



## ***Corporate Governance Compliance Rating Report***



***Pegasus Hava Taşımacılığı A.Ş.***

12 August 2021

Validity Period : 12.08.2021-12.08.2022

## LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Pegasus Hava Taşımacılığı A.Ş is compiled;

in accordance with the criteria stated in CMB's Corporate Governance Directive, no II-17.1, published in the Official Gazette edition 28871 on 03.01.2014; as well as the CMB's board decision taken at the Board meeting on 01.02.2013, no 4 / 105.

The criteria, established for the companies whose shares are traded at BIST, are organized separately as First Group, Second Group and Third Group companies and investment partnerships, taking into consideration the group distinctions stated by CMB's Corporate Governance Principles in Item 2 - Article 5 of communiqué no II-17.1, published in the Official Gazette on 03.01.2014.

The Corporate Governance Compliance Rating Report issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 70 copies of documents, data and files transmitted by the concerned firm electronically, including data open to general public and examinations made by our rating experts on site.

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Although rating is an assessment based on numerous data, it is consequently the institutional opinion of Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. formed accordingly to the methodology disclosed.

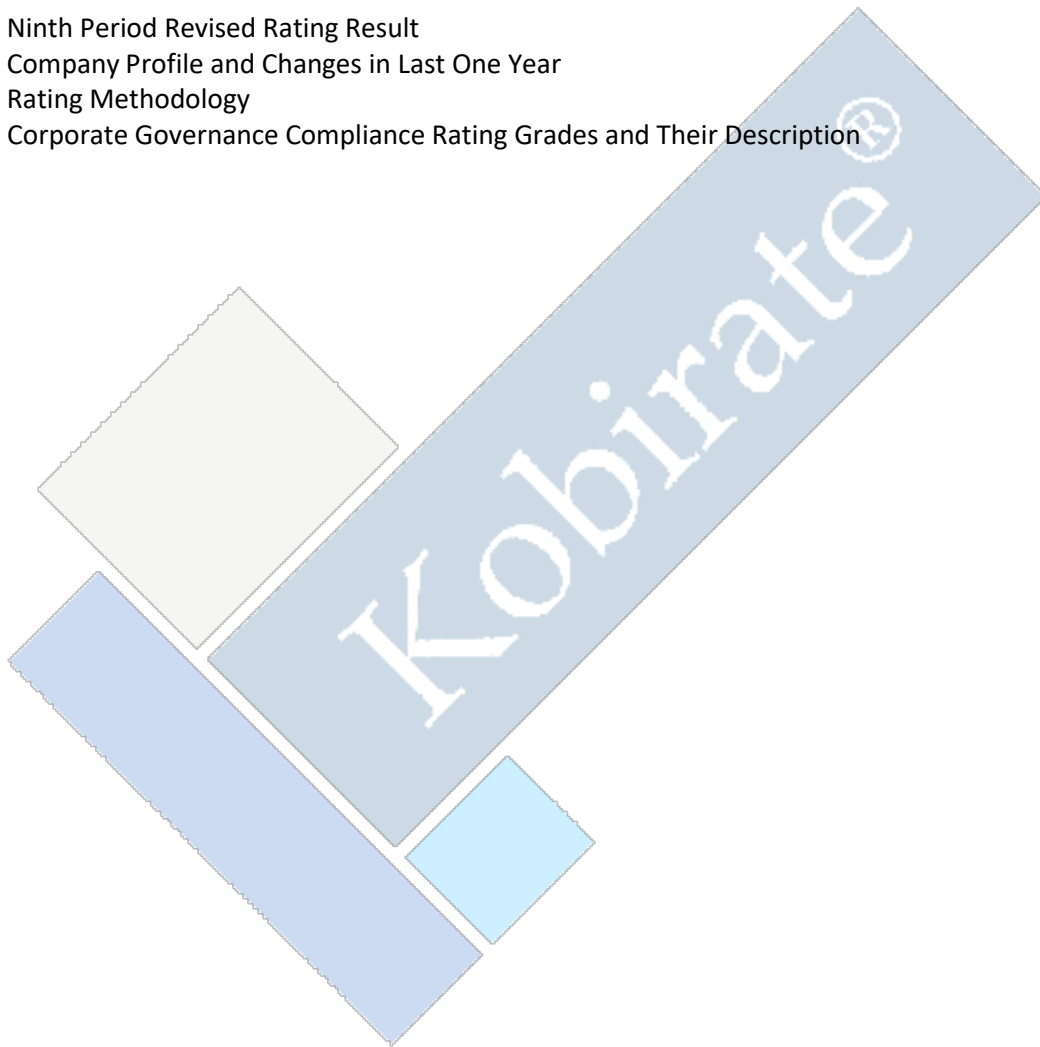
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## PEGASUS HAVA TAŞIMACILIĞI A.Ş.

CMB CORPORATE GOVERNANCE  
PRINCIPLES COMPLIANCE GRADE

**9.68**

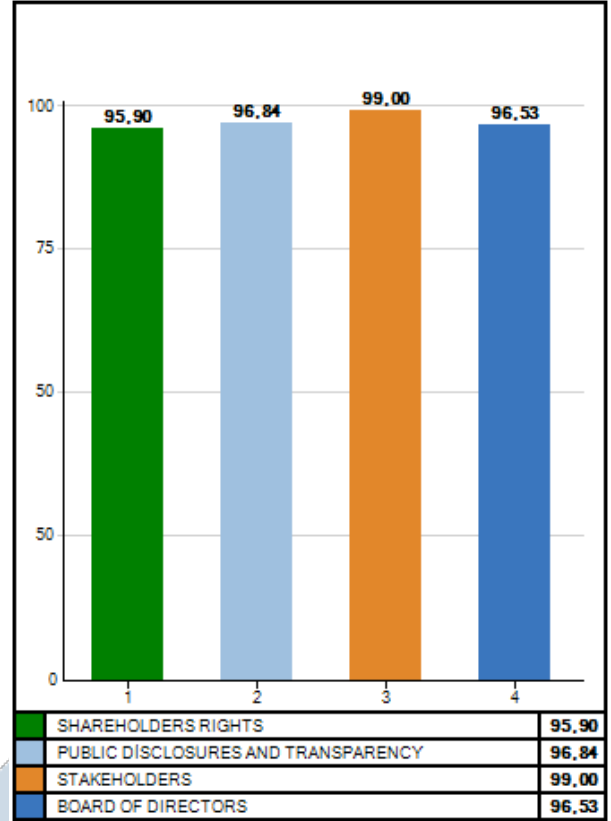
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### 1. NINTH PERIOD REVISED RATING RESULT

This report of rating of compliance of PEGASUS Hava Taşımıcılığı A.Ş. with the Corporate Governance Principles has been concluded through onsite examinations of the documents, interviews held with executives and persons involved, disclosed information and of other reviews and observations. It has been prepared in accordance with the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.Ş., based on CMB's Corporate Governance Principles directive no II-17,1 published by Official Gazette no 28871, dated January 3, 2014.

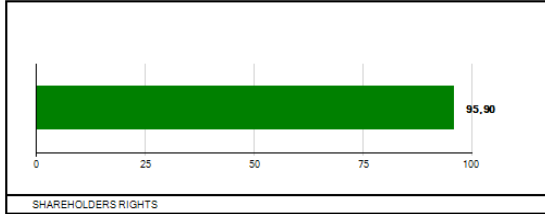
According to Capital Market Board decision dated 21.01.2021 tarih and numbered 4/97 PEGASUS Hava Tasımıcılığı A.Ş. is included in the list of BIST First Group Companies.

The company has been examined under the main categories of Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors, in 408 criteria described by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş.'s methodology for "BIST First Group Companies. Its grade has been revised as **9.68**.

This result signifies that the Company has achieved a considerable compliance with CMB's Corporate Governance Principles. Internal control systems have been established and are working. All possible risks for the Company have been determined and are controlled. Public disclosure and transparency activities are conducted at high level. Rights of shareholders and stakeholders are treated fairly. The structure and working conditions of board of directors are generally

compliant with corporate governance principles. In conclusion this grade indicates that the Company highly deserves to be included in the BIST Corporate Governance Index.

▪ In the section of Shareholders, Pegasus' grade has been revised as **95.90**.



Main factors for the grade increase in this section are listed below.

-Those employees who have insider information have been briefed on possible conflict of interest situations before the General Assembly meeting and they signed declaration of conflict of interest.

-General Assembly meeting work procedures have been revised in accordance with the change published by the Official Gazette on 09.10.2020, No: 31269.

It has been observed that the Company continues its activities to inform the shareholders and to ensure use of basic shareholder rights with the same sensitivity and efficiency.

Relations with shareholders are conducted by Investor Relations Manager Ömer Lütfü ÖMERBAŞ, who reports to Assistant General Manager for Financial Affairs M. Barbaros KUBATOĞLU.

In compliance with CMB Corporate Governance Communiqué II.17-1, Ömer Lütfü ÖMERBAŞ was appointed as member of Corporate Governance Committee on 15.04.2021. This appointment was disclosed to public with a Material Event Disclosure on the same date.

Investor Relations Department sent 4 (four) reports to the Corporate Governance Committee and Board of Directors in 2020 (March 19, May 29, August 27 and December 17) and 2 (two) in 2021 as of June (March 19 and May 28).

The right of shareholders to obtain information and to examine has not been eliminated or restricted by the Articles of Association or by any Company departments. Company makes disclosures for shareholders and public in accordance with its "Disclosure Policy". The Policy is published on Company's corporate website.

The Ordinary General Assembly meeting to discuss operations of 2020 took place on 15.04.2021. Invitation for the meeting was made 3 (three) weeks before the meeting through page 737 of Turkish Trade Registry Gazette (TTSG) dated 22.03.2021, No 10292, Public Disclosure Platform (KAP) on 15.03.2021, Central Registry Agency E-General Assembly system (EGKS) and through corporate website in accordance with laws and Articles of Association. It included the agenda and relevant documents.

Information kit prepared for the General Assembly meeting contained detailed information about distribution of Company shares, voting rights that these shares bring and privileges on voting rights. It also contained many other information required by CMB to be disclosed to shareholders and public.

Agah UĞUR (Independent Member of Board), Mehmet Tevfik NANE (General Manager), M. Barbaros KUBATOĞLU (Assistant General Manager for Finance), Tamer YÜZÜAK (Finance and Fleet Director), Ali UZUN (Chief Legal Counsellor and Secretary General) and Yiğit DEMİRER, representative of the independent audit company have attended the General Assembly meeting.

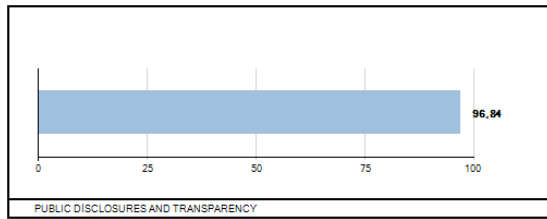
According to Company's Articles of Association, one share brings one voting

right. There is no privilege in the exercise of this right.

As a result of 2020 activities the Company a loss of (TRY (-1.965.097.057) according to CMB regulations and a loss of (TRY-1.965.097.057) according to items of Tax Procedural Law, No 213.

According to the dividend distribution statement at the appendix of Board decision dated 15.03.2021 the Company closed 2020 with net period loss and there was no profit to distribute. This information was disclosed to public through KAP on the same date with general assembly meeting announcement.

▪ In the section of Public Disclosure and Transparency, Pegasus' grade has been confirmed as **96.84**.



The Company's activities to inform shareholders and public and transparency continued with the same sensitivity and efficiency during the rating period.

The corporate website ([www.pegasusyatirimciiliskileri.com](http://www.pegasusyatirimciiliskileri.com) and [www.flypgs.com](http://www.flypgs.com)) includes all information and documents for last five (5) years, that the public, investors and other relevant parties want to reach. Corporate website has been designed as an easy – to – use and easily accessed structure. It has been seen that corporate website and annual reports are used efficiently as instruments for public disclosures.

Rules about sustainability compliance framework based on the principle of "Comply or disclose" was launched by CMB for listed companies in October 2020 with a change in CMB Corporate Governance Communiqué No. II-17.1. The Company prepared its annual

report for the period of 01.01.2020-31.12.2020 in accordance with this Communiqué.

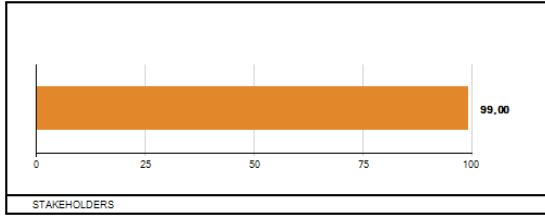
It has been understood that all stakeholders were informed adequately and rapidly about Company's activities and the measures it took during the pandemic, which took place during the rating period. It has also been learned that necessary precautions were taken to ensure Safe Flight Operations and a Safe Work Environment under the impact of COVID-19.

Barbaros KUBATOĞLU (Assistant General Manager for Finance), Abdullah ATACAN (Finance Director), Ali UZUN (Chief Legal Counsellor – Secretary General, H. Nur KARABACAK (Budget, Cost Control and Financial Reporting Group Manager), Ömer L. Ömerbaş (Investor Relations Department Manager) and Nurettin MANGIR (Senior Budget Specialist and Certificate User) are the officials of Company responsible for public disclosures with signatory authority.

These officials are assigned with the duty of watching and monitoring every issue related to public disclosure.

Company's independent external audit for 2020 was conducted by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (A member firm of Ernst & Young Global Limited). There are no cases where the independent audit avoided expressing opinion, expressed opinion with conditions or avoided signature in the reports. It has been learned from company officials that no event took place with the independent audit company or with its auditors that could damage this company's independence and there was no legal conflict with it. With Audit Committee's recommendation and General Assembly's approval, it was decided that 2021 audit to be carried out by the same company.

▪ In the section of Stakeholders, Pegasus' grade has been revised as **99.00**.



Main reasons for the the Company to achieve this grade are listed below.

- It joined the sustainability index for the period between 2020 December and 2021 October.

- Corporate Sustainability Policy was prepared (TK Decision dated 17.12.2020 and No 700, disclosed through KAP on 17.12.2020).

Compensation policy has been prepared for the employees and disclosed to public through corporate website.

Procedures for recruitment, remuneration, health, leave rights, promotion, appointments, discipline, dismissal, death, resignation and retirement have been prepared and it's been observed that the company sticks to these policies in practice. Both during development of the policies and in practice we have the impression that equal opportunity is given to individuals under equal conditions.

It has been our impression that the company tries to be respectful to stakeholders' rights, specified in regulations and mutual agreements and it has been observed that many internal regulations have been prepared to this end.

Pegasus carried out some important policies, which were beneficial for investors, employees, customers and society in the rating period. Some of them are listed below.

- In order to overcome negative impacts of COVID-19, Pegasus management took certain operational, financial, commercial and organizational measures. A summary of these measures can be found below.

- In order to achieve health and safety, it implemented out certain precautions like office sanitation, training, protective equipment, remote working, flexible working, advanced remote working capacity, providing personal and professional support.

- The Company implemented COVID-19 health protocol on its flights and terminal operations in compliance with World Health Organization, Ministry of Health, ICAO and EASA rules and policies. Pegasus has signed COVID-19 Aviation Health Safety Protocol, which was issued by EASA in collaboration with ECDC.

- The Company carried out precautions to ensure financially sustainable performance, strongly focusing in sterile operations by taking hygiene rules into consideration, agile planning and cash management with CASK (Cost per Available Seat Kilometers).

- Internal trainings, personal development and training programs were developed and implemented. Written Company policies have been prepared and management initiatives have taken place to support career planning and development, performance management, improvement of work environment and development of creative/innovative work ideas. Active participation of all employees into Company management was supported.

- In 2020, Pegasus continued to support the corporate social responsibility project titled, "We are Flying to Tomorrows", which was its first comprehensive social responsibility project started years ago. Within this scope, Pegasus continues to collaborate with Non-governmental Society Support Foundation, which operates at a national level to handle complicated social issues.

- In 2020, Pegasus presented its guests with many new and developed products and services. These included "Travel Assistant", which provides services with a richer content over Pegasus Mobile App; Pegasus Express Baggage", which enables guests to carry out self service baggage transactions in İstanbul Sabiha Gökçen and İzmir Adnan Menderes

airports and “Pegasus 7/24 WhatsApp Support Line”, which helps guests to reach fast and easy solutions regarding their flights.

- Pegasus has also played an efficient role during the year in Carbon Offsetting and Reduction Scheme for International Aviation (CORSA), which was launched by International Civil Aviation Organization (ICAO).

Thanks to these applications, Pegasus received many local and international awards.

Company officials have emphasized that opinions and suggestions of all stakeholders are important for them and they take care to develop and launch new applications based on their feedback.

Requests, questions and complaints of stakeholders are received and assessed through communication channels on corporate website (<https://www.flypgs.com>) and Pegasus Call Center.

In order to encourage and support employees’ participation into management, following policies are implemented.

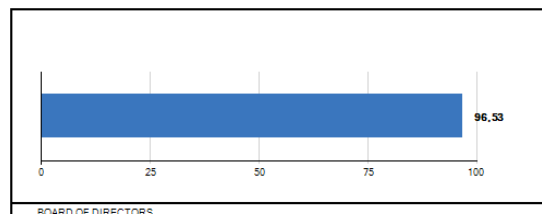
- All employees are guaranteed to have easy access to Pegasus top management, within the scope of Pegasus Moral Behavior Guide and this guarantee is actively carried out in the Company.

- Work to improve conditions on all subjects that affect Company’s profitability and work environment is conducted. Meeting minutes, progress reports, as well as other relevant information and documents are disclosed to employees through its intranet.

The Company was not on the BIST Sustainability Index between 01.11.2019 and 31.10.2020. Work to review corporate strategy on sustainability was completed during the rating period. The Company

rejoined the BIST Sustainability Index between December 2020 and October 2021.

- In the section of Board of Directors Pegasus’ grade has been confirmed as **96.53**.



Pegasus has determined its mission and vision and conducts its activities to reach strategic targets determined by the Board of Directors.

Posts of Board Chairman and General Manager are carried out by different individuals and their powers have been described.

Audit, Corporate Governance and Early Detection of Risk Committees, as referred by the principles, have been established and their working principles have been prepared in writing. Draft agenda is shared with Board members one month before the Board meeting and suggestions for agenda are taken as part of preparation for meeting. The Board of Directors has 8 (eight) members. 2 (two) of them are executive and 6 (six) are non – executive members. 3 (three) of the non – executive members are independent members within the framework of CMB criteria.

Board of Directors convened 4 (four) times in 2020 on March 9, May 29, August 27 and December 17. Attendance at meeting was 100 %. As of June 2021, 2 (two) meetings were held on March 19 and May 28. There are 2 (two) more meetings planned for 2021 on September 16-17 and December 16.

The Audit Committee convened 4 (four) times in 2020, on March 2, May 8, August 11 and November 6 with participation of all members. As of end of June 2021, it held 2 (two) meetings on March 19 and May 28.



There are 2 (two) more meetings planned for 2021 on September 15 and December 15.

Internal Audit Department, which reports to the Audit Committee, conducted 15 (fifteen) audits in 2020. It has been learned that 81 audits have been completed by the end of June 2021. Internal Audit Department presented 4 (four) reports in 2020 to the Audit Committee about its audit results and it presented 2 (two) reports by the end of June 2021. Audit Committee presents reports to the Board of Directors at every quarter.

Corporate Governance Committee held 4 (four) meetings in 2020 on March 19, May 28, August 26 and December 16 with participation of all members. It convened 2 (twice) in 2021 on March 18 and May 25. There are 2 (two) more planned meetings until the end of the year, on September 15 and December 15.

In order to assess whether it fulfills its responsibilities efficiently or not, the Board of Directors conducts performance evaluations once in every two years. Board action plan was prepared in 2020, based on 2019 performance evaluation and work to improve it was conducted. 2021 performance evaluation has been postponed to 2022 due to Covid-19 pandemic.

Early Detection of Risk Committee convened 4 (four) times in 2020 on March 18, May 28, August 26 and December 16, with full attendance of its members. It held 2 (two) meetings as of the end of June 2021, on March 18 and May 26. 2 (two) more meetings on September 15 and December 14 are also planned. In compliance with Article 378 of Turkish Commercial Code, the Committee presented bimonthly reports to the Board of Directors about its activities and assessments

Regular "Risk Review Board" meetings with the participation of top management, which started in 2018 with the aim of contributing to formation of a corporate perspective for top management on consolidated risks continued.

All these committees report regularly to the Board of Directors about their activities

Secretarial functions of all committees, which were required by Corporate Governance Principles, has been consolidated in the office of Chief Legal Consultancy and Secretariat – General and it has been seen that relevant documents are preserved.

Executive members of Board and General Manager are not assigned to Committees, referred by Corporate Governance Principles.

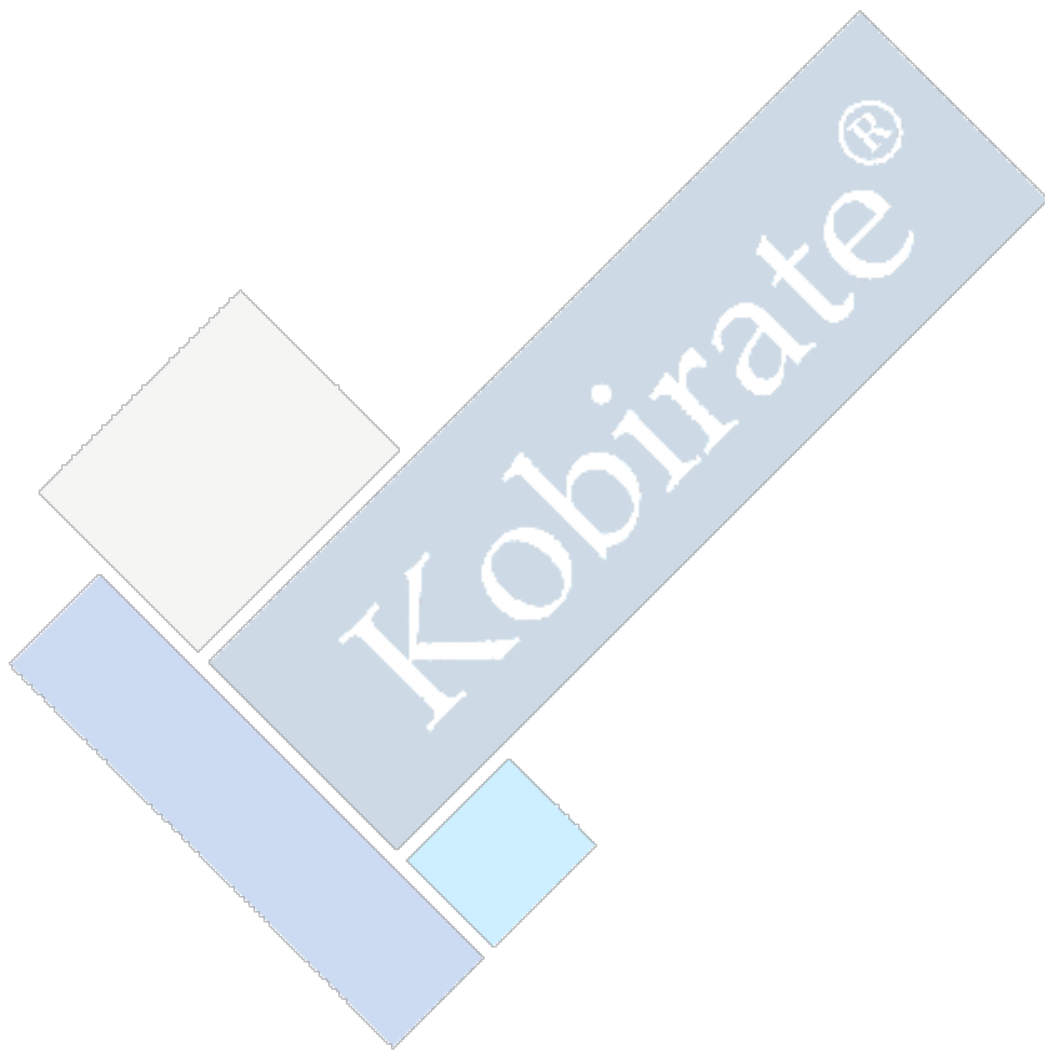
Guidelines on compensation of the Board members and top executives have been prepared and disclosed to public through Company's corporate website.

Corporate Governance Committee has cancelled the "Woman Member of Board Policy" and replaced it with "Representation Policy in the Board of Directors". This policy was discussed at the Board meeting on 19.12.2019 and approved. "Representation Policy in the Board of Directors" policy has determined a tangible target for the ratio of women members of the Board. With this policy, "Pegasus declares that it aims to increase the number of women Board members at least 25% by 2025". It was discussed at the Board meeting on 16.12.2020 as a separate item of agenda. The Board has not made any changes in the "Representation Policy in the Board of Directors" policy, which was approved in 2019.

The performance of Board Members is evaluated on objective criteria, getting professional help. However there is no practice of rewarding or sacking board members on the basis of this evaluation's results.

Manager Liability Insurance against defects of Board Members duties have not been renewed for 2020 due to new market developments after COVID-19 pandemic. Although the Company has disclosed that it foresees to provide a similar insurance

protection, depending on normalization of market conditions, this situation is a deficiency in terms of both Company risk and compliance with Corporate Governance Principles.



## 2. COMPANY PROFILE AND CHANGES IN LAST ONE YEAR

### A. Company Profile:



<b>Company Name</b>	: PEGASUS Hava Tařımacılıđı A.ř.
<b>Company Address</b>	: AEROPARK Yeniřehir Mah. Osmanlı Bulvarı No:11/A Kurtky 34912 Pendik İSTANBUL
<b>Company Phone</b>	: (0216) 5607000
<b>Company Facsimile</b>	: (0216) 5607090
<b>Company Website</b>	: <a href="http://www.flypgs.com">www.flypgs.com</a>
<b>Date of Incorporation</b>	: 12.01.1990
<b>Registered Number</b>	: 261186 Istanbul Trade Registry Office
<b>Paid in Capital</b>	: 102.299.707.-TL
<b>Line of Business</b>	: Air transportation
<b>Company's Sector</b>	: Transportation

#### **Company's Representative in Charge of Rating:**

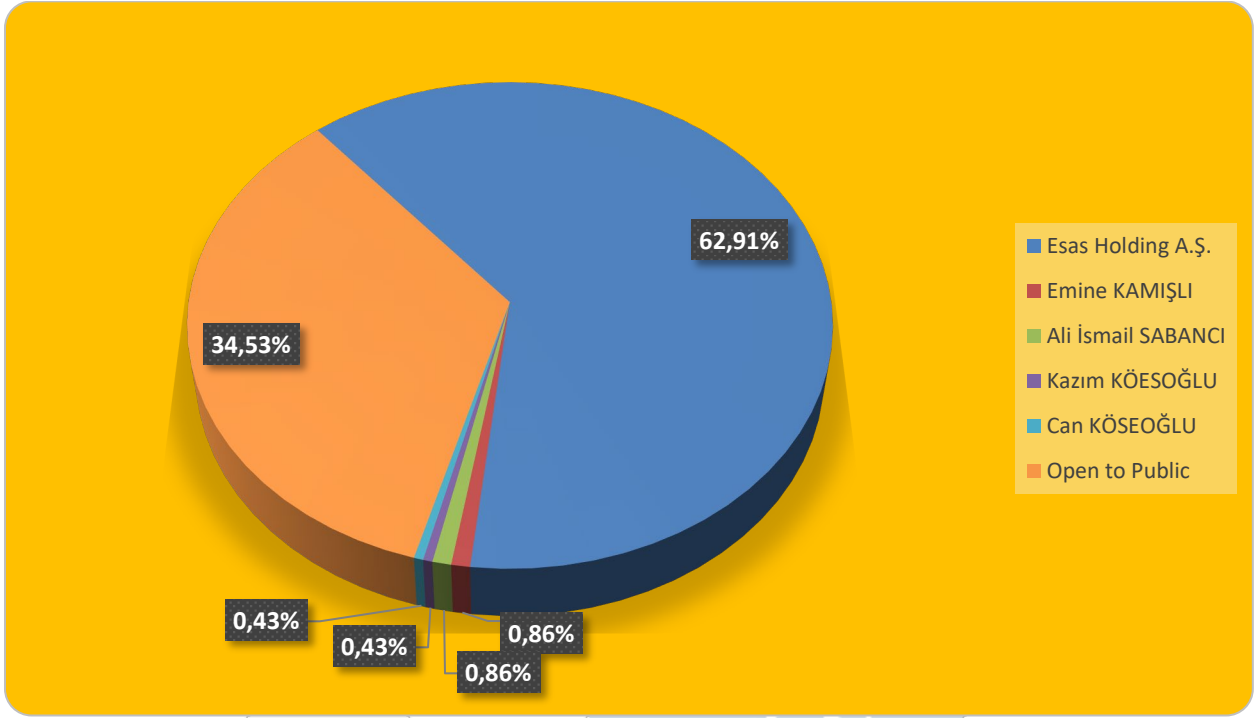
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**Investor Relations Manager**

[ir@flypgs.com](mailto:ir@flypgs.com)

**0216 560 7542**

## Company's Shareholder Structure



Source [www.pegasusyatirimciliskileri.com](http://www.pegasusyatirimciliskileri.com)

Shareholder Name	Share(TL)	Share(%)
Esas Holding A.Ş.	64.353.570	62,91
Emine KAMIŞLI	874.810	0,86
Ali İsmail SABANCI	874.810	0,86
Kazım KÖESOĞLU	437.405	0,43
Can KÖESOĞLU	437.405	0,43
Open to Public	35.321.707	34,53
<b>Total</b>	<b>102.299.707</b>	<b>100,00</b>

Source: [www.pegasusyatirimciliskileri.com](http://www.pegasusyatirimciliskileri.com)

## Real Person Ultimate Controlling Shareholders

Shareholder Name	Direct and Indirect Share (%)
Şevket SABANCI and HIS FAMILY	65,47
Open to Public	34,53
<b>Total</b>	<b>100,00</b>

Source: [www.pegasusyatirimciliskileri.com](http://www.pegasusyatirimciliskileri.com)

### Board of Directors

<i>Name/ Surname</i>	<i>Title</i>	<i>Executive/ Non-Executive</i>
Ali İsmail SABANCI	Chairman of Board of Directors	Executive
Hüseyin Çağatay ÖZDOĞRU	Deputy Chairman	Executive
Mehmet Cem KOZLU	Member of Board	Non - Executive
Sertaç HAYBAT	Member of Board	Non - Executive
Michael Glyn POWELL	Member of Board	Non - Executive
Agah UĞUR	Independent Member of Board	Non - Executive
Hatice Zeynep Bodur OKYAY	Independent Member of Board	Non - Executive
Stephen Mark GRİFFİTHS	Independent Member of Board	Non - Executive

Source: [www.kap.gov.tr](http://www.kap.gov.tr)

### Committees formed within Board of Directors

#### Corporate Governance Committee

<i>Name / Surname</i>	<i>Title</i>	<i>Position</i>
Stephen Mark GRİFFİTHS	Independent Member of Board	Committee Chairman
Mehmet Cem KOZLU	Member of Board	Committee Member
Michael G. POWELL	Member of Board	Committee Member
Ömer Lütfü ÖMERBAŞ	Investor Relations Manager	Committee Member

#### Audit Committee

<i>Name / Surname</i>	<i>Title</i>	<i>Position</i>
H. Zeynep Bodur OKYAY	Independent Member of Board	Committee Chairman
Agah UĞUR	Independent Member of Board	Committee Member

#### Early Detection of Risk Committee

<i>Name / Surname</i>	<i>Title</i>	<i>Position</i>
Agah UĞUR	Independent Member of Board	Committee Chairman
Sertaç HAYBAT	Member of Board	Committee Member
Mustafa TERCAN	Esas Holding AŞ-CFO	Committee Member

### Top Management

Name/ Surname	Title
Mehmet Tevfik NANE	General Manager
Güliz ÖZTÜRK	EVP - Commerce
M. Barbaros KUBATOĞLU	EVP - Finance
Nasuh N. ÇETİN	EVP- Operation
Gençer KARATEPE	EVP – Flight Operations
Yavuz Selim ÖZMEN	Director-Flight Academy
Boğaç UĞURLUTEKİN	Director - Ground Operations
Barış FINDIK	Director - IT
Dilara OĞUR	Director - HR
Murat TÜNAY	Director - Safety and Emerg. Response Man.
Ergün DEMİRCİ	Director -Technical
Ersel GEYİK	Director - Cabin Services
Sinan Onur ÖZTUNA	Quality and Compliance Monitoring Manager
Ali UZUN	Chief Legal Counsellor and Secretary General
Özgür DİNÇER	Head of Internal Audit

Source: [www.pegasusyatirimciiliskileri.com](http://www.pegasusyatirimciiliskileri.com)

### Investor Relations Department

Name/ Surname	Title	Contact
Ömer Lütfü ÖMERBAŞ	Investor Relations Manager	0216 560 7542 <a href="mailto:ir@flypgs.com">ir@flypgs.com</a>

### Balance-Sheet Comparison of Company's Certain Selected Items as of Last Two Yearends (000 TL)

	2019/12	2020/12	Change %
Current Assets	6.088.952	5.358.555	12,00
Fixed Assets	14.970.369	23.712.118	58,39
Total Assets	21.059.321	29.070.673	38,04
Short Term Liabilities	4.765.227	6.505.675	36,52
Long Term Liabilities	10.951.925	17.178.580	56,85
Equity	5.342.169	5.386.418	0,83

Source: Independent Audit Report dated 31.12.2020

**Revenue Statement Comparison of Company's Certain Selected Items as of Last Two Yearends  
(000 TL)**

	2019/12	2020/12	Change %
Revenue	11.025.225	4.803.560	-56,43
Gross Profit	2.699.044	(1.258.703)	-146,64
Operational Profit	2.061.983	(1.360.924)	-166,00
Net Period Profit/Loss	1.334.568	(1.965.097)	-247,25

Source: Independent Audit Report dated 31.12.2020

**Subsidiaries, Financial Fixed Assets and Financial Investments**

Commercial Title	Line of Business	Paid in/Issued Capital	Company's Share in Capital	Currency	Company's Share in Capital (%)	Relation with Company
Pegasus Uçuş Eğitim Merkezi A.Ş.	Training with Simulator	200.000	98.800	TRY	49,4	Subsidiary
Hitit Bilgisayar Hizmetleri A.Ş.	IT Solutions	200.000	100.000	TRY	50	Subsidiary
Pegasus Havacılık Teknolojileri ve Ticaret A.Ş.	Synthetic Flight Training Equipment Service Training Services	100.000	100.000	TRY	100	Affiliated Company

Source:www.kap.org.tr

**The Market where the Capital Market Instrument is Traded and the Indexes that the Company is Included**

- STAR MARKET
- BIST ISTANBUL / BIST 100 / BIST STAR / BIST 50 / BIST CORPORATE GOVERNANCE / BIST SERVICES / BIST SUSTAINABILITY / BIST TRANSPORTATION / BIST 30

**Bottom and Peak The Closing Values of Company's Shares traded on the BIST in Last One Year  
(16.08.2020/16.08.2021)**

Bottom (TL)	Top (TL)
39.50- (30.10.2020)	92.10- (02.03.2021)

Source: Pegasus Hava Taşımacılığı A.Ş.

## **B. Changes in Last One Year:**

### ***i. Changes in Capital and Articles of Association:***

There have been no changes in Company's Capital structure and Articles of Association.

### ***ii. Changes in Management and Organization***

The "Safety Committee", which was formed with the participation of 2 (two) Board members and General Manager in 2015, has ended its activities as of 27.08.2020, complying with Board's decision on the same date.

There have been no changes in Company's management and organizational structure during the rating period.

### ***iii. Dividend Distribution:***

According to CMB regulations the Company made a loss of TRY (-1,965,097,057) in 2020. The loss was TRY (- 3,247,388,279.17) according to Tax Procedure Law No 213.

At the General Assembly meeting on 15.04.2021, shareholders were informed that there has been no distributable profit as Item 5 of the meeting agenda and it was proposed to transfer the period loss into previous years' losses account and this proposal was approved unanimously.

### ***iv. Policies, Internal Regulations:***

- General Assembly Working Principles have been revised on the basis of the change published on the Official Gazette dated 09.10.2020, No: 31269.

There have been no policy changes during the rating period that are described by Corporate Governance Principles and require public disclosure.

### ***v. Changes in Affiliated Companies and Subsidiaries:***

Company's Material Event Disclosure on 02.07.2021:

"Hitit Bilgisayar Hizmetleri A.Ş., our associate company where we hold 50% stake, decided to explore opportunities for the initial public offering of its shares. The contemplated offering and the prospectus will be subject to the approval of the Capital Markets Board. Material Disclosure Announcement has been prepared in Turkish and in English. In case of any discrepancy between the two versions, Turkish disclosure will prevail."

### ***vi. Changes of Regulations and Other:***

Information about important legal changes that may affect Company activities have been given on page 17 of the Annual Report prepared for the period between 01.01.2020 and 31.12.2020.



### 3. RATING METHODOLOGY

The Corporate Governance Compliance Rating is a system which audits whether or not the firm's management structures and management styles, the arrangements for shareholders and stakeholders and the process of informing in transparency and accuracy are performed in accordance with the modern corporate governance principles and which assigns a grade corresponding to the existing situation.

Organization for Economic Co-operation and Development (OECD) established a working group in 1998 in order to assess member countries' opinions on corporate governance and to prepare some non – binding principles.

The fact that principles are open to change in time was also accepted at this work. Although at first these principles were focused on the companies whose shares were quoted in stock exchange, it was emphasized by OECD that it would be also useful to implement these principles in public enterprises and companies whose shares were not quoted in stock exchange.

In 1999, OECD Corporate Governance Principles were approved at the OECD Meeting of Ministers and published. Since then, these principles have been regarded as international references for the decision – makers, investors, shareholders, companies and stakeholders throughout the world.

Since their approval, these principles kept the concept of corporate governance on the agenda and became guidelines for the laws and regulations in OECD members, as well as other countries.

There are four basic principles of corporate governance in OECD Corporate Governance Principles. These are: fairness, transparency, accountability and responsibility.

Turkey has been closely monitoring these developments. A working group, established within TUSIAD in 2001, prepared the guide, titled, "Corporate governance: The best implementation code". Then CMB issued "Capital Market Board Corporate Governance Principles" in 2003 and updated it in 2005, 2010, 2012, 2013 and 2014, according to international developments in this field.

Obligation to comply with CMB's Corporate Governance Principles, based on the principle of "implement or disclose", and to declare it became part of companies' lives in 2004. Putting the Declaration of Compliance to Corporate Governance in the annual reports became obligatory the following year.

The principles are grouped under four main headings, namely: the Shareholders, Public Disclosure and Transparency, Stakeholders and the Board of Directors.

The Corporate Governance Compliance Rating Methodology has been prepared by Kobirate A.Ş. for companies whose shares are traded on BIST, banks, investment partnerships and non – quoted companies.

The methodology takes into consideration the criteria stated in CMB's Corporate Governance Communiqué, no II-17.1, published in the Official Gazette edition 28871 on 03.01.2014; as well as CMB's board decisions taken at Board meeting dated 01.02.2013, no 4 / 105.

In this analysis, the full compliance of work flow and analysis technique with Kobirate A.Ş.'s Ethical Rules is considered.

**408** criteria are used in the rating process for BIST First Group companies in order to measure the compliance of firms with corporate governance principles. These criteria are translated into Corporate Governance Rating Question Sets through Kobirate A.S.'s unique software.

The weighting scheme for the four main sections in the new Corporate Governance Compliance Rating, determined by CMB's memorandum dated 12.04.2013 and numbered 36231672-410.99 (KBRT)-267/3854, is applied completely by Kobirate A.Ş. The weightings are as below:

**Shareholders 25 %**

**Public Disclosure and Transparency 25 %**

**Stakeholders 15 %**

**Board of Directors 35 %**

CMB decision dated 01.02.2013 and numbered 4/105 states that in case the minimum requirements of corporate governance principles are met, 85 % of full points can be given at most for that principle and it is required to add new questions / methods into the methodology in order to ensure that good corporate governance principles, which go beyond meeting the minimum requirements are included in the rating grade. Our company has been informed about this requirement by CMB notification dated 19.07.2013 and numbered 36231672-410.99 (KBRT) 452.

In the 2014/2 revised corporate governance compliance rating methodology, created by our company, the grade that can be given to a related criterion in that subsection for meeting minimum requirements of corporate governance principles, stated by CMB Communiqué of Corporate Governance published on 03.01.2014, numbered II-17.1, is restricted to 85 % of the full points. Remaining 15 % is reached by measuring company's efficiency in applying CMB's Corporate Governance Principles, degree to which the company is internalized these practices and the value that these internalized practices create for the company. The existence of those practices that are not included in CMB's Corporate Governance Principles, but

determined as good corporate practices by Kobirate A.Ş. Corporate Governance Compliance Rating Methodology are also considered as part of the remaining 15 % and affect the company's grade.

The grade to be assigned by the Corporate Governance Rating Committee to the firm ranges between 0-10. In this scale of grade, "10" points mean excellent, full compliance with CMB's Corporate Governance Principles while grade "0" means that there is no compliance with CMB's Corporate Governance Principles, in any sense, in the existing weak structure.

**4. KOBİRATE ULUSLARARASI KREDİ DERCELENDİRME VE KURUMSAL YÖNETİM HİZMETLERİ A. Ş.  
CORPORATE GOVERNANCE RATING GRADES AND DESCRIPTIONS**

GRADE	DEFINITIONS
<p style="text-align: center;"><b>9–10</b></p>	<p>The Company achieved a substantial compliance with to the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are established and are operational. Any risks to which the Company might be exposed are recognized and controlled effectively. The rights of the shareholders are impartially taken care of. The level of public disclosure and transparency are high. Interests of the stakeholders are fairly considered. The structure and the working conditions of the Board of Directors are in full compliance with the Corporate Governance Principles. The Company is eligible for inclusion in the BIST corporate governance index.</p>
<p style="text-align: center;"><b>7–8,9</b></p>	<p>The Company complied considerably with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place, and operational, although some improvements are required. Potential risks, which the Company may be exposed are identified and can be managed. Benefits of the shareholders are fairly taken care of. Public Disclosure and transparency are at high levels. Interests of the stakeholders are equitably considered. Composition and operational conditions of the Board comply with the Corporate Governance Principles. Some improvements are needed in compliance with the Corporate Governance Principles even though they do not constitute serious risks. The company is eligible for inclusion in the BIST Corporate Governance Index.</p>
<p style="text-align: center;"><b>6–6,9</b></p>	<p>The Company has moderately complied with the Corporate Governance Principles issued by the Capital Market Board. Internal Control systems at moderate level have been established and operated, however, improvement is required. Potential risks that the Company may be exposed are identified and can be managed. The interests of the shareholders are taken care of although improvement is needed. Although public disclosure and transparency are taken care of, there is need for improvement. Benefits of the stakeholders are taken care of but improvement is needed. Some improvement is required in the structure and working conditions of the Board. Under these conditions, the Company is not eligible for inclusion in the BIST Corporate Governance Index.</p>

GRADE	DEFINITIONS
4-5,9	<p>The Company has minimum compliance with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place at a minimum level, but are not full and efficient. Potential risks that the company is exposed to are not properly identified and are not under control. Substantial improvements are required to comply with the Corporate Governance Principles in terms of the benefits of both the shareholders and stakeholders, public disclosure, transparency, the structure and working conditions of the Board. Under the current conditions, the Company is not eligible to be listed in the BIST Corporate Governance Index.</p>
< 4	<p>The Company has failed to comply with the Corporate Governance Principles issued by the Capital Market Board. It also failed to establish its internal control systems. Potential risks that the company might be exposed are not identified and cannot be managed. The company is not responsive to the Corporate Governance Principles at all levels. There are major weaknesses in the interest of the shareholders and the stakeholders, public disclosure, transparency. Structure and working conditions of the Board appear to be at a level that might cause the investor to incur material losses.</p>

