



Corporate Governance Compliance Rating Report



Pegasus Hava Taşımacılığı A.Ş.

11 August 2023

Validity Period : 11.08.2023-11.08.2024

LIMITATIONS

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

has been prepared by considering Communiqué Amending the "Corporate Governance Communiqué (II-17,1) (II-17,1.a)" published in the Official Gazette No. 31262 on October 02, 2020 by the Board, as well as regulations regarding the voluntary sustainability principles compliance framework and the board decisions taken at the CMB's board meeting dated 01.02.2013 and numbered 4/105 in addition to the criteria specified in the "Corporate Governance Communiqué No. II-17.1" of the Capital Markets Board published in the Official Gazette dated January 03 2014 and numbered 28871

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 106 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.

Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. has formulated its Ethical Rules according to the Banking Act, the CMB and BRSA Directives on the Operations of Rating Companies, generally accepted ethical rules of the IOSCO and OECD including generally accepted ethical customs, which is shared with the public through its Internet website (www.kobirate.com.tr).

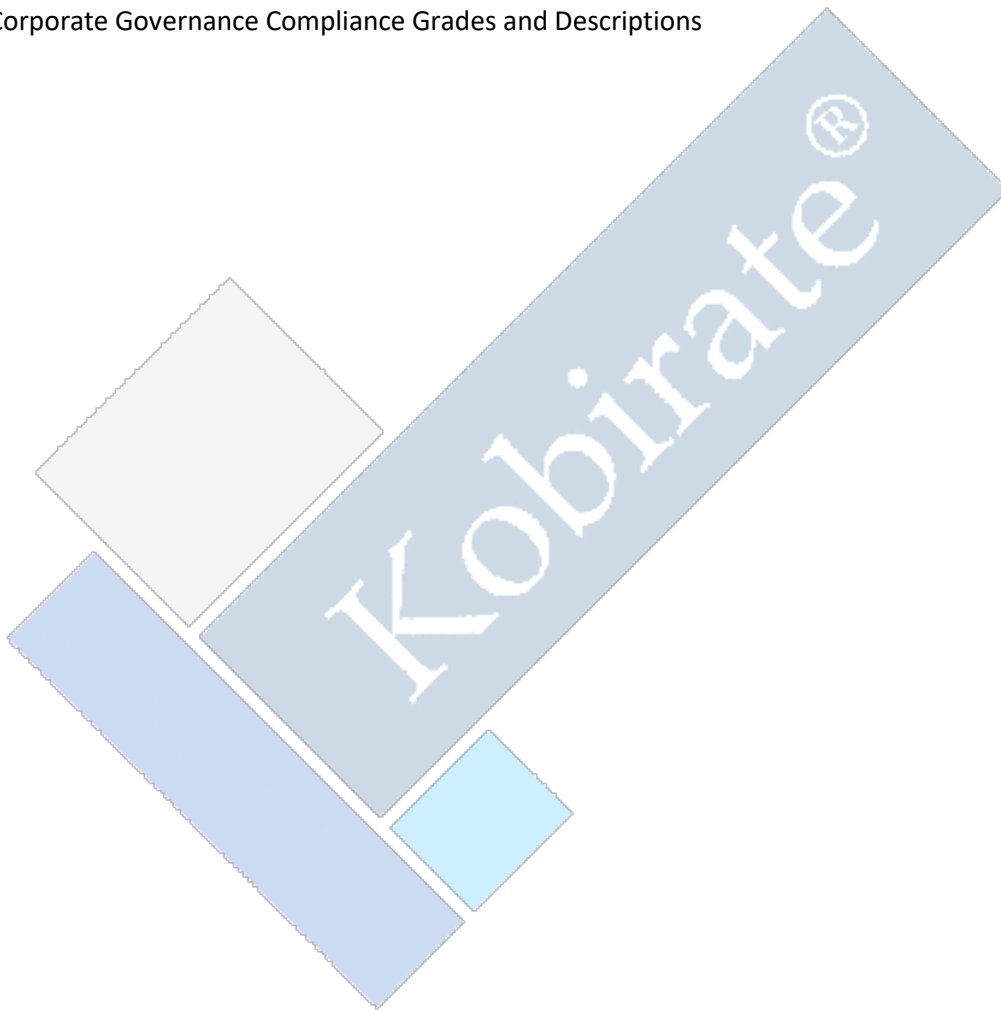
Although the rating is an assessment based on numerous data, it is consequently the institutional opinion of Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. formed according to the methodology disclosed.

The rating grade does not constitute a recommendation to purchase, hold, or dispose of any kind of borrowing instrument. KOBİRATE A.Ş. may not be held liable for any losses incurred or investments made to the Company referring to this report.

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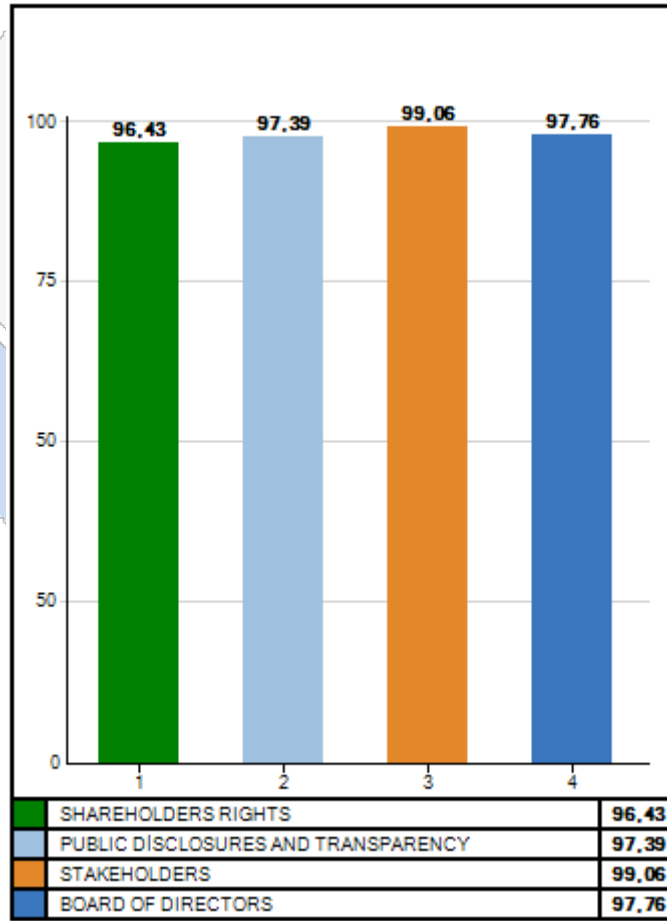
PEGASUS HAVA TAŞIMACILIĞI A.Ş.

1. RATING RESULT

BIST FIRST GROUP COMPANY

CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE

9.75





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(License Number: 702999)

2. REVISED RATING SUMMARY

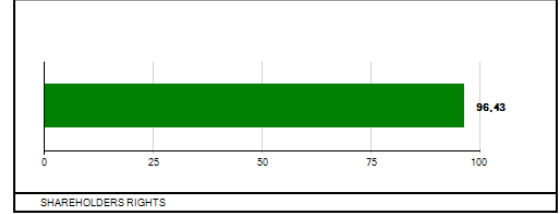
This report of rating of compliance of Pegasus Hava Taşımacılığı Anonim Şirketi with the Corporate Governance Principles is concluded through onsite examinations of the documents and information open to the public, interviews held with executives and persons involved and of other examinations and observations. The study has been held in accordance with the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. In the methodology and rating process, in addition to the Capital Markets Board's Corporate Governance Communiqué No. II-17.1, the Communiqué Amending the "Corporate Governance Communiqué (II-17,1) (II-17,1.a)" published by the Board has been considered in addition to the regulations regarding the voluntary sustainability principles compliance framework and the board decisions taken at the CMB's board meeting dated 01.02.2013 and numbered 4/105.

According to the CMB decision dated 12.01.2023, No.2/51, Pegasus is on the list of BIST 1st Group Companies list. The Company has been evaluated through examination of 456 criteria described in Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş.'s methodology of "BIST 1st Group Companies". At the end of the examination of criteria under the main headings of Shareholders, Public Disclosure and Transparency, the Stakeholders, and the Board of Directors, the Corporate Governance Compliance Rating Grade of Pegasus has been revised as 9,75.

This result shows that the Company achieved great compliance with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems have been established and are in use. The risks that may arise for the Company have been identified and are controllable. The level of public disclosure and transparency is high. The rights of the shareholders and stakeholders are treated fairly. The composition and

operational methods of the Board comply with the Corporate Governance Principles. In conclusion, this rating indicates that the Company highly deserves to be included in the BIST Corporate Governance Index.

▪ In the Shareholders section, the rating of Pegasus has been revised to **96.43**.



- The reasons for the increase in rating in this main section are that the Company has revised the Information Policy, Donation and Aid Policy, and Remuneration and Compensation Policy in accordance with the current conditions and announced on the Public Disclosure Platform,
- Submitted the updated policies for the information and approval of the shareholders at the general assembly,
- Established the "Pegasus Anti-Bribery and Anti-Corruption Policy" and ensured its integration with other existing policies in the same direction,
- Published these updated and newly created policies on its corporate website.

It has been observed that the Company continues its activities in the field of informing the shareholders and exercising their fundamental shareholder rights with the same sensitivity and efficiency.

Activities regarding the relations with shareholders are carried out by the Investor Relations Manager, Mr. Ömer L. ÖMERBAŞ, and by the Deputy General Manager of Finance, Mr. M. Barbaros KUBATOĞLU.

Investor Relations Manager Mr. Ömer L. ÖMERBAŞ was appointed as a Member of the Corporate Governance Committee as of

15.04.2021 in accordance with the CMB's Corporate Governance Communiqué No. II.17-1 and was announced to the public with the Material Disclosure of the same date.

The Investor Relations Department reported to the Corporate Governance Committee and the Board of Directors 4 (four) times in 2022, on March 17, June 01, 13-15 September, and December 15. In 2023, as of June, 2 (two) reports were made on March 23 and June 01.

Shareholders' right to obtain information and to examine is not canceled or restricted by the Articles of Association or any department of the Company. The Company carries out its disclosures to the shareholders and the public in accordance with the "Disclosure Policy". The said policy is published on the corporate website of the Company.

The General Assembly meeting to discuss the operations of 2022 took place on March 31, 2023. The invitation to the meeting was duly made 3 (three) weeks before the meeting date in the Turkish Trade Registry Gazette (TTSG) dated March 06, 2023 and numbered 10783, on the same date in the Public Disclosure Platform (KAP), in the Central Registry Agency e-general assembly system (EGKS) and on the Company's corporate website, including the agenda and information and documents related to the agenda, as stipulated in the legal regulations and the articles of association.

The general assembly information document includes detailed information about the distribution of company shares, the voting rights and voting privileges granted by the shares, significant changes in the management and activities of Pegasus Hava Yolları and its Subsidiaries, shareholders' requests for inclusion of items on the agenda, and agenda items.

At the General Assembly meeting, Mr. Agah UĞUR (Independent Board Member), Mr. Mehmet Tevfik NANE (Chairman of the Board of Directors), Deputy General Managers, Group Presidents and Managers, Mr. Ali

UZUN (General Legal Counsel, Sustainability Director and General Secretary) and independent external audit company representative were present.

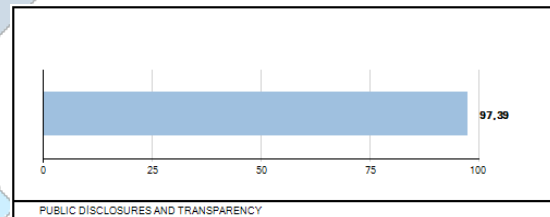
According to the Company's articles of association, each share gives one voting right. There is no privilege for voting.

From the activities of 2022, a net period profit of 7,100,145,148.-TL was generated according to the CMB legislation, and a net profit of 1,893,344,002.-TL was generated according to the legal records prepared in accordance with the provisions of the Tax Procedure Law No. 213.

The way the profit is used is explained in the "iii. Dividend Distribution" section of our report.

The profit distribution decision of the Board of directors and the profit distribution table prepared were published on the Public Disclosure Platform on the same day as the announcement to the general assembly.

■ In the Public Disclosure and Transparency section, the Company's rating was confirmed as **97.39**.



During the reviewing period, it was determined that the Company continued its activities regarding transparency and informing shareholders and the public with the same sensitivity and effectiveness.

All information and documents that the public, investors and other interested parties want to access are published on Pegasus' corporate website (<http://www.pegasusyatirimciiliskileri.com/tr>, <https://www.flypgs.com/>), in the form of data for the last five (5) years. The corporate

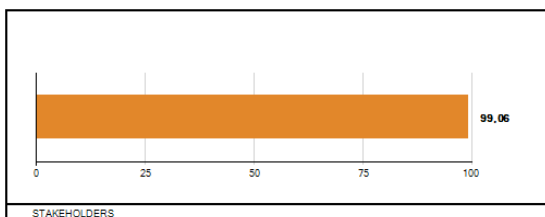
website is designed as a convenient, easily accessible structure. It has been observed that the Company's corporate website and annual activity reports are effectively used as a means of public disclosure.

The officials in the Company who are charged with disclosures and have the authority for signature are: Mr. M. Barbaros KUBATOĞLU (Assistant General Manager of Finance), Mr. Abdullah ATACAN (Financial Reporting and Cost Control Director), Mr. Ali UZUN (General Legal Counsel, Sustainability Director and Secretary General) and Ms. H. Nur Karabacak (Budget, Cost Control and Financial Reporting Group Manager), and Mr. Ömer L. ÖMERBAŞ (Investor Relations Manager).

The named persons have been assigned to maintain and monitor all kinds of issues related to public disclosure.

An Independent external audit for 2022 was conducted by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). There are no cases where the independent audit avoided expressing an opinion, expressed an opinion with conditions, or avoided signature in the reports. During the meeting with company officials, it was learned that there was no development that would undermine independence and that there was no legal dispute between the independent auditing organization and its audit staff. It was decided that the independent external audit for 2023 will be carried out by the same Company, with the recommendation of the audit committee and the approval of the shareholders attending the general assembly.

▪ In the Stakeholders section, the Company's rating has been confirmed as **99.06**.



It is concluded that Pegasus protects stakeholders' rights, which are specified in regulations and mutual contracts. The impression is that in case of lack of any regulation, the Company respects stakeholders' rights within goodwill rules and the Company's reputation. It has been observed that many internal regulations were prepared to this end.

The compensation policy established for employees has been updated and approved by the Board of Directors decision numbered 769 dated February 28, 2023. The relevant policy change was disclosed to the public on the Public Disclosure Platform and is published on the Company's corporate website.

On the other hand, the "Pegasus Anti-Bribery and Corruption Policy" has been created and integrated with other existing policies in the same direction and is published on the corporate website.

Recruitment, wage, health, leave rights, promotions, appointments, discipline, dismissal, death, resignation and retirement procedures have been determined and it is thought that these procedures are adhered to in practice. Both during the development of the policies and in practice, we got the impression that equal opportunity is given to individuals under equal conditions.

The Company's organizational structure and the applied performance and reward criteria are announced to all employees and published on the Company's corporate intranet site and document management system.

It has been stated that company officials attach importance to the opinions and suggestions of all stakeholders and thus take care to implement practices that will further develop their activities.

Stakeholder requests, questions and complaints are received and evaluated

through the communication channels on the Corporate Website (<https://www.flypgs.com>) and the Pegasus Call Center.

In order to support and encourage the participation of all employees in Company management processes, it has been learnt that;

- Within the scope of the Pegasus Ethical Behavior Guide, it is committed and actively practiced for all employees to easily reach their managers and Pegasus senior management;

- Development studies are carried out on all issues that directly affect the Company's profitability and working environment; meeting minutes, progress reports and other relevant information and documents are also shared with all employees via the corporate intranet site.

In addition, a new employee suggestion system called "FLYDEA" was implemented in 2022, and employees are encouraged to submit their innovative ideas to improve business processes. After the suggestions and ideas go through a gradual review system, they are put to the vote of the employees and the winning ideas are planned for implementation, while the employees who present these ideas are rewarded.

On the other hand, the "Employee Experience Survey" study for all employees throughout the Company was renewed in 2022, and employees' opinions were received on various issues. 4714 people participated in the survey, which included 59 questions in 20 categories, and a participation rate of 79% was achieved. The survey results were evaluated by the relevant units and the necessary action plans were created.

Pegasus continues to support and develop many projects in accordance with its Corporate Social Policies.

In 2023, the Diversity, Equality and Inclusion initiative "Harmoni" was launched. Working groups have been formed and made

operational to develop targets and practices. With this initiative, targets are set for a more equal and multi-vocal future by carrying out different projects within the framework of disseminating inclusive culture, especially gender equality. It has been learned that as of May 2023, the rate of female employed in the Company is 35%.

In 2022, a more accessible era in air travel was initiated in cooperation with Blindlook, and in order to provide an inclusive and barrier-free experience, flypgs.com and the Pegasus Airlines Mobile Application were developed to be more accessible for visually impaired guests. It became the first airline company in Turkey to become 'EyeBrand' by integrating BlindLook's voice simulation technology into its online platforms.

The long-running "We Fly to Tomorrow" project has been renewed for the third term to support ideas for empowering young people. This project collaborates with the Support for Civil Society Foundation, which operates at the national level to address complex societal issues.

Sustainability;

Pegasus summarized its Corporate Sustainability Policy under three headings and committed to implementing it. These are;

- To establish environmental, social and corporate sustainability targets related to its activities,
- To define the organizational responsibilities necessary to operate the processes in order to achieve these targets,
- To continuously improve the sustainability compliance program by raising awareness about corporate sustainability among its stakeholders.

The Company has detailed the aforementioned Corporate Sustainability Policy under five subheadings with the slogan "Our Route is a Sustainable Future":

- OUR ROUTE IS NET ZERO CARBON EMISSION

We care about the ecosystem we live in and embrace our responsibility in emission

reduction efforts. Therefore, we aim to reduce carbon emissions per passenger per unit distance by 20% by 2030, and we are moving towards our target of net zero carbon emissions in 2050.

- **OUR ROUTE IS TO STAY YOUNG, BE INNOVATIVE AND PRODUCTIVE**

In 2016, we became the first airline in the world to use CFM-Leap series engines. As of 2025, our entire fleet consists of new-generation Airbus A320neo and A321neo aircraft, which are the best in their class in terms of fuel consumption and carbon emission production, and we are stepping into a brand-new future with a greener, quieter aircraft fleet. Our new generation Airbus Neo aircraft provide 15-20% efficiency in terms of fuel consumption and carbon emissions compared to previous generation aircraft types.

We will continue to redesign many of our investment, production and service processes to produce less waste and provide more efficiency.

- **OUR ROUTE IS BALANCED GENDER REPRESENTATION IN CIVIL AVIATION**

By signing IATA's '25by2025' initiative in 2019, we are implementing our target of making female representation 25% or increasing it by 25% by 2025 in different representation groups. We are taking firm steps towards expanding the balance of representation to different groups and creating the right opportunities for balanced representation.

As of 2022, 34% of our employees, 25% of our board members, and 28% of our executive staff will be represented by women.

- **OUR ROUTE IS TO IMPACT**

In line with our business model, we have always aimed to achieve the highest impact by using our resources in the most efficient way. We use this perspective to plan our activities to provide the greatest impact in line with sustainable development targets. We will continue this approach for our entire

value chain and create more value together with our value chain.

- **OUR ROUTE IS TRANSPARENCY**

We have adopted the best corporate governance practices until today and shared our actions, targets, and approach with our stakeholders in a clear, responsible, and auditable manner. We will continue to share all our work with the public with this transparent approach and gain new gains from these shares.

Pegasus has started reporting its activities in the field of corporate sustainability since 2021 in accordance with the Sustainability Principles Harmonization Framework prepared by the Capital Markets Board. The Corporate Sustainability Report for 2022 explains the compliance activities under the headings of General Principles, Environmental Principles, Social Principles and Corporate Governance Principles and reveals the conceptual framework of all these studies.

Many policies supporting the sustainability (ESG) framework have been created and disclosed to the public. On the other hand, the Company has designed its ESG program in line with its Corporate Sustainability Policy and the following standards:

ENVIRONMENTAL:

- ISO 14001:2015 Environmental Management System
- Carbon Disclosure Project (“CDP”)
- International Civil Aviation Organization – ICAO Carbon Offsetting and Reduction Scheme for International Aviation (“CORSIA”)
 - Directorate General of Civil Aviation (“DGCA”) national flight emission measurement, verification and reporting system (“SHT-CORSIA”)
 - European Union Emissions Trading System (“EU ETS”)

SOCIAL:

- ISO 9001:2015 Quality Management System

- ISO 27001:2017 Information Security Management System
- ISO 45001:2018 Occupational Health and Safety Management System
- DGCA Business License
- EASA TCO (Third Country Business Certificate)
- International Air Transport Association ("IATA") IOSA (Operational Safety Audit)
 - SHY-145/JAR-145/SHY-147/SHY-M Approved Maintenance Organization, Approved Maintenance Training and Examination Organization and Maintenance Management Authorization
- DGCA TRTO (Type Rating Training Organization) Authorization
- Other DGCA Training Authorization

CORPORATE GOVERNANCE:

- BIST Corporate Governance Index
- BIST Sustainability Index

In February 2022, the "Sustainability Office" was established, responsible for the implementation of sustainability policy and strategic sustainability goals. The Sustainability Office is also responsible for the coordination and reporting of sustainability and ESG efforts across the Company. The Sustainability Director (also with the responsibilities of General Legal Counsel and General Secretary) reports directly to the General Manager.

In addition, a "Sustainability Working Group" was established to ensure the flow of information about studies in the field of sustainability and ESG between different business units. Many employees who undertake different duties in the Company and are interested and sensitive about sustainability are on this platform voluntarily.

Monitoring the progress of studies in the field of sustainability and ESG and overseeing issues related to long-term goals and planning are carried out by the "Sustainability Management Group" consisting of the Sustainability Director and senior managers.

The Sustainability Director ensures communication between the Management Group and the Working Group and reports all efforts to the general manager. At the same time, the activities carried out by these units are reported to the corporate governance committee and the Board of directors regularly.

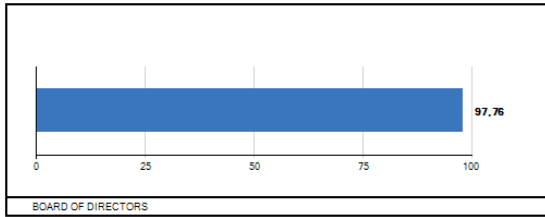
Corporate Sustainability Policy sustainability risk and opportunities framework, strategic targets in this field, key performance indicators and reporting content are reviewed and approved by the general manager, corporate governance committee, and/or Board of Directors as determined in the relevant corporate procedures.

In 2022, the three-year sustainability (ESG) roadmap was approved by the Board of directors. In the same year, a risk & opportunity framework was established under the supervision of the corporate governance committee, and ESG-related risks were added to the risk inventory under the regular supervision of the early risk detection committee. Committees carry out review activities on issues every three months. The Board of Directors review activity takes place once a year, and reports on ESG issues are made to the Board of Directors every quarter.

The Company created and implemented a "Sustainability Center" on its corporate website (www.flypgs.com). This section of the website is designed as the main source of information on sustainability efforts and aims to provide open and easily accessible information about sustainability practices to anyone interested.

The Company is traded on the BIST Sustainability Index.

- In the Board of Directors section, the rating of Pegasus was revised as **97.76**.



During the reviewing period;

- That the ratio of women members in the Board of Directors has been increased to 25%,

- That the manager liability insurance has been made at a level exceeding 25% of the capital and has been disclosed on the Public Disclosure Platform,

- That the working procedures and principles of the Board of Directors have been updated,

- That the committees and working groups have been formed in accordance with the needs of the Company,

- That the Board provides leadership in ensuring that company policies and procedures are implemented by employees as required, including all stakeholders, stakeholders and disadvantaged groups, and periodically monitors and supervises them,

have been seen as the justification for the grade increase in this heading.

Pegasus Board of Directors has determined its mission and vision and continues its activities in line with the strategic goals defined in accordance with this mission and vision.

The duties of chairman of the Board of directors and general manager are carried out by different persons, and the authorities of each are defined.

The Audit, Corporate Governance and Early Risk Detection Committees, referred to by the Principles, have been established, and their working principles have been prepared as written documents.

It has been learned that the draft agenda is shared with the members one month before the Board of Directors meetings and the

meeting is prepared by taking agenda suggestions.

Among the Board of Directors consisting of 8 (eight) members, 2 (two) members are executive members, and 6 (six) members are non-executive members. 3 (three) of the non-executive members are independent within the framework of the criteria defined in the Corporate Governance Principles.

The Board of Directors held a total of 4 (four) meetings in 2022 on March 17, June 01, 15-16 September and December 15. The participation rate in the meetings was 100%. As of June 2023, 2 (two) meetings were held on March 23 and June 01. The Board has 2 (two) more meetings planned for 2023.

The Audit Committee held a total of 4 (four) meetings in 2022, on March 03, May 09, August 11 and November 06. As of the end of June 2023, 2 (two) meetings were held on March 03 and May 09, 2023.

The Internal Audit Directorate, which operates under the Audit Committee, carried out 16 (sixteen) audits in 2022. It has been learned that 10 (ten) audits have been completed as of the end of June 2023. The Internal Audit Department submitted reports to the Audit Committee regarding the audit results 4 (four) times in 2022 and 2 (two) times as of the end of June 2023. The Audit Committee reports to the Board of Directors every quarter. As of December 31, 2022, the Internal Audit Department consists of 1 (one) Chief Internal Auditor and 4 (four) Internal Audit employees.

The Corporate Governance Committee held a total of 4 (four) meetings in 2022, on March 17, May 31, September 14 and December 16. As of June 2023, it has held 2 (two) meetings, on March 21 and May 31.

The duties of the Nomination and Remuneration Committee are also carried out by the Corporate Governance Committee. The Committee is responsible for creating a transparent system for identifying,

evaluating and training suitable candidates for board membership and developing policies and strategies in this regard, in accordance with Article 4.5.11 of the Capital Markets Board Corporate Governance Principles and the Committee Duties and Working Principles. In this regard, the 2023 Board of Directors Nomination Principles and Criteria accepted by the Corporate Governance Committee have been submitted for the evaluation of shareholders as an annex to the general assembly information document.

On the other hand, the Committee evaluated the Independent Member candidate applications (including the continuation of current members and applications from outside) and forwarded its recommendations to the Board of Directors. Additionally, during the period, committee members took part in creating a pool of new board members. In these works, the previous Board of Directors Performance Evaluation outputs regarding the competency of the Board of Directors and the competencies and expected competencies of the current members were taken into account.

The Corporate Governance Committee has worked on the evaluation of independent board members and presented its report on the subject to the Board of Directors. The Board of Directors approved the proposed member candidates and submitted them to the Capital Markets Board, together with the Board of Directors' decision and all relevant documents, 60 days before the general assembly date. With the approval of the Board, independent board member candidates were presented to the shareholders for approval at the ordinary general assembly.

Remuneration Principles for Corporate Governance Committee board members and senior managers have been determined and disclosed to the public on the Company's corporate website. In 2023, the "Remuneration and Compensation Policy" was revised and submitted to the approval of

the shareholders at the ordinary general assembly held on March 30, 2023.

The Early Detection of Risk Committee held a total of 4 (four) meetings in 2022, on March 15, May 30, September 13 and December 13. As of the end of June 2023, it held 2 (two) meetings on March 21 and May 30. The Committee also reported bimonthly to the Board of Directors regarding its activities and evaluations in accordance with the provisions of Article 378 of the Turkish Commercial Code.

The "Risk Review Board", which started in 2018 and of which committee meetings had been regularly carried out by the senior management, and which contributes to the senior management's formation of the corporate perspective on consolidated risks, continues its efforts.

All mentioned Committees regularly report to the Board of Directors on their work.

The Secretariat of the Board of Directors and Committees has been consolidated within the Office of the General Legal Counsel and the General Secretariat, and it has been learned that the meeting minutes and related documents are preserved in a sound manner. The secretariat is carried by Mr. Ali UZUN (General Legal Counsel, Sustainability Director and Secretary General) and Ms. Ekin DİKMEN (General Secretariat Specialist).

Executive board members and the general manager do not take part in the committees listed in the principles.

On March 30, 2023, the Technology Committee was established as a new committee within the Board of directors. Pegasus Hava Yolları Technology Committee was established to support and develop airline activities that make a difference with technology in terms of guest experience, employee experience and operational impact, and use technological developments in the most efficient way in product and service delivery, in line with the aim of

"Turkey's Digital Airline" and to make recommendations to the Board of directors. The committee consists of two non-executive members of the Board of Directors and the chairman of the Board of Directors.

The Corporate Governance Committee has established the "Representation Policy on the Board of Directors" and declared that "Pegasus aims to increase the female member representation rate on the Board of Directors to at least 25% by 2025". Currently, 2 (two) female members serve on the Board of Directors, and both the policy target and the 25% rate recommended in the principles have been reached.

The Board of Directors conducts a board performance assessment every two years to evaluate whether it fulfills its responsibilities effectively. New practices are being implemented in line with the action plan accepted by the Board of Directors as a result of the Board of Directors Self-Assessment Study conducted in 2022. The progress made in this regard is reported to the Board of Directors on a quarterly basis. However, there is no reward or dismissal practice taking these evaluation results into consideration, yet.

Board Members have been included in the "Manager Liability Insurance policy", against defects of them in carrying out their duties. The insurance amount is in an amount that will exceed 25% of the company capital in accordance with the principles, and a material disclosure was made on the Public Disclosure Platform on June 12, 2023.

It has been learned that the Company has not lent or extended a loan to any member of the Board or top executive or made available any credit under personal loan through any third person or provided securities such as surety in favour of them.

Remunerations and all other benefits provided to the members of the Board of Directors or executives with administrative responsibility are disclosed together in the annual report. Although this practice does not meet the requirement of disclosing it on an individual basis recommended in the principles, it is positive that it is disclosed by grouping it on the basis of the Board of Directors and Senior Managers.

3. COMPANY PROFILE AND CHANGES OVER THE PAST YEAR

A. Company Profile:



Company Name	: PEGASUS Hava Tařımacılıęı A.ř.
Company Address	: AEROPARK Yeniřehir Mah. Osmanlı Bulvarı No:11/A Kurtky 34912 Pendik İSTANBUL
Company Phone	: (0216) 5607000
Company Fax Number	: (0216) 5607090
Company's Web Address	: www.flypgs.com
Date of Incorporation	: 12.01.1990
Registered Number	: 261186 Istanbul Trade Registry Office
Paid-in Capital	: 102,299,707,-TL
Line of Business	: Air Transportation
Company's Sector	: Transportation

Company's Representative in Charge of Rating:

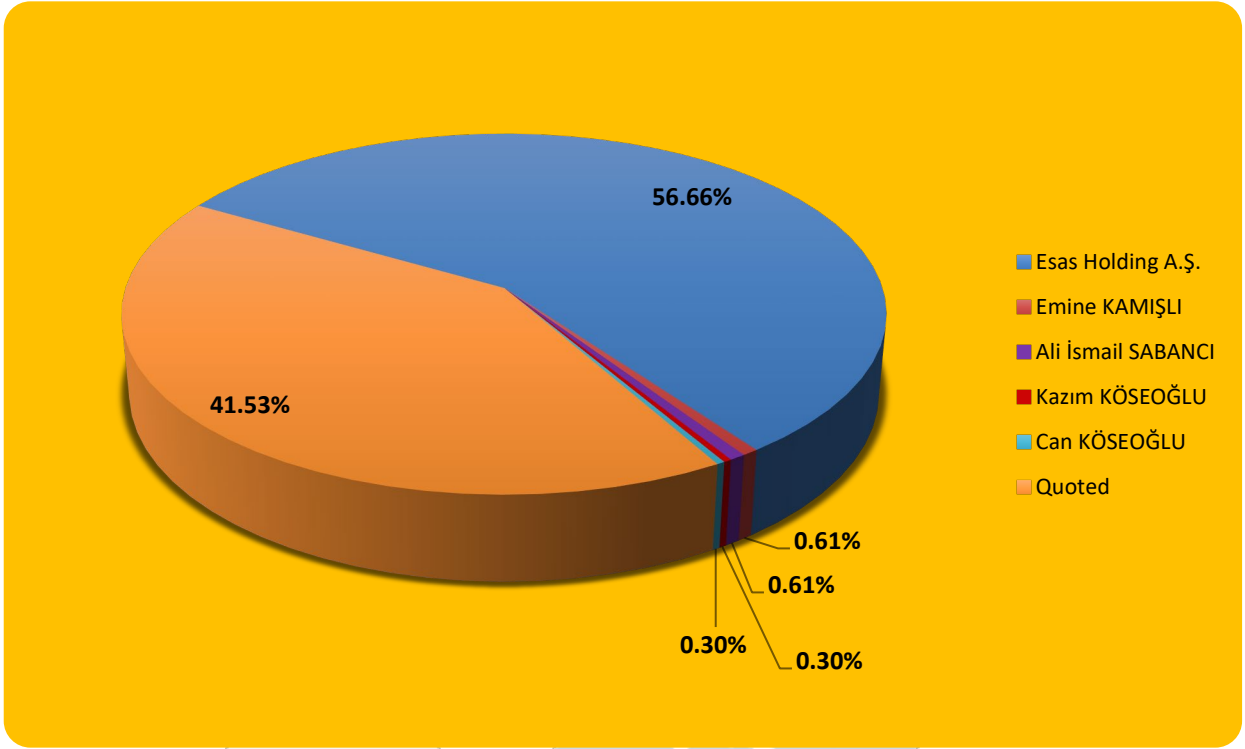
mer L. MERBAř

Investor Relations Manager

ir@flypgs.com

0216 560 7542

Quality of Shareholder Structure



Source: www.pegasusyatirimciiliskileri.com

Shareholder Name	Share (TL)	Share (%)
Esas Holding A.Ş.	57,959,838	56.66
Emine KAMIŞLI	619,060	0.61
Ali İsmail SABANCI	619,060	0.61
Kazım KÖSEOĞLU	309,530	0.30
Can KÖSEOĞLU	309,530	0.30
Public	42,482,689	41.53
Total	102,299,707	100.00

Source: www.pegasusyatirimciiliskileri.com

Real Person Ultimate Controlling Shareholders

Shareholder Name	Direct and Indirect Share (%)
Şevket SABANCI and HIS FAMILY	58.47
Public	41.53
Total	100.00

Source: www.pegasusyatirimciiliskileri.com

Board of Directors

Name/ Surname	Title	Executive/ Non - Executive
Mehmet Tevfik NANE	Chairman of the Board of Directors	Executive
Ali İsmail SABANCI	Member of Board of Directors	Executive
Mehmet Cem KOZLU	Member of Board of Directors	Non - Executive
Hatice Zeynep Bodur OKYAY	Member of Board of Directors	Non - Executive
Stephen Mark GRİFFİTHS	Member of Board of Directors	Non - Executive
Agah UĞUR	Independent Member of Board of Directors	Non - Executive
David VISMANS	Independent Member of Board of Directors	Non - Executive
Ayşegül İLDENİZ	Independent Member of Board of Directors	Non - Executive

Source: www.kap.gov.tr

Committees Formed Within Board of Directors

Corporate Governance Committee

Name Surname	Title	Duty
Ayşegül İLDENİZ	Independent Member of Board of Directors	Chairman
Mehmet Cem KOZLU	Member of Board of Directors	Member
Stephen Mark GRIFFITHS	Member of Board of Directors	Member
Ömer L. ÖMERBAŞ	Investor Relations Manager	Member

Audit Committee

Name Surname	Title	Duty
Agah UĞUR	Independent Member of Board of Directors	Chairman
Ayşegül İLDENİZ	Independent Member of Board of Directors	Member

Early Detection of Risk Committee

Name Surname	Title	Duty
David F. A. VISMANS	Independent Member of Board of Directors	Chairman
Agah UĞUR	Independent Member of Board of Directors	Member
H. Zeynep Bodur OKYAY	Member of Board of Directors	Member
Mustafa TERCAN	Esas Holding AŞ-CFO	Member

Technology Committee

Name Surname	Title	Duty
Ayşegül İLDENİZ	Independent Member of Board of Directors	Member
David F. A. VISMANS	Independent Member of Board of Directors	Member
Mehmet Tevfik NANE	Chairman of the Board of Directors (Executive)	Member

Company Senior Management

Name/ Surname	Title
Güliz ÖZTÜRK	General Manager/CEO
M. Barbaros KUBATOĞLU	Deputy General Manager -Finance
Ergün DEMİRCİ	Deputy General Manager - Operation
Gençer KARATEPE	Deputy General Manager - Flight Operation
Dilara OĞUR	Deputy General Manager-Human Resources
Barış FINDIK	Deputy General Manager-Information Technologies
Murat TÜNAY	Group President-Safety and Emergency Management
Yavuz Selim ÖZMEN	Group President-Flight Academy
Özgür DİNÇER	Group President-Internal Audit & Integrated Man. Systems and Business Excellence
Ali UZUN	Chief Legal Counsel, Sustainability Director and Secretary General
Sinan Onur ÖZTUNA	Group Manager-Compliance and Monitoring
Tayfun BORA	Aviation Security

Source: www.pegasusyatirimciiliskileri.com

Investor Relations Unit

Name Surname	Title	Contact
Ömer L. ÖMERBAŞ	Investor Relations Manager	0216 560 7542 ir@flypgs.com

Comparison of some items of the Company's Balance Sheet for last two year-end and first quarter periods (Thousand TL)

	2021/12	2022/3	2022/12	2023/3	Change % (Year-end)
Current Assets	12,687,114	14,275,318	20,717,301	25,525,504	63.29
Fixed Assets	40,275,937	46,928,927	75,085,744	77,099,206	86.43
Total Assets	52,963,051	61,204,244	95,803,046	102,624,710	80.89
Short-Term Liabilities	12,679,118	16,447,859	20,759,664	23,718,552	63.73
Long-Term Liabilities	33,414,087	37,370,349	56,998,639	60,880,410	70.58
Shareholders' Equity	6,869,846	7,386,036	18,044,743	18,025,748	162.66
Paid Capital	102,300	102,300	102,300	102,300	-

Source: Independent Audit Reports dated 31.12.2022 and 31.03.2023

**Comparison of some items of the Company's Income Statement for the last two year-end and first-quarter periods
(Thousand TL)**

	2021/12	2022/3	2022/12	2023/3	Change % (Year-end)
Revenue	10,664,407	4,064,000	42,732,214	8,793,441	300.71
Cost Of Sales	(10,546,869)	(4,408,530)	(31,155,508)	(8,550,725)	195.40
Gross Profit/Loss	117,538	(344,530)	11,576,706	242,716	9.749
Main Operating Profit/(Loss)	(611,876)	(668,881)	9,675,474	(273,840)	1.681
Net Profit/Loss	(1,972,478)	(1,099,618)	7,100,145	(598,120)	460

Source: Independent Audit Reports dated 31.12.2022 and 31.03.2023

Subsidiaries, Financial Fixed Assets and Financial Investments

Trade name	Company's Line of Business	Paid-in/ Issued Capital	Company's Share in Capital (TL)	Company's Share in Capital (%)	The Nature of the Relationship with the Company
Pegasus Uçuş Eğitim Merkezi A.Ş.	Training with Simulator	200,000	98.800	49.4	Joint Venture
Hitit Bilgisayar Hizmetleri A.Ş.	IT Solutions	127,500,000	46,153,846	36.2	Joint Venture
Pegasus Havacılık Teknolojileri ve Ticaret A.Ş.	Synthetic Flight Training Equipment Service Training Services	100,000	100,000	100	Subsidiary

Source.kap.org.tr

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

- **BİST Code** : PGSUS
- **Market where the Capital Market Instrument is Traded** : BIST STAR
- **The Indices In Which It Is Included** : BIST CORPORATE GOVERNANCE / BIST STARS / BIST ALL SHARES / BIST SUSTAINABILITY / BIST PARTICIPATION 30 / BIST TRANSPORTATION / BIST SERVICES / BIST 100 / BIST PARTICIPATION 100 / BIST 50 / BIST PARTICIPATION ALL SHARES / BIST ISTANBUL / BIST SUSTAINABILITY PARTICIPATION / BIST PARTICIPATION 50 / BIST SUSTAINABILITY 25 / BIST 30

The Peak and Bottom Closing Values of the Company Stock in the BIST for the Last One Year
(08.08.2022/08.08.2023)

<i>Bottom (TL)</i>	<i>Peak (TL)</i>
176,- (08.08.2022)	923,- (08.08.2023)

Source: Pegasus Hava Tařımacılıđı A.ř.

B. Changes in the Company in the Last Year:

i. Changes in Capital and Articles of Association

The registered capital ceiling of 500,000,000 TL has been extended for five years, covering the years 2023-2027, and Article 6 of the Company's Articles of Association has been amended in this direction.

ii. Management and Organizational Changes

- Within the scope of succession planning, Mr. Ali İ. SABANCI, who has served as the Chairman of the Board of Directors since 2005, has resigned from his position as chairman as of March 30, 2023. Member of the Board of Directors Mr. Mehmet Tevfik NANE was elected Chairman of the Board of Directors on the same date.

- Member of the Board of Directors Mr. Hüseyin Çađatay ÖZDOĐRU resigned from his duty on September 16, 2022. In line with the recommendation of the Nomination Committee, with the decision of the Board of Directors of the same date and to be submitted to the approval of the shareholders at the first general assembly meeting in accordance with the provisions of Article 363 of the Turkish Commercial Code, Ms. Ayřegöl İLDENİZ was appointed as the Board Member for the remaining term of office.

At the ordinary general assembly held on March 30, 2023, Ms. Ayřegöl İLDENİZ's membership of the Board of Directors was submitted to the approval of the shareholders and accepted.

- As of March 30, 2023, a "Technology Committee" was formed within the Board of directors. The Committee includes two non-executive members of the Board of directors and the chairman of the Board of directors.

There were no other changes in the management and organizational structure of the Company during the reviewing period.

iii. Profit Distribution:

From the activities of 2022, Pegasus generated a net period profit of 7,100,145,148.-TL according to the CMB legislation, and a net profit of 1,893,344,002.-TL according to the legal records prepared in accordance with the provisions of the Tax Procedure Law No. 213. After the Company's 2022 period profit and previous period losses were offset, no distributable profit was generated due to the accumulated loss remaining in accordance with legal records.

At the ordinary general assembly held on March 30, 2023, as the 5th item on the agenda, shareholders were informed that there was no distributable profit and the Board of directors' proposal on the subject was unanimously accepted.

Policies, Internal Regulations:

- The "Board of Directors Working Procedures and Principles" procedure was revised and entered into force with the decision of the Board of directors dated September 16, 2022 and numbered 742.

The relevant procedure is published on the Company's corporate website.

- During the period;
 - o Information Policy,
 - o Donation and Assistance Policy,
 - o The Remuneration and Compensation Policy has been revised and approved by the decision of the Board of Directors dated February 28, 2023, and numbered 769.

These policy changes were disclosed to the public with the material disclosure of the same date and were submitted for the information and approval of the shareholders at the ordinary general assembly held on March 30, 2023.

- "Pegasus Anti-Bribery and Corruption Policy" was created and approved by the Board of Directors' decision numbered 763 dated January 30, 2023.

The relevant policy is published on the corporate website of the Company.

No changes were made to other policies defined in the Corporate Governance Principles and required to be disclosed to the public during the reviewing period.

iv. Changes in Subsidiary and Affiliates

There was no change in the capital, shareholding structure and activities of Pegasus' subsidiaries and affiliates during the reviewing period.

vi. Legislative Changes and Others:

Important legal changes that may affect the Company's activities were explained on page 18 of the Activity Report prepared for the activity period of 01.01.2022-31.12.2022.

4. 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 modern corporate governance principles and which assigns a grade corresponding to the existing situation.

Organization for Economic Cooperation 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 on the stock exchange, it was emphasized by the OECD that it would also be useful to implement these principles in public enterprises and companies whose shares were not quoted on the 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.

In OECD Corporate Governance Principles, corporate governance is based on four basic principles, which 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 "comply or explain", 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.

It has been prepared by taking into account the criteria specified in the Corporate Governance Communiqué of the CMB, numbered II-17.1, published in the Official Gazette dated January 03, 2014 and numbered 28871, as well as the decisions taken at the CMB's board meeting dated 01.02.2013 and numbered 4/105.

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

456 criteria are used in the rating process for BIST 1st Group Companies in order to measure the compliance of firms with corporate governance principles. These criteria are transformed into "Corporate Governance Rating Question Sets" through Kobirate A.Ş.'s 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 is restricted to 85 % of the full points. A rating is made with a system that completes the section grades up to 100 by the Company's compliance and implementation of the corporate governance practices, which include the good implementation and internalization of the criteria determined in the corporate governance principles, and the different good corporate governance practice criteria determined by our Company.

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.

5. KOBİRATE ULUSLARARASI KREDİ DERECELENDİRME VE KURUMSAL YÖNETİM HİZMETLERİ
A. Ş. CORPORATE GOVERNANCE RATING GRADES AND DESCRIPTIONS

GRADE	DEFINITIONS
9–10	The Company achieved substantial compliance with 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 is high. The 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.
7–8,9	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 that the Company may be exposed to are identified and can be managed. The rights of the shareholders are impartially taken care of. Public Disclosure and transparency are at high levels. The interests of the stakeholders are fairly considered. The 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.
6–6,9	The Company has moderately complied with the Corporate Governance Principles issued by the Capital Market Board. Internal Control systems at a 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 a need for improvement. The 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.

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, and 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 to 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 and they are at a level that might cause the investor to incur material losses.</p>

