

CLIMATE
TRANSITION PLAN
2025

DeFacto



Contents

Introduction → 3

- Message from our CEO → 3
- Message from our Head of Global Sourcing, Sustainability and CSR → 4
- Purpose and Scope → 5
- Sustainability At DeFacto → 6

Governance and Strategic Vision → 8

- Sustainability and Climate-Related Governance Structure → 8
- Our Strategy → 10
- Our Plan at a Glance → 11
- Our SBTi Net Zero Commitment → 12

Climate-related Risks and Opportunities → 13

- Risk Management Approach → 13
- Scenario Analysis → 13
- Risks → 17
- Opportunities → 20

DeFacto's Emissions Profile → 21

DeFacto in Action → 26

- Operations → 27
- Value Chain → 29

Annexes → 35

- Our Progress on Science-Based Targets → 35
- Key Assumptions, Methodology, and Dependencies → 36
- Glossary of Terms → 40

Message from our CEO

Thinking About the Future Starts with the Decisions We Make Today

At DeFacto, as we work to make fashion accessible to millions of people, we see building a business model that keeps this accessibility possible for future generations as one of our core responsibilities. Climate change sits at the center of this responsibility.

We operate at a time when drought is affecting cotton production, extreme temperatures are straining production processes, and floods and storms are disrupting supply and logistics networks. For the fashion industry, climate change is no longer a forecast about the future; it is a present-day business reality that affects our entire value chain, from raw material sourcing to production, and from logistics to store operations. As a result, companies are now judged not only on their financial performance, but also on how well they adapt to changing climate conditions and how effectively they manage this transformation.

At DeFacto, we act with this reality in mind and back our climate goals with concrete steps. In January 2025, with our long-term net-zero targets approved by the Science Based Targets initiative (SBTi), we became the first company in Türkiye's textile retail sector to do so. We aim to reduce our Scope 1 and 2 emissions by 55% by 2030, and to reach net-zero emissions across our entire value chain by 2050.

Our Climate Transition Plan takes a holistic approach to explaining the key levers that support our decarbonization, from energy transition to product development and from the supply chain to logistics, as well as how we manage climate risks and opportunities and how we will deliver this transformation.

We see this transformation not merely as a requirement for meeting regulatory expectations, but as a strategic investment that prepares our business model for the future. We believe that the future of accessible fashion is only possible with a lower-carbon, more efficient, and more resilient value chain.

A significant share of our emissions originates from our value chain. We are therefore aware that we can only reach our climate goals by working together with our suppliers, business partners, and other stakeholders. We see strong collaboration as one of the most important elements of our transformation.

Going forward, we will continue to advance our science-based targets, share our performance transparently, and strengthen the partnerships that support the transition to a low-carbon economy. Because we know that lasting success comes not only from meeting today's needs, but from preparing today for the conditions of tomorrow.

We are sharing our first Climate Transition Plan as a reflection of this understanding, aiming not only to set out our own transformation journey, but also to strengthen shared learning and collaboration across our industry. I invite you, our valued stakeholders, to follow this journey with us and help shape the future together.

We are pleased to publish our first Climate Transition Plan, an important milestone in our climate journey. Backing our science-based targets with concrete implementation steps, this plan sets out our low-carbon transformation roadmap, priorities, and approach to progress in a comprehensive and transparent framework for the first time.



İHSAN ATEŞ
CEO

Message from our Head of Global Sourcing, Sustainability and CSR

Placing Transformation at the Center of Our Management Approach

Climate change is no longer an agenda item for the future; it is a strategic reality shaping the business world today. Record temperatures and increasingly frequent extreme weather events are making the effects of the climate crisis more visible by the day. The World Economic Forum's (WEF) Global Risks Report identifies extreme weather events as the most significant global risk of the next decade, and notes that half of the top ten risks are environmental in nature. This makes clear that climate change is not only an environmental issue, but a reality that is also accelerating economic and societal transformation.

Confronting this reality requires far more than setting a climate target. What matters most is embedding these targets into the company's day-to-day decision-making. At DeFacto, we approach climate transition with exactly this understanding, managing it not as preparation for the future, but as an integral part of how we do business today.

Over more than a decade on our sustainability journey, we have continuously strengthened our climate management through robust data infrastructure, transparent reporting practices, and internationally recognized standards. Today, we track and improve our performance not only against targets, but through reliable data, independent verification processes, and feedback from international assessment platforms. This approach allows us to manage our climate goals on a solid, accountable, and measurable footing.

Through our Climate Transition Plan, we set out a three-stage transformation approach that spans our own operations, our product portfolio, and our supply chain collaborations. We deliver this approach through six core decarbonization levers: energy efficiency, renewable energy, sustainable material use, circularity, supply chain decarbonization, and logistics optimization. At the same time, we assess our climate-related risks and opportunities through scenario analysis, and we continuously refine our management approach to adapt to changing conditions.

The fact that most of our emissions originate from our value chain makes clear that this transformation can only happen through collaboration. Accordingly, we focus on building our suppliers' capacity, supporting their transition to renewable energy, and improving the scope and quality of emissions data. We also place importance on taking an active role in international platforms to strengthen knowledge-sharing, and on building an ecosystem in which we learn and transform together with our stakeholders.

We do not see this plan as a finished piece of work, but as a living management tool that will be continuously updated in line with advancing scientific knowledge, technological progress, and changing expectations. We will regularly track our progress, share our performance transparently, and continue our transformation journey with determination.

Because for us, sustainability is not a single destination to reach, but the foundation for building a more resilient, future-ready business model that guides every decision we make.

Our Climate Transition Plan is the roadmap that translates our science-based targets into operational practice, embeds climate into our decision-making as a natural part of it, and sets out our transformation approach in a holistic way.



ELİF ÇAM

HEAD OF
GLOBAL SOURCING,
SUSTAINABILITY AND CSR

Purpose and Scope

Accelerating a Low-Carbon Future in Accessible Fashion.

Over more than a decade on our sustainability journey, we have worked to reduce our environmental impact, transform our value chain, and embed sustainability into the way we do business, and we share our sustainability performance each year in our Integrated Reports. Climate, however, requires a dedicated management framework of its own, given its scale, urgency, and the way it spans our entire value chain. For this reason, we have prepared our first Climate Transition Plan as a standalone, comprehensive document, separate from our annual reporting, that brings together all of our climate-related work within a single strategic framework.

As a global fashion brand operating in more than 100 countries, every stage of our value chain, from raw material sourcing to production and from logistics to store operations, is directly affected by climate change. This plan sets out, within a holistic framework, our climate governance, our SBTi-approved science-based targets, our current emission profile, our climate-related risks and opportunities, and the transformation steps we are taking in response. It also serves as a strategic management tool that allows us to regularly assess and update our progress toward our 2030 targets and our 2050 net-zero vision.

Climate change is one of today’s greatest challenges, and at the same time one of the greatest opportunities to reshape our business model. It is with this understanding that DeFacto is publishing its first Climate Transition Plan.

In preparing this plan, we used the TCFD recommendations and the disclosure requirements of IFRS S2, ESRS E1-1, and the TSRS as our guide, and structured our science-based targets in line with SBTi criteria. While our primary focus is on setting out the roadmap to our 2030 targets, we also address the key transformation areas that will support our 2050 net-zero vision.

Combating climate change and transitioning to a low-carbon economy requires the shared effort and collaboration of every stakeholder across our value chain. We see this plan not simply as a roadmap setting out our targets and actions, but as a shared call to transformation, one aimed at building a more sustainable, low-carbon, and resilient future together with our entire ecosystem, from our suppliers to our customers.

What Is a Climate Transition Plan?

A Climate Transition Plan sets out the time-bound roadmap an organization will follow to align its assets, operations, and business model with the goal of limiting global temperature rise to 1.5°C. Going beyond targets, it defines the concrete steps, priorities, and implementation approach that will deliver this transformation.

For DeFacto, this plan is the strategic roadmap that enables us to put our SBTi-approved science-based targets into practice.



Sustainability At DeFacto

As a fashion retailer operating in more than 100 countries, with 456 physical stores, 42 franchise stores, and more than 10,000 employees, our scale also expands our responsibility in the face of climate change. As part of an industry with a deep connection to nature, shaped by human labor, and with high potential for transformation, spanning everything from raw materials to design and from production to use, we have placed sustainability at the center of how we do business for more than a decade.

This scale makes climate change, for us, a strategic issue that directly affects our operations rather than an abstract risk. Our five sub-brands, our supply chain sourced from 10 countries, and our operations spanning more than 100 countries form the basis of the climate risks and opportunities addressed in this plan.

Our Integrated Thinking Approach

We view climate change as an integral part of our holistic business model, where economic, social, environmental, and innovative value advance together. Accordingly, we position our climate strategy not as a standalone environmental initiative, but as a core component of our Triple D strategy, which is built around the pillars of “Nature, Transformation, and Value.”

With our operations reaching millions of customers everyday, we seek to use this scale not only to transform our own business, but also to work with stakeholders across our value chain to help drive the transition toward a lower-carbon future.

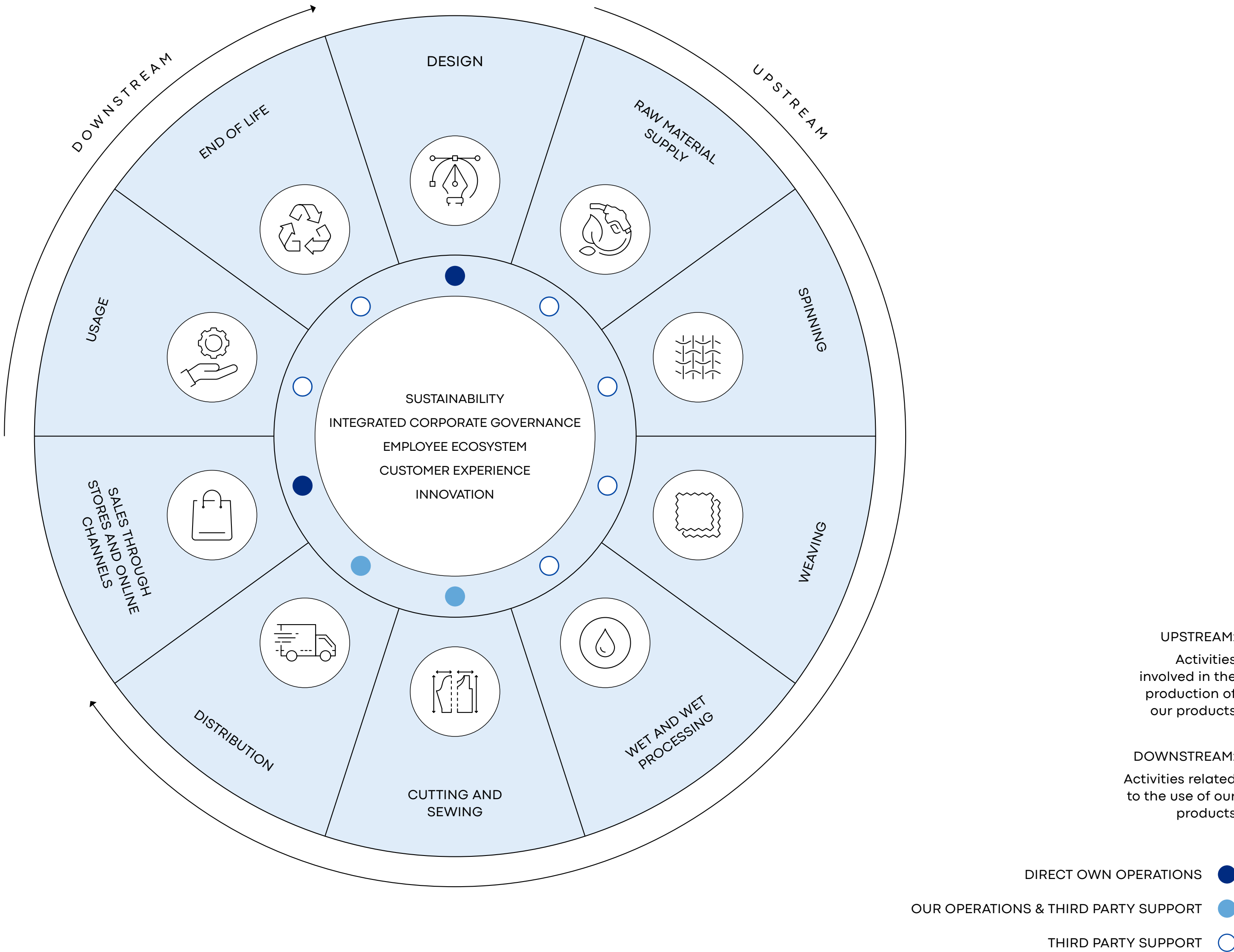
Our Focus	Our Approach	From Strategy to Impact
 Inspired by Nature	We recognize the climate crisis as a defining challenge for the fashion industry and a key consideration in how we operate. As we work to reduce our environmental impact across our value chain, we are committed to managing natural resources responsibly and offering our customers more sustainable collections.	Climate Roadmap: We are implementing our Climate Transition Plan in line with our SBTi-approved targets. We support our commitment to reduce Scope 1 and 2 emissions by 55% by 2030 through energy efficiency, renewable energy, and green logistics practices, and aim to reach net zero by 2050 through our long-term targets covering our entire value chain.
 Growing with People-Oriented Transformation	Believing that “real transformation starts with people,” we create value for our employees, suppliers, customers, and society by fostering a culture of learning, development, and collective transformation.	Stakeholder Roadmap: We are delivering sustainable transformation together with all our stakeholders. While expanding sustainable material and production practices across our supply chain, we set concrete targets focused on equality and inclusion for our employees.
 Creating Economic and Innovative Value	We see technology not merely as a tool, but as a foundation for lasting impact. By developing innovative solutions across every stage of our value chain, from design to customer experience, we create lasting economic value for DeFacto and contribute to the broader economy.	Innovation Roadmap: We are placing AI-powered solutions at the center of our business processes, continually expanding the scope of our digital applications to position technology as a strategic force that creates new value beyond efficiency.

Our Value Chain

Our value chain is a multi-stage structure that runs from raw material sourcing through design and production to our customers, reached through our stores and online channels. We carry out this process through our own direct operations, in partnership with third parties, and through services provided entirely by third parties.

As approximately 95% of our total emissions arise from upstream and downstream activities, addressing our climate impact requires a strategy that encompasses the entire value chain. Accordingly, we have structured our decarbonization approach around five core focus areas:

- A **sustainability** mindset that extends across every stage of our value chain
- An **integrated corporate governance** strengthened by transparency and ethical principles
- An **employee ecosystem** supported by development and inclusion
- An inspiring and seamless **customer experience**
- An **innovation** approach powered by creativity and technology



Governance and Strategic Vision

Sustainability and Climate-Related Governance Structure

We embed sustainability and climate change responsibilities across all levels of our organization, with accountability, transparency, and shared responsibility at the core of our climate governance approach. Our Climate Transition Plan is implemented and monitored under the oversight of the Board of Directors, with coordination across senior management, relevant committees, and business units.

- Board of Directors is the highest-level oversight body for our Climate Transition Plan. Within our Enterprise Risk Management framework, it treats climate change as one of our priority risk areas, regularly reviewing our sustainability and climate agenda through the relevant committees and approving strategic decisions.
- Sustainability and Climate Committee operates under the chairmanship of the CEO, with the participation of senior management representatives, and reports directly to the Board of Directors. The Committee plays a guiding role in developing our sustainability and climate strategy, evaluating priority topics, and ensuring coordination among business units. Meeting at least twice a year, it evaluates our climate performance, progress toward our targets, and priority actions, providing input into the Board of Directors' decision-making processes while giving the necessary direction to the relevant business units.

- Global Sourcing, Sustainability, and CSR Directorate coordinates the implementation of the Climate Transition Plan at the operational level, ensures collaboration among the relevant functions, tracks performance indicators, and reports regularly to senior management.
- The Sustainability and Climate Program, meanwhile, forms the execution mechanism that translates strategic priorities into operational practices. Projects developed under the program are implemented by the relevant business units following Committee review, and their progress is monitored regularly.

For comprehensive information on our sustainability governance structure, committee operations, and program details, please see our [2025 Integrated Report](#).



Integrating Sustainability and Climate Performance into the Organization

To effectively implement our climate targets, we integrate climate performance into our corporate performance management system. Through our corporate OKR (Objectives and Key Results) system, we reflect climate-related targets in the annual targets of the relevant business functions, strengthening shared ownership and cross-functional collaboration across the organization by regularly monitoring performance.

Thanks to the hierarchical structure that extends from company-wide targets to departmental and individual targets, our climate targets are cascaded across every level of the organization. Cross-functional OKRs, developed in particular for multi-stakeholder topics such as sustainability and climate, support coordinated work among different business units toward shared targets.

Our climate targets and strategic priorities are shaped in line with scientific developments, evolving regulations, performance results, and operational needs. Proposals developed by the Sustainability and CSR Unit are evaluated together with the relevant business units and put into practice under the guidance of the Sustainability Committee and, where necessary, with Board of Directors approval. Progress toward our targets is then regularly monitored and evaluated through the OKR system.

Target Hierarchy

- **Company-wide Targets:** These form our annual and quarterly priorities, set in line with our corporate strategies.
- **Department Targets:** Each business unit progresses in line with targets and key results aligned with our company-wide targets, so that all work contributes to shared corporate priorities.
- **Cross-Functional Targets:** These bring different business units together around shared targets on strategic topics such as sustainability, climate change, and digital transformation, strengthening cross-functional collaboration.
- **Individual Targets and KPIs:** Each team members' targets and performance indicators are managed in a way that links them to departmental and cross-functional targets, so that they contribute to our company-wide targets.

Monitoring, Accountability, and Continuous Improvement

To manage our climate targets effectively, we have established regular monitoring and evaluation mechanisms. Targets, actions, and performance indicators tracked through our OKR system are reviewed at defined intervals to assess progress and identify areas where further action is needed.

Through our monthly tracking processes, we monitor the status of relevant actions and KPIs, while assessing progress against cross-functional targets that require collaboration across departments and addressing emerging operational needs. During quarterly reviews, we evaluate OKR achievement rates and performance results, using these insights to define priorities and focus areas for the following period.

This approach enables us to manage our climate targets not only through performance indicators, but also through clear ownership across the organization. While each target is managed by the relevant business unit, the results achieved, risks identified, and opportunities for improvement inform the targets and action plans for the next period.



Our Strategy

As the impacts of climate change intensify, the transition to a low-carbon economy is becoming a strategic priority across all sectors. Accelerating this transition requires a consistent and systematic reduction in greenhouse gas emissions, guided by science-based targets.

At DeFacto, we shape our climate strategy in line with the latest scientific approaches. Our climate targets are aligned with the methodology of the Science Based Targets initiative (SBTi) and the 1.5°C pathway.

Our Climate Transition Plan sets out the actions we are taking today to advance toward our Net Zero target, as well as the decarbonization measures we will prioritize going forward. We aim to accelerate this transformation across our operations and value chain by leveraging collaboration, technology, and investment.

Accordingly, we structure our climate strategy around three core pillars:

DeFacto's Climate Strategy



Emissions Reduction

Reducing GHG Emissions in Our Operations

Decarbonization Levers

To minimize emissions from our own operations:

#DL1

Energy Efficiency

#DL2

Transition to Renewable Energy



Product Portfolio

Product Portfolio and Material Transition

Decarbonization Levers

To reduce emissions from our product portfolio:

#DL3

Transition to Sustainable Materials

#DL4

Circurity and Product Lifecycle



Supplier Collaborations

Decarbonization in the Value Chain through Supplier Collaborations

Decarbonization Levers

To accelerate emission reduction across our entire value chain:

#DL5

Supply Chain Decarbonization

#DL6

Logistics Optimization

Our Plan at a Glance



Emission Reduction

#DL1

Energy Efficiency

#DL2

Transition to Renewable Energy

Efficiency Increase
We are expanding the use of efficient technologies, monitoring systems, and automation solutions to reduce energy consumption at our stores and warehouses.

Investment in Renewable Energy
We are increasing our rooftop SPP investments at warehouses and stores, and raising the share of our electricity consumption met from renewable sources through certified renewable energy purchases.

Monitoring and Automation
To manage our energy performance more effectively, we are expanding real-time monitoring and automation solutions, analyzing our consumption data and identifying areas for improvement.

Collaborations
We are developing strategic collaborations to prepare our fleet and customer experience for electrification, aiming to gradually expand our practices in this area.



100% Renewable Electricity Target
We manage the growing energy needs that come with our operational growth through effective investment planning, and we aim to use 100% renewable electricity by 2030.



Product Portfolio

#DL3

Transition to Sustainable Materials

#DL4

Circurity and Product Lifecycle

Sustainable Raw Materials
We are gradually increasing the use of organic, recycled, regenerative, and lower-impact materials in our product portfolio, and we plan to expand our low-carbon material sourcing strategy.

Innovation and Collaborations
Building on our collaboration with Maritaş Denim to develop Türkiye's first denim collection made with regenerative cotton, we aim to further strengthen our partnerships and expand our work with Wiser Wash and innovative alternative materials such as vegan leather. Through new collaborations, we will continue to support the transformation toward more sustainable materials and technologies.

Circular Designs
While continuing to strengthen product durability, we are expanding the use of lower-impact production and washing technologies and gradually integrating circular design principles into our product development processes.

Waste and Packaging Transformation
Through initiatives such as the reuse and recycling of fabric offcuts, zero-waste practices, the use of FSC-certified boxes, the transition to packaging with recycled content, and packaging optimization, we aim to reduce waste generation, conserve natural resources, and lower material-related emissions.



90% Sustainable Collection Target
We aim for 90% of our ready-to-wear collections to be sustainable by 2030.



Supplier Collaborations

#DL5

Supply Chain Decarbonization

#DL6

Logistics Optimization

Supplier Assessments
Across our global supply network, we carry out traceability audits and sustainability performance assessments to manage the environmental and social impacts in our value chain, integrating these criteria into our supplier development processes and procurement decisions.

Capacity Building and Financing
We support our suppliers' capacity development on their decarbonization journey through our DeFacto Academy training programs and our sustainability-linked financing agreement with the EBRD.

Cross-sector Collaborations
Through our collaborations with the EBRD and the UN Global Compact's Coalition for Sustainable Procurement, we contribute to the development of sector-wide standards while strengthening partnerships that support the transition to low-carbon technologies.

Logistics Optimization
To reduce emissions from transportation and distribution, we continue to advance intermodal transportation and route optimization in collaboration with our logistics partners, while exploring low- and zero-carbon transportation alternatives.



Traceability
Differences in supplier data access, digital maturity, investment capacity, and energy infrastructure influence the pace of transformation. Over the long term, we seek to strengthen supplier-level emissions tracking and reporting systems and enhance the reliability, accessibility, and comparability of product and supply chain data through digital traceability infrastructure. Through the Digital Product Passport (DPP) approach, we also aim to improve the traceability of information on product material content, resource use, production processes, and environmental performance across the value chain.

Our SBTi Net Zero Commitment

In line with the Paris Agreement's goal of limiting the global temperature increase to 1.5°C, we have three SBTi-approved greenhouse gas emission reduction targets:

- **Near-term targets (2030):** We commit to reduce absolute Scope 1 and 2 GHG emissions 55% and also reduce Scope 3 GHG emissions from purchased goods and services 51.6% per million TRY value added by 2030 from a 2023 base year.
- **Long-term targets (2050):** We commit to reduce absolute Scope 1 and 2 GHG emissions 90% and also reduce Scope 3 GHG emissions from purchased goods and services, fuel and energy-related activities, business travel, upstream leased assets, and the end-of-life treatment of sold products 97% per million TRY value added by 2050 from a 2023 base year.
- **Net zero target:** We commit to reach net-zero greenhouse gas emissions across our entire value chain by 2050 and to offset any remaining residual emissions through permanent carbon removal methods.

We began our SBTi-aligned target-setting process on September 12, 2024, restructured our 2030 and 2050 emission-reduction targets, and received approval on January 24, 2025. With this approval, we became the first company in Türkiye's textile retail sector to have SBTi-approved long-term targets.



Science Based Targets initiative (SBTi)

The Science Based Targets initiative (SBTi) was established in 2015 through a partnership between CDP, the UN Global Compact, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF) to help companies set emission-reduction targets in line with climate science and the goals of the Paris Agreement.



55%

We commit to reduce our Scope 1 and 2 GHG emissions 55% by 2030 from a 2023 base year.

97%

We commit to reduce our Scope 3 GHG emissions 97% per million TRY value added by 2050 from a 2023 base year.

2050

We commit to reach net-zero greenhouse gas emissions across our entire value chain by 2050.

Climate-related Risks and Opportunities

As part of the work we carried out in 2025, we identified 19 climate risks and 5 climate opportunities that could affect DeFacto's operations and value chain. We conducted our assessment to cover every stage of our value chain, from raw material sourcing to production, logistics, distribution, and export, and mapped each risk and opportunity to its relevant value chain stage. Building on the TCFD approach, we took a holistic view of the acute and chronic risks arising from the physical effects of climate change, together with the policy and regulatory, legal, technological, market, and reputational risks associated with the transition to a low-carbon economy.

We analyzed the risks we identified under the Net Zero (<1.5°C), Below 2°C, and Current Policies (<3°C) scenarios across short-, medium-, and long-term time horizons, and have begun integrating the climate opportunities we identified into our strategic planning processes. Through these assessments, we aim to analyze the potential effects of climate change on DeFacto more comprehensively, manage our risks effectively, and strengthen the decision-making processes that will allow us to capture emerging opportunities.

Risk Management Approach

Managing climate-related risks and opportunities is an integral part of DeFacto's Enterprise Risk Management framework. We treat climate-related risks not as an isolated sustainability topic, but as a risk area that is included in our enterprise risk inventory, reviewed regularly, monitored by the relevant business units, and managed under the oversight of the Board of Directors.

In identifying and assessing climate risks, we base our approach on the TCFD recommendations, and we closely follow the recommendations and standards of international standard-setting bodies on the transparency of climate risks. When identifying risks, we assess their potential effects on DeFacto's short-, medium-, and long-term targets using both internal knowledge and the latest external data. This assessment is updated regularly to remain aligned with the risk criteria set by senior management, corporate targets, and stakeholder expectations.

Scenario Analysis

Climate change directly affects companies' capacity to create long-term value, creating a broad range of impacts from raw material sourcing to production, and from logistics to market dynamics. At DeFacto, we view this impact not merely as an environmental issue, but as a strategic factor that shapes our operational continuity, cost structure, and competitiveness. For this reason, we analyze climate-related risks and opportunities not only under current conditions, but also under different global warming scenarios across short-, medium-, and long-term time horizons, and we treat this assessment as an integral part of our strategic decision-making processes. This strengthens our resilience to climate risks and puts our strategic planning for the future on a more solid footing.



Approach

We carried out our scenario analysis using a holistic methodology that addresses transition and physical risks together, aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the disclosure requirements of IFRS S2 and ESRS E1-1. For this purpose, we drew on the IPCC's Sixth Assessment Report (AR6) for global climate projections and on NGFS (Network for Greening the Financial System) scenario sets for macroeconomic and policy-based transition assumptions, and we conducted water stress analyses using the WRI Aqueduct Water Risk Atlas tool to assess physical risks on a location basis.

We carried out our analysis to cover our operations across 67 provinces in Türkiye, the production regions in China and Egypt that stand out in our supply chain, and the countries where our international stores and offices are located, and we assessed the geographic breakdown of physical risks, particularly water stress, in detail. For further detail on our methodology, please see the [Annexes](#) section of this report.

Selection and Use of Scenarios

As part of our scenario analysis, we assess three different global warming scenarios, taking into account DeFacto's strategic targets in its climate transition process and the physical risks to which its sector may be exposed. These scenarios cover Net Zero 2050 (<1.5°C), which represents a net-zero transition aligned with the Paris Agreement; Below 2°C, which reflects a controlled but more limited transition pathway; and Current Policies (<3°C), in which current policies continue. In this way, we comparatively analyze the transition and physical risks DeFacto may face at different levels of global warming.

Climate Scenario		Scenario References Assessed	Key Takeaways
Net Zero 2050 <1.5°C ¹	Represents a transition pathway in which strong, early climate policies limit the global temperature increase to approximately 1.4–1.5°C by the end of the century, reaching net-zero CO ₂ emissions around 2050.	NGFS: Net Zero 2050 AR6 SSP: SSP1-1.9, 2081–2100 Warming: 1.4°C (1.0–1.8)	In this scenario, transition risks come to the forefront. Carbon prices are expected to rise to approximately USD 749/tCO ₂ by 2050, with carbon pricing, energy transition, and regulatory requirements introduced early and systematically. Physical climate risks, by contrast, remain more limited compared to the other scenarios.
Below 2°C	Represents a transition pathway in which gradually tightening climate policies limit the global temperature increase to below 2°C by the end of the century with a 67% probability.	NGFS: Below 2°C AR6 SSP: SSP1-2.6, 2081–2100 RCP: RCP2.6 Warming: 1.8°C (1.3–2.4)	In this scenario, transition risks are significant but present a more balanced picture than the Net Zero scenario. Carbon prices are projected to rise to approximately USD 135/tCO ₂ by 2050, while physical risks remain relatively limited. Policy interventions are applied early and consistently, and compliance costs remain more limited than in the Net Zero scenario due to lower emission-reduction targets.
Current Policies <3°C	Represents a world in which current climate policies continue, no additional policy interventions are implemented, and the global temperature increase reaches approximately 3°C by the end of the century.	NGFS: Current Policies AR6 SSP: SSP2-4.5, 2081–2100 RCP: RCP4.5 Warming: 2.7°C (2.1–3.5)	In this scenario, physical climate risks increase significantly. Global labor productivity losses due to extreme weather events, water stress, and temperature-related effects are projected to be roughly three times higher than in the 1.5°C scenario. Transition risks, by contrast, remain limited, with carbon prices expected to stay around USD 11/tCO ₂ and no new regulatory interventions expected to be introduced.

¹ No direct AR5 RCP equivalent exists for the Net Zero <1.5°C scenario. RCP1.9 was not part of the original RCP scenario set developed under the IPCC's Fifth Assessment Report (AR5). Instead, under the CMIP6/IPCC Sixth Assessment Report (AR6) framework, the SSP1-1.9 scenario is used to represent climate pathways consistent with the Paris Agreement's 1.5°C goal. Accordingly, this scenario is assessed using the corresponding AR6-based SSP reference.

Assessing the Impacts of Climate Scenarios

The analyses carried out under the selected scenarios show that the key impact areas across DeFacto's operations and value chain are concentrated under five main headings:

Regulation and Policy

Regulations evolving at the global and local level in the fight against climate change are becoming an increasingly decisive factor for greenhouse gas emissions, energy use, product life cycle, packaging management, and waste processes.

In the low-carbon scenarios (Net Zero <1.5°C and Below 2°C), regulations such as the Türkiye ETS/ Carbon Taxation System, the EU Carbon Border Adjustment Mechanism (CBAM), CSRD/ESRS and TSRS reporting requirements, and the EU Packaging and Packaging Waste Regulation (PPWR) are expected to become more comprehensive and predictable. In these scenarios, rapidly rising carbon prices are expected to increase cost pressure on emission-intensive activities and make carbon costs a more significant factor in strategic decision-making.

In the Current Policies <3°C scenario, carbon pricing is expected to rise more moderately and new regulatory pressures to develop more slowly. At the same time, as climate impacts become more pronounced, physical risks are likely to increase, and regulatory uncertainty is likely to create additional challenges for business processes.

Raw Materials and Supply Chain

Changes in climate conditions play a decisive role in the supply continuity, quality standards, and price stability of key raw materials such as cotton, through their impact on agricultural production.

In the low-carbon scenarios (Net Zero <1.5°C and Below 2°C), requirements around sustainable and regenerative farming practices, raw material traceability, and environmental performance expectations across the supply chain are expected to increase. This shift can make sustainable material use and supplier compliance more decisive factors for competitiveness.

In the Current Policies <3°C scenario, rising temperatures, pressure on water resources, and more frequent extreme weather events are expected to intensify physical risks such as yield losses in agricultural production, supply continuity issues, and cost increases. Our analysis found that irrigation-related production pressures stand out as a significant risk area in Türkiye, while other cotton-producing regions may see different risk dynamics emerge depending on local climate conditions.

Energy and Production Processes

Energy prices and energy supply form a significant component of DeFacto's production and operating costs. Depending on the scenario, the transformation of energy markets creates cost pressure through carbon costs and regulation on one hand, while reshaping the structure of energy supply and resource choices on the other.

In the low-carbon scenarios (Net Zero <1.5°C and Below 2°C), rapidly rising carbon prices are expected to increase cost pressures linked to fossil fuel use. At the same time, the share of renewable and low-carbon energy sources in the energy supply is expected to increase, transforming the energy system into a lower-carbon structure.

In the Current Policies <3°C scenario, cost pressure from carbon pricing is expected to remain more limited, and the energy supply is expected to largely retain its fossil-fuel-heavy structure. At the same time, growing cooling demand in regions with intense temperature increases places additional pressure on energy demand, while extreme heat events can create operational effects on working conditions and labor productivity.

Water Use and Operational Continuity

Access to water resources is one of the areas where the physical effects of climate scenarios are felt most concretely. Based on the water stress analysis we conducted for DeFacto's operating locations using the WRI Aqueduct Water Risk Atlas tool:

- Our Istanbul (Head Office), Izmir, Manisa, Uşak, Adıyaman, and, in part, Adana locations already fall into the "Extremely High" water stress category.
- Among our international operations, Morocco, Albania, Ukraine, Uzbekistan, and Kazakhstan stand out in the "Extremely High" water stress category, while Bosnia and Herzegovina, Serbia, and Montenegro present a lower to moderate risk profile.
- The variation in risk levels across operating regions shows that there is no homogeneous water risk profile across our international operations in particular, and points to structural sensitivities in high water stress locations that need to be prioritized in terms of business continuity and cost structure.

Market Dynamics and Customer Expectations

Sustainability-focused consumer expectations and regulatory developments are increasingly shaping brand preferences and competitive dynamics, particularly in export markets. Depending on the climate scenario, the speed and scope of the transition to a low-carbon economy can lead to differences in market conditions.

- In the low-carbon scenarios (Net Zero <1.5°C and Below 2°C), demand for sustainable, low-carbon products is expected to strengthen, along with growing expectations for eco-friendly packaging solutions and greater transparency around products' environmental impact. In this context, competitive advantage and market opportunities emerge for brands with strong sustainability performance, while the need for transformation grows in carbon-intensive areas of the supply chain.
- In the Current Policies <3°C scenario, transformation is expected to progress more slowly, while intensifying climate impacts can create new pressures on supply chains in terms of cost increases, raw material access, and product sustainability. Geographic concentration in climate-sensitive raw materials such as cotton in particular creates a significant area of vulnerability in terms of climate-related supply fluctuations and shifting customer expectations.

Impact on Strategy and Decision-Making

Our scenario analysis indicates that DeFacto's exposure to climate change is not uniform, with structural sensitivities concentrated in certain areas. Locations facing high water stress, our dependence on cotton and geographically concentrated supply base, and evolving regulatory and sustainability expectations are among the areas we prioritize for close monitoring.

In response, we are supporting the adoption of more water-efficient technologies across water-intensive production processes, with a particular focus on scaling water-saving washing technologies in denim production throughout our supply chain. To address the environmental and climate-related risks associated with cotton, we support Better Cotton and are developing partnerships to increase the use of cotton grown through regenerative agricultural practices.

Our renewable energy investments, waste and packaging management practices, and efforts to improve operational efficiency are also strengthening our capacity to adapt to climate change and enhancing our operational resilience. At the same time, we recognize the need to accelerate progress in certain areas, particularly the transition toward sustainable materials. We therefore continue to strengthen our practices through a continuous improvement approach, regularly monitoring our performance in water management, supply chain resilience, regulatory compliance, sustainable material use, and supplier transformation.



Risks

We assess the potential impacts of climate change through two categories of risk: physical and transition risks. Physical risks arise from the direct impacts of climate change, while transition risks result from policy, technological, market, and reputational changes associated with the transition to a low-carbon economy. The tables below present each risk alongside its position in the value chain, time horizon, and potential impact under different climate scenarios

Physical Risks

Physical risks arising from climate change include direct impacts on our assets, operations, workforce, supply chain, and markets. While extreme weather events give rise to acute risks, longer-term shifts in climate patterns can result in chronic risks.

Our physical risk assessment considered climate-related hazards alongside exposure and vulnerability. The assessment covered Türkiye, where our operations and supplier network are concentrated, as well as key sourcing regions across Asia and North Africa. We analyzed a range of climate hazards—including heatwaves, droughts, floods, severe winds and storms, heavy rainfall, hailstorms, and wildfires—across short-, medium-, and long-term time horizons.

Our analysis indicates that physical risks do not vary significantly across scenarios in the short term. Over the longer term, however, both the likelihood and potential impact of these risks increase as global temperatures rise. These findings highlight the importance of addressing physical climate risks and strengthening resilience through short-, medium-, and long-term actions within our Sustainability Roadmap.

Risk	Description	Value Chain Stage	Time Frame	Risk Trend	
				<1,5°C and <2°C	<3°C
Acute Physical Risks					
Extreme weather events disrupting operations	Extreme weather events such as floods, severe winds and storms, heavy rainfall, hail, and wildfires can cause operational disruptions at production facilities, warehouses, stores, and logistics infrastructure. They can also disrupt supply chain and distribution processes, reducing product availability across omnichannel channels and leading to sales losses.	Upstream DeFacto Operations Downstream	Short	↔	↑
Extreme weather events damaging physical assets	Extreme weather events can cause physical damage to production facilities, warehouses, stores, and logistics infrastructure, significantly increasing repair and replacement costs.	Upstream DeFacto Operations	Short	↔	↑
Chronic Physical Risks					
Raw Material Availability, Supply, and Price Increases	Rising temperatures, water scarcity, and changing precipitation patterns can reduce the yield and quality of natural fibers, particularly cotton, leading to supply constraints and price increases. Over the long term, this can raise procurement costs and cause structural disruptions in the production chain.	Upstream	Long	↔	↑
Impact of Water Scarcity on Production Processes	Increasingly restricted access to fresh water, particularly in Türkiye and other geographies where our suppliers are concentrated, can adversely affect water-dependent production processes. By reshaping where and how production takes place, this can pose a long-term threat to supply chain structure and operational continuity.	Upstream	Medium	↔	↑
Structural Disruptions in Key Production Markets	Long-term climate change can adversely affect agricultural land and infrastructure in key production regions where our suppliers are located, leading to production shifting to higher-cost markets and a lasting weakening of supply chain resilience.	Upstream	Long	↔	↑
Impact on Employee Health and Productivity	Prolonged heat waves and rising average temperatures can adversely affect the health and productivity of workers across the value chain, particularly at supplier production facilities with limited climate control, permanently reducing labor productivity.	DeFacto Operations	Long	↔	↑

Transition Risks

The transition to a low-carbon economy is introducing new areas of risk driven by policy and regulatory developments, technological change, evolving market dynamics, and rising stakeholder expectations. Transition risks encompass the factors that may give rise to financial and reputational impacts depending on the pace and direction of this transformation.

Our analysis indicates that transition risks may account for a significant share of climate-related impacts in the short term. The level of exposure varies depending on the ambition of emissions reduction targets and the pace of the transition. Across different scenarios, the key drivers of impact also vary, with market, legal, and reputational risks emerging as particularly significant.

Risk	Description	Value Chain Stage	Time Frame	Risk Trend	
				<1,5°C and <2°C	<3°C
Policy and Regulation					
Carbon Pricing and Carbon Markets	DeFacto's emissions footprint may fall within the scope of expanding carbon pricing mechanisms. Rising carbon allowance prices can increase raw material sourcing, production, and distribution costs, directly pressuring profit margins and making it harder to keep product prices competitive.	DeFacto Operations	Medium	↑	↔
Global or Regional Carbon Taxes	The EU Carbon Border Adjustment Mechanism and a possible Turkish carbon tax could directly increase the unit costs of products manufactured in Türkiye and exported to Europe, adversely affecting export revenues and competitiveness in the European market.	Upstream	Medium	↑	↔
Mandatory Sustainability Reporting	Regulations such as CSRD/ESRS, the EU Ecodesign for Sustainable Products Regulation, the Digital Product Passport, and Extended Producer Responsibility may require product design to be redesigned and significant investment to be made in reporting infrastructure.	DeFacto Operations	Short to Medium	↑	↔
Legal					
Litigation Related to Emissions and Climate Damage	The growing pace of litigation worldwide targeting companies' greenhouse gas emissions and their role in climate damage could expose DeFacto to compensation liabilities, legal costs, and reputational loss.	DeFacto Operations	Medium	↑	↑
Greenwashing and Pinkwashing	Insufficiently substantiated sustainability claims, or overstating the impact of practices with limited effect, could lay the groundwork for regulatory sanctions under the EU Green Claims Directive, and could also lead to administrative fines in Türkiye under Competition Authority and consumer protection legislation.	Downstream	Short	↑	↑
Technological					
Rising Energy Costs	Supply-demand imbalances during the transition to low-carbon energy sources can drive up energy prices. This can increase operating expenses across DeFacto's stores, warehouses, and production operations, adversely affecting profitability, and can weaken competitiveness as costs are passed through to product prices.	DeFacto Operations	Short	↑	↔
Costs of Transitioning to Low-Carbon Production Technologies	Transitioning to low-carbon production technologies creates significant capital requirements, both within DeFacto's own operations and at supplier factories. It can increase stranded asset risk from the premature retirement of existing infrastructure, as well as operational costs in the short to medium term.	Upstream DeFacto Operations	Medium	↑	↔

→ Geçiş Riskleri



Risk	Description	Value Chain Stage	Time Frame	Risk Trend	
				<1,5°C and <2°C	<3°C
Falling Behind in Technological Transformation	Delaying necessary investments in AI-powered supply chain optimization, digital product passport infrastructure, and low-emission production technologies could permanently weaken DeFacto's market access, operational efficiency, and long-term competitiveness.	DeFacto Operations	Long	↑	↔
Market					
Shifts in Customer Expectations and Purchasing Habits	As consumer climate awareness grows, demand for products with lower environmental impact is strengthening. How quickly and reliably DeFacto can respond to this demand can have a decisive effect on both market share and brand perception.	Downstream	Medium	↑	↑
The Business Model Falling Behind	The strengthening of trends such as slow fashion, secondhand shopping, and circular consumption could structurally challenge the current business model, which relies on high-volume, fast collection cycles, leading to demand contraction, inventory inefficiency, and revenue loss.	Downstream	Long	↑	↑
Competitive Pressures	Competitors developing innovative sustainability-focused business models and products could gain market share, threatening DeFacto's market position and increasing pressure to differentiate.	Downstream	Medium	↑	↑
Reputation					
Climate Activism and Consumer Pressure	Growing societal pressure on carbon-intensive business models can adversely affect consumer preferences and investor confidence, potentially reducing sales revenue, raising the cost of capital, and making access to long-term financing more difficult.	Downstream	Medium	↑	↑
Insufficient Climate Commitments and Communication	A failure to make tangible progress in the transition to low-carbon business models, or to communicate that progress adequately to stakeholders, could damage corporate credibility among employees, suppliers, investors, and customers, and permanently harm brand value.	Downstream	Short to Medium	↑	↑

Opportunities

DeFacto’s sustainability culture guides our progress across three core priorities: reducing our environmental and social impacts throughout the value chain, effectively managing the risks associated with climate change, and identifying and leveraging the opportunities arising from the transition to a low-carbon economy.

With this perspective, we see climate change not only as a risk to be managed, but also as a strategic opportunity to evolve our business model and create long-term value. By pursuing climate-related opportunities across areas such as product innovation, operational efficiency, circular business models, and technology-enabled solutions, we aim to strengthen our competitiveness and resilience while advancing our transition toward a more sustainable business model.

Managing Opportunities

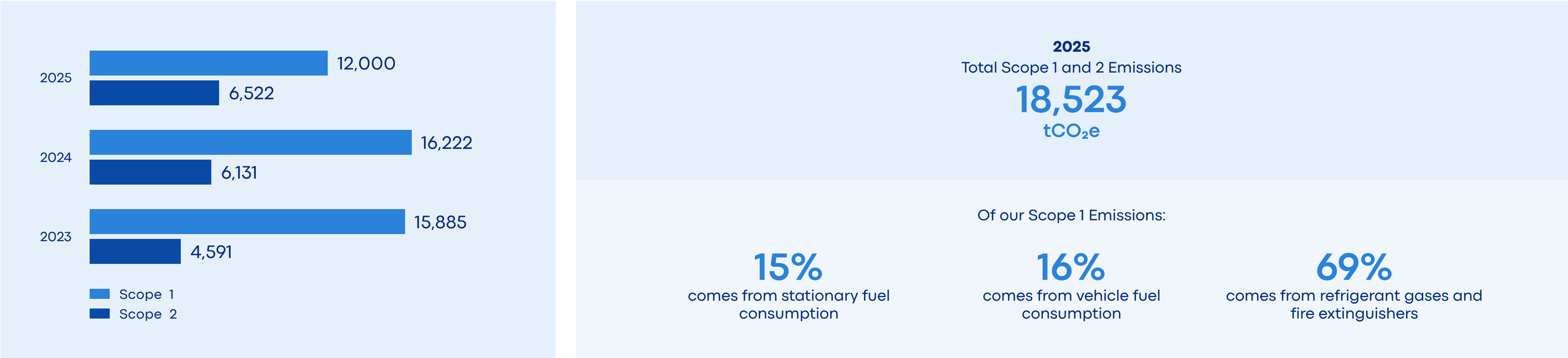
We assess climate-related opportunities through an approach aligned with our risk management process and integrate the outcomes into our strategic planning. Opportunities are identified based on operational data, value chain analyses, and emerging climate-related developments, and prioritized according to their potential financial contribution, operational efficiency, cost-saving potential, feasibility, and time horizon.

We translate prioritized opportunities into concrete actions by incorporating them into our investment and operational plans. To achieve that, , we focus on opportunities that can accelerate our climate transformation, particularly in energy and water efficiency, renewable energy, sustainable materials, and circular practices. We monitor progress regularly through the Sustainability Committee and Sustainability Program to assess implementation and track the effectiveness of these initiatives.

Opportunity	Description	Value Chain Stage	Realization Timeframe	Action Maturity Level
Product Decarbonization and Operational Efficiency	Expanding solar power system investments across our operating locations and optimizing inventory and resource consumption through solutions such as our integrated omnichannel model can accelerate our decarbonization investments, supported by instruments such as the sustainability-linked financing agreements we already have in place. Combined with the nearshoring advantage offered by Türkiye’s geographic proximity to Europe, this can provide a competitive advantage with European buyers.	DeFacto Operations	Medium to Long	Proven, scaling
Sustainable Raw Materials and Product Innovation	Expanding plant-based collections such as tea-leaf leather, olive leather, and regenerative denim, and transitioning to regenerative farming practices, can reduce our dependence on primary raw materials, strengthen supply chain resilience against climate-related supply risks, and position DeFacto as a sector leader in sustainable product design.	Upstream	Medium	Scaling stage
Circular Business Models and Resource Efficiency	Döngüsel tasarım ilkelerinin yaygınlaştırılması, tekstil firelerinin yeniden ürüne kazandırılması, geri dönüşüm ve ikinci el satış uygulamaları; birincil hammadde ihtiyacını ve kaynak kullanımını azaltırken, hammadde maliyet baskılarının yönetilmesine ve ürün yaşam döngüsünün uzatılmasına katkı sağlayabilir. Bu uygulamalar aynı zamanda yeni döngüsel iş modelleri ve gelir fırsatları yaratabilir.	Upstream Downstream	Medium to Long	Research and pilot stage
New Customer Acquisition Through Rising Consumer Awareness	Rising consumer awareness of climate change is increasing demand for products and services with lower climate impact. As the first company in Türkiye’s textile retail sector with SBTi-approved long-term targets, positioning ourselves as a trusted brand in sustainability can support new customer acquisition and strengthen brand reputation.	Downstream	Medium to Long	Assessment stage
Converting DeFacto’s Technology Infrastructure into a B2B Service Offering	Offering the technology infrastructure developed for sustainable production, data management, traceability, and decarbonization processes as a service to other brands can create an opportunity to generate new B2B revenue streams and reinforce our thought leadership position in the sector.	DeFacto Operations	Long	Assessment stage

DeFacto's Emissions Profile

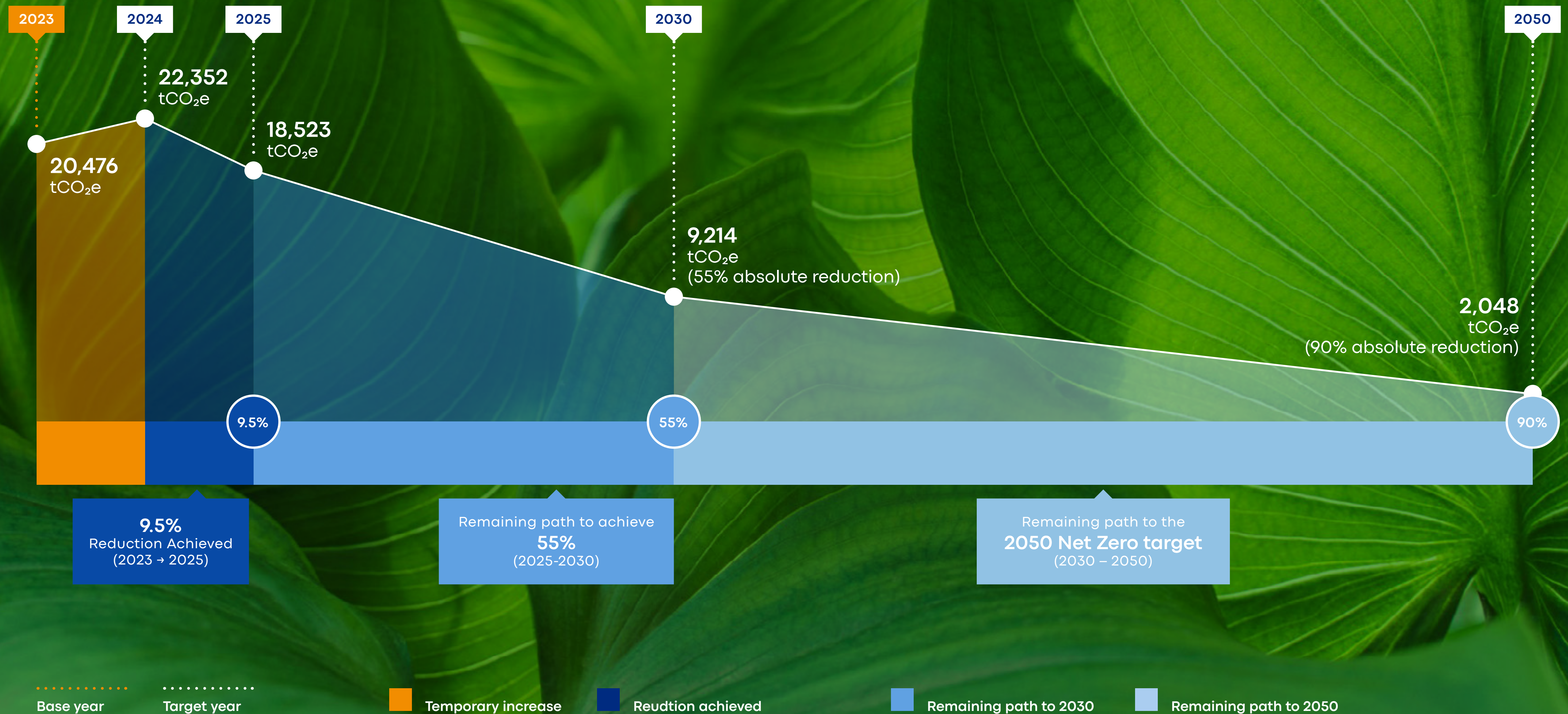
As of **2025**, our most recent year with complete reporting data, our Scope 1 and 2 greenhouse gas emissions as follows¹:



SCOPE	CATEGORY	2023	2024	2025	% Change vs. 2024	% Change vs. 2023 Base Year
Scope 1	Direct emissions and removals from controlled/owned activities (tCO ₂ e)	4,591	6,131	6,522	+6%	+42%
Scope 2	Indirect emissions from purchased or acquired electricity, steam, heat, and cooling (market-based) (tCO ₂ e)	15,885	16,222	12,000	-26%	-24%
Total Scope 1 & 2 greenhouse gas emissions (tCO ₂ e)		20,476	22,352	18,523	-17%	-9.5%

¹ All figures reported in this section are for fiscal year 2025. Amounts presented in thousands have been rounded to the nearest whole number.

Scope 1 and 2 Absolute Emission Reduction Journey

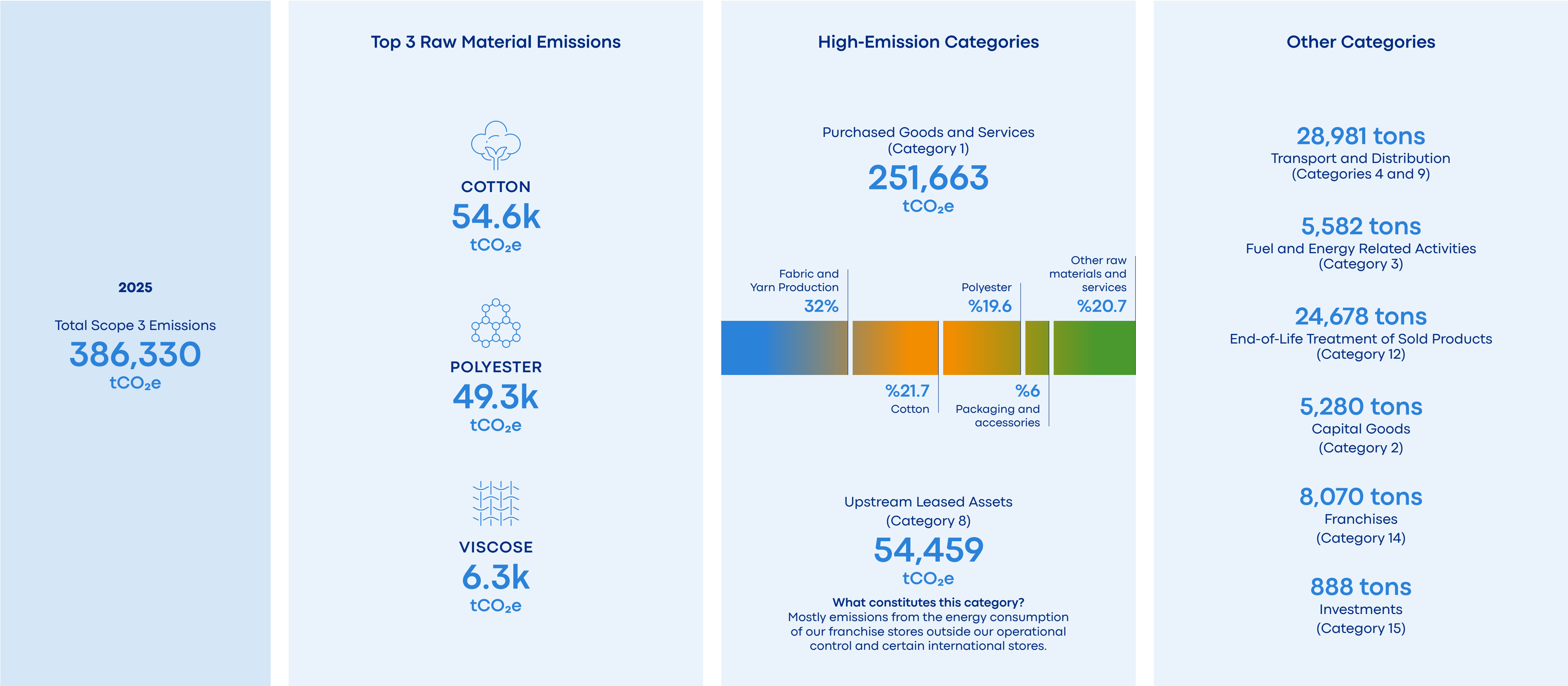


Our Emissions Across the Value Chain

SCOPE	CATEGORY	2023	2024	2025	% Change vs. 2024	% Change vs. 2023 Base Year
(figures in thousand tons CO ₂ e)						
Scope 3	Scope 3 GHG emissions under our SBTi Near-Term Target (2030)*	265.07	262.28	245.83	-5.5%	-6.6%
	1 - Purchased Goods and Services	269.57	266.34	251.66	-5.5%	-6.6%
	3 - Fuel and Energy Related Activities	6.47	6.20	5.58	-9.9%	-13.7%
	6 - Business Travel	2.11	1.33	1.89	+42.4%	-10.5%
	8 - Upstream Leased Assets	46.85	48.32	54.46	+12.7%	+16.2%
	12 - End-of-Life Treatment of Sold Products	30.56	26.68	24.68	-7.5%	-19.3%
	Scope 3 GHG emissions included in our SBTi Long-Term Target (2050)	351.06	344.8	332.45	-3%	-4.9%
	4 - Upstream Transportation and Distribution	13.94	12.20	21.51	+76.4%	+54.3%
	9 - Downstream Transportation and Distribution	7.69	8.75	7.47	-14.6%	-2.9%
	2 - Capital Goods	6.13	6.55	5.28	-19.4%	-13.9%
	5 - Waste Generated in Operations	0.04	0.02	0.02	+8.9%	-40%
	7 - Employee Commuting	6.64	4.21	4.76	+13%	-28.3%
	14 - Franchises	3.56	5.19	8.07	+55.4%	+126.6%
	15 - Investments (Ozon Tekstil Scope 1 & 2)	1.44	1.20	0.89	-25.9%	-38.4%
	11 - Use of Sold Products	0.03	0.03	0.06	+75.8%	+118.5%
Total Scope 3 greenhouse gas emissions		395.03	387.02	386.33	-0.2%	-2.2%

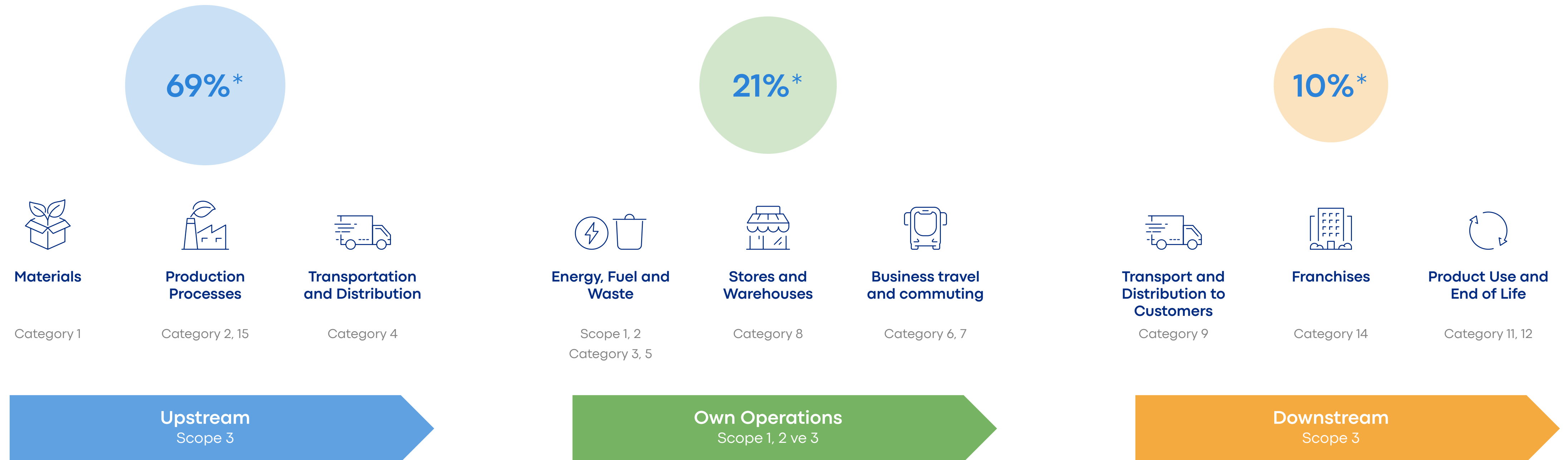
* Our SBTi Near-Term Target includes GHG Protocol Category 1 (Purchased Goods and Services), excluding service-related subcategories within this category in accordance with the SBTi methodology.

As is the case for many companies in the retail sector, our largest emissions impact comes from value-chain-related Scope 3 emissions, which account for more than 95% of our total emissions².



² All figures reported in this section are for fiscal year 2025. Our Scope 3 emissions of 386,330 tons CO₂e emissions reflect all Scope 3 categories relevant to our business. The GHG Protocol categories Processing of Sold Products and Downstream Leased Assets are not included in our inventory as they are not applicable to our company’s business. Amounts presented in thousands have been rounded to the nearest whole number.

As of 2025, our most recent year with complete reporting data, our greenhouse gas emissions along the value chain as follows:



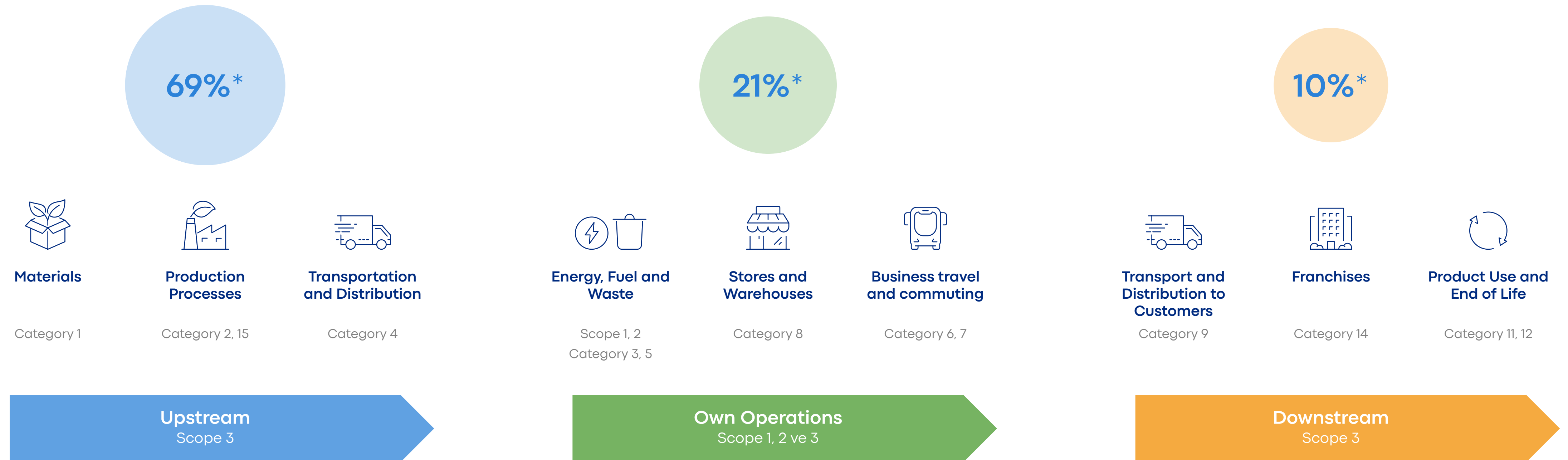
Data Quality

Since significant share of our emissions occurs beyond our direct operations, we use both primary and secondary data sources to calculate our value chain emissions. Energy and consumption data from our Head Office, Çerkezköy, and Yassören warehouse locations are reported as primary data based on direct measurements. For domestic stores outside our operational control and for all international stores, offices, and warehouses, we use estimated data. For emissions associated with upstream tiers of the supply chain, we rely on industry-average emission factors, which may result in lower measurement precision in certain areas.

Improving data quality and refining our calculation methodologies to more accurately reflect our actual emissions footprint remain key priorities. To this end, we aim to expand our capacity to collect primary data from suppliers and further strengthen our emissions monitoring and reporting infrastructure.

* Represents the share of DeFacto's total emissions.

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DeFacto in Action

Achieving our Net Zero target requires more than individual projects; it depends on the integrated implementation of six core decarbonization levers spanning our own operations and entire supply chain. Defined as part of our climate strategy, these levers provide the framework for translating our science-based targets into concrete actions and day-to-day operational decisions.



Energy Efficiency

We monitor and reduce energy consumption through automation and efficient technologies deployed at our stores, warehouses, and offices.

Our Performance

6%

reduction in energy consumption as of 2025, compared to previous year.



Transition to Renewable Energy

We are increasing our renewable energy generation capacity at our own facilities and increasing the share of renewable sources in our electricity supply through I-REC certified renewable energy purchases.

Our Performance

29.6%

of total electricity consumption came from renewable sources as of 2025.



Transition to Sustainable Materials

We are increasing the share of lower-impact raw materials in our product portfolio while expanding our use of certified and traceable sources.

Our Performance

26%

of products manufactured from sustainable raw materials as of 2025.



Circularity and Product Lifecycle

We adopt circular principles from design through end of life, increasing product durability and recycling capacity.

Our Performance

19%

reduction in emissions from end-of-life treatment of sold products as of 2025.



Decarbonization in the Supply Chain

We strengthen our suppliers' capacity to improve energy efficiency and production processes across the product life cycle, from design through end of life, while supporting emissions reductions by making environmental performance measurable.

Our Performance

CDP Supplier Engagement Assessment

A Score



Logistics Optimization

We optimize transportation modes and routes, expanding low-carbon transportation alternatives.

Our Performance

47.3 tCO₂e

saved in 2025 through intermodal model transportation practices

Operations

We operate 456 physical stores, including 301 in Türkiye, together with 42 franchise stores and 30 online platforms across more than 100 countries worldwide, building a strong presence in the sector with more than 10,000 employees. Our Scope 1 emissions from operations arise mainly from our vehicle fleet and the use of natural gas for heating, while our Scope 2 emissions come from the electricity consumed at our stores, warehouses, and offices.

In 2023, the base year we use for our SBTi targets, our total operational emissions stood at 20,475.81 tons of CO₂e, comprising 4,590.90 tons of CO₂e under Scope 1 and 15,884.91 tons of CO₂e under Scope 2. In 2025, our combined Scope 1 and 2 emissions totaled 18,522.72 tons of CO₂e.

The first step in our climate transition plan is to minimize the Scope 1 and 2 emissions arising from our own operations. We are advancing on this front through two core levers: our energy efficiency initiatives, which aim to optimize energy consumption at our stores, warehouses, and offices, and our clean energy investments, which are accelerating our transition to renewable energy sources, particularly solar power. The steps we take in these areas, which are under our direct control, deliver the fastest and most measurable results on the way to our 2030 emission-reduction target.

55%
Reduction Target



in our Scope 1 and 2 emissions by 2030, compared to 2023 base year.

9.5%
absolute emission reduction achieved in 2025.

DeFacto in Action:
CDP Climate Performance



Under the CDP Climate Program, we improved our performance in 2025 compared to the previous year, achieving a score of A-.

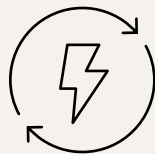
Energy Efficiency

One of the most effective ways to reduce our Scope 1 and 2 emissions is to continuously improve energy efficiency across our operations. We manage our energy performance in line with the ISO 50001 standard, regularly analyzing site-level consumption data to identify opportunities for greater efficiency and translate them into action.

Our energy efficiency approach is built around three core elements: monitoring, automation, and the wider adoption of energy-efficient technologies. We are expanding our real-time energy monitoring system across an increasing number of stores each year, enabling us to quickly identify issues such as out-of-hours consumption and unusual usage patterns and take timely action. Our Central HVAC Automation System enables more efficient management of climate control, helping to minimize unnecessary energy consumption and continuously improve energy performance at store level. We are also integrating energy efficiency into our operations from the design stage by making lower-energy spotlights the standard in our new stores.

In 2025

6%
Reduction in energy consumption compared to the previous year.



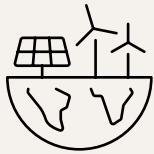
through the adoption of energy monitoring and automation systems across our stores, warehouses and offices.

Transition to Renewable Energy

Scope 2 emissions from electricity consumption account for more than 65% of our operational emissions, making the transition to renewable energy one of the most important levers in our decarbonization roadmap. We are advancing this transition through two complementary approaches: expanding renewable energy generation at our own facilities while increasing the share of renewable energy in our electricity supply.

In 2025

29.6%
Renewable electricity
usage



The share of our total electricity consumption met through our own self-generation and I-REC certified purchases.

On-site Generation

We continue to expand our multi-location solar power plant (SPP) program, transforming our warehouses and stores into renewable energy generation sites. Through our rooftop SPP investments, we aim to reduce emissions associated with grid electricity while strengthening the resilience and security of our energy supply.

DeFacto in Action:
Solar Power System
(SPP) Investments



In 2025, the rooftop SPP at our Çerkezköy warehouse operated at full capacity, generating 3,508,325 kWh of renewable electricity. Following the commissioning of the investment at our Yassören warehouse in 2026, we plan to gradually expand our generation capacity through SPP projects covering 11 domestic locations and our stores in Iraq. Through these investments, we aim to increase the share of electricity generated from renewable sources across our operations, meeting a higher proportion of our own consumption with clean energy.

Renewable Electricity Procurement

As we expand our own renewable energy generation capacity, we are also diversifying our electricity supply by procuring power from renewable sources. This enables us to meet a portion of the electricity demand that cannot be covered by our own generation with low-carbon electricity, helping to reduce our Scope 2 emissions.

DeFacto in Action:
I-REC Certification



In 2025, we obtained I-REC certification for the first time for 10,000 MWh of our electricity consumption, documenting our use of renewable electricity through an internationally recognized certification system. This step marks one of the key milestones in our transformation toward increasing the share of renewable energy in our electricity supply.

Transition Dynamics in our Operations

Decarbonizing our operations requires us to scale energy efficiency measures and renewable energy investments alongside the growth of our business. The pace and effectiveness of this transition are influenced by a range of factors, from investment planning and technological infrastructure to the regional conditions of the countries in which we operate.

- **Energy efficiency:** As our store network expands, scaling energy efficiency measures across new and existing locations becomes increasingly important. Effective investment planning for efficient technologies in new stores, together with the wider deployment of monitoring and automation systems across existing operations, plays a key role in continuously improving our energy performance.
- **Renewable energy:** The pace at which we expand our renewable energy investments may vary depending on factors such as the economic feasibility of SPP projects and access to renewable energy infrastructure in the countries where we operate. We therefore shape our investment plans according to regional conditions and their potential to create long-term value.

Value Chain

Approximately 95% of our total carbon footprint arises from activities in our value chain beyond our own operations (Scope 3). This shows that achieving our climate targets is possible not only through improvements within our own operations, but through a shared transformation carried out together with our suppliers, logistics partners, and other stakeholders.

The **Purchased Goods and Services** category accounts for the largest share of our Scope 3 emissions. This category, which covers design, raw material selection, and production processes, forms the core focus area of our work on sustainable material transformation and supplier collaboration. The **Leased Assets** category, given its direct link to our growing store and warehouse network, stands out as one of the key impact areas where we need to manage operational growth and our decarbonization targets together. Although logistics-related emissions account for a more limited share of the total, they represent a growing area of focus as our operations continue to expand. For this reason, we structure the transformation of our value chain around two strategic pillars: **Product Portfolio** and **Supplier Collaborations**.

51.6%
Reduction Target



in our Scope 3 emissions from Purchased Goods per million TRY of value added by 2030, compared to the 2023 base year.

7.3%
absolute emission reduction rate achieved in 2025.

97%
Reduction Target



in our Scope 3 emissions per million TRY of value added by 2050, compared to the 2023 base year.

5.3%
absolute emission reduction rate achieved in 2025.

Product Portfolio

A significant portion of our emissions arises at the early stages of the product life cycle, from the production and processing of the raw materials we use. In this context, we carry out our work under two decarbonization levers: Sustainable Material Transformation, which aims to expand the use of sustainable raw materials, and Circularity and Product Life Cycle, which aims to extend the useful life of our products.

Transition to Sustainable Materials

At DeFacto, our products are made using a range of raw materials, with cotton, polyester, and viscose among the most widely used. Within the textile value chain, raw material production is a significant source of emissions beyond our direct operations. These impacts are driven by factors such as the energy and water required for agricultural activities, as well as methane and nitrous oxide emissions associated with agricultural processes. For this reason, transforming our raw material portfolio is a key lever in our decarbonization roadmap.

By 2030, we aim to source



90%
of our ready-to-wear collections sustainably.

26%
of products manufactured from sustainable raw materials in 2025.

Raw Material Selection and Reduction

Reducing our use of raw materials and shifting toward lower-impact alternatives are key levers for reducing our emissions.



Cotton

In our cotton supply processes, we support the use of organic cotton through **Organic Content Standard (OCS)** and **Global Organic Textile Standard (GOTS)** certifications, which ensure traceability from raw material to finished product. Through our work under the Better Cotton program, we support farmer training, contributing to efficient water use, soil health protection, and the wider adoption of better working conditions.



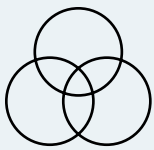
Polyester

In line with our circularity approach, we aim to reduce the need for primary raw materials by increasing our use of recycled polyester and cotton obtained from textile waste generated in production processes and from post-consumer collection processes. To support traceability and reliability in the use of recycled content, we favor raw materials certified to the **Global Recycled Standard (GRS)** and **Recycled Content Standard (RCS)**.



Viscose

Sustainable viscose alternatives derived from renewable wood sources support the protection of natural ecosystems and the reduction of environmental impacts through responsible forestry practices. In our viscose supply, we aim to expand the use of more sustainable materials by favoring alternatives such as **FSC®-certified fibers** from responsible sources and **LENZING™ ECOVERO™**, which has a reduced environmental impact in its production processes.



COLLABORATIONS

To expand more sustainable practices in our cotton supply chain, our Better Cotton Initiative (BCI) membership supports farmers and the development of responsible cotton production. Having accounted for 15% of our total cotton consumption in 2025, we aim to raise the share of BCI cotton to 50% by 2027, supporting this transformation through collaborations across our value chain.

Maritaş Denim Collaboration

In 2025, through our collaboration with Maritaş Denim, we brought one of Türkiye's first denim collections made with regenerative cotton to our customers. Through this collaboration, we support not only the use of an alternative raw material, but also innovative approaches aimed at improving soil health and expanding more sustainable practices in agricultural production.

Circularity and Product Life Cycle

In the textile industry, resource consumption and waste generation across the value chain can have significant environmental impacts. We therefore view circularity as more than end-of-life waste management; it is a holistic approach that spans the entire product life cycle, from design and production to use and reuse. At DeFacto, reducing raw material consumption, extending product lifetimes, and scaling circular solutions throughout the product life cycle are integral to our climate strategy.

In 2025

19%

Reduction in Scope 3, Category 12 Emissions

Reduction in emissions from End-of-Life Treatment of Sold Products compared to 2023.



Product Durability and Circular Design

The environmental impact of our products extends beyond the point of sale. How our customers use our products and how they are managed at the end of their useful life also contribute to our overall carbon footprint. We therefore work to improve product quality and durability while exploring design approaches that support longer product use and more efficient resource use.

Packaging

We continue to reduce the environmental impact of the cardboard, paper, and plastic packaging used extensively across our operations and to deliver products to our customers. Across our operations, we use reusable plastic totes instead of single-use cardboard boxes for store shipments, continuously increase our box-reuse rate, and prioritize circular alternatives in our pallet use.

Textile Waste and Zero Waste

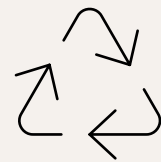
We are expanding circular practices across our operations to reduce waste generation and keep resources in use for longer. We operate 94 locations with Zero Waste Certification and turn unsold products into social value through donations. At our affiliate, Ozon Tekstil, we recycle fabric offcuts and implement zero-waste practices to improve resource efficiency across production processes.

In 2025

40%

Reduction in Category 5 Emissions

Reduction achieved in emissions from Waste Generated in Operations compared to 2023.



Transition to Circular Business Models

At DeFacto, we have been advancing our circularity approach through the use of sustainable materials, circular design principles, and waste management practices. In this context, the repair service we offer our customers in our stores through our You Design service represents one of our first concrete steps toward circular business models.

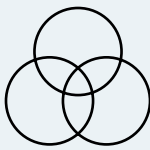
Looking ahead, we aim to expand this approach to encompass the full product life cycle. As part of our medium- and long-term roadmap, we are exploring a range of opportunities, including product collection and take-back schemes, reuse, second-hand and resale models, textile-to-textile recycling, enhanced product durability, and new circular business models. As we scale our repair service, we will continue to support keeping resources in use for longer and developing next-generation circular business models.

Supplier Collaborations

Reducing emissions in our value chain requires a shared transformation approach carried out together with our suppliers and logistics partners. To this end, we continue our work to support decarbonization across our value chain under two decarbonization levers: **Decarbonization in the Supply Chain** and **Logistics Optimization**.

Decarbonization in the Supply Chain

A significant portion of our value chain emissions arises from our suppliers' production processes. Energy sources such as electricity, heat, and steam used in garment and fabric production are among the primary drivers of these emissions. For this reason, supporting our suppliers in improving their energy efficiency, expanding their use of renewable energy, and building their decarbonization capacity is one of the key focus areas of our climate strategy.



COLLABORATIONS

Achieving decarbonization across our value chain requires more than actions within our own operations. It also depends on strengthening our suppliers' capacity to transform and embedding sustainable procurement practices across our supply chain. We therefore work through strategic collaborations that support access to financing, capacity building, and the development of shared standards, helping to accelerate the transition across our value chain.

European Bank for Reconstruction and Development (EBRD) Collaboration

Through our collaboration with the European Bank for Reconstruction and Development (EBRD), we have developed an approach that combines access to financing with capacity-building initiatives to strengthen the decarbonization capabilities of our supply chain.

Coalition for Sustainable Procurement

To integrate sustainability criteria into our procurement processes more systematically, we are a member of the Coalition for Sustainable Procurement, established under the UN Global Compact. Through the Coalition, we contribute to the development of sustainable procurement practices, actively participating in the development of shared frameworks, the sharing of good practices, and peer learning efforts. In this context, we contribute our views and experience to the development of the Sustainable Procurement Implementation Framework, which aims to standardize sustainable procurement, and closely follow global approaches through expert-led masterclasses and peer learning sessions.

Systemic Change

Addressing climate change requires a collective transformation that extends beyond individual companies and spans the sectoral, national, and global levels. Given the complexity of the textile and retail value chain, achieving DeFacto's Net Zero targets will also depend to a significant extent on how quickly and coherently this broader ecosystem can transform.

With this understanding, we prioritize contributing to the climate transition not only across our own value chain, but also through industry collaboration and active engagement in policy processes. The approval of our science-based targets by the SBTi, our sustainable supply chain finance collaboration with the EBRD, our responsible sourcing initiatives with the UN Global Compact and the Coalition for Sustainable Procurement, and our participation in the Digital Product Passport initiative under the UNECE are among the tangible examples of this approach to date.

Looking ahead, we aim to expand our collaboration networks and play a more visible role in advocating for the areas where the sector needs to accelerate its transformation. We seek to work with industry stakeholders on key areas such as improving access to renewable energy, scaling supplier financing mechanisms, accelerating the electrification of production processes, strengthening textile waste collection and recycling infrastructure, preparing for regulations such as the Digital Product Passport (DPP) and Extended Producer Responsibility (EPR), and developing common data standards across the sector.

Through these efforts, we aim to contribute to the development of shared solutions and help accelerate the climate transition by taking an active role in relevant coalitions and platforms.

Supplier Assessment and Audit

We are enhancing our supplier assessment approach to gain a more comprehensive understanding of environmental performance and identify priority areas that can accelerate our decarbonization journey. By integrating environmental criteria into our existing technical and social compliance assessments, we are developing a more holistic evaluation model. The insights generated through this process inform action plans designed to support and accelerate supplier transformation.

In 2025

50
Independent
supplier audits



The first independent third-party environmental compliance audit conducted at our key suppliers.

DeFacto in Action:
CDP Supply Chain



Our **A** score in the CDP Supplier Engagement Assessment reflects international recognition of the sustainability-focused collaboration and engagement we have built across our supplier network.

Capacity Building

To strengthen our suppliers' sustainability capabilities, we focus on building their operational capacity and supporting alignment with our environmental standards through regular online training and **DeFacto Academy** programs. On the financing side, our USD 125 million sustainability-linked financing agreement with HSBC provides an opportunity to facilitate supplier transformation investments through more favorable financing conditions. Looking ahead, we aim to further strengthen this approach through capacity-building programs focused on emissions reduction.

DeFacto in Action:



In 2025, we provided a total of **159 hours of training across 17 different categories to 83 supplier companies**, supporting knowledge-sharing in sustainability and operational development.

Just Transition

While the transition to a low-carbon economy presents significant opportunities for our sector, we recognize that its impacts will not be distributed equally. Changes such as the shift toward lower-impact materials and processes and the adoption of new technologies may disproportionately affect certain groups, particularly our SME suppliers and their employees across the value chain, and may exacerbate existing inequalities.

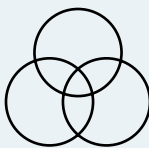
As part of our Triple D strategy, we consider the supplier development and training programs we have implemented, together with the sustainable supply chain financing we provide through our collaboration with the EBRD, among the concrete steps we have taken to support a just transition.

At the same time, we recognize that we are still at an early stage in developing a holistic understanding of the risks and opportunities at the intersection of climate change and human rights. Looking ahead, we aim to more systematically identify the employees and supplier groups that may be affected by the transition, expand our capacity-building efforts, and support access to technology and finance, while further strengthening these efforts through a human rights lens.

In this way, we aim to make the opportunities of the low-carbon transition more inclusive and advance a climate transition that leaves no one behind as an integral and lasting element of our Climate Transition Plan.

Logistics Optimization

To reduce greenhouse gas emissions from our logistics operations, we continue to adopt lower-emission transportation solutions. In collaboration with our contracted logistics providers, we prioritize more efficient modes of transport and actively expand the use of intermodal transportation, combining at least two different modes of transport while keeping goods in the same container throughout the journey.



COLLABORATIONS

We collaborate with our contracted logistics providers to adopt lower-emission transportation solutions and reduce the environmental impact of our logistics operations.

Mars Logistics Collaboration

In 2025, our collaboration with Mars Logistics enabled us to use an intermodal transportation model that combines road, rail, and sea transport. This approach avoided 47.3 tonnes of CO₂e emissions compared with conventional road transport.

Transition Dynamics along the Value Chain

Reducing Scope 3 emissions, which arise beyond our direct operational control, requires a long-term transformation involving multiple stakeholders and coordinated progress across the value chain. The pace of this transformation depends on several interconnected factors, including access to sustainable raw materials, the development of circular economy infrastructure, improvements in data quality, and the broader adoption of low-carbon logistics solutions.

- **Sustainable materials:** The availability and cost competitiveness of sustainable raw materials, together with our suppliers' capacity to transition to alternative materials, are critical to scaling material transformation. Strengthening our suppliers' capabilities and supporting them throughout this transition are therefore key to advancing toward our climate targets.
- **Circular economy:** The wider adoption of circular textile systems depends on several market dynamics, including advances in recycling technologies, consumer behavior, and the development of circular economy infrastructure. We continue to assess solutions that can help scale circular practices and expand our capabilities in line with evolving market conditions.
- **Data infrastructure:** More accurate and comprehensive supply chain emissions tracking depends on access to actual energy consumption data at the supplier level and stronger data collection processes. Currently, some of our emissions calculations rely on derived data, with electricity consumption in fabric and yarn production estimated using indicators such as order volumes. Strengthening our data-tracking infrastructure, improving data quality, and expanding access to actual consumption data in collaboration with our suppliers are therefore key areas of focus.
- **Logistics transformation:** The broader adoption of low-carbon logistics solutions depends on sector-wide infrastructure development and the pace of transformation among our logistics partners. We assess the feasibility of intermodal and other low-carbon alternatives, considering both operational efficiency and long-term economic viability.



Annexes

Our Progress on Science-Based Targets

Target Type	Target Year	Reduction Target	Target Scope	Metric	Progress				
					2023	2024		2025	
					Base Year Value	Actual	Change vs. Base Year (%)	Actual	Change vs. Base Year (%)
Absolute reduction	2030	55%	Total Scope 1 & 2 GHG emissions	tCO ₂ e	20,475.81	22,352.32	9%	18,522.72	-9.5%
	2050	90%							
Emission intensity reduction ¹	2030	51.6%	Scope 3 Category 1 GHG emissions ²	tCO ₂ e	265,067.20	262,278.22	-1%	245,833.79	-7.3%
			Emission intensity	tCO ₂ e / million TRY	20.61	13.86	-33%	9.08	-56% ³
Emission intensity reduction	2050	97%	Scope 3 GHG emissions ⁴	tCO ₂ e	351,059.78	344,804.87	-3.6%	332,445.25	-5.3%
			Emission intensity	ton CO ₂ e / million TRY	27.29	18.22	-33%	12.29	-55%

1 To enhance transparency, the SBTi recommends disclosing the absolute emissions associated with intensity-based targets. Accordingly, both absolute emissions and emissions intensity are presented.

2 Our SBTi Near-Term Target covers GHG Protocol Category 1 (Purchased Goods and Services). In accordance with the SBTi Corporate Net-Zero Standard and target-setting methodology, service-related subcategories within Category 1 are excluded from the target boundary.

3 The greater improvement observed in Scope 3 emissions intensity relative to absolute Scope 3 emissions is primarily attributable to the increase in value added (denominated in TRY), which serves as the denominator in the intensity calculation. This increase also reflects the impact of inflation.

4 Our SBTi Long-Term Target includes the following GHG Protocol Scope 3 categories: Category 1 (Purchased Goods and Services, as defined above), Category 3 (Fuel- and Energy-Related Activities), Category 6 (Business Travel), Category 8 (Upstream Leased Assets), and Category 12 (End-of-Life Treatment of Sold Products).

Key Assumptions, Methodology, and Dependencies

The disclosures in this Climate Transition Plan are based on information from DeFacto's operational systems, value chain stakeholders, publicly available data sources, and international methodologies, drawing on a range of analyses and assessments. The data sets, calculation approaches, and management judgments underlying these disclosures are developed with reference to the nature of each indicator, the level of data access available, and methodological suitability, and are reviewed as new information and developments emerge.



Calculating Greenhouse Gas Emissions

DeFacto's greenhouse gas emissions inventory is prepared using the operational control approach under the GHG Protocol Corporate Accounting and Reporting Standard. Under this approach, the inventory boundary includes our Head Office in Halkalı-Küçükçekmece, our Çerkezköy and Yassiören warehouses, the DeFacto Technology Services office, and all domestic and international store, office, and warehouse operations. The emissions inventory covers carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), and hydrofluorocarbon (HFC) gases, and does not include emissions or removals of biogenic origin. The 2024 inventory was verified to a reasonable assurance level by the Turkish Standards Institution (TSE), and the 2025 inventory to a limited assurance level by Bureau Veritas.

Scope 1: Direct emissions consist of natural gas and diesel consumption at our Head Office and the Çerkezköy and Yassiören warehouses, fuel consumption from our vehicle fleet, and refrigerant gas charges and leakage from cooling and air-conditioning systems. Refrigerant gas leakage is calculated based on equipment capacity and the leakage rates set out by the IPCC, applying leakage rates of 0.1% for water coolers, 1% for air conditioners, 7% for cold storage rooms, and 2% for chillers. Domestic natural gas consumption at company-invoiced stores is converted to kWh using İGDAŞ unit prices; fuel consumption is calculated using the monthly average dealer sales prices published by EPDK (Energy Market Regulatory Authority). All calculations use IPCC-sourced emission factors.

Scope 2: Indirect emissions from purchased electricity are calculated using both the location-based and market-based methods. The Ministry of Energy and Natural Resources' current data is used for Türkiye's electricity emission factor, while the UNFCCC's "Default Grid Factors" are used for international locations. Under the market-based method, I-REC-certified renewable electricity consumption is treated as zero-emission. A zero-emission factor is likewise applied to electricity generated by the solar energy systems at our Çerkezköy warehouse and Basın Ekspres Caddesi store.

Scope 3: Our inventory covers 13 categories, accounting for more than 95% of DeFacto's total emissions. These categories and their scope are as follows:

- **Category 1 - Purchased Goods and Services:** Raw material emissions are calculated through life cycle assessment using the Ecoinvent database, the IPCC 2021 method, and OpenLCA software. Electricity consumption in fabric and yarn production is derived from order mass and academic sources. Consulting, licensing, and data center services are calculated using EPA Supply Chain Emissions Factors, and catering services using DEFRA factors.
- **Category 2 - Capital Goods:** Domestic and international CAPEX spending, along with Head Office and Logistics Center investment expenditures, are calculated using EPA Supply Chain Emissions Factors.
- **Category 3 - Fuel- and Energy-Related Activities:** Electricity transmission and distribution losses, and the well-to-tank emissions of purchased fuels, are calculated using DEFRA and Ministry of Energy and Natural Resources factors.

- **Category 4 and 9:** Transportation and Distribution: Emissions from raw material transport and the distribution of sold products are calculated using DEFRA emission factors based on mass-distance (tonne-km) data.
- **Category 5 - Waste Generated in Operations:** Solid and liquid waste at the Head Office, Çerkezköy and Yassören warehouses, and domestic stores is calculated using GEKAP declarations and water consumption data.
- **Category 6 - Business Travel:** Air, road, sea, and rail travel, as well as taxi use, are calculated using DEFRA emission factors based on flight class, distance, and country-specific taxi fares.
- **Category 7 - Employee Commuting:** Head Office, Çerkezköy, and Yassören warehouse shuttle route data form the basis of this category; for employees who do not use shuttle services, derived data based on the average per-employee emission value is used.
- **Category 8 and 14 - Leased Assets and Franchises:** Energy consumption for domestic stores not invoiced to DeFacto, and all international stores, offices, and warehouses, is derived from the per-square-meter consumption values of company-invoiced locations.
- **Category 11 and 12 - Use of Sold Products and End-of-Life:** Direct emissions from the use of sold candles and deodorant products, and end-of-life waste emissions for all sold products, are calculated using DEFRA factors based on purchased product mass.
- **Category 15 - Investments:** The independently verified Scope 1 and 2 emissions of our affiliate Ozon Tekstil are included in the inventory.

Emissions within SBTi Target Boundaries: In line with the science-based targets approved by the SBTi on January 24, 2025, Scope 1 and 2 emissions are managed against an absolute reduction target, while Scope 3 emissions are managed against an intensity-based target. The Scope 3 intensity metric is measured in tCO2e per million TRY of value added. The near-term target (2030) covers Category 1 only, while the long-term target (2050) covers Categories 1, 3, 6, 8, and 12. Categories outside the target boundary are included in the inventory and separately reported in order to meet the SBTi's minimum boundary threshold.

Methodology and Boundary Changes: Our inventory boundary and calculation methodology are reviewed each year and updated in a way that preserves comparability. In 2024, the DeFacto Technology Services office was added to the inventory boundary, and R290 refrigerant gas was reported under Scope 1 for the first time. In 2025, I-REC-certified renewable electricity consumption was included in the Scope 2 market-based calculation for the first time. These changes are intended to strengthen the comprehensiveness of the emissions inventory and its alignment with international standards.

Assumptions, Judgments, and Uncertainties: A significant portion of the inventory, particularly Categories 1 and 8, relies on derived assumptions rather than primary data. Incorporating actual supplier-level energy consumption data and strengthening our data collection infrastructure are among our key priorities for improving the precision of our emissions measurement going forward.

Scenario Analysis

Selection and Use of Scenarios: The scope, method, and findings of DeFacto’s climate scenario analysis are presented in a framework aligned with TCFD recommendations and the disclosure requirements of IFRS S2 and ESRS E1-1. The analysis is based on the IPCC’s Sixth Assessment Report (AR6) scenario sets; three scenarios aligned with DeFacto’s SBTi-approved 1.5°C target are assessed: Net Zero 2050 <1.5°C (NGFS Net Zero 2050, AR6 SSP1-1.9), Below 2°C (NGFS Below 2°C, AR6 SSP1-2.6), and Current Policies <3°C (NGFS Current Policies, AR6 SSP2-4.5). These scenarios are supported by the median and likely-range warming values for 2081–2100 set out in the IPCC AR6 WGI SPM. The scenarios were selected with reference to the Paris Agreement’s goals, the climate scenario analysis requirements set out by the TSRS, alignment with NGFS/IEA, and DeFacto’s SBTi-approved science-based targets. The analysis addresses in detail the geographic downscaling requirements for physical and transition risks across DeFacto’s value chain, and their translation into stressors specific to the textile and retail sector.

Target / Label	NGFS Phase V Scenario	AR6 Scenario (SSP)	2081–2100 Warming (median and range)	AR5 RCP Equivalent	Description
Net Zero <1.5°C	Net Zero 2050	SSP1-1.9	1.4°C (1.0–1.8)	No direct equivalent; below RCP2.6	Strong, coordinated policy and technology leading to net zero by 2050 (Orderly; aligned with the SBTi target)
Below 2°C	Below 2°C	SSP1-2.6	1.8°C (1.3–2.4)	RCP2.6 class	Gradual policy tightening, 67% likelihood of staying below 2°C (Orderly)
Current Policies <3°C	Current Policies	SSP2-4.5	2.7°C (2.1–3.5)	RCP4.5 class	Continuation of current policies; low transition risk – high physical risk (Hot house world)

5 There is no direct AR5 RCP equivalent for the Net Zero <1.5°C scenario. While RCP1.9 was not included in the original RCP scenario set developed under the IPCC AR5 framework, the corresponding pathway was subsequently defined under the CMIP6/IPCC AR6 framework as SSP1-1.9 to represent climate pathways aligned with the Paris Agreement’s 1.5°C goal. As such, it has no direct counterpart among the four AR5 RCP scenarios (RCP2.6, RCP4.5, RCP6.0 and RCP8.5), with the closest reference point being a warming level below that projected under RCP2.6. Therefore, the Net Zero <1.5°C scenario is assessed using the AR6-based SSP1-1.9 reference, and is described as having “no direct equivalent” in the relevant tables and narrative. The warming projections provided in the IPCC AR6 WGI Summary for Policymakers further support the scientific consistency of the selected scenario.

Scenario Analysis Approach: The climate scenario analysis draws jointly on IPCC AR6 scenario sets, NGFS (Network for Greening the Financial System) Phase V scenarios, and IEA sources. While the AR6 scenarios (SSP-RCP combinations) determine the global warming trajectory, sources such as CMIP6, CORDEX, and ERA5 were used to meet the regional modeling and data needs specific to DeFacto's operating and sourcing geographies. Uncertainties and confidence levels are clearly stated throughout the study. For example, specific time-horizon ranges (e.g., 0–3, 3–10, 10+ years) were selected, and since no precise 'critical time period' distinction was provided, this was treated as an assumption and classified into short-, medium-, and long-term horizons under the TSRS framework. For warming values, the 'very likely range' approach in IPCC AR6 WG1 SPM Table SPM.1 (90% probability, 5th–95th percentile) was used as the basis, applying the IPCC's general approach where no specific threshold was stated.

Time Horizons and Downscaling Requirements: Short- (0–3 years), medium- (3–10 years), and long-term (10+ years) horizons were used for the time periods, a classification aligned with the time horizons recommended by the TSRS and TCFD. For geographic downscaling, regional analysis was carried out for Türkiye, where more than half of DeFacto's operating and sourcing footprint is located, as well as for Egypt and China, where sourcing weight is high, and for Morocco and the Balkans (Bosnia and Herzegovina, Serbia, etc.), where retail store operations are concentrated. CMIP6 was used for global projections; CORDEX (EURO-CORDEX for Europe, MENA-CORDEX for North Africa, and East Asia-CORDEX for East Asia) for regional climate models; ERA5 reanalysis and local meteorological data for historical validation; FAO global water databases for water stress assessment; and the Copernicus Climate Data Store for temperature and precipitation analysis.

Assumptions, Judgments, and Uncertainties: The scenario analyses are based on internationally recognized climate scenarios and sector-specific projections. Assumptions regarding the macroeconomic outlook, technological developments, energy, water, and wastewater costs, and climate-related regulatory developments used in the analyses were assessed across different time horizons. Because scenario analyses are designed to assess possible future developments, the assumptions used may diverge from actual conditions over time. Scenario analyses should therefore be interpreted with due regard to the level of uncertainty inherent in the underlying assumptions. The assumptions and assessment framework used may be revisited in future reporting periods in light of new data, developments, and observations.

Climate-related Risks and Opportunities

Measurement uncertainties can arise in the processes of measuring and assessing sustainability- and climate-related indicators, depending on factors such as data access, methodological approaches, and the maturity of data across the value chain.

In addition, because sustainability- and climate-related topics involve forward-looking assessments, some disclosures rely on estimation- and modeling-based approaches rather than direct measurement.

Where direct measurement is not possible, reasonable assumptions supported by internal company data are used; where necessary, sector data, international calculation methodologies, and scientific references are drawn upon.

Various management judgments are applied in assessing climate-related risks and opportunities. Accordingly, when evaluating the sustainability- and climate-related financial disclosures in this report, the effect of the assumptions, estimates, and uncertainties used on the results should be taken into account.



Glossary of Terms

AR6 (IPCC Sixth Assessment Report): The most recent scientific assessment cycle of the Intergovernmental Panel on Climate Change (IPCC). It defines climate scenarios within the Shared Socioeconomic Pathways (SSP) framework and has replaced the RCP scenario set used in the previous AR5 cycle.

Better Cotton Initiative (BCI): A global cotton program that supports more sustainable farming practices, helping farmers reduce water use, protect soil health, and improve working conditions.

BSCI (Business Social Compliance Initiative): An international audit and improvement program for assessing social compliance in the supply chain.

CDP (formerly the Carbon Disclosure Project): A global disclosure platform that measures and reports on companies’ performance on environmental issues such as climate change, water security, and deforestation.

Circular Economy: An economic system in which waste and pollution are designed out, products and materials are kept in use at their highest value, and nature is allowed to regenerate.

Emission Intensity: The amount of greenhouse gas emissions per unit of economic or operational activity. DeFacto’s SBTi-approved Scope 3 targets use the metric of tCO2e per million TRY of value added.

Energy Attribute Certificates (EAC / I-REC): Certificates that document renewable energy consumption. Each certificate proves that 1 MWh of renewable energy was generated and added to the grid.

ESRS E1-1 (European Sustainability Reporting Standards): The climate change section of the sustainability reporting standards published by the European Union under the Corporate Sustainability Reporting Directive (CSRD). It requires companies to disclose their climate transition plans and scenario analyses.

FSC® Certification: An international certification standard, issued by the Forest Stewardship Council, that documents materials sourced from sustainable forest management practices.

GHG Protocol: A framework that provides global standards, guidance, and tools for businesses and governments to measure and report greenhouse gas emissions.

Global Organic Textile Standard (GOTS): An international standard that documents the use of organic fibers at every stage of textile production, from raw material to final product, and compliance with environmental and social criteria.

Global Recycled Standard (GRS): An international certification standard that verifies recycled content in products and audits social, environmental, and chemical practices.

IFRS S2 (Climate-related Disclosures): An international standard published by the International Sustainability Standards Board (ISSB) that governs how companies disclose climate-related risks and opportunities in a manner integrated with financial reporting.

Intermodal Transportation: A transportation method in which at least two different modes — such as road, rail, and sea — are combined within a single shipment, aiming to reduce emissions impact and increase logistics efficiency.

IPCC (Intergovernmental Panel on Climate Change): A United Nations body that assesses the scientific evidence related to climate change.

ISAE 3000: An international standard applied in the independent assurance of non-financial information. This standard forms the basis for the independent limited assurance processes applied to DeFacto’s environmental and social performance indicators.

ISO 50001: An international standard that enables organizations to systematically establish, implement, and continually improve their energy management systems.

LENZING™ ECOVERO™: A certified viscose fiber sourced from controlled, sustainable forests in Europe, produced with significantly lower water and energy consumption than conventional viscose.

Location-based Method: A method used to calculate Scope 2 electricity emissions. Calculations are based on the average emission factor of the grid on which the electricity was generated, without regard to choices such as renewable energy certificates or green tariffs.

Market-based Method: An alternative method used to calculate Scope 2 electricity emissions. Calculations are based on the emission factor of the electricity a company procures through instruments such as renewable energy certificates (e.g., I-REC), green tariffs, or power purchase agreements. DeFacto reports I-REC-certified electricity consumption as zero-emission under this method.

NGFS (Network for Greening the Financial System): An international network of central banks and financial supervisors that develops common scenarios and methodologies for managing climate-related financial risks.

Physical Risks: The direct physical effects of climate change on assets, operations, supply chains, and markets. These are divided into acute risks (extreme weather events such as floods and storms) and chronic risks (rising temperatures, water scarcity).

RCP (Representative Concentration Pathway): A climate scenario classification, used during the IPCC’s Fifth Assessment Report (AR5) cycle, corresponding to different greenhouse gas concentration levels. It was superseded by the SSP scenarios in the AR6 cycle.

Recycled Content Standard (RCS): A certification standard that tracks and verifies recycled raw material content in products.

Science Based Targets initiative (SBTi): An international initiative that enables companies to set and have validated emission-reduction targets aligned with climate science.

Science-Based Targets (SBT): Emission-reduction targets based on scientific methodology and aligned with the Paris Agreement’s 1.5°C goal.

SEDEX (Supplier Ethical Data Exchange): An international platform through which business ethics and social compliance data are shared across the supply chain, and companies manage their supplier audit processes.

Solar Power System (SPP): A photovoltaic system that converts sunlight directly into electricity through solar panels.

TCFD (Task Force on Climate-related Financial Disclosures): An international body that provides a framework for how companies should disclose financial risks and opportunities related to climate change.

Transition Risks: Financial and operational risks arising from policy, technology, market, and reputational shifts during the transition to a low-carbon economy.

Well-to-Tank (WTT): A term describing the indirect emissions arising from the extraction, processing, and transport of a fuel to its final point of use. It covers the stages prior to the fuel’s actual combustion and is reported under Scope 3 Category 3.

DeFacto

To learn more about DeFacto's Climate Transition Plan, or to share your feedback and suggestions:

Elif Çam

Head of Global Sourcing, Sustainability and CSR

Halide Pişken

DeFacto Sustainability and CSR Unit Manager

sustainability@defacto.com.tr

DeFacto Plaza, Basın Ekspres Yolu
Bahariye Caddesi, No: 31
34303 Halkalı - Küçükçekmece / İstanbul
T: +90 850 333 22 86



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Consultant
Sustaineer Consulting
info@sustaineeco.com
www.sustaineeco.com

Report Design
Editorial
editorial@editorial.com.tr
www.editorial.com.tr