies with an upper limit in this programme, the net amount received in 2021 was **27,535,653 TL**

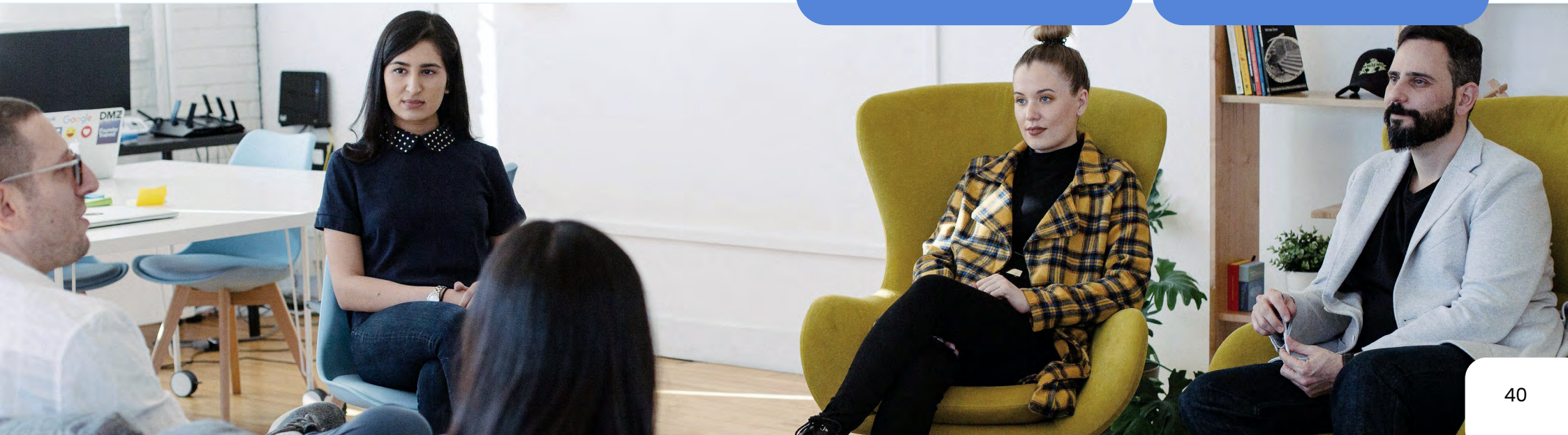
Local purchasing practices strengthen the local economy, and thus support local businesses. Such practices cause lower greenhouse gas emissions in logistics processes, hence minimising the environmental damage they cause. Therefore, in line with our responsibility towards the local economy and the environment, **90.38%** of our purchases are local orders and **9.62%** are international.

**Local  
Orders**

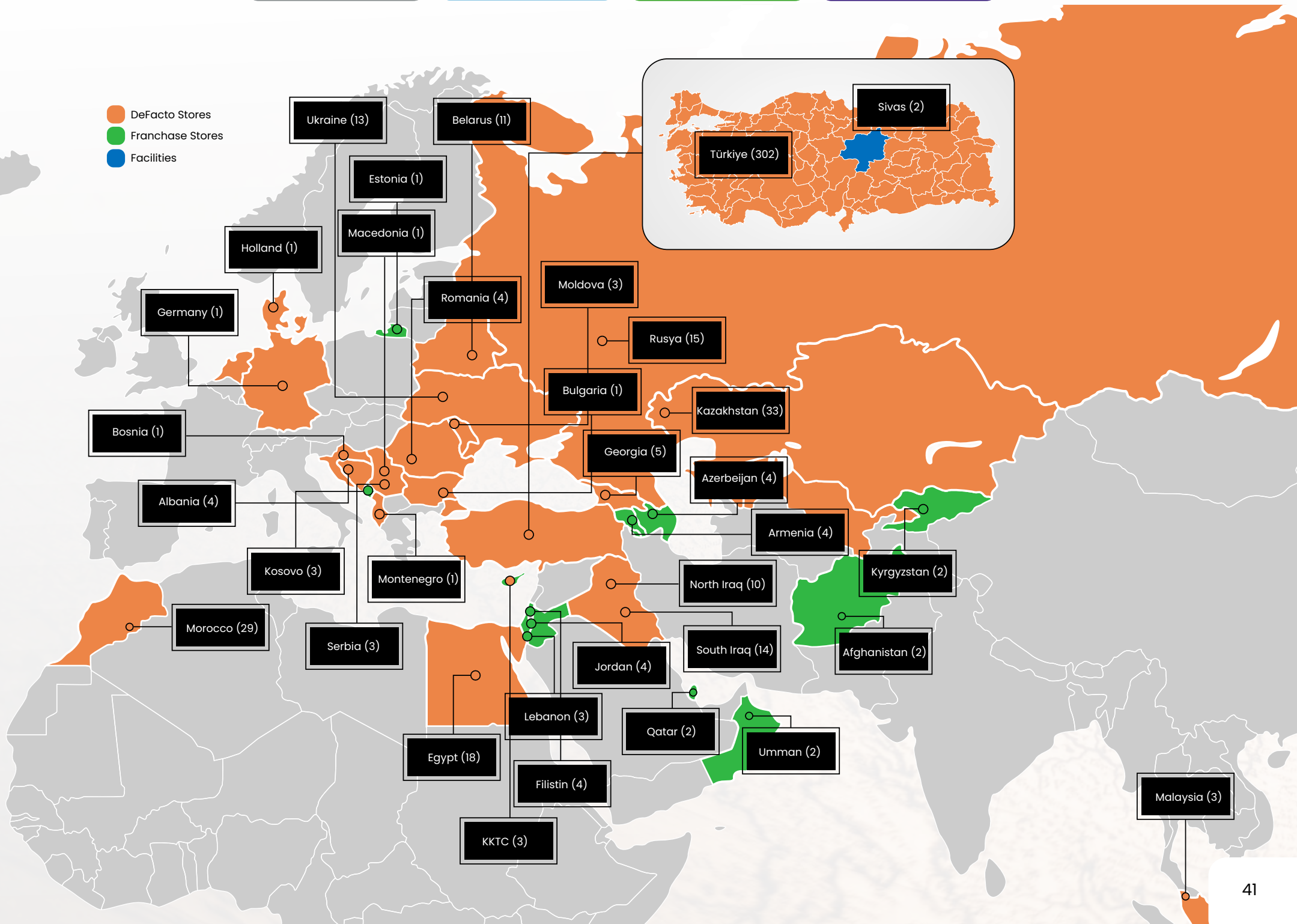
**%90.38**

**International  
Orders**

**%9.62**









## Tax Approach

We recognise the importance of taxation for the provision of social security. Based on this awareness, our tax approach encompasses the realisation of all our obligations in a **transparent, objective, ethical, reliable** and complete manner in line with the principles of sustainability.

All activities are carried out in accordance with the responsibilities taken for our stakeholders and in alignment with **sustainability targets**.

**In both local and international operations**, it is ensured that our tax and legal obligations are carried out precisely and thoroughly.

Our local investments have a direct impact on the development of the country by generating employment. In addition, our investments abroad support the promotion and dissemination of the Turkish brand.

Together with our **expert financial advisors**, independent audit companies and audit controls, we develop our strategy in this field.



To reduce risk, every one of our processes is based on the complete fulfillment of tax obligations. Our Ethics Committee and Internal Audit unit, which examines and oversees all organizational procedures domestically and internationally, carry out their respective controls.

Certified Public Accountants and Independent Audit Companies perform all controls to reduce risk.

**A tax payment of 1,958,987,972 TL was made as part of our activities in 2021.**



## Innovative Solutions

The digital technologies are relevant to nearly all sectors today. The retail sector, which also includes ready-to-wear clothing, is one of the sectors most affected by digitalisation due to its dynamic and open to innovation structure. Besides being a factor that brings mobility to the retail sector, digitalisation has also resulted in a highly competitive environment with the changes in market dynamics.

In a sector widely dominated by the customer, the difference of a personalised, unique retail experience made digitalisation critical.

Companies active in the retail sector must evolve together with their customers.

Simultaneously, as climate concerns intensify, the emphasis on sustainability grows. By understanding the changes that need to be made in this context, studies are carried out on how people, ideas and new technologies can be integrated to achieve optimal sustainable results. As DeFacto, we closely monitor the emerging technologies around the world and incorporate them into all our processes by making significant investments.

- Established in 2015 in Istanbul Technopark, DeFacto Technology company carries out innovation and emerging technology research. With a staff of approximately 400 people, we are building our own digital business model to reach our global targets.

DeFacto Technology not only develops many applications used in the industry, but also conducts R&D in many projects. By this means, a structure that produces the technology it needs within its own organisation has been obtained.

- Customer orientation is one of the fundamental principles we adopt in the field of sustainability. In order to better understand our customers and enhance their experiences, we launched the **CRM & Data Directorate** on *1 June 2020*.

We aim for this department, which also includes the Customer Research and Customer Experience Units, to direct customer-oriented developments. The basis has been laid for the determination of the vision and strategies for the year 2021 in this regard.







## Innovative Solutions

- Initiated in **November 2020** with feasibility and scoping studies, **the DFact project** was commissioned in **March 2021**. Employee and customer comments on product and store basis were obtained through **the Retail Master application**. These comments were also sent as requests to those responsible at the main office.
- Commissioned in **June 2021**, functions such as live chat and order enquiry with the **chatbot** were activated on our website and mobile application. Thus, our clients were offered an alternative platform where they can quickly receive answers to their questions and overcome their problems without having to connect to the call centre.



Our CRM department, continuously transforming with its dynamic structure, enables us to improve our customer interactions in terms of providing additional features.

Projects implemented in this direction and **easy-to-use communication** management technologies have had a positive impact on our operational processes.





## Smart Store Project

The ability to respond to changes in customer needs simultaneously with the pandemic has become a major challenge for the retail industry. Therefore, we have introduced our smart store project, which offers our customers a technology-oriented and innovative shopping experience.

Designed to combine online and offline customer experience, the store is equipped with RFID technology. An infrastructure that recognises the product upon entering the cabin is in place. Customers can also request a different size or colour from the sales consultants with the help of a digital mirror without having to leave the cabin.

The consciousness towards sustainability also extends to our in-store activities. Accordingly, digital price labels are utilised to provide price information in the store to combat paper waste. The content of the digital signboard can be modified, while all the lighting has been designed with LEDs.

Contactless payment can be received through KIOSKS without the requirement of a **virtual POS** for the transaction. Since we do not keep a large number of inventory in our smart store, the purchased products are delivered to the address requested by our customers within **24 hours**.

**We are at the forefront of digital transformation in the industry with our smart store.**

*Within this scope, we are able to test innovative solutions to meet the demands of the rapidly changing retail sector. Moreover, we gather feedback by presenting these solutions to the experience of our customers.*





## Retail Design

We are able to offer our stocks with size and color variations across 300 branches in Turkey using this application, which we call pay at the store, making it appear as though all products are available everywhere. We deliver it free to the specified address within the allotted shipping time. Hence, our customers never face the situation of not being able to buy the product they like and want to purchase or go to the branch with stock.

Regarding payment, there are several options available to our customers. They can pay for this online order in cash at our store counters. One of the trickiest issues in the retail sector to resolve is the **“out of stock”** issue, which we hope to address with this application. We plan to sustain our offline and online retail sales with this strategy.





## Smart Warehouse Concept

As DeFacto, we manage our own logistics operations in Turkey. Affiliated to the Assistant General Manager of Supply Chain, the warehouse activities are conducted in a **50,000 m<sup>2</sup> indoor area** on a **100,000 m<sup>2</sup> plot of land** in **Çerkezköy, Tekirdağ**.

Turkey's first fully automated ready-to-wear warehouse was established in two phases, the first phase in 2014 and the second in 2017. 85% of distribution operations in Turkey and all e-commerce shipments are executed from this warehouse.



In Çerkezköy, Tekirdağ

**100,000 m<sup>2</sup>**  
**plot of land**

**50,000 m<sup>2</sup>**  
**indoor area**

We are conducted the warehouse activities.

**85%**

of Distribution  
Operations

**100%**

of E-Commerce  
Forwarding







## DeFacto Gift Club

An omnichannel structure is in place, which seamlessly integrates all existing channels to provide our customers with **a smooth shopping experience**. This structure offers **new generation consumers** the opportunity to create their individual shopping routines in the 21st century. In the retail industry, it is extremely valuable for customers to initiate their search in one channel and complete the purchase in another, utilising different channels harmoniously in their shopping processes.

With **DeFacto Gift Club**, a customer loyalty programme that recognises our customers even better and offers privileges and opportunities from the moment of membership has been developed. Thus, simplifying the lives of our regular or potential customers, DeFacto Gift Club is a vital step for customer sustainability.

DeFacto Gift Club is a programme which offers opportunities, innovations and privileges to its members. To enjoy many exclusive offers available at defacto.com, DeFacto mobile application and DeFacto stores, you only need to be a Gift Club member, free of charge.

With the 2021 **“Acquisition & Retention”** strategy, our goal was the subscription of new members while maintaining the members subscribed. Consequently, 96,001 customers who switched from offline to online have made 223,872 online purchases through 101,379 transactions. DeFacto Gift Club is able to recognise offline customers better through digital integration and the data it uses, as well as targeting new customers.

It also offers multi-channel advantages and strategies based on shopping behaviour of customers. Thereby, stronger sales strategies are able to be executed. DeFacto Gift Club is in an important position in terms of customer sustainability by providing a solution to the inability of recognising offline customers. Furthermore, the same customer experience is guaranteed at any time in our multi-channel structure.

## 35% Customer Loyalty Rate

Launched in the last quarter of **2021**, DeFacto Gift Club managed to increase the customer loyalty rate every month in a period of 3 months. This rate increased to **35% towards** the end of the year. Customer frequency was measured as **2.3**. The age group with the highest turnover is comprised of **customers aged 26–35**.

### Values

### Total

Number of GC Members	2,641,219
Number of GC Omnichannel Members	400,181
Rate of GC Omnichannel Members	15.2%
Turnover Share of GC Omnichannel	43.7%
Turnover Share of GC Online	30%

**DeFacto Gift Club Nedir?**

DeFacto Gift Club; üyelerine fırsatlar, yenilikler, ayrıcalıklar sunan bir programdır. defacto.com'da, DeFacto mobil uygulamasında ve DeFacto mağazalarında geçerli olan birçok ayrıcalığı yakalamak için ücretsiz olarak Gift Club üyesi olmanız yeterlidir.

İlk alışverişe özel  
**%10 indirim**

Doğum günü ve yıl dönümüne özel  
**kat kat Gift Puan**

Her alışverişinden kazanacağın  
**%3 DeFacto Gift Puan**

İlk alışverişine özel  
**ücretsiz kargo**

**190 TL Değerinde Hoş Geldin Paketi**

Kadın ve Erkek Koleksiyonlarında

300 TL ve Üstü Alışverişlerine

**30 TL**

Değerinde Gift Puan

Cocuk ve Ayakkabi Koleksiyonlarında

400 TL ve Üstü Alışverişlerine

**20 TL**

Değerinde Gift Puan

Ev & İç Giyim ve Bebek Koleksiyonlarında

150 TL ve Üstü Alışverişlerine

**20 TL**

Değerinde Gift Puan

Aksesuar Koleksiyonlarında

100 TL ve Üstü Alışverişlerine

**10 TL**

Değerinde Gift Puan

Şimdi üye ol ve tüm bu ayrıcalıklardan DeFacto çalışanı olarak ilk sen yararlan!

Üyeliliğini tüm **DeFacto mağazaları, defacto.com veya DeFacto mobil uygulama** üzerinden başlatabilirsin.

Ayrıcalıklar Dünyasına Hemen Katılmak için **QR OKUT**





## Product Responsibility and Customer Satisfaction

At DeFacto, we meticulously manage the responsible production of our products in terms of consumer and environmental aspects in order to meet customer expectations, which are related to our objective of becoming a worldwide fashion brand. While ensuring and improving product safety, we carefully and extensively take into account the product and service standards of all locations where our products meet consumers, as well as our domestic operations.



We watch our work's results on customer satisfaction through extensive research. We guarantee consumer health by subjecting our products to tests and controls in our laboratories accredited to the TS EN ISO/IEC 17025:2017 Standard.



**We aim for excellence in all of our business processes and define international quality systems and standards as our reference points.**





## Product Safety

Some raw materials used in clothing and accessories are **chemical substances** such as paints and adhesives. In Ozon Textile, chemicals in the range of 0.5–3 grams are used per piece produced. Through the measures we take at DeFacto, we ensure that the chemical substances in end products remain well below the limits specified in the legal codes. Thus, our products certainly do not pose a risk to the **health and safety of any consumers**. We also ensure these procedures by testing our products in our accredited laboratories.



We launch our products after testing them under the relevant legislation of the countries in which we operate. As part of our comprehensive approach to product safety, we train our producers and employees on using suitable and non-hazardous materials.



The use of phthalates, azo colorants, and such chemicals that have been proven to have suspected harmful effects on human health in our products is restricted and constantly examined by the tests in our accredited laboratories.







## Baby and Child Products

Compliance with safety standards for baby and child products is one of the essential focuses of our perception of responsible production. Turkish and European Union legislation has specific safety standards for children's products.

Our production standards comply with the norms of **TSE and European Union Standards**. DeFacto Product Safety Handbook, which includes our standards, comprises comprehensive information about the required technical apparel and the technical production methods.



**TS EN 14682 and TS EN 17394-1,2,3 and 4 Child Cloth Safety Standards are reference standards among them.**





## Product Tests

To guarantee that they do not contain harmful chemicals and enhance overall quality, we conduct various tests on our products in our own analytical and physics laboratories accredited with the TS EN ISO / IEC 17025 Standard, considering customer satisfaction and trust. As a result of our tests, we confidently offer our products, which we have assured do not pose a risk to human and environmental health.

Raw materials in our products and potentially harmful chemicals that production conditions may cause are analyzed in our Analytical Test Laboratory. Likewise, in the Physical Test Laboratory, the fabrics used in our ready-to-wear and accessory products are subjected to physical tests and quality assessment.

Other purposes of these tests are to upsurge customer satisfaction and reduce the return rate by identifying the defects occurring during production in advance. The tests we mentioned are carried out in our laboratories accredited by TURKAK, corresponding to the TS EN ISO/IEC 17025 standard and the relevant global references for testing procedures, respectively.



We operate fabric and finish product analyses such as colorfastness tests, pilling tests, pilling tests, dimensional stability tests, and strength tests in our Physical Test Laboratory.





Having our own test laboratories is a significant advantage in terms of shortening the production approval processes, improving product safety, and enhancing supplier satisfaction. In case of exceeding the laboratory capacity or occurrence of possible technical mishaps, we carry out our tests in accredited independent testing organizations.

The risk of broken needles in textile products is a severely critical aspect that robustly threatens consumer safety. In the production processes of all suppliers of DeFacto and Ozon Textile, broken needle protocols are followed to protect the consumer. Therefore, all our products are packed into vehicles after being examined with metal detectors before being released from production facilities.

Chemical tests of our products are conducted under the relevant legislation at the local level and in the countries where our stores are located. We evaluate the test results according to the criteria determined by the relevant countries.

In Turkey, the final decision is made for the sale of the product by evaluating the test results in line with the "Regulation on Registration, Evaluation, Authorization, and Restriction of Chemicals."

We test whether the fabrics from our suppliers physically and chemically meet our expectations.



**The quality control and ecological consequences of our products are evaluated in our accredited laboratories within the scope of KKDIK regulations at home and under the customs regulations of countries based on REACH Annex VII and OEKO-100 standards abroad.**





## Details of tests conducted in the physical laboratory in 2021:

- ✦ Number of Bulk Fabric and Gold Seal test requests in 2021: **61,399 test** requests were made.
- ✦ Number of Bulk Fabric and Gold Seal tests in 2021: **491,192** were carried out.
- ✦ Performance of concluding the test results of 2021 on time (2 working days): **99.95% average success**
- ✦ Costs of tests in 2021 and comparison with external laboratories: It has been calculated that the tests performed in the DeFacto Physical Laboratory are 79% cheaper than the outer laboratory.
- ✦ The amount of recycled textile waste from the physical laboratory in 2021: **33 tons.**



## Details of tests conducted in the analytic laboratory in 2021:

- ✦ Number of Pre-Production and Gold Seal test requests in 2021: **33,244 test** requests were made.
- ✦ Number of Pre-Production and Gold Seal tests in 2021: **72,285** tests were conducted.
- ✦ Performance of concluding the test results in 2021 on time (2 working days): **96.9% average success.**
- ✦ Costs of tests in 2021 and comparison with external laboratories: It has been calculated that the tests performed in the DeFacto Analytical Laboratory are 65% cheaper than the outer laboratory.



## Sustainable Supply



Within the scope of sustainable supply chain in the textile industry, many stages must be taken into consideration; such as the minimum use of raw materials, the use of clean energy, and the manufacture of products from biodegradable natural materials. Sustainable supply chain includes the production phase of the product as well as the waste generation processes during and after the use of the product.

In the assessment of the life cycle of a textile product, minimising the environmental impact at the stages of production, logistics, sales in the store, consumer use, recycling and waste is essential for circularity and sustainability.

As DeFacto, we adopt a holistic approach in our sustainable supply target. Consequently, in addition to production processes, we also attach utmost importance to sustainability in our supply processes.

To this end, circularity, energy-efficient processes, technologies that use less water, processes that do not generate wastewater, and/or without chemical waste output are always our priority, as well as investments in new technologies incorporating them.

**DeFacto strives for economic, social and environmental sustainability in all regions of production, supply, sales and distribution.**

**All investments, initiatives, innovations and activities are planned and implemented in accordance with sustainability targets in these fields.**





## Supplier Classification Method

Regular assessment and monitoring of suppliers' performance is the key to an optimised performance. In 2019, the assessment criteria and methods for 2018 were renewed to ensure objectivity. Accordingly, **order delivery (40%), audit performance (40%) and average purchase price (20%)** of the orders are recorded in the system for the orders arrived at the warehouse between the 1st and 31st of each month.

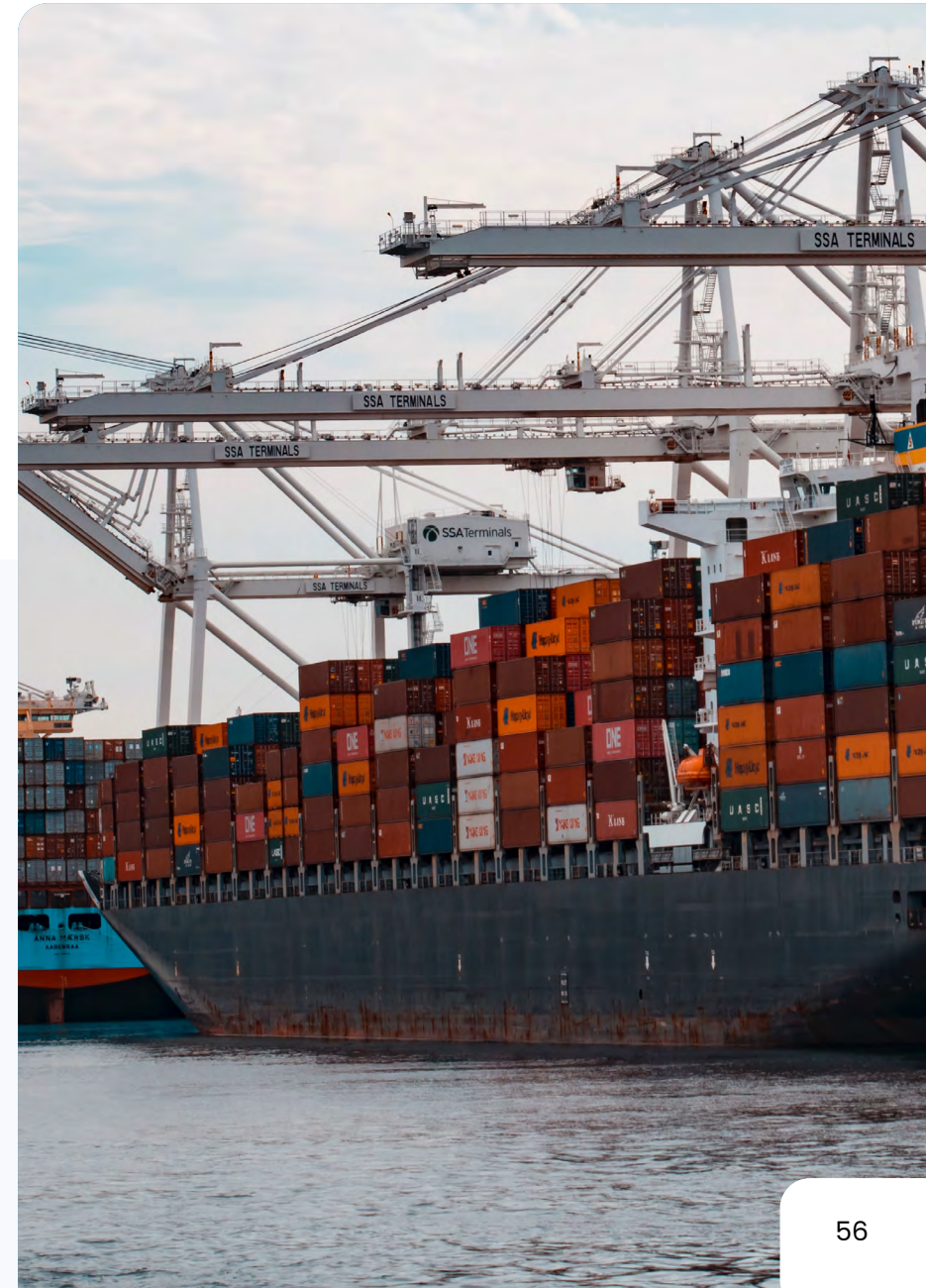
Data are calculated and the supplier's KPI score is determined. In the first week of the following month, Supplier Evaluation Results are shared with each supplier via e-mail through the **"Supplier Evaluation System"** platform. As a result of the calculation made according to the mentioned criteria, DeFacto suppliers are classified in five main categories:

### Supplier Assessment Scale

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

*\*Suppliers who are in the supplier development process - in the range of 60%-69% - are requested to improve their deficient components.*

*\*\*Our relations with our suppliers who are below 60% in the capacity control process are terminated.*







## Supplier Management

In 2021, there are 561 suppliers with whom we have established and developed business ties. While **485 of these suppliers** are based in Turkey, **76 companies are based abroad**.

**485** Local Supplier

**76** International Supplier

**%90,38** Local Orders

Local purchasing practices strengthen the local economy and thus support local businesses.

Since these applications cause lower greenhouse gas emissions in logistics processes, they cause less environmental damage.

In this context, in line with our responsibility towards the local economy and the environment, 90.38% of our purchases are local orders, and 9.62% international orders.

***Among 561 companies, one of our largest suppliers is our affiliate Ozon Textile.***

Among 561 companies, one of our largest suppliers is our affiliate Ozon Textile. The number of strategic suppliers is 16 and the share of strategic suppliers in the purchasing size is 2.59%. Of the suppliers we work with, 2.59% have "Gold", 41% "Silver", 0% "Bronze", 2% "Supplier Development", and 54% "Capacity Control" performance scores. In 2021, 2.59% of our total number of orders for production were produced by our "Gold" and 73.9% by our "Silver" suppliers.

### Number of Suppliers

2021 Total Number of Suppliers	561
Number of Suppliers in Turkey	485
Number of Suppliers outside of Turkey	76

### Rates

Number of Strategic Suppliers	16
Share of strategic suppliers in purchasing size	2.59%
Rate of total suppliers in Turkey	95%
Rate of total suppliers outside of Turkey	5%

### Supplier Performance

Gold	2.59%
Silver	41%
Bronze	0%
Supplier Development	2%
Capacity Control	54%



## Our Supplier Labour Commitment Letter

Our Supplier Labour Commitment Letter consists of eleven principles. Four of these principles are our “Red Lines”, where the supplier is expected to do what is necessary to eliminate the risk in case of non-compliance with these principles. Our main suppliers are required to be audited by SEDEX, BSCI and 3rd party accredited audit firms in agreement with the commitment. Especially by working with 3rd party accredited institutions, the auditability and transparency of sustainability targets are ensured. With the principles we allocate as our “Red Lines”, the determination in these targets is maintained.

As DeFacto, the audited social responsibility processes of all suppliers also contribute to sustainable quality.

### Supplier Performance Evaluation

#### Supplier Audits

We subject our suppliers to audits before starting their production for DeFacto and continue throughout the entire business partnership. Audits are conducted in two separate branches, independent third-party audits and on-field audits organized by relevant DeFacto teams. In 2021, social and technical compliance audits were conducted for primary and secondary suppliers.

The effort of DeFacto teams to create a DeFacto Supplier Map by conducting workshops and supplier audits also continued in this reporting period.

#### DeFacto Quality Inspections

All main suppliers undergo a preliminary assessment before they start working with DeFacto. Afterward, the technical and social compliance teams visit the supplier and conduct a general evaluation in terms of product & material quality and social compliance. In these assessments, standards such as metal detector use and metal material control, child labor, fire safety and service of personal protective equipment, and apparel quality are considered. Suppliers that receive a decent score can start working for DeFacto.

The workplaces of all our suppliers are regularly visited. Necessary pieces of training are given on the standards of ready-made clothing. Thus, it is aimed to ensure that the quality understanding of the suppliers is compatible with the DeFacto technical teams. As a result of our audits, it was assured that the quality understanding of the suppliers was consistent with the DeFacto Technical Teams. These suppliers with compatible standards-set acquired their own quality control and inspection authorization. While 14 suppliers were given self-inspection authorization in 2018, this number reached 85 in 2021.



## Our Supplier Labour Commitment Letter

### Our Red Lines

- **Child labour:**

Under no circumstances do we tolerate child labour at our main suppliers or subcontractors.

- **High Fire Risk and Building Safety:**

We demand immediate elimination of non-conformities that do not comply with occupational health and safety requirements and that may lead to risks such as individual or collective loss of life of employees.

- **Illegal Labour:**

We oppose the practice of illegal and/or contraband labour.

The fact that all of our suppliers are required to be extensively audited during the social compliance process also contributes to DeFacto's sustainable quality. At this point, our core expectations from our suppliers can be listed as follows:

1 Compliance with Laws and Regulations

2 Prevention of Child Labor

3 Prevention of Forced Labor

4 Discrimination

5 Humanitarian Approach

6 Wages and Benefits

7 Working Hours

8 Freedom of Association

9 Healthy and Safe Workplace Working Conditions

10 Environment

11 Anti-Corruption





## Our Supplier Labour Commitment Letter

We subject our suppliers to “Technical and Social Compliance” audits. In line with the **“Social Compliance”** scoring system we have determined with our Supplier Labour Commitment Letter and Red Lines, we divide our suppliers into three categories as “Green”, “Yellow” and “Red”.

Following the audit, suppliers with a score of 80% and above are determined as “Suitable” and categorised as Green. Those with a score **below 80%** are categorised as “Yellow”, indicating **“There is room for improvement”**. If non-conformity is detected even in 1 of the issues specified in our Red Lines principles, our supplier is categorised as Red, which means **“Non-Workable”**.

The audit we initiated in 2017 to create a sustainable supply chain and the criteria we subject our suppliers to are proof of the significance we attach to our business ethics and the creation of a sustainable supply chain.

### Supplier Technical And Social Compliance Audit Rate

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

### Social Compliance Score

Suitable	80%>
Room for Improvement	<80%
Non-workable	Inoperable if one of the Red Lines is crossed

In this respect, while only 17% of our suppliers were in the Green category in 2017, this figure increased to 56% in 2021. While 4% and 5% of our suppliers were in the Yellow category in 2018 and 2019, respectively, this figure increased to 44% in 2021. Finally, while 20% of our suppliers were in the Red category in 2017, the year we started the audit, this rate was reduced to 3 in 2020, and 0 in 2021.





## Business Ethics

DeFacto has embraced the policy of refraining from any behaviour that may damage mutual trust in its business relations with its employees, customers, business partners, suppliers, competitors, environment and society. Honesty, accountability and transparency are our core values in all our business processes and relations.

We recognise the magnitude of our responsibility to our stakeholders and act in accordance with our code of business ethics in order to fulfil this responsibility. While protecting our interests, we are conscious of the necessity to be frank about our actions. The guidelines we have established in this aspect, reflect positively on our brand image and reputation in all areas of DeFacto's activities in Turkey and abroad.



## Business Ethics Stakeholders

Our business ethics stakeholders consist of Company Employees, the Board of Directors and the Ethics Committee, each with different requirements and responsibilities.

Our Company employees are responsible for ensuring that all their activities are carried out in compliance with the corporate standards and values set out in the DeFacto Business Ethics and Principles Handbook, Disciplinary Regulation, Turkish Penal Code No. 5237 and Law of Misdemeanour No. 5326, for cases that may constitute crimes and administrative offences.

The Board of Directors is responsible for supervising the establishment and implementation of reporting, examination and sanction mechanisms in cases of potential non-compliance with rules and regulations.



## Business Ethics Stakeholders

The Ethics Committee, which has the most critical duties among our stakeholders, is responsible for the provision of an ethical, reliable, controlled working environment in compliance with the relevant laws and regulations. The responsibilities of the Ethics Committee include auditing the company on behalf of the Board of Directors, evaluating complaints, establishing the necessary preventive / deterrent disciplinary procedures and forwarding the results of the assessment that require sanctions on an individual basis to the Disciplinary Board.

Upon the assessment of the aforementioned notifications and complaints by the Ethics Committee, necessary investigations are carried out and cases where the Disciplinary Rules are violated are referred to the Disciplinary Committee.

Another responsibility of the Ethics Committee is the preparation, development, revision and implementation of this procedure. Finally, the Ethics Committee is responsible for updating the company's Anti-Bribery and Anti-Corruption Policy, Ethical Principles and Code of Conduct, when deemed necessary.

Examination and evaluation of all allegations of bribery, corruption and ethical violations within the company is a further responsibility of the Ethics Committee. A committee meeting (online/offline) is held immediately to discuss the received reports via the Ethics Line, investigations and agendas, to evaluate the current situation and to define a roadmap for the process. If a violation of the Disciplinary Code is detected during the investigation, the matter will be referred to the Disciplinary Committee.



## The Ethics Committee

- The Ethics Committee must conduct the necessary evaluations in order to address bribery and corruption cases, allegations, etc. at the relevant meeting.
- Afterwards, the committee must ensure that the documents and records such as evidence/ documentation etc. required for the decision are complete and that these documents are included in the evaluation process before the resolution is made.
- It is essential for decisions to be taken unanimously.



## Ethical Line

It is a line where employees can make complaints and all kinds of notifications according to DeFacto's work ethics policies. Notifications to this line are made by a third-party company and those made by employees via e-mail or telephone are transmitted anonymously. In 2021, 100% of the notifications made to the Ethics Line were resolved.

Comments from all stakeholders are received at **[etik@defacto.com.tr](mailto:etik@defacto.com.tr)**



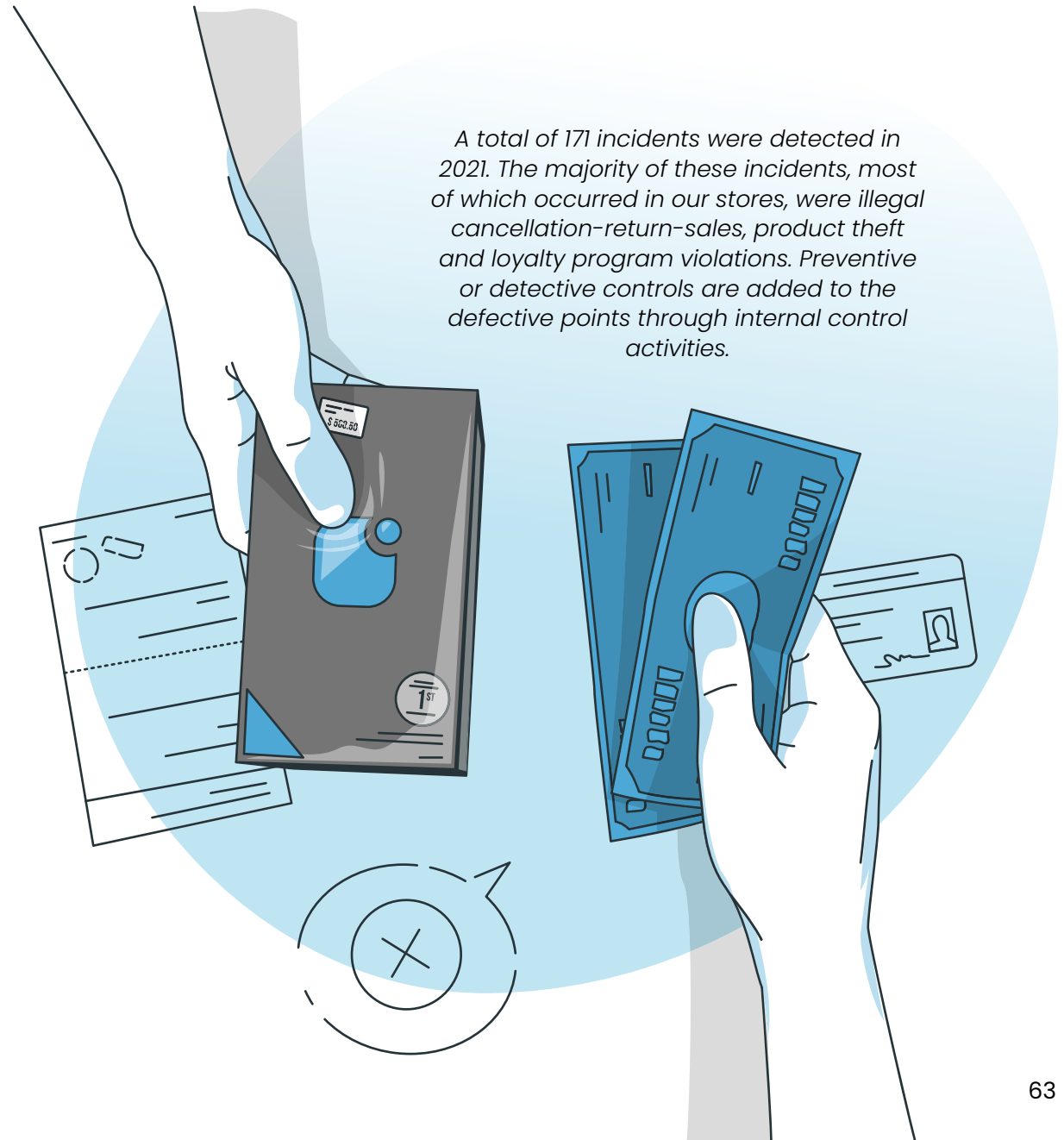
## Anti-bribery and Anti-corruption Policy

As DeFacto, we are fundamentally committed to comply with the general rules of law, anti-bribery and anti-corruption laws and regulations, ethical and professional principles in all countries where we operate and are represented.

**In this context, we have implemented the DeFacto Anti-Bribery and Anti-Corruption (ABC) and Ethics Procedure.**

This procedure supports the execution of all our activities in an accurate, fair and honest manner in accordance with laws, regulations, DeFacto Code of Ethics and other standards. Accordingly, the procedure has been implemented with the sensitivity to protect the rights of all our stakeholders.

Although such practices may exist in the country or industry in which the company operates, it is essential that employees do not obtain any illegal or unethical advantage, including the interest of the company. Furthermore, as DeFacto, we explicitly prohibit illegal and unethical behaviours that may be considered as bribery and corruption.





## Monopolisation / Competition

As DeFacto employees, we believe in free competition, adopt and support the existing competition conditions. In this context, we compete only in legal and ethical arenas.

Acting with integrity and in accordance with the rules of trade, we conduct our relations with our business partners in the same direction.

In our strategic plans and practices, business decisions which threaten our consistency and brand value, disrupt our operations or create uncontrollable situations are refrained from, while the sustainable profitability is strived for.

Thus, we act within the framework of financial discipline, transparency and accountability, and we do not enter into any partnership that may adversely affect social welfare and economic growth.

We support the technological development encouraged by the competitive market within our own organisation and aim to increase competitiveness through adapting this dynamic power to market conditions. For this reason, we invest in fields with growth potential which will provide the greatest value to our brand.







DeFacto

2021 SUSTAINABILITY REPORT

# ENVIRONMENTAL PERFORMANCE

- Sustainable Apparel Coalition
- Sustainable Product Management
- Apple Leather Collection
- Circularity and Sustainable Logistics
- Water and Waste
- Green House Gas Emissions
- Combating With Climate Change and Our Energy Management







## Our Environmental Management

At DeFacto, we aim to minimize the environmental impact of our activities, in which we create value for all our stakeholders. We continuously improve our performance in this field. Although there is an EIA (Environmental Impact Assessment) exemption for our production facilities, we act with an awareness of our environmental responsibilities and ensure that relevant compliances are realized. In this context, no damage is caused to the environment, and no complaints or public lawsuits have been encountered.

We strive to prevent environmental damage by ensuring energy efficiency in all our operations. For this purpose, we reduced annual electricity consumption per square meter in our stores all around Turkey, including shopping malls. The annual electricity consumption per square meter is reduced to **142.14 kWh/m<sup>2</sup> in 2021** from 222 kWh/m<sup>2</sup> as calculated in 2015, thanks to energy consumption improvements in stores.

**In addition to energy efficiency, we act cautiously regarding the effective use of resources.**

As a result of our continuous improvements, the water consumption density of the employees within the DeFacto General Directorate has become 10.79 l/person.

Biodiversity means the diversity of life in the ecosystem and includes all plants, animals, and microorganisms, the genetic information they contain, and the ecosystems they form.

Biodiversity is essential for the continuity of life. We aim to prevent and reduce our overall impact on biodiversity and natural ecosystems in our value chain thanks to our circularity and sustainability objectives.





## Sustainable Apparel Coalition

We closely follow the standards developed by the Sustainable Apparel Coalition and continue our initiatives globally by implementing the relevant studies regarding sustainability at Ozon Textile.



**The Sustainable Apparel Coalition** aims to bring together actors in the clothing, footwear, and textile sectors to reduce the environmental and social impacts of products in these areas.

The Sustainable Apparel Coalition makes it possible to assess the impacts along the supply chain with the Higg Index it has developed. This coalition, which brings together many actors from corporate companies to non-profit organizations, has a vital place worldwide with its self-evaluation standard. Within the framework of the Higg Index, areas such as water use, carbon emissions, and working conditions are assessed.



As Ozon Textile, we constantly work to improve our environmental performance. In this context, we have completed our **Higg Facility Environmental Module (Higg FEM)** self-evaluation by uploading our supporting documents for our main supplier Ozon Textile.



## Sustainable Services and Products

As in all other sectors, raw materials are intensively needed for the continuity of production in the textile sector. At DeFacto, we have adopted a sustainable raw material consumption approach that enables the continuity of our activities and considers future generations' needs. **We strive to ensure that our services and products are always sustainable.**

### What is “More Sustainable” Shopping?

*What are the sustainable and environmentally friendly shopping preferences, and what should be considered sustainable shopping practices?*

At DeFacto, we want to make sustainable shopping easier. That is why our aim is to ensure that our products are made from recycled or sustainably sourced materials with sustainable methods. We offer relevant solutions with our DeFacto LIFE options. We design products that protect the world's natural resources. Each DeFacto LIFE product is produced from sustainably sourced materials such as organic cotton, BCI cotton, and recycled polyester. Moreover, we utilize production methods that save energy and water. In this way, we reduce our prospective negative effects on the climate. One of the best examples of our sustainability approach is our recyclable Apple Leather DeFacto LIFE Collection, created from apple peels and pulp. You can find DeFacto LIFE products in all our categories throughout the year.

**Look for green-label products!**



## Sustainable Product Management

DeFacto, our company that cares about recycling product labels for sustainable production, produces all cardboard price tag cards with FSC certificates and sustainably. The FSC, the Forest Stewardship Council, is a non-profit organization that promotes responsible supervision of our planet's forests.

This independent organization is recognized as a global pioneer among organizations supporting responsible forest management. In this context, in addition to our improvements so far, we aim to obtain FSC certification for all product labels in 2023.



As DeFacto, we give paramount importance to recycling, with the awareness that promoting environmental sustainability is not just about combating deforestation.



We produce 10% of our textile labels and 20% of our button accessories from recycled materials, and we supply our customers with our **100% recyclable** shopping bags.

We currently produce 15% of the 115,768,609 products in our product portfolio, and we aim to increase the share of sustainable products from sustainable raw materials. In addition, we anticipate maintaining our leading position in sustainable fashion transformation by increasing the percentage of recycled and **"Better Cotton"** materials in our production.





Being active in the textile sector, where water use is intense, brings with it important responsibilities for responsible use of water. Therefore, water conservation plays a very important role in limiting our environmental impact.

A product is washed by adding silicone softeners at the last stage of production in order to reach the softness that our customers prefer when using it. In our suitable products, instead of giving the desired softness by washing, we obtain it with a technique we apply in fabric production. We call these type of products “Water-free Products”.

Thanks to our waterless products, we save both water and energy as there are no washing and ironing processes compared to normal production techniques. In 2021, we saved 16,347,575 tons of water in 1,566,489 products and increased our water savings to 10.5 liters per product.

Project Year	Number of Water-Conscious Products	Total Water Savings (lt)	Amount of Savings per Product (lt)
2021	1,566,489	16,347,575	10.4
2020	770,000	7,700,000	10.0
2019	1,220,000	9,700,000	8

In our Water Saving Denim Projects, thanks to the new technology washing methods we applied, an average of 75% savings was achieved in the production of 14,209 denim pieces in 2021, with 733,588 liters of water savings.

We will continue to include our water-free products and water-saving denims in our product range in the coming periods.





## Apple Leather Collection

The second edition of DeFacto's Apple Leather Collection, created with a sustainable fashion perspective last year, launched this year. Bringing fashion lovers and sustainability together, vegan leather derived from apple peel and pulp is used to create a collection. Production of juice and fruit jam results in a significant amount of pulp, kernels, and peel leftovers. As a company that adheres to sustainability, DeFacto has also opted to use innovative and environmentally friendly apple leather that utilizes these wastes in its production processes. This vegan leather with PETA approval is obtained by drying the peel, pulps, and kernels through natural methods and grinding them into powder, then drying and pressing the created compost with added binders.

**This leather, more than half of which is made of apple powder, sheds light on what technology can produce from a sustainability perspective.**

DeFacto is one of the pioneers of sustainability in the textile sector in Turkey. It is also proud to use technology and innovation to produce environmentally friendly, conscious, and responsible products.



The Apple Leather Collection, built with the idea that sustainability projects should make a multifaceted contribution, not only utilizes the apple residues to be thrown away or buried but also reduces animal-based production. Therefore, unit greenhouse gas emissions emitted and deforestation caused by animal husbandry are reduced through vegan production.

Chromium-like toxic materials used in the processing of animal skins pose a danger both to leather industry workers and the area where they may be spilled after use. Recognizing that these processes can damage environmental ecosystems and soils for 50 to 70 years, DeFacto has launched the Apple Leather Collection by improving its production processes to protect the planet and stakeholders' interests.



## Sustainable Logistics



*At DeFacto, we adopt a sustainable and responsible logistics approach. However, we don't just embrace it; we put it at the center of our operations.*

*Thanks to our improvements and use of mixed transportation methods, in 2021, we have avoided 35.52 metric tons of CO<sub>2</sub> emissions from our logistics movement of 45.2 metric tons.*

In this context, we have saved 2,960 trees. In another project, we saved 2700 liters of fuel and reduced CO<sub>2</sub> emissions by 2,740 kg. Therefore, we have saved 124 trees.

**45.2 metrics ton CO<sub>2</sub>**

Logistics Movement

**2,740 kg CO<sub>2</sub>**

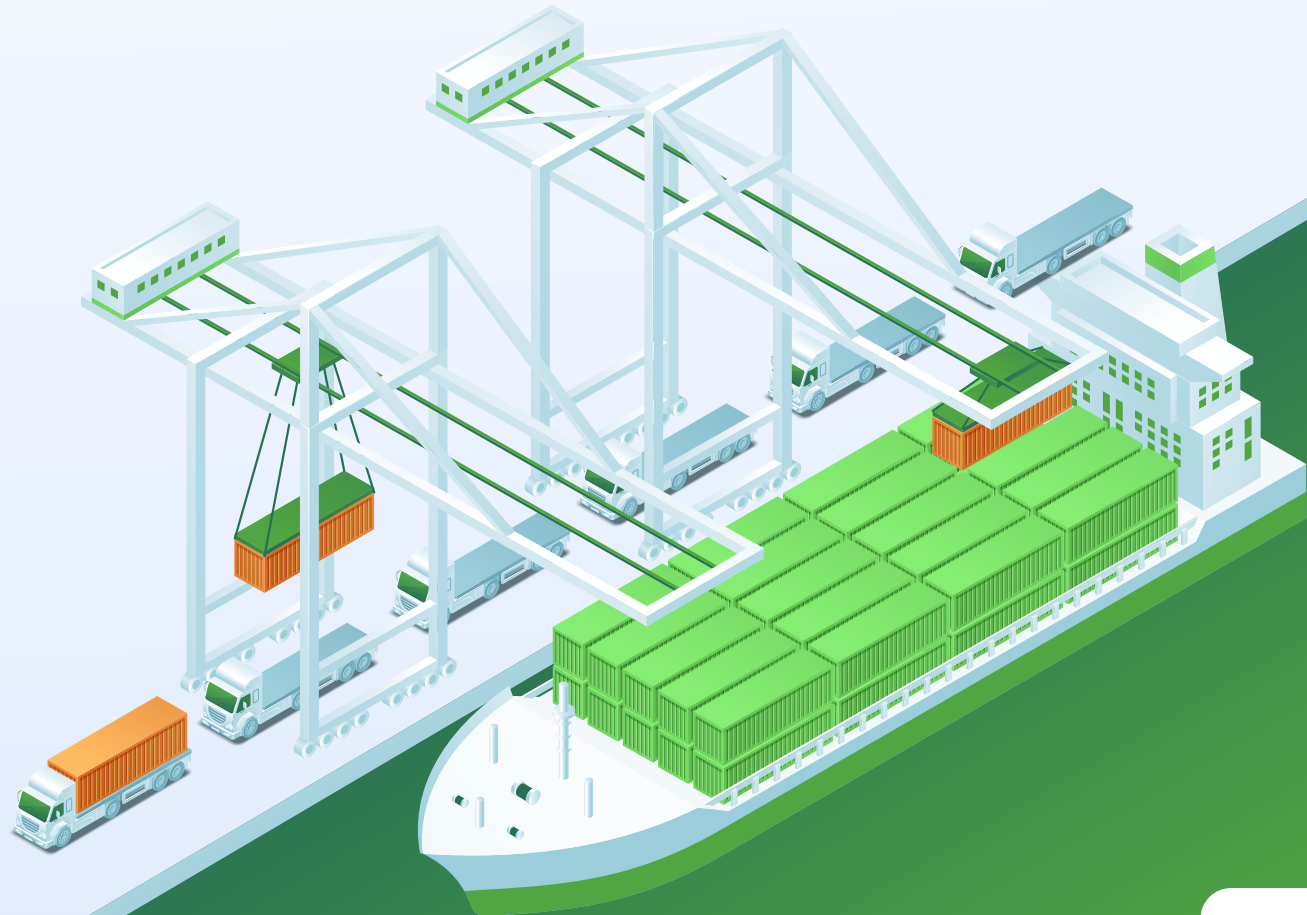
Reducing emissions

**2,700 lt**

Fuel Saving

**3,084 units**

Tree saved







## Circularity and Waste Management

Our waste management practices constitute an essential dimension of our sustainability approach. Our priority is to reintroduce recyclable products in all our operations and facilities. However, where this is impossible, we work with waste management facilities in a way that does not cause any damage to the environment.

Reducing the use of cardboard boxes, paper, and plastic packaging materials in our shipment processes is one of our main priorities. In our warehouse and stores, the parcels are separated and reused by separating those suitable for reuse, and those not suitable are recycled through licensed recycling companies. We recycle and/or dispose of wastes generated in all processes according to laws and regulations.

We also carry out various activities to reduce packaging without turning it into waste within the scope of resource efficiency.

**Among these steps, the most important is to reduce the negative impact on nature by dropping the use of waybill paper at warehouse exits.**

At DeFacto, we have taken development steps regarding the products we use in our facilities and the waste generated. Printers used on packaging tables in warehouses have been removed.

The process of taking the printout at the warehouse exits and putting it in the package/boxes was eliminated. Because we removed printers, maintenance costs and electricity use were reduced.





## Circularity and Waste Management

In 2021, we transformed 9 million waybills into e-waybills with fully digital methods, which increased efficiency while significantly reducing the environmental impacts. Approximately 572.6 thousand parcels of products, excluding non-commercial products, were shipped to all channels in 2021. New parcel purchases correspond to 11.8% of the total traffic with 67.5 thousand units.

In 2021, we saved 23 trees because we selected 700 pallets from reusable products.

As a result of the activities carried out, various wastes are generated in addition to domestic waste. Some of them include packaging containing or contaminated with the residues of hazardous substances, organic wastes, inorganic wastes, and laboratory chemicals.

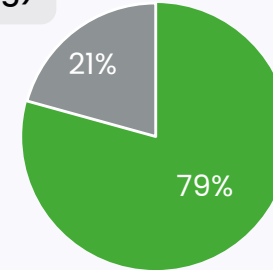
**The disposal of these wastes, classified as hazardous wastes in the relevant legislation, requires special treatment.**

**DeFacto and Ozon Textile recycle and/or dispose of these wastes through authorized licensed institutions.**

**The types and quantities of waste disposed of in waste management facilities are as follows:**

### DeFacto Waste Disclosure (kg)

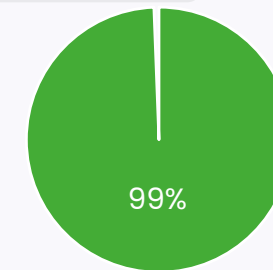
Non-Hazardous  
**28,790**



Hazardous  
**7,520**

### DeFacto Çerkezköy Waste Disclosure (kg)

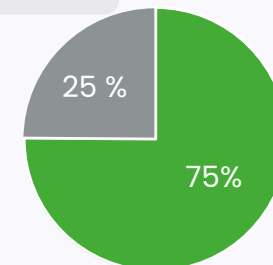
Non-Hazardous  
**345,028**



Hazardous  
**2,093**

### Ozon Textile Waste Disclosure (kg)

Non-Hazardous  
**102,942**



Hazardous  
**34,097**



## Water and Wastewater

Mains water is used in our facilities. Wastewater is discharged to receiving environments such as sewage networks.

**The amount of water discharged by DeFacto in 2021 was measured as 11,763.9 m<sup>3</sup>. For Ozon Textile, the amount of water discharged was recorded as 14,223.84 m<sup>3</sup>.**



The total water consumption in our facilities is as follows:

DeFacto	Ozon Textile
<b>14,043 m<sup>3</sup></b>	<b>15,804.27 m<sup>3</sup></b>

We are aware of water's significance for life. We support efforts that aim to protect global water resources and make water consumption more efficient.

As DeFacto, we carry out projects to further reduce our water footprint in our stores, offices, and logistics centers every year.

Since 2016, with our understanding of protecting natural resources and conscious consumption, 38% savings have been achieved in DeFacto Headquarters Water Consumption Intensity.

### DeFacto Headquarters Water Consumption Density (m<sup>3</sup>/person)

2016	17.42
2017	13.82
2018	14.85
2019	10.00
2020	10.84
2021	10.79





# Greenhouse Gas Emission

We actively manage our carbon footprint reduction efforts, and we produce in a way that is in harmony with nature and sensitive to the environment. We are always working for a better, more sustainable society.

DeFacto's greenhouse gas emissions were calculated with GHG Protocol, while Ozon Textile's emissions were calculated with **ISO 14064-1: 2018 Standard** in the unit of **CO<sub>2</sub>e, including CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, and HFC gases**. The operational control approach was adopted based on the most current year, 2021.



## DeFacto Greenhouse Gas Emissions Values (tonnes CO<sub>2</sub>e)

<b>Scope 1</b> Direct greenhouse gas emissions	1,881.85
<b>Scope 2</b> Indirect greenhouse gas emissions related to energy	28,582.94
<b>Scope 3</b> Other indirect greenhouse gas emissions	1,040.98
<b>Total Emissions</b>	<b>31,505.77</b>

*\*IPCC 2006 Guidelines and DEFRA 2021 were taken as references for emission factors while calculating the Scope 1 emissions.*

*\*\*The National Inventory 2019 was taken as a reference for emission factors while calculating the Scope 2 emissions.*

*\*\*\*IPCC 2006 Guidelines, DEFRA 2021, and Ecoinvent 3.7 were taken as a reference for emission factors while calculating the Scope 3 emissions.*



## Ozon Textile Carbon Footprint Values (tonnes CO<sub>2</sub>e)

Category 1: Direct GHG emissions	1,109.79
Category 2: Indirect GHG emissions from imported energy	1,305.04
Category 3: Indirect GHG emissions from transportation	3,319.01
Category 4: Indirect GHG emissions from products used by the organization	61,662.86
Category 5: Indirect GHG emissions associated with the use of the organization's products	2,118.78
Category 6: Indirect GHG emissions from other sources	493.53

**Total Emissions\*:** **70,009.00**

*\*IPCC 2006 Guidelines and DEFRA 2021 were taken as references for emission factors while calculating the amount of Category 1 emissions. The National Inventory 2020 for emission factors was taken as a reference while calculating the amount of Category 2 emissions. IPCC 2006 Guidelines, DEFRA 2021, and the ICTT were taken as references for emission factors while calculating the amount of Category 3 emissions. Simapro v9.2, Ecoinvent v3.7.1, DEFRA 2021, and IPCC 2006 Guidelines were taken as references for emission factors while calculating the amount of Category 4 emissions. DEFRA 2021 was taken as a reference for emission factors while calculating the amount of Category 5 emissions. National Inventory 2020 and DEFRA 2021 were taken as references for emission factors while calculating the amount of Category 6 emissions.*





# Combating With Climate Change and Our Energy Management

## Climate Change

- As part of our commitment to mitigating the effects of the climate crisis, we aim to be a climate positive brand by 2050 by reducing our emissions to zero.
- In order to achieve this, we are working to switch to renewable energy consumption and to use resources more efficiently.
- We encourage the use of renewable energy.
- We act in an eco-efficient manner in our warehouses and stores.
- We are developing green logistics measures to reduce emissions from logistics.
- In addition to these measures, we carry out reforestation activities in cooperation with foundations to reduce our emissions and preserve forests.

Energy consumption creates an environmental impact by causing greenhouse gas emissions, which are at the root of climate change. In order to reduce this impact, we implement efficiency-enhancing studies in all processes where energy consumption occurs.

The main areas of energy consumption within the scope of DeFacto's operations are lighting and air conditioning systems for stores and buildings, and lighting and automation systems for product warehouses.

We are conducting a series of efficiency studies in order to limit our energy consumption. These include applications such as converting lighting fixtures to LED systems and using efficient air conditioning systems in stores. Thanks to the environmentally friendly air-conditioning and lighting systems we prefer to use in our stores, we achieve significant savings in energy consumption.

At DeFacto, our total energy consumption (TEC) in 2021 was measured as **70,333,776.18 kWh**. TEC was measured as **7,758,521.05 kWh** for Ozon Textile in the same year.

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

Electricity consumption per m<sup>2</sup> in our stores in Turkey was measured as **222 kWh** in 2015 and **142.15 kWh** in 2021.

The breakdown of energy consumption is as follows:

### DeFacto

Natural gas **17.81312 TJ**

Electricity **62,467,283.2 kWh**

### Ozon Textile

Natural gas **10.78 TJ**

Electricity **2,966,010.49 kWh**

### DeFacto Türkiye Store Electricity Intensity (kWh/m<sup>2</sup>)







DeFacto

2021 SUSTAINABILITY REPORT

# SOCIAL PERFORMANCE

- Diversity and Inclusion
- Happy Women Movement
- Equal Opportunity
- Employee Development
- Carrier and Talent Management
- Happiness Management
- Social Responsibility
- Occupational Health and Safety





## Social Performance

The sector in which DeFacto operates requires intensive labor, has a dynamic working environment, and puts creativity at the forefront.

**At DeFacto, we emphasize employee satisfaction and development in line with our goal of becoming a world-class fashion brand as we meticulously carry out various activities.**

While building our expert and talented employee portfolio, we adopt social diversity and inclusion as a priority.



We recognize that our employees have a critical role in our growth.

We strive to provide an equal, transparent, safe, and ideal working environment to all our employees. We aim to support social and economic development with the social responsibility projects we carry out throughout Turkey.

Classification of employees according to categories, including DeFacto's domestic and abroad employees and Ozon Textile employees:

Employees by Category	Female	Male	Total
<b>Total Number of Employees</b>	<b>7,978</b>	<b>5,492</b>	<b>13,470</b>

### DeFacto Domestic

White Collar	5,638	3,627	9,265
Blue Collar	414	326	740

### DeFacto Abroad

White Collar	1,882	1,476	3,358
Blue Collar	44	63	107

### Ozon Textile

White Collar	139	170	309
Blue Collar	214	279	493

Employees by Type of Employment	Female	Male	Total
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### DeFacto Domestic

Full-time	3,595	2,631	6,226
Part-time	2,457	1,322	3,779

### DeFacto Abroad

Full-time	1,448	1,134	2,582
Part-time	478	405	883

### Ozon Textile

Full-time	353	449	802
Part-time	-	-	-



## Diversity and Inclusion



At DeFacto, we believe that the diversity of our employees adds agility to our organization and strengthens us.

**There is no discrimination in recruitment processes regarding gender, age, ethnicity, social status, and similar issues, and all employees have equal opportunities.**

We adopt the approach of hiring the right person for the right job in human resources processes. Moreover, our organization applies positive discrimination to female employee candidates to increase the proportion of female employees in the sector. By following the ratio of female employees to male employees, we ensure that the number of female employees is higher.

Employees by Age Groups	Female	Male	Total
DeFacto Domestic			
Under 30	4,862	2,901	7,743
Between 30 - 50	1,202	1,010	2,212
Over 50	8	42	50
DeFacto Abroad			
Under 30	1,627	1,259	2,886
Between 30 - 50	293	278	571
Over 50	6	2	8
Ozon Textile			
Under 30	108	132	240
Between 30 - 50	230	305	535
Over 50	15	12	27







## Diversity and Inclusion

We reached a female-employee ratio of 59% in 2021. DeFacto's proportion of female managers in middle and senior management positions in domestic and abroad areas increased to 33% in 2020, an increase of 7% compared to 2019.

**%59** Female-  
Employee  
Ratio

In 2021, the proportion of female managers increased by 9% and reached 42%. At Ozon Textile, where the number of blue-collar employees is higher, the ratio of female employees was 40% in 2020, which increased to 44% in 2021.

**%42** Female-  
Manager  
Ratio

### Number of new employees in the reporting period

Classification of employees according to age groups, including DeFacto's domestic and abroad employees and Ozon Textile employees:

#### New Employees by Age Groups:

	Female	Male	Total
DeFacto Domestic			
Under30	4,563	2,746	7,309
Between 30 - 50	273	181	454
Over 50	2	6	8
DeFacto Abroad			
Under30	1,993	1,163	3,156
Between 30 - 50	126	70	196
Over 50	4	1	5
Ozon Textile			
Under30	56	26	81
Between 30 - 50	53	51	104
Over 50	1	4	27





## Happy Women Movement

In line with our goal and commitment to increasing the proportion of female employees in our sector, we are proud to be among the signatories of the Women's Empowerment Principles (WEPs) since 2015, a joint initiative of United Nations Women and the UN Global Compact. We have endeavored to continue our "Happy Women Movement" initiative in 2021 by the pandemic rules as a part of our commitment.

**At DeFacto, our female employees are entitled to three months of unpaid leave under the "Happy Women Movement" in addition to their legal rights if they give birth.**

Our female employees have the right to collectively use their daily nursing leaves as one day a week. Moreover, our mother employees use half a day off on their child's first school and report card days.

We provide all mothers working in the General Directorate with the ability to work part-time after birth and other extra opportunities. In our DeFacto stores and smart warehouses, we give pregnant female employees the right to take a break in addition to their legal rights. We continued all these practices for our women employees in the pandemic-induced hybrid working model in 2021.

We also carry out these activities for our women employees at Ozon Textile. We offer our female employees in certain positions in the General Directorate and factories the opportunity to work from home once a month. The General Directorate building has a Lactation Room specially designed for our female employees.

The following table includes relevant figures about the maternity leave for female employees regarding DeFacto domestic and Ozon Textile employees:

### Employees by Maternity Leave

#### DeFacto Domestic

Number of employees entitled to maternity leave	171
Number of employees went on maternity leave	171
Number of employees returned from maternity leave	79

#### Ozon Textile

Number of employees entitled to maternity leave	8
Number of employees went on maternity leave	8
Number of employees returned from maternity leave	8





## Equal Opportunity

DeFacto prioritizes providing a fair working environment to its employees in line with the equal opportunity principle. We act in accordance with all relevant laws and regulations in this area. Moreover, having a safe and healthy working environment goal is adopted.

**All employees are supported for their successful development respectfully and fairly, and activities to increase their loyalty are carried out.**

We expect our employees to act by our understanding of justice and equal opportunity.

**At DeFacto, business decisions are made based solely on merits. We do not discriminate based on race, skin color, national origin, religion, sex, age, sexual orientation, gender identity, marital status, disability, or any other characteristic protected by law.**

Behaviors we never tolerate include offensive messages, discrediting statements, and inappropriate jokes.

Ensuring equal opportunities for our employees is the focus of all our activities. We believe that the active participation of disabled people in business settings contributes positively to their own lives and our corporate values.

We support the participation of people with disabilities in business life within the diversity and inclusion principles framework. In this context, we are always in contact with employment agencies to provide employment for more disabled individuals.

Our activities are expanding because of our continuous growth, and our employment needs are increasing. There is an increase in our quota of disabled employees.

Number of Disabled Employees	Female	Male	Total
DeFacto Domestic	54	161	215
Ozon Textile	5	18	23





## Employee Development

The most fundamental differences of the ready-made clothing industry in which we operate are that it is labor intensive and creativity comes to the fore. As a brand operating in this sector, it is a fundamental necessity for DeFacto to have a competent, talented, and efficient employee portfolio.

We would like to underline that our employees have a great share in our rapid growth and success. Within this vision, we support our human resources with highly qualified employees, provide our employees with opportunities to develop their skills, and establish a fair, transparent, and egalitarian working environment. In order to become a global fashion brand, it is an important goal for us to move forward with talented and creative employees who aim to have international careers.

We regularly conduct satisfaction surveys in order to get our employees' ideas and feedback, and to analyze their feelings and situations, after every activity, application, and activity we carry out with our employees. According to the results of the surveys that are reported and analyzed on an annual basis, we plan our next annual events etc. Our practices for our employees are carried out in a dynamic structure.



**All these activities are shaped by the feedback and preferences of our employees.**

As DeFacto, we believe that regularly obtaining the satisfaction level and expectations of our employees regarding our current practices through different platforms is one of the most important elements to create a perfect employee experience. To this end, we conduct an Employee Engagement and Motivation survey every year. Based on the results, we conduct focus group studies and perform root cause analysis. As a result of these analyzes, we make projects and take action regarding our areas of development.

## Our Employee Experience Survey results are as follows:

Loyalty

**78.2%**

Motivation

**71.4%**

Employee Experience

**80.3%**





## Employee Development

Some of the impacts we have made with our approach to our employees are:



### Coffee with the CEO

Coffee with CEO chat meeting is held regularly once a month. Ten employees who participate in these meetings are determined by draw. In these meetings, our employees come together with our CEO İhsan Ateş and chat in many areas such as the company agenda, world agenda, customer experiences, life tips, art, and culture.



### Company Chat (Şirket-i Muhabbet) Meeting

Our CEO, senior managers, and all domestic employees come together in company chat meetings as they share the agenda items and strategies. This meeting also includes activities to increase the motivation of our employees.

The meeting is recorded and then translated into different languages for our overseas employees as it is shared through the online training platform. For our domestic employees who could not attend the meeting, the recordings are uploaded to DF TV.



### Performance Management and Fair Remuneration

We implement DeFacto Performance Management System as we realize our strategic targets effectively and quickly. Through our performance management, we aim to make the achievements of our employees visible while achieving our business goals. We also aim to achieve high performance as an institution constantly. We evaluate the performance of our domestic and international employees on a functional basis at annual or quarterly intervals.

Annual evaluations are reviewed in the sixth month to monitor the goals closely. Employee performance cards created within the scope of performance management are grouped into two main categories as individual and leadership goals.

Among our priority principles is that the goals set for employees are **SMART (Specific, Measurable, Achievable, Realistic, and Timely)**.

In addition to career and wage management, reward systems are also improved with the data obtained from the performance management system. At Defacto, we have designed an objective and systematic remuneration system. The remuneration system includes structured calculation tools and methods specifically for the General Directorate, Domestic Merchandising, Abroad Merchandising, Blue Collar, and Expat employees. We closely follow the relevant economic conditions and developments in the market and review our strategies every year.

Revision in remuneration is carried out annually and by the legislation in all countries, if there is no extraordinary situation. Any work related to the remuneration is carried out regardless of age, gender, religion, race, etc., and solely based on the definition of the role and the employee's competencies.

## Social Life and Employee Engagement

DeFacto employees are mainly composed of Y and Z generations, who attach importance to socialization in business life. This makes it a priority for us to balance work life and private life. In order to help our related employees to establish this balance, we offer services such as sports, massage, hairdresser, and healthy nutrition consultancy. Employees can spend time in the “happiness rooms” and “happiness corridors” areas within the company, and they can make better use of their break time thanks to social clubs.

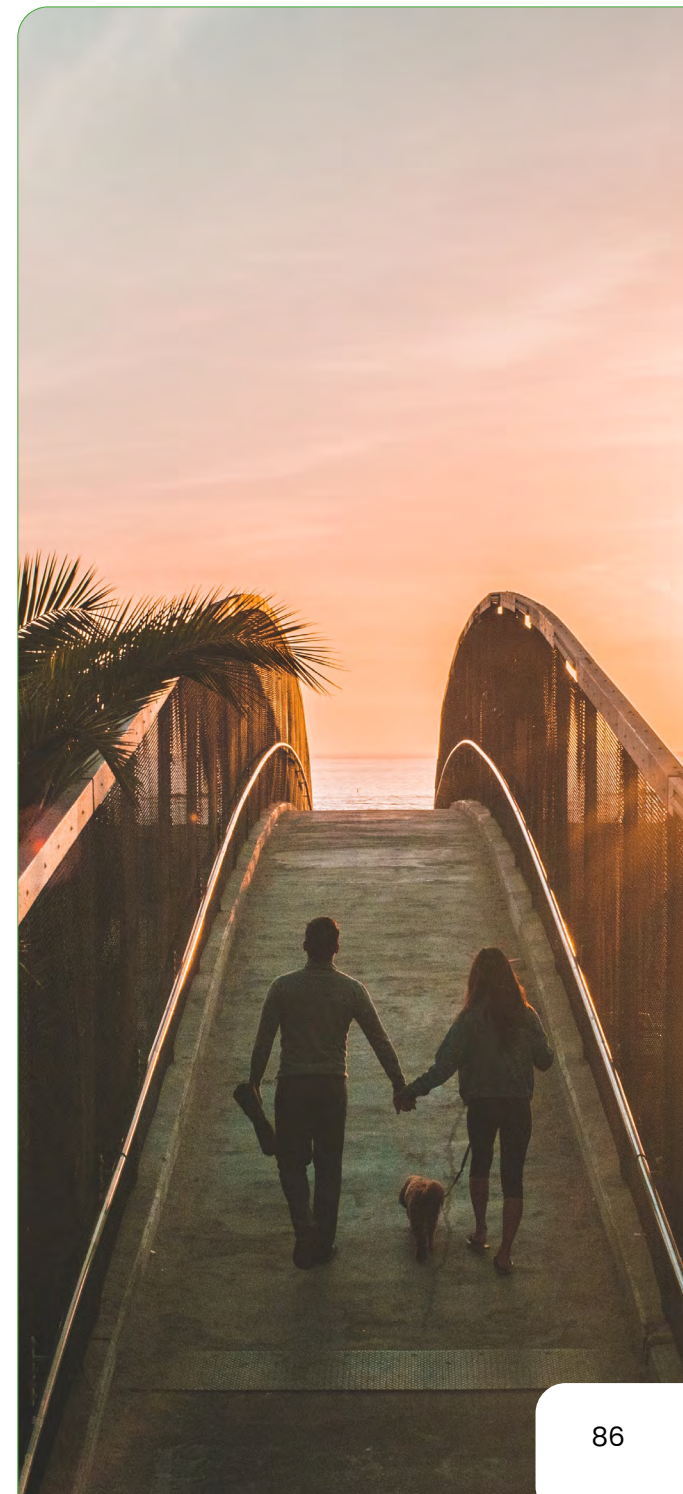


**We also support the work-life balance of our employees with our flexible working hours.**

**Similar activities are also carried out in order for Ozon Textile employees to establish a work-private life balance. For example, we entitle our white-collar employees to one day off on their birthdays. Ozon Textile employees can also benefit from flexible working hours.**

In addition, we have social clubs established to enable DeFacto employees to socialize as a team, as well as gain knowledge and skills in the fields of culture, art and sports. DeFacto Music Club, Dance Club, Theater Club, Social Responsibility Club, and Travel Club are the clubs operating under DeFacto. In addition, there are DeFacto Sports events operating in the branches of tennis, basketball, volleyball, rowing, football, aikido, yoga and chess.

In addition to the pleasure of playing golf on the terrace during the lunch break, our employees also have the opportunity to perform various sportive-cultural activities such as table football, billiards, table tennis, PlayStation games, PES, and FIFA tournaments.





In addition, with the videos on DFTV, which can be described as the Social Life Platform of DeFacto members, all of our users can easily access the Content that benefits their personal development while being instantly informed about DeFacto's activities. In this context, we frequently used different communication channels, especially online channels, such as news and announcements, "DeFacto On Air" Meetings, coordination meetings, year-end events, special day celebrations, instant happiness activities, and Leadership Talks.



**Our Happiness Newsletter, published quarterly in our Wow Times online magazine, offers employees research insights and articles on hobbies, world agenda, self-help, and positive psychology.**

Our employees are provided with a workplace doctor, workplace nurse, special breakfast, lunch, and snacks within the scope of the Healthy Lifestyle Program. In addition, they are offered videos, DFTV with its rich content based on healthy diet, DeFacto Academy, and healthy lifestyle webinars. Our employees benefit from contracted healthcare providers and get discounted examinations.





## Career and Talent Management

We aim to guide our employees, who ensure the continuity of our activities and are our most fundamental value, to their career journeys by getting to know them better regarding their job performance and potential. We use tools that accurately analyze employee development and develop career opportunities accessible to all employees. We evaluate and interpret the performances and potentials of our employees, thanks to our talent pools.

Regarding talent management, we carry out various activities such as assessments, talent pools, development of talent-specific applications, implementing programs for young talents, and announcing career opportunities. We carefully evaluate the performance and potential of our employees through the **Talent Committees**.



We offer promotion prospects to our employees in the General Directorate once a year and to employees in stores at certain periods of the year, depending on job performance and other conditions.

We identify new employee and position needs and inform all our employees through internal announcements. We offer our employees wider career opportunities with the opportunity to transition between departments and teams.

We support competitions such as **"Hackathon"** and **"Ideathon"** with our in-house resources in the candidate selection processes of the young talent programs we carry out. We also perform them in a virtual environment to ensure the continuity of these programs.





DeFacto Business Academy, within our vision of “becoming a global fashion brand that makes you say Wow”, aims to prepare the organization for change and transformation, gain a sustainable competitive advantage with our corporate value and culture, empower the employer brand image, and train qualified employees for our sector.

We keep our current and future-oriented approaches on the agenda of our employees and managers with education and training programs as part of the DeFacto Business Academy. We consider corporate strategies, culture and values in designing these programs. As **DeFacto Business Academy**, we categorize our training using the FIT theme. We try to offer programs and platforms that best “FIT” our employees’ development needs, goals, and dreams. In this context, we organize our trainings in five fundamental categories;

When we say Original FIT, we mean all of our training that makes us who we are and forms our foundation. For example, we consider legal compulsory training and orientation training in this context. Again, within this framework, we are planning orientation programs designed for our store and head office employees to get to know our company better and to adapt to the company culture.



**Business FIT includes 6 different schools that develop us in terms of business and enable us to constantly renew ourselves:**

1. **Merchandizing Academy;**
2. **Product Management Academy;**
3. **Supply Management Academy;**
4. **Franchise Academy;**
5. **E-commerce Academy;**
6. **Internal Mentorship Academy**



With Personal FIT, we offer our employees training and workshops to support their personal development and help them learn the things they are curious about varying from English to Design Thinking, from astrology to coffee training.

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

Talent FIT defines our program that will develop and highlight our talent from the moment we start working at DeFacto.

DeFacto Business Academy learning system plays an important role in automating and accelerating operational processes, as it has an infrastructure integrated with in-house digital platforms. With the internal training system, we record corporate memory, strengthen internal communication, and support the development of employees in their areas of expertise. We enable our managers, who will be internal trainers, to learn and internalize our human resources approaches and practices faster.

DeFacto Business Academy establishes the corporate memory of our company and standardizes the knowledge and experience that employees need. We offer, monitor and report training on all methods, training and development tools and activities within the mixed development programs assigned to employees via our learning system.



**Particularly in the Business Fit Programs, our internal instructors are our most powerful resources in terms of conveying know-how and experience.**





## Career and Talent Management

We have organized various training in the field of career and talent development as we value our employees. In Ozon Textile, we have organized in the environmental training of 682 hours, and in the human rights, social compliance, and business ethics training, totaling 781 training hours.

A total of **781 hours of training** was provided within DeFacto in human rights, social compliance, and business ethics. At DeFacto, our employees were supported by a total of 512,570 hours of training (per person\*hour) in Turkey and 194,000 hours abroad. This number is 8,312 hours within the Ozon Textile.



**Our human rights policy is mentioned in the social compliance training given to all private security personnel.**

### Environmental Training

Ozon Textile

### Total Training Hours

682

### Human Rights, Social Compliance, Business Ethics Training

DeFacto

781

Ozon Textile

105.5

### Total Training Hours (person\*hours)

DeFacto Domestic

512,570

DeFacto Abroad

194,000

Ozon Textile

8,312

### Total Training Hours (person\*hours)

DeFacto Domestic

36

DeFacto Abroad

34

Ozon Textile

14

### Average



## Happiness Management

At DeFacto, “Employee Satisfaction” is our top priority. We continuously invest in developing and satisfying our employees through various pioneering activities in Turkey. In this context, the “Directorate of Happiness” was established as a first of its kind in Turkey, and the “Happiness Fits Us” program and the “Happiness Fits Us” brand were established.

Through the “Happiness Fits Us” program and brand, our goal is to implement creative activities that will positively support the company culture and, most importantly, make our employees smile and be happy.

### **Some of the activities we carry out regarding happiness management are;**

- Hobby Area: Pinball, billiards, table tennis, PlayStation, PES, FIFA tournaments.
- Chats in the happiness room and rich library space with a reading area.
- Open Seminars: Open to general participation seminars on various topics and experts.
- Various workshops (yoga, coffee making, aromatherapy oils making, cooking workshops, etc.)
- Happiness Newsletter: Published in the online journal. It includes research articles and various articles on the world agenda, personal development, and positive psychology.
- Online Magazine: Published on the online platform quarterly. It includes news about what is on the company's agenda, articles about employees, and event information.

Moreover, we organize wellness programs, tournaments, and social events while providing gardens, break areas, a gym, and a massage parlor for common use.

### **Our Social Responsibility (Academy of Happiness) Projects**

- Runatolia Run
- Autism Awareness Campaign
- Earth Hour
- Childhood Awareness Project
- Will You Be My Tale Project
- Beach Cleaning Project
- E-Mentorship Program
- Tema Sapling Donation
- Kızılay Corporate Clothing Donation
- Municipality Donation for Those in Need
- Energy Saving Day
- İstanbul Marathon
- Week of Raising Awareness of Children with Leukemia
- World Sharing Day Event
- Turmepa Birthday Certificate Donation
- Koruncuk Birthday Certificate Donation
- İBB- Career Day for People with Disabilities



## Social Responsibility

**DeFacto adopts sustainability as a lifestyle, and it integrates social responsibility into its processes regarding its sustainable business model.**

In addition to our efforts to prefer sustainable practices at every stage of our business processes, we also aim to create social benefits. While we create added value for all, we care that our employees and stakeholders share this awareness.

We consider volunteering and other activities regarding social responsibility projects as an integral part of DeFacto and continuously support and encourage actions that will create common benefits.





## Social Responsibility

### Employee Volunteering

**The Happiness Ambassadors Group**, whose participation is voluntary, is a team that aims to add value to society and the environment by carrying out various social responsibility projects since 2015.

Group members voluntarily participate in social responsibility projects they want to carry out within the company or under the DeFacto brand. This group gives life to projects in their hearts, together with non-governmental organizations or the teams they have formed within themselves.

While this initiative aims to provide social benefit and raise awareness, employees undertaking leadership in projects can also develop competencies such as organization, planning, and communication.

Employees have the chance to develop projects related to their preferred areas thanks to the Happiness Ambassadors Group.

Moreover, 96 events and 8,415 hours of volunteering were carried out with the participation of approximately 4,221 employees in 7 years.

### Fabric Dreams Project

At DeFacto, we have brought a new breath to the idea of Corporate Social Responsibility by providing multifaceted benefits with the Fabric Dreams Project, which was implemented to support the Hope Foundation for Children with Cancer (KAÇUV). Within the project's scope, we have provided and will continue to provide upcycling, thanks to vocational high school students, to recycle surplus fabrics and accessories in DeFacto factories.

These products, designed and produced by sending surplus products to students in vocational high schools, are sold in DeFacto stores. We reach these students through the National Education Directorates, in which a protocol has been signed. Moreover, we are supporting projects of KAÇUV with the revenues obtained from the sale of these products. We supported the students' upcycling practices, economy, education, imagination, and hope with the Fabric Dreams project. We have turned this project into a social responsibility project for the entire sector and Turkey.

At the end of 2021, we reached 4,514 students in 92 schools in 21 provinces. Students in vocational high schools in fashion & design courses have turned these waste fabrics into products with their imagination and design skills. Thanks to this project, we ensured the upcycling of a total of 7 tons of textile waste.



## Occupational Health and Safety

Our activities that create added value are possible thanks to our employees. With this in mind, we prioritize and care about the health and safety of our employees under all conditions, who are among our most valuable stakeholders.

We aim to create sustainable business processes which are inclusive and benefit-oriented.

**OHS Training**

**DeFacto**

**Ozon Textile**

**Total Training Hours**

**84,732**

**107**



We address occupational health and safety issues in many ways and ensure maximum safety by providing training and conducting risk analysis and prevention studies.







## Occupational Health and Safety Risks

As DeFacto, we periodically evaluate the risks of all processes and take the necessary actions to protect employee health and safety, which we consider a priority. In the evaluation processes, we aim to make the most accurate assessment by considering the opinions of occupational safety experts, employee representatives, technical personnel, and external experts, as well as the measurement and control results. In addition, we continue to provide risk assessment training to people who support relevant processes to increase efficiency and safety.

**We conduct periodic audits on OHS risk analysis and improvements, follow the actions and processes taken / to be taken, and ensure that the risk analysis table is up to date.**

A multi-step procedure is applied for the prevention or reduction of risks. The primary objective is to eliminate the risk; in cases where this is not possible, the goal is to reduce the risk to an acceptable level.



The steps taken to reduce the risk to an acceptable level are as follows:

- Elimination of hazards or sources of hazards,
- Replacing the hazardous with a non-hazardous or less hazardous one,
- Combating risks at the source.



## Occupational Health and Safety Boards

At DeFacto, we establish occupational health and safety boards with more than 50 employees in all our locations. These boards have members from many positions, such as employee representatives, relevant unit managers, employers' representatives, technical personnel, occupational safety specialist, and workplace physician. The frequency of organizing the board meetings is determined according to the legislation or hazard category.

**Before all employees start their work, 2 hours of practical "start-up training" is given on topics including the work they will do, the work equipment they will use, and occupational health and safety measure specific to the workplace.**

In addition, all employees are provided with an occupational health and safety handbook containing all risks, methods of protection from these risks, and business processes. Another legal requirement is that 8-hour (remote/face-to-face) occupational health and safety training is given to employees.

Number of OHS Councils	2021
DeFacto	16
Ozon Textile	3
Number of OHS Council Members	2021
DeFacto	85
Ozon Textile	15
Number of Employee Representatives in OHS Board Members	2021
DeFacto	18
Ozon Textile	9
Accident Frequency Rate	2021
DeFacto	3.54
Ozon Textile	3.82

# Performance Indicators

## Employee Demographics

2021	Female	Male	Total
DeFacto Total Employees (Number)	7,978	5,492	13,470

2021	Female	Male	Total
DeFacto Domestic			
White Collar	5,638	3,627	9,265
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White Collar	1,882	1,476	3,358
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Ozon Textile			
White Collar	139	170	309
Blue Collar	214	279	493

2021 Handicapped Employees	Female	Male	Total
DeFacto Domestic	54	161	215
Ozon Textile	5	18	23

2021 Employees by Maternity Leave	Total
DeFacto Domestic	
Number of employees went on maternity leave	171
Number of employees returned from maternity leave	79
Ozon Textile	
Number of employees went on maternity leave	8
Number of employees returned from maternity leave	8

2021 New Employees by Age Groups	Female	Male	Total
DeFacto Domestic			
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Between 30-50	293	278	571
Over 50	6	2	8
Ozon Textile			
Under 30	108	132	240
Between 30-50	230	305	535
Over 50	15	12	27

2021 Management(Number)	Female	Male	Total
DeFacto			
Upper Level	18	43	61
Mid Level	627	862	1,489
Ozon Textile			
Upper Level	10	21	31
Mid Level	22	22	44



## Performance Indicators

### Environmental Performance

Carbon Footprint (ton CO <sub>2</sub> e)	2021
DeFacto	31,505.77
Ozon Textile	70,009.00
Energy Consumption (kwh)	2021
DeFacto	62,467,305.65
Ozon Textile	2,966,027.74
Water Consumption (m <sup>3</sup> )	2021
DeFacto	14,043.00
Ozon Textile	15,804.27

Non-Hazardous Waste (kg)	2021
DeFacto	373,818
Ozon Textile	102,942
Hazardous Waste (kg)	2021
DeFacto	9,613
Ozon Textile	34,097

DeFacto Türkiye Store Electric Intensity (kWh/m <sup>2</sup> )						
2015	2016	2017	2018	2019	2020	2021
222.8	192.5	178.7	160.7	161.7	141.1	142.2

DeFacto Headquarter Water Consumption Intensity (m <sup>3</sup> /person)						
2015	2016	2017	2018	2019	2020	2021
-	17.42	13.82	14.85	10.00	10.84	10.79

## Performance Indicators

### Social Performance

Total Training Hours (person*hour)	2021
DeFacto (Domestic-Abroad)	706,570
Ozon Textile	8,312
OHS Training Hours (person*hour)	2021
DeFacto (Domestic-Abroad)	84,732
Ozon Textile	102
Employee Training Hours (hour per person)	2021
DeFacto (Domestic-Abroad)	35
Ozon Textile	14

Number of OHS Councils	2021
DeFacto	16
Ozon Textile	3
Number of OHS Council Members	2021
DeFacto	85
Ozon Textile	15
Number of Employee Representatives in OHS Board Members	2021
DeFacto	18
Ozon Textile	9
Accident Frequency Rate	2021
DeFacto	3.54
Ozon Textile	3.82



DeFacto

2021 SUSTAINABILITY REPORT

# GRI & SDG INDEX





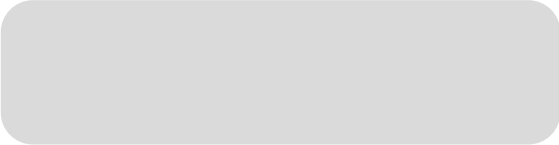
# GRI Index

Statement of use

DeFacto, has reported in accordance with the GRI Standards for the period. 1 January–31 December 2021.

GRI 1 used

GRI 1: Foundation 2021



GRI STANDARD

DISCLOSURE

LOCATION

GRI 2: General Disclosures 2021

2-1	4
2-2	4
2-3	4
2-4	There is not any changes according to our previous report.
2-5	4
2-6	8
2-7	79
2-8	79
2-9	28, 29
2-11	28
2-12	29
2-16	63
2-22	29
2-28	25
2-29	36

GRI STANDARD	DISCLOSURE	LOCATION
GRI 3: Material Topics 2021	3-1	37
	3-2	37
	3-3	37
ECONOMIC		
GRI 3: Material Topics 2021	3-1	39
	3-2	39
	3-3	39
GRI 201: Economic Presence 2016	201-1	39
	201-2	31, 32
	201-4	40
GRI 204: Procurement Practices 2016	201-4	40
GRI 205: Anti-corruption 2016	205-1	62
	205-2	62
	205-3	62
GRI 206: Anti-competitive behavior 2016	206-1	64
GRI 207: Tax 2019	207-1	42
	207-2	42
	207-3	42

















GRI STANDARD	DISCLOSURE	LOCATION
ENVIRONMENTAL		
GRI 3: Material Topics 2021	3-1	66
	3-2	66
	301-1	66
GRI 301: Materials 2016	301-1	66
	301-2	66
	301-3	66
GRI 302: Energy 2016	302-1	66, 77, 99
	302-3	77
	302-5	71
GRI 303: Water and Effluents 2018	303-1	74
	303-2	74
	303-3	74
	303-4	74
	303-5	74
GRI 305: Emissions 2016	305-1	75, 76
	305-2	75, 76
	305-3	75, 76













GRI STANDARD	DISCLOSURE	LOCATION
GRI 306: Waste 2020	306-1	72
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Priority Level	Materiality Topics	Relationship with SDGs	Reference Section
Highest Priority Topics	Equal Opportunities And Diversity	 	<a href="#">Social Performance – Diversity and Inclusion</a>
	Greenhouse Gas Emissions	 	<a href="#">Environmental Performance – Greenhouse Gas Emissions</a>
	Energy Efficiency		<a href="#">Environmental Performance – Environment Management</a>
	Water And Wastewater Management	   	<a href="#">Environmental Performance – Water and Wastewater</a>
	Human Rights And Fair Working Conditions	 	<a href="#">Social Performance – Diversity and Inclusion</a>
	Customer Health And Safety		<a href="#">Economic Performance – Products Tests</a>
	Sustainable Raw Material Management		<a href="#">Environmental Performance – Sustainable Product Management</a>
	Sustainable Products		<a href="#">Environmental Performance – Sustainable Apparel Coalition</a>
	Supply Chain Management	  	<a href="#">Economic Performance – Sustainable Supply</a>

Priority Level	Materiality Topics	Relationship with SDGs	Reference Section
Higher Priority Topics	R&D And Innovation		<a href="#">Economic Performance – Innovative Solutions</a>
	Employee Engagement And Satisfaction		<a href="#">Social Performance – Employee Development</a>
	Circular Economy	  	<a href="#">Economic Performance – Sustainable Supply</a>
Priority Topics	Skill Management	 	<a href="#">Social Performance – Carrier and Talent Management</a>
	Training	 	<a href="#">Social Performance – Carrier and Talent Management</a>
	Occupational Health And Safety	  	<a href="#">Social Performance – Occupational Health and Safety</a>

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