



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



***Pegasus Hava Taşımacılığı A.Ş.***

12 August 2022

Validity Period : 12.08.2022-12.08.2023

## LIMITATIONS

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

It 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 2, 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 3 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](http://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, to hold or to 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.

© All rights in this report belong to Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. This report cannot be printed in writing and electronically reproduced and distributed without our permission.

## TABLE OF CONTENTS

1. Rating Result and Summary of Rating Process	3
2. Rating Methodology	6
3. Company Profile	9
4. Sections of the Rating Process	
A. Shareholders	15
a. Facilitating the Exercise of Shareholders' Rights	15
b. Right to Obtain Information and to Examine	16
c. Right to Attend the General Assembly	17
d. Voting Right	18
e. Minority Rights	18
f. Dividend Right	18
g. Transfer of Shares	19
B. Public Disclosure and Transparency	20
a. Corporate Website	21
b. Annual Report	21
C. Stakeholders	23
a. Corporation's Policy on Stakeholders	23
b. Supporting Participation of Stakeholders in Corporation's Management	24
c. Human Resources Policy of the Corporation	24
d. Relations with Customers and Suppliers	25
e. Ethical Rules, Social Responsibility	25
f. Sustainability	26
D. Board of Directors	28
a. Function of the Board of Directors	28
b. Principles of Activity of the Board of Directors	24
c. Structure of the Board of Directors	29
d. Procedure of Board of Directors Meetings	29
e. Committees Formed within the Structure of the Board of Directors	30
f. Financial Rights Provided for Members of the Board of Directors and Executives	32
5. Corporate Governance Compliance Grades and Descriptions	33



## PEGASUS HAVA TAŞIMACILIĞI A.Ş.

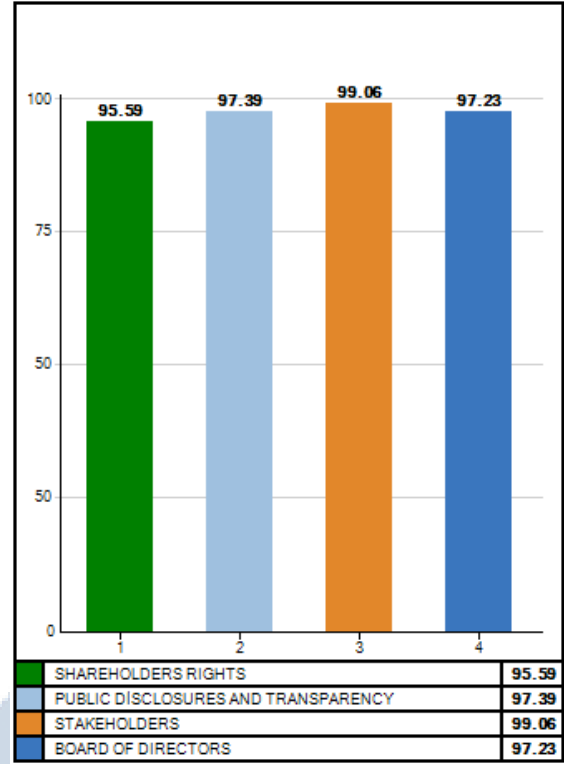
CMB CORPORATE GOVERNANCE  
PRINCIPLES COMPLIANCE GRADE

BIST FIRST GROUP COMPANY

**9.71**

### Kobirate A.Ş. Contact:

Serap ÇEMBERTAŞ (216) 3305620 Pbx  
[serapcembertas@kobirate.com.tr](mailto:serapcembertas@kobirate.com.tr)  
[www.kobirate.com.tr](http://www.kobirate.com.tr)



### THE RESULT AND SUMMARY OF THE RATING

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 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 13.01.2022, No.2/27, 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 9.71.

This result signifies that the company has achieved a high level of compliance with CMB's Corporate Governance Principles and highly

deserves to be on the BIST corporate governance index.

The level of public disclosure and transparency are high. Rights of the shareholders and stakeholders are treated fairly. Composition and operational conditions of the Board highly comply with the Corporate Governance Principles. Potential risks that the Company may be exposed are identified and can be managed.

When the activities of Pegasus for the last one year are examined, it is seen that it has been developing and maintaining its compliance with Corporate Governance Principles.

In view of the rating process under main headings in brief;

It has been seen that the Company has obtained the grade of **95,59** in the Shareholders Section and has achieved a very good level of compliance with CMB Corporate Governance Principles. Existence of Investor Relations Department to conduct healthy relationship with shareholders, duly convention and invitation of general assemblies, preparation of dividend policy and having no restrictions on transfer of shares are among positive policies.

Pegasus has achieved a grade of **97,39** for the section on Public Disclosure and Transparency. It has prepared a disclosure policy and revealed it to the public. Its corporate website has been designed to allow investors easy access to the information they require, as described by Principles.

The annual report's content is sufficient and information is given in a graphic and easy – to – understand format. It has been determined that the Company is in compliance with the principles in the field of public disclosure and transparency.

The Company has obtained **99,06** in the Stakeholders section.

In this section, the company has outstandingly complied with the CMB's Corporate Governance Principles. Human resources policy has been prepared. Issues concerning employees, such as recruitment, job descriptions, performance evaluation, promotion, rewarding, leaves and social rights have been regulated and disclosed to the employees.

Work processes and standards have been established, and it has been observed that customers are informed about them.

Methods to procure products and services from outside have been determined and put into written documents.

Ethical Rules are set forth and introduced to employees to act pursuant to such rules. Annual report gives information about social responsibility projects.

As for the Board of Directors Section, the Company's grade is **97,23**, representing a very good compliance with CMB's Corporate Governance Principles.

It has been confirmed that the Board of Directors has set Company's strategic goals, audits performance of company management and pays further attention for company affairs to be in compliance with the legislation, the Articles of Association and internal regulations.

The posts of Chairman of the Board of Directors and General Manager are held by separate individuals. There is no one in the Company with sole, unlimited authority to make decisions.

The Board of Directors convenes regularly. Meeting procedures are written in the Articles of Association and internal regulations.

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.

On the other hand, there are other significant practices in terms of compliance with the Corporate Governance Principles, such as having a majority of non – executive members, having 4 (four) independent members in the Committee, and having determined remuneration principles for top managers and disclosed them at the corporate website.

Board Members have not been included in “Manager Liability Insurance policy”, against defects of them in carrying out their duties.



## 2. 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 have kept the concept of corporate governance on the agenda and become guidelines for the laws and regulations of OECD members, as well as other countries. The Corporate Governance Principles, first announced by the OECD in 1999, were updated for the first time in 2004 and took their final form in Istanbul on April 10, 2015, during Turkey's G20 Presidency.

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, 2014 and 2020 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 CMB has decided to create a new corporate governance reporting framework, and the new framework has been shared with the public with the Capital Markets Board Bulletin dated 10.01.2019 and numbered 2019/2 and the announcement dated 11.01.2019. Within the scope of the new reporting framework, it has been decided that the explanations will be made in the following order. Disclosure of the Compliance Report Format ("CRF") to report compliance with voluntary principles and disclosure of the Corporate Governance Information Form ("CGIF") to provide information on current corporate governance practices. In accordance with the Turkish Commercial Code and the CMB's Corporate Governance Communiqué (II-17.1), CRF and CGIF must be announced on the Public Disclosure Platform at least three weeks before the date of the general assembly meeting on the same date as the annual activity reports, and before the due date of the announcement period of the annual financial reports on the Public Disclosure Platform.

The Communiqué on Amending the "Corporate Governance Communiqué (II-17.1)" published in the Official Gazette numbered 31262 on



October 2, 2020, by the Capital Markets Board (II-17.1.a) and regulations regarding the voluntary sustainability principles compliance framework were included.

The compliance framework has been published on the Capital Markets Board website. The Sustainability Compliance Framework is examined under the Headings A- General Principles B- Environmental Principles C- Social Principles D- Corporate Governance Principles.

The practice has been determined according to the "Comply or Disclose" principle. It is anticipated that the annual reports include whether the sustainability principles are applied or not, and if not, a reasoned explanation and an explanation of the effects that have occurred. In case of a significant change during the period, it is anticipated that the relevant change will be included in the interim annual reports.

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, revised in February 2022, 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 considering Communiqué Amending the "Corporate Governance Communiqué (II-17.1) (II-17.1.a)" published in the Official Gazette No. 31262 on October 2, 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 3 2014 and numbered 28871.

In this analysis, the full compliance of work flow and analysis technique with Kobirate 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 translated into "Corporate Governance Rating Question Sets" through Kobirate A.S.'s unique software PERFECRATE.

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 follows:

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 FEBRUARY 2022 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.

In this report, the following symbols have the following meanings:

- ✓ Due / Correct Application of CMB's Corporate Governance Principles
- ✗ Improper / Erroneous Application of CMB's Corporate Governance principles
- ✓/✗ Practices required to be improved in compliance with CMB's Corporate Governance Principles



### 3. 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 Fax Number</b>	: (0216) 5607090
<b>Company's Web Address</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>	: Transport

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

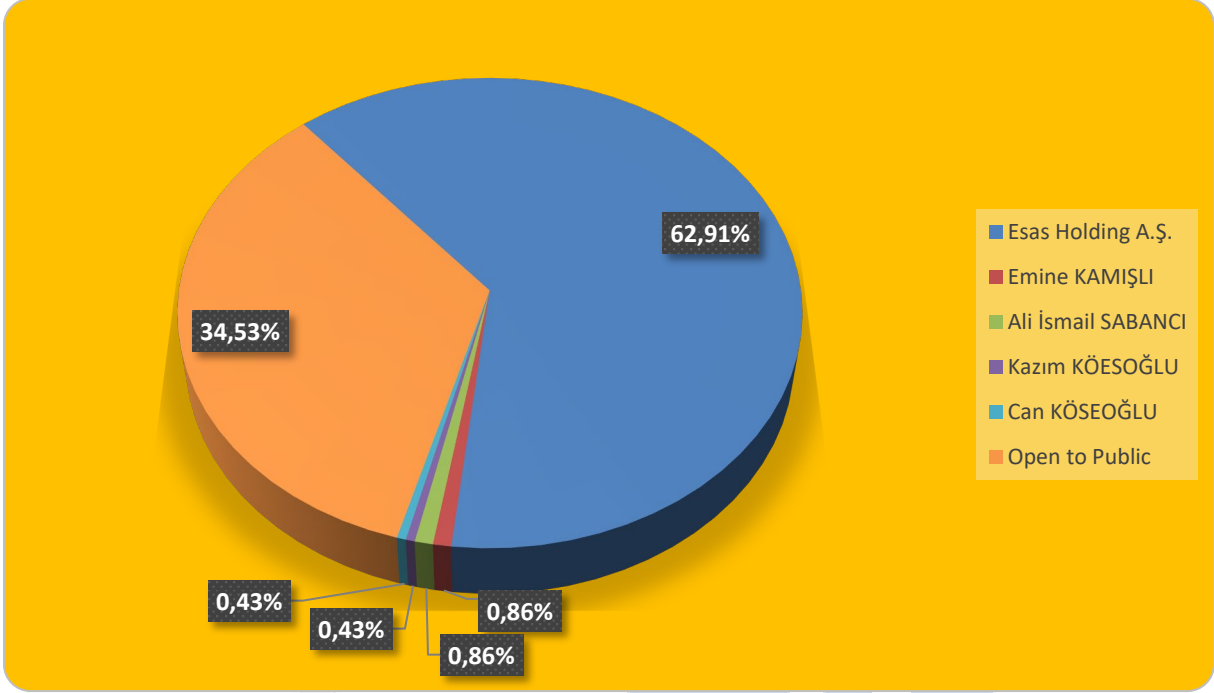
**mer Ltf MERBAř**

**Investor Relations Manager**

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

**0216 560 7542**

**Shareholder Structure (as of the date of this report)**



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

### Board of Directors

<i>Name/ Surname</i>	<i>Title</i>	<i>Executive/ Non - Executive</i>
Ali İsmail SABANCI	Chairman	Executive
Mehmet Tevfik NANE	Deputy Chairman	Executive
Hüseyin Çağatay ÖZDOĞRU	Member of Board of Directors	Executive
Mehmet Cem KOZLU	Member of Board of Directors	Non - Executive
David VISMANS	Independent Member of Board of Directors	Non - Executive
Agah UĞUR	Independent Member of Board of Directors	Non - Executive
Hatice Zeynep Bodur OKYAY	Independent Member of Board of Directors	Non - Executive
Stephen Mark GRIFFITHS	Independent Member of Board of Directors	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>Duty</i>
Stephen Mark GRIFFITHS	Independent Member of Board of Directors	The Chairman of The Committee
Mehmet Cem KOZLU	Member of Board of Directors	Committee Member
David VISMANS	Independent Member of Board of Directors	Committee Member
Ömer Lütfü ÖMERBAŞ	Investor Relations Manager	Committee Member

#### Audit Committee

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

#### Early Detection of Risk Committee

<i>Name Surname</i>	<i>Title</i>	<i>Duty</i>
Agah UĞUR	Independent Member of Board of Directors	The Chairman of The Committee
Mustafa TERCAN	Esas Holding AŞ-CFO	Committee Member
David VISMANS	Independent Member of Board of Directors	Committee Member

### Company Top Management

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

Source: www.pegasusyatirimcilisikileri.com

### Investor Relations Unit

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 for yearends of last two years (Thousand TL)

	2020/12	2021/12	Change %
Current Assets	5,519,473	12,687,115	129.86
Fixed Assets	23,551,200	40,209,484	70.73
Total Assets	29,070,673	52,896,599	81.96
Short-Term Liabilities	6,505,674	12,679,118	94.89
Long-Term Liabilities	17,178,580	33,414,087	94.51
Shareholders' Equity	5,386,418	6,803,394	26.31

Source: Independent Audit Report dated 31.12.2021

**Income Statement Comparison of Company's Certain Selected Items for yearends of last two years  
(Thousand TL)**

	2020/12	2021/12	Change %
Revenue	4,803,560	10,664,407	122.01
Gross Profit	(1,258,703)	117,538	-109.34
Operating Profit	(1,360,924)	(611,876)	-55.04
Net Profit/Loss	(1,965,097)	(1,972,478)	0.003

Source: Independent Audit Report dated 31.12.2021

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

Trade name	Company's Line of Business	Paid in/Issued Capital	Company's Share in Capital	Currency	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	TRY	49.4	Subsidiary
Hitit Bilgisayar Hizmetleri A.Ş.	IT Solutions	127,500,000	46,153,846	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.kap.org.tr

**Peak and Bottom Closing Values of Company shares traded at BIST  
between 08.08.2022 and 08.08.2023**

Bottom (TL)	Peak (TL)
66.95.- (15.09.2021)	187.50.- (22.06.2022)

Source: Pegasus Hava Taşımacılığı. A.Ş.

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

BIST STAR

BIST ALL / BIST SUSTAINABILITY PARTICIPATION/ BIST ISTANBUL / BIST 100 / BIST PARTICIPATION 100 / BIST STAR / BIST 50 / BIST PARTICIPATION ALL / BIST CORPORATE GOVERNANCE / BIST SERVICES / BIST SUSTAINABILITY / BIST PARTICIPATION 30 / BIST TRANSPORTATION / BIST PARTICIPATION 50 / BIST 30

Source: www.kap.org.tr

### ***Information about Company Activities***

Pegasus Airlines, which changed the aviation industry in Turkey and believes that everyone has the right to fly, was founded in Istanbul in 1990 as a joint venture of Aer Lingus, Silkair Investment and Net Holding. Having made its first flight in May 1990, Pegasus was purchased by ESAS Holding in 2005. In November of the same year, it started scheduled domestic flights as a low-cost airline carrier and became the 4th scheduled airline operating in Turkey.

Güliz Öztürk is the General Manager of the company, where Ali Sabancı is the chairman of the board of directors. Ali Sabancı is the chairman of the board of directors, and Güliz Öztürk is the General Manager of the company.

Pegasus believes that everyone has the right to travel by air with the "low-cost model" practice that it has implemented and continues to lead this model in Turkey. Based on this vision, it offers its guests affordable air transportation with its young fleet and high timely departure rates.

When Pegasus started scheduled flights, it started with 6 domestic destinations, and today it has increased to 115 destinations in 36 domestic and 89 international destinations in 47 countries.

Pegasus serves scheduled domestic flights in Adana, Izmir, Kayseri, Antalya, Bodrum, Diyarbakir, Dalaman, Ankara, Elazig, Gaziantep, Hatay, Konya, Malatya, Mardin, Istanbul, Samsun, Trabzon, Van, Sivas, Sanliurfa, Batman, Erzincan, Gazipaşa, Alanya, Kahramanmaraş, Muş, Merzifon/Amasya, Denizli, Nevşehir, Balıkesir/Edremit, Erzurum, Kastamonu, Kars, Ordu-Giresun, and international flights in Cologne, Rome, Dusseldorf, Almaty, Munich, Pristina, Stuttgart, Northern Cyprus/Ercan, Berlin, Beirut, Vienna, Skopje, Brussels, Bucharest, Krasnodar, Copenhagen, Marseille, Paris, ST Etienne/Lyon, Tbilisi, Amsterdam, London Stansted, London Gatwick, Tehran, Stockholm, Basel, Zurich, Milan - Malpensa, Milan- Bergamo, Kharkiv, Donetsk, Athens, Erbil, Tel Aviv, Bologna, Lviv, Dubai, Belgrade, Sarajevo, Nuremberg, Barcelona, Doha, Tirana, Moscow, Frankfurt, Madrid, Kuwait, Hamburg, Bishkek, Bahrain, Prague, Geneva, Mineralnye Vody flies with scheduled flights to Budapest, Hurghada, Sharm-El-Sheikh, Nice, Oslo, Kutaisi, Baghdad, Eilat – Ovda, Zaporozhye.

Pegasus continues to offer new services and products to ensure a pleasant travel experience for its guests. Over the past few years, it has introduced ancillary services that support the low-cost carrier model.

Expanding its family in parallel with its growth in the sector, Pegasus has reached a huge family of 5837 people by the end of 2021.

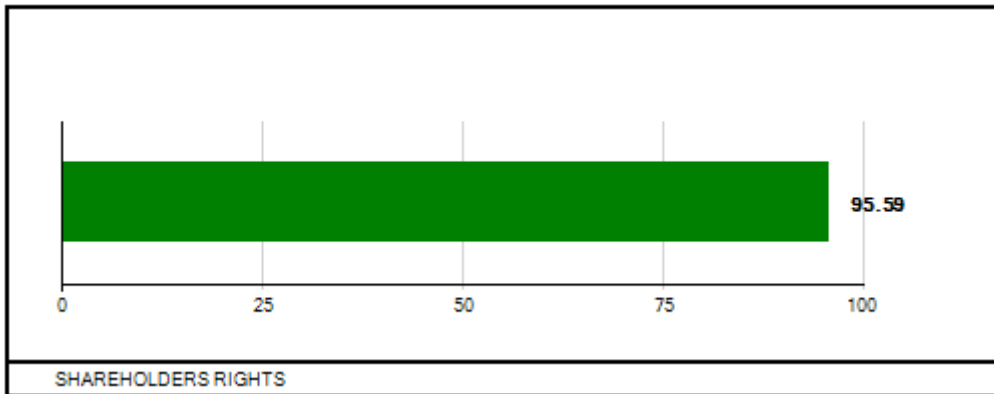
Offering its guests the opportunity to travel economically, safely and timely with its investments in flight safety and technology, Pegasus has established Turkey's newest flight training center. In addition, it became one of the leading airline companies that integrated the Wireless Groundlink End-to-End Network Solutions system, which performs bidirectional data transfer, which is of great importance in terms of the traceability of its systems, into its fleet.

Pegasus Airlines, which started trading on Borsa Istanbul with the code "PGSUS" on April 26, 2013, by offering 34.5 percent of its shares to the public, is the first private airline in Turkey to be listed on the stock exchange.



## 4. RATING SECTIONS

### A. SHAREHOLDERS



#### Overview

- ✓ The Investor Relations Department has been established to conduct relations with shareholders.
- ✓ The general meetings were held in accordance with the relevant laws, regulations and articles of association.
- ✓ The Articles of Association has been revised so as to stipulate that the General Assembly meetings will be open to the public.
- ✓ General Assembly meetings are held open to the public.
- ✓ The donation and aid policy of the company was created, submitted to the approval of the general assembly and disclosed to the public.
- ✓ There is no privilege for voting.
- ✓ There are no arrangements making the exercise of voting rights difficult.
- ✓ The dividend distribution policy has been prepared, presented to the approval of the General Assembly and disclosed to the public.
- ✓ There is no restriction on the transfer of shares.
  
- ✓/\* It would be appropriate to grant minority rights to those holding less than one-twentieth of the capital.

In this section, as stated by CMB's Corporate Governance Principles, the company was

evaluated on **111** different criteria under the headings of **Facilitating the Exercise of Shareholders' Rights**, **Shareholders' Right to Obtain Information and to Examine**, **Shareholders' Right to Attend the General Assembly**, **Shareholders' Right to Vote**, **Rights of Minority Shareholders**, **Shareholders' Right for Dividend** and **Shareholders' Right to Transfer Their Shares** to whomever they want, whenever they want. The company's grade for this section is **95.59** points. The minor change in the rating compared to the previous year is due to the integration of the "Communiqué Amending the Corporate Governance Communiqué (II-17.1) (II-17.1.a)" published in addition to the Capital Markets Board's Corporate Governance Communiqué No. II-17.1 into our methodology.

#### **a. Facilitating the Exercise of Shareholders' Rights**

Activities regarding the relations with shareholders are carried out by the Investor Relations Manager, Mr. Ömer Lütfü ÖMERBAŞ, and by the Deputy General Manager of Finance, Mr. M. Barbaros KUBATOĞLU. Mr. ÖMERBAŞ has Capital Market Activities Level 3 and Corporate Governance Rating licenses.

Investor Relations Manager Mr. ÖMERBAŞ was appointed as a Member of the Corporate Governance Committee as of 31.03.2022 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.

It has been found that the employees of the Investor Relations Department have adequate qualifications in terms of knowledge and experience required for the task, that they play an effective role in protection and facilitation of shareholders' rights, starting with the right to obtain and review information.

The job description of the Investor Relations Department has been made, and it includes the duties stated in the 11/5 item of CMB Corporate Governance Directive No II-17.1.

The Investor Relations Department periodically reports to the Board of Directors on both its activities and share performance. In 2021, it reported to the Board of Directors 4 (four) times, on March 19, 2021, May 28, 2021, September 16, 2021, and December 16, 2021, and 2 (two) times in 2022, on March 17, 2022, and June 1, 2022.

Any data that might affect the exercise of shareholders' rights is currently at the disposal of shareholders on the Internet website.

It has been determined that the Company has achieved very good compliance with the Corporate Governance Principles in this subsection.

***b. Right to Obtain Information and Examine***

The information required for the proper exercise of shareholders' rights are presented to the shareholders and to this end the company's websites (<http://www.pegasusyatirimciiliskileri.com/tr> and <https://www.flypgs.com/>) are used as efficient platforms.

The "Disclosure Policy" prepared by the Board of Directors is published on the Company's corporate website. Shareholders' right to obtain information is explained in detail in the aforementioned policy. It is understood that in accordance with the company's disclosure

policy, all shareholders, potential investors and analysts are treated equally in the exercise of the right to receive and review information, and care is taken to deliver the disclosures with the same content to everyone at the same time. Within the framework of information sharing, all kinds of information that may be of interest to shareholders and market players are announced to the public through material disclosures, and material disclosures are also published on the company's corporate website.

It has been seen that inquiries of shareholders have been responded rapidly and care has been given to let shareholders exercise their right to obtain information and to examine. Approximately 250 written/oral applications were made to the company in 2021 and approximately 150 as of June 2022. All the questions received have been answered.

During the monitoring period, no warning/IPC was received from regulatory/supervisory institutions on the grounds that the shareholders and related parties were not adequately informed. In addition, during the same period, it was learned that there were no disputes that were the subject of litigation for reasons such as the fact that the shareholders' requests for information and examination were left unanswered and rejected without justification.

Shareholders' right to obtain information and to examine is not canceled or restricted by the Articles of Association or any department of the Company.

There are no arrangements or policies that make it difficult for shareholders to demand the appointment of a special auditor from the general assembly.

It has been determined that the Company has achieved very good compliance with the Corporate Governance Principles in this subsection.

### **c. Right to Attend the General Assembly**

The General Assembly meeting to discuss the operations of 2021 took place on 31.03.2022. The invitation to the meeting was duly made in the Turkish Trade Registry Gazette (TTRG) dated 08.03.2022 and numbered 10532, on the Public Disclosure Platform (PDP) and the Central Registry Agency e-general assembly system (EGAS) on 05.03.2022. The date, time, place, agenda and the sending department have been clearly described in the invitation.

It has been understood that the financial statements, annual report, audit reports, profit distribution proposal of the board of directors, notifications and explanations required by the partnership in accordance with the relevant legislation and Corporate Governance Principles should be made available for the examination of the shareholders within the framework of Article 437 of the TCC numbered 6102, were submitted to the information of the shareholders 3 weeks in advance.

In order to increase the participation of the shareholders, the general assembly meetings are held in a way that does not cause inequality among the shareholders and ensures the participation of the shareholders at the lowest possible cost. It is possible for shareholders to attend the meetings physically, through a representative or through the electronic general assembly system (EGKS).

Along with the general assembly meeting announcement, the information document was prepared in accordance with Article 1.3.1 of the General Assembly of the Capital Markets Board's Corporate Governance Communiqué No. II-17.1 was published on the company's website. In this document, it has been determined that information on the total number of shares and voting rights reflecting the shareholding structure of the company as of the date of disclosure, whether there are privileged shares in the company's capital, and the nature and scope of the privileges are shared with the shareholders. Similarly, it has been seen that information about the changes that will significantly affect the management

and activities of the partnership and its subsidiaries, whether the shareholders have requested to add an item to the agenda, and whether there are any changes in the articles of association are also included.

During the preparation of the general assembly agenda, it was determined that the agenda headings were expressed clearly and in a way that would not lead to different interpretations, and care was taken not to include phrases such as "other" and "various" in the agenda.

In the examinations made on the minutes of the general assembly and the list of attendees, it was seen that Mr. Agah UĞUR (Independent Member of the Board of Directors), Mr. Mehmet Tevfik NANE (former General Manager of the Company), Mr. M. Barbaros KUBATOĞLU (Deputy General Manager of Financial Affairs), Mr. Ali UZUN (Chief Legal Counsel, Sustainability Leader and Secretary General), Ms. Ceren MURSALOĞLU (Legal Counsel), Mr. Ömer L. ÖMERBAŞ (Investor Relations Manager) and Ms. Ekin DİKMEN (Investor Relations Specialist) were present at the meeting. In addition, the representative of the company that conducted the independent audit of the company was also present at the meeting.

When the minutes of the General Assembly are examined, it is understood that the agenda items were voted separately, and the votes were counted and announced to the shareholders before the end of the meeting. It was observed that the chairman of the meeting took care to convey the topics on the agenda in an impartial and detailed manner, with a clear and understandable method, and the shareholders were given the opportunity to express their thoughts and ask questions under equal conditions.

It is understood from the explanations in the minutes of the general assembly and the interviews made with the relevant parties in the company that the chairman of the meeting ensures that every question asked by the shareholders at the general assembly meeting,

which is not within the scope of trade secrets, is answered directly at the general assembly meeting. The questions asked at the meeting and the answers given to these questions, as well as other answers given by the investor relations department after the meeting, are published on the corporate website of the partnership no later than 30 days after the meeting.

In accordance with the provisions of the CMB's Communiqué numbered II-17.1, the general assembly was informed about the transactions made with related parties and the guarantees, pledges and mortgages given in favor of third parties.

The shareholders were informed about the donations made during the period and their beneficiaries, and the donation limit was also determined.

It is regulated by the articles of association that the general assembly meetings will be open to the public and the media, and it is also announced to the shareholders in the general assembly invitations and information document.

The Company's "Share Repurchase Policy" has been updated and approved by the Board of Directors decision dated 16.12.2021 and numbered 726.b.

In this subsection, it was concluded that the company complied with the principles at a very good level.

#### ***d. Voting Right***

Neither the Articles of Association nor the internal procedures contain any difficulties to exercise the voting right and opportunity to exercise the voting right in the easiest and most convenient manner is given to each shareholder.

It is possible for the shareholders to exercise their voting rights in person or by proxies, whether a shareholder or not, at the general assembly meetings. The members are submitted with the specimen proxies to be used for this purpose at the firm's headquarters and on the corporate internet website.

The voting method was regulated in the articles of association and it was stated by the company officials that the shareholders were also informed about this issue at the meetings.

There is no privilege granted to any share group regarding voting rights.

General assembly information documents provide information on the distribution of company shares, the voting rights granted by the shares and the absence of privileges regarding voting.

The Company doesn't have a mutual subsidiary, which creates a relationship of sovereignty.

Pegasus' compliance with the principles in this subsection is at a high level.

#### ***e. Minority Rights***

There has been no violation of exercising basic minority shareholders' rights like attendance to the general assembly meeting, representation by proxy and imposition of no upper limit for voting rights. In this manner it has been observed that care is given to the exercise of minority rights.

However, there is no adjustments made to extend minority rights with Articles of Association and covering those shareholders who have less than 1 / 20 of the capital.

#### ***f. Dividend Right***

The company has determined its dividend distribution policy in accordance with the CMB communiqués and the criteria determined in the TCC and disclosed it to the public in the electronic environment. The said policy was submitted to the approval of the shareholders at the general assembly dated 31.03.2014.

Dividend Policy is found to be containing minimum information enabling the investors to foresee the procedure and guidelines for distribution of profit to be generated by the company in future periods.

There are no privileges in the distribution of dividends. In addition, Article 21 of the Articles of Association States that "All existing shares will benefit from dividends equally, without



applying the principle of per diem in the distribution of profits of the company."

Again, in this policy, it is stated that if the board of directors proposes not to distribute the profit to the general assembly, information regarding the reasons for this and the way the undistributed profit is used will be presented to the shareholders at the general assembly meeting.

The company does not have a dividend advance practice.

The company has made (1,972,478,349-TL) loss according to the Capital Market Legislation and (6,651,433,549,-TL) according to the TPL from its activities for the period of January 1, 2021 – December 31, 2021. Due to the fact that the activities resulted in a loss, the board of directors decided not to distribute profits at its meeting dated March 4, 2022. This decision was announced on the public disclosure platform on 05.03.2022, the same day as the invitation of the general assembly. At the general assembly held on 31.03.2022, the dividend distribution proposal of the board of directors was discussed as the 5th item of the agenda; the shareholders were informed about the reason for not distributing the profit, and the proposal was approved.

It has been determined that Pegasus has achieved very good compliance with the Corporate Governance Principles in this subsection.

#### ***g. Transfer of Shares***

According to Article 7th of the company's articles of association;

"The transfer of company shares is subject to the provisions of the Turkish Commercial Code, the Capital Markets Law, the Turkish Civil Aviation Law and the relevant regulations within this scope, as well as the articles of association.

Without prejudice to the provision of the third paragraph of Article 137 of the Capital Markets Law, the transfer of the registered shares of the Company in the following cases shall be in effect against the company only upon the approval of the Company's Board of Directors.

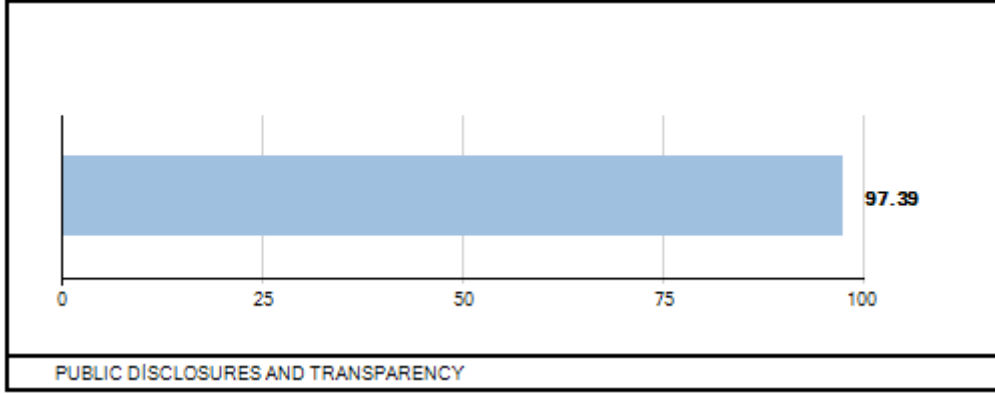
The Board of Directors may reject the transfer of shares that will result in 50% or more of the Company's issued capital belonging to foreign shareholders, in order to ensure the continuation of the company's activities and not to be harmed within the scope of the Turkish Civil Aviation Law and the relevant civil aviation legislation. The Board of Directors of the Company is authorized to request the disposal of the shares subject to the acquisition of foreign shareholders exceeding the said capital ratio, within a period to be determined by the Board of Directors, within seven days from the date of being aware of the share transfers that led to this result. In addition, if the said shares are not disposed of within the specified period, it is authorized to perform the necessary actions for the implementation of any of the following measures to be determined by them:

1. Reduction of the capital by redemption of the shares that result in foreign shareholders exceeding the above-mentioned shareholding ratio;
2. Increasing the capital so that foreign shareholders remain below the above-mentioned shareholding ratio and restricting their pre-emptive rights;
3. The acquisition by the Company of the shares that result in foreign shareholders exceeding the above-mentioned shareholding ratio within the framework of the Turkish Commercial Code, the Capital Markets Law and the relevant secondary legislation.

The transfer of shares is recorded in the Company's share book upon the approval of the Board of Directors stated in this article. All rights and powers of the Board of Directors to reject share transfers based on the relevant articles of the Turkish Commercial Code and not to recognize the persons who take over the shares as shareholders are reserved, except for those specified in this article."

Apart from these limitations, which are included in the articles of association and arising from the legal regulations that the company must comply with due to its field of activity, there are no practices that make it difficult for the shares to be freely transferred.

## B. PUBLIC DISCLOSURE AND TRANSPARENCY



### Overview

- ✓ A disclosure policy has been prepared and disclosed to the public through electronic media.
- ✓ Corporate website is used effectively as a current tool for public disclosures within the context as stated by the principles.
- ✓ The information and documents, required by principles to be on the corporate website, are published based on last five years.
- ✓ The annual report is comprehensive, and its content mostly reflects the principles.

As for this section, the Company has been assessed by **93** different criteria under the headings of **Corporate Website** and **Annual Report** as laid down in the Corporate Governance Principles of the Capital Market Board, for which the Company has deserved the grade of **97.39**. The company continues its activities under this main section with improvement.

Pegasus carries out public disclosures within the scope of its Public Disclosures Policies developed by the board and disclosed to public. This policy is in line with the CMB's Special Circumstances Communiqué No. II.15-1 and is quite comprehensive.

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 (Finance Director), Mr. Ali UZUN (General Legal Counsel, Sustainability Leader and Secretary General) and Ms. H. Nur KARABACAK (Budget, Cost Control and Financial Reporting Group Manager), Mr. Ömer L. ÖMERBAŞ (Investor Relations Manager) and Mr. Nurettin MANGIR (Senior Budget Specialist (Certificate User)).

The company's independent audit for 2021 was conducted by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member firm of Ernst & Young Global Limited). In the prepared reports, there has not been any situation where the independent auditor refrained from expressing an opinion, expressed a qualified opinion, or did not sign. 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 the suggestion of Audit Committee and Board of Directors and approval of the General Assembly, it has been decided that 2022 audit to be conducted by the same company.

### **a. Corporate Website**

The corporate website (<http://www.pegasusyatirimciiliskileri.com/tr> and <https://www.flypgs.com/>) is updated regularly and the website is being used as an active and effective platform for disclosure to public. Information in corporate website is consistent with the statements made as part of regulations and there is no missing or conflicting information.

On the company's website, alongside information bound to be disclosed by regulations, there is commercial registry info, information on latest shareholder and management structure, committees of the board of directors and their working principles, information on whether there are privileged shares or not in the capital, dates and numbers of commercial registry newspapers where changes were published along with the final text of company's Articles of Association, registration statement and circular, material disclosures, important board decisions, financial reports, annual reports, agendas of general assembly meetings, the lists of attendees, the proceedings of the assemblies, the specimen Proxy, dividend policy, disclosure policy, remuneration policy, compensation policy, donation policy, business ethics rules and information requests, questions and notifications and answers given under frequently-asked questions title.

The information provided to shareholders and potential investors covers the last five years.

This information on the website is also published in English for international investors.

Financial statement statements, which are required to be disclosed to the public in accordance with the capital market legislation, are disclosed simultaneously in English and Turkish on the Public Disclosure Platform. English explanations are presented in such a way that they are accurate, complete, direct, understandable, sufficient and consistent with the Turkish language of the explanation to help those who will benefit from the explanation to make a decision.

The ultimate real person controlling shareholders in the company's partnership structure is disclosed on the corporate website.

In this subsection, the Company has achieved very good compliance with corporate governance principles.

### **b. Annual Report**

It is seen that the board of directors has prepared the annual report in such a way that the public can access comprehensive, complete and correct information on company activities. The report also clearly points out the development of the company and the risks it is likely to face, and it includes an evaluation of the board of directors on these issues. Annual reports of the last five years are accessible to shareholders and the public in an electronic environment.

The annual report for the accounting period ended on 31.12.2021 was approved and disclosed to the public by the decision of the Board of Directors dated March 4 2022 and numbered 732.

It is possible to reach many topics in the annual report, including;

Board members' and managers' ongoing jobs outside the company,

Independence declaration of the board members,

Evaluation of the board of directors regarding the members of the committees formed within the body of the board of directors, the frequency of their meetings, the working principles including the activities carried out, and the effectiveness of the committees,

Number of Board meetings in that year and attendance of Board Members,

Changes in regulations, which might significantly affect company operations,

Information about important lawsuits filed against the company and their possible consequences,



Information about conflicts of interest between the Company and other enterprises that provide services like investment consultancy or rating and these measures taken by the Company to prevent conflicts of interest,

Information about mutual subsidiaries where the direct participation ratio is over 5%,

Social rights and professional training of employees, as well as other company activities that have social and environmental impacts and corporate social responsibility activities,

Information about the sector that the company operates in and about its position within the sector.

Also, in addition to the issues specified in the legislation and other parts of the corporate governance principles, the annual reports include;

The period of the report, the title of the partnership, the trade registry number, contact information,

General descriptions of the characteristics of the production units of the company, the amount and prices of sales,

Sales and improvements seen in them during the year, productivity rates and the reasons for significant changes in them compared to previous years,

Developments in investments, the status of benefiting from incentives, the extent to which they have been realized,

The financial resources of the company and the nature and amount of the capital market instruments, if any,

Changes made to the articles of association during the period and their reasons,

Profit distribution policy,

Declaration of Compliance with Corporate Governance Principles and compliance reports,

Mandatory information to be provided to shareholders regarding related party transactions and balances,

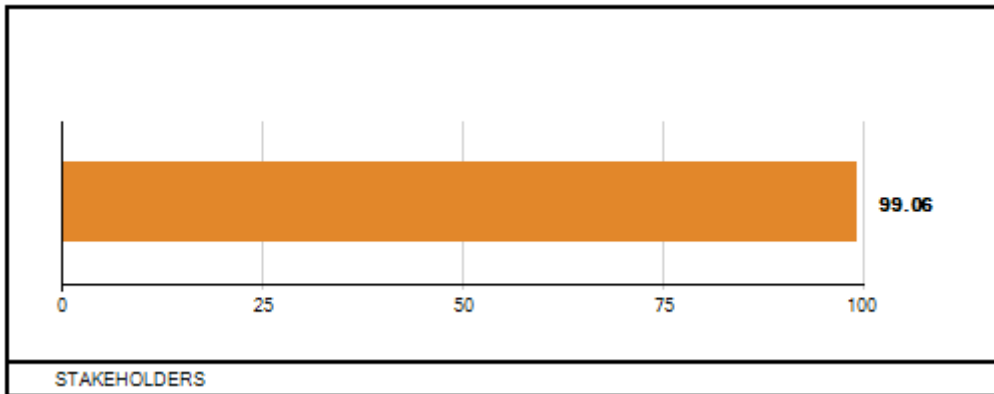
A lot of information, including other matters not included in the financial statements but that would be useful to users.

The company also includes the sustainability principles compliance report in its annual report in accordance with the "Communiqué Amending the Corporate Governance Communiqué (II-17.1) (II-17.1.a)" and the voluntary sustainability principles compliance framework format.

In the annual report, salaries, bonuses and similar benefits provided to the members of the board of directors and senior executives are disclosed in total.

It has been determined that the Company has achieved very good compliance with the Corporate Governance Principles in this subsection.

## C. STAKEHOLDERS



### Overview

- ✓ Business Ethics Rules have been prepared and disclosed in the electronic environment.
- ✓ There are no regulations that make it difficult for stakeholders to exercise their rights.
- ✓ Human resources policy and many internal regulations concerning customers and stakeholders have been prepared.
- ✓ Employees are provided with a safe and pleasant working environment.
- ✓ Compensation policy for employees has been prepared and disclosed to the public.
- ✓ Care is given to confidentiality of information about customers and suppliers on a trade secret basis.
- ✓ The Company has established and publicly disclosed its Corporate Social Responsibility Policies.
- ✓ An active mechanism has been prepared for company stakeholders to report the Company's unethical and irregular actions to the Corporate Governance Committee or Audit Committee.
- ✓/\* There are no provisions in the company's articles of association or internal regulations that support the participation of employees and stakeholders in company management.

In this section, the Company has been assessed by **104** different criteria under the headings of **Corporate Policies on Stakeholders, Supporting Stakeholders' Participation in Company Management, Company Policy on Human Resources, Relations with Customers and Suppliers, Ethical Rules and Corporate Social Responsibility and Sustainability** as laid down in the Corporate Governance Principles of the Capital Market Board, for which the Company has deserved the grade of **99.06**.

#### *a. Corporate Policies on Stakeholders*

The Corporate Governance Principles describe the Stakeholders as individuals, organizations or interest groups as employees, creditors, customers, suppliers, trade unions, and various non-governmental organizations having an interest in the attainment of the company's objectives or in its operations. It is concluded that Pegasus protects stakeholders' rights, which are specified in regulations and mutual contracts. The impression is that if there is a lack of 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.

Stakeholders are adequately informed on company policies and procedures to protect their rights and company's corporate website is being actively used for this purpose.

Necessary mechanisms have been established in order for the stakeholders to convey the company's illegal and ethically inappropriate transactions to the Corporate Governance and Audit Committee.

The Compensation Policy for employees has been prepared and disclosed to the public via the corporate website.

In this subsection, Pegasus has achieved significant compliance with corporate governance principles.

***b. Supporting Participation of Stakeholders in Corporation's Management***

The articles of association and/or internal regulations do not contain regulations supporting the direct participation of stakeholders in the company management. However, it has been determined that the views of the stakeholders are taken in important decisions that have consequences for the stakeholders, and practices encouraging the participation of the stakeholders in the company management, entrepreneurship and creativity are in effect.

Within this framework:

- Within the scope of the Pegasus Ethical Behavior Guide, it is committed and actively practiced for all employees to have easy access to their managers and Pegasus senior management;
- Improvement efforts are put into every subject that directly affects the profitability and working environment of the company. Meeting minutes, progress reports and other relevant information and documents are shared with all employees on the corporate intranet site.

In-company training, personal development and personal training programs have been developed and implemented for a wide range of participants. The active participation of all employees in the Company's management was supported through written company policies and management initiatives in the fields of career planning and development,

performance management, improvement of the workplace environment, and development of creative/innovative business ideas.

These models, which support the participation of stakeholders in the management of the company, are currently being implemented and their development will carry Pegasus' compliance with the principles to a higher level.

***c. Human Resources Policy of the Corporation***

Procedures on recruitment, working conditions, rewarding, disciplinary practices, power and responsibilities of employees, remuneration, health rights, leave rights, career planning, promotions, task alterations, and dismissal, death, resignation, retirement, and training have been developed, and practices of acting in accordance with these procedures have been developed. Both during the development of the policies and in practice, we got the impression that equal opportunity is given to individuals under equal conditions.

It has been seen that the Basic Human Resources Policy of the Company aims to create employees who are in line with contemporary norms, focused on performance, successful, loyal and highly motivated.

Performance and reward criteria have been established and disclosed to employees; in the determination of benefits provided to employees, the mentioned criteria are followed.

As a result of the interviews with the relevant people and employees, it was learned that there was no discrimination between the employees on race, religion, language and gender.

It is thought that the Company's organizational structure is in line with work conditions.

It has been determined that training programs have been carried out by the company to

increase the knowledge, skills and manners of the employees and training policies have been created. It has been learned that as of the end of 2021, the total number of hours and training content was 176,691 hours and 1,269 content, respectively.

As of the end of 2021, 5,824 people were employed at Pegasus, and 6,421 people were employed as of the end of June 2022. Company employees do not have a union organization.

Freedom to establish an association is not restricted on the condition that permission is given.

Employee stock-options schemes are not developed.

In this subsection, the Company has achieved rather good compliance with corporate governance principles.

#### ***d. Relations with Customers and Suppliers***

Documents and information obtained from customers and suppliers during the activities are kept under protection to ensure that irrelevant persons do not access this information within the scope of the security of trade secrets.

Practices for customers, suppliers and outsourced services have been prepared, and their standards have been determined.

Pegasus introduced many new and improved products and services to its guests in 2021. These include 360 Flight Search, Easy Seats, broader online capabilities for the BolBol Program, the increase in the geographical coverage and number of the "Pegasus Express Baggage" service that allows guests to handle self-service baggage and improvements to the "Pegasus 24/7 WhatsApp Support Line", which was put into use so that guests can find quick and easy solutions for their flights.

In this subsection, the Company has achieved rather good compliance with corporate governance principles.

#### ***e. Ethical Rules, Corporate Social Responsibility***

"Pegasus Ethical Behavior Guide", which regulates a comprehensive and explanatory code of conduct, entered into force on December 15 2015. This procedure was revised with the recommendation of the audit committee and was accepted by the decision of the board of directors dated 01.06.2022 and numbered 746. The Ethical Behavior Guide is made available on the Investor Relations Website.

The Pegasus Ethical Behavior Guide sets the ethical code of conduct, which it defines as "The whole of honest, respectful, fair and reliable behavior on the basis of reason, conscience, and common sense in relations with employees, guests, customers, suppliers, working and communicating with other people and organizations" as the basis of all Pegasus' relationships. The rules determined in this context cover all employees, including the members of the Board of Directors and employees of both the company and its subsidiaries. The Pegasus Ethical Behavior Guide sets out the behavioral responsibilities of both the company and its employees regarding their duties and activities, and the framework of the system put into effect for the enforcement of the rules and the resolution of violations.

Pegasus Corporate Social Responsibility Policy was accepted by the Board of Directors decision dated November 20, 2013, and announced on the Public Disclosure Platform in the annex of the material event disclosure dated November 22, 2013. The text of the Pegasus Corporate Social Responsibility Policy is available on the Investor Relations website.

In 2021, Pegasus renewed its first comprehensive social responsibility project, "We Are Flying to The Future," for the third term. This project collaborates with the Support for Civil Society Foundation, which operates at the national level to address complex societal issues.

The company was given the following awards as a result of its hard work:

- In 2021, Pegasus was awarded the “Financial Lease Deal of the Year” and “Airline Treasury Team of the Year” awards at the AirFinance Journal Awards.
- Pegasus Airlines Deputy General Manager Güliz ÖZTÜRK was selected as the “Leader of the Year” in the tourism, transportation and hospitality category at the Leadership in Sales Awards 2021, which was held for the first time this year as part of the Sales Network Summit.
- Pegasus was given the “World's Leading Low-Cost Airline” award as part of the Farrota Global Travel Awards.
- Within the scope of the Bluesky Awards 2021 Aviation Awards, Pegasus received awards in the categories of "Digital Airline of the Year" and "Airline Cabin Crew of the Year."

In this subsection, the Company has achieved rather good compliance with corporate governance principles.

#### ***f. Sustainability***

Pegasus published its first corporate sustainability report in 2020. The company reported its activities in the field of corporate sustainability for 2021 in accordance with the Sustainability Principles Harmonization Framework prepared by the Capital Markets Board. The Corporate Sustainability Report for 2021 summarizes 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. Accordingly, the report lists each compliance title in the Sustainability Principles Compliance framework and explains the studies and references under the relevant section.

In line with the "Net Zero Carbon Emissions by 2050" decision adopted at the 77th Annual General Assembly of the International Air Transport Association (IATA), held in October 2021, the company has been among the leading airline companies in the world making this commitment. It has declared and

committed to supporting the net zero carbon target until 2050 with the opportunity provided by the technological developments for the sector, with the support of the energy sector and with the coordination of the stakeholders. In December 2021, the interim target for 2030 was determined in order to reinforce this commitment. Accordingly, it has announced that it aims to reduce flight-related carbon emissions per unit passenger kilometer (RPK) by 20% by 2030 compared to 2019.

Within the framework of the "sustainable environment" approach, it continues to work in areas such as fleet transformation and offsetting projects in the medium term, sustainable aviation fuel (SAF) use, new technology aircraft and carbon capture technologies in the long term.

Being the first airline in the world to join the United Nations Women's Empowerment Principles (WEPs) platform, carrying out activities as a member of the DGCA Gender Balance Development Commission, supporting organizations such as We are with You Association, wTech Women in Technology Association, PWN Istanbul, Women in Sales platform, and giving the names of the girls of the employees to the newly joined aircraft as a company tradition, in order to emphasize the importance given to the role of women in business life and the principle of equality, is an indication of the sensitivity and importance of the company on gender balance. The company also supports raising awareness among women about the opportunities in aviation and improving the quantitative and qualitative role and effectiveness of women in aviation. In 2019, Pegasus became one of the first airline companies in the world to sign the "25by2025" initiative, which aims to voluntarily increase the female representation in the industry by 25% by 2025 or to increase it by at least 19 Public (Public) 25%. As a reflection of this commitment, the Pegasus Board of Directors updated its "Board Representation Policy" in 2019 and set a minimum 25% representation target for women's representation in the Board of Directors until 2025.

In January 2022, Pegasus was given the ATN Corporate Award as part of the 2022 Air Transport Awards organized by Hermes. Pegasus won this award for its initiatives in the fields of sustainability and digitalization.

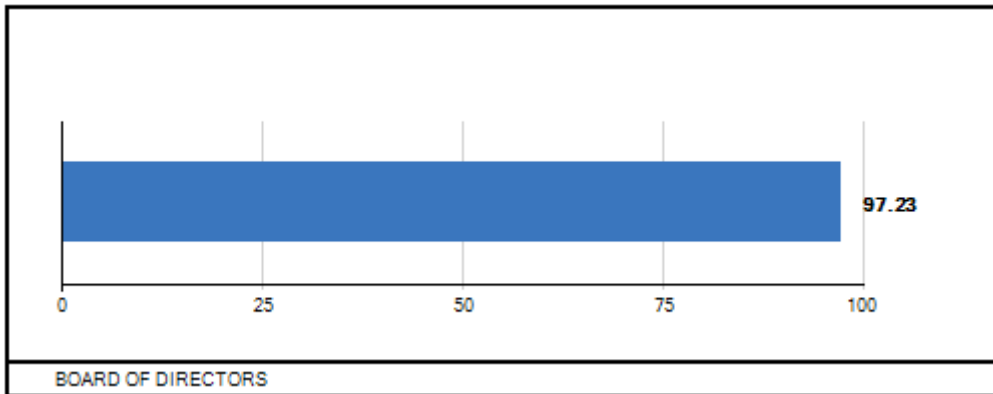
Pegasus confirmed its Carbon Disclosure Project (CDP) reporting rating as B in 2021, after six years of continuous reporting, and was among the airlines with the highest score. CDP is a voluntary platform focused on fighting climate change.

Pegasus is included in the BIST Sustainability Index.





## D. BOARD OF DIRECTORS



### Overview

- ✓ The company's strategic targets and human and financial sources it requires are determined by the Board of Directors.
  - ✓ The posts of Chairman and CEO are carried out by separate individuals and there isn't any person with solely unlimited authority in the company.
  - ✓ The number of Board Members is adequate for them to work productively and constructively.
  - ✓ The majority of Board Members are non-executives.
  - ✓ Four of the Board Members are independent members.
  - ✓ Every Board Member has one vote.
  - ✓ There isn't any loan/credit involvement between Board Members and the company.
  - ✓ Corporate Governance, Audit and Early Detection of Risk Committees stated in the principles have been established, and working principles are determined.
  - ✓ Remuneration principles for members of the board and top executives have been determined and disclosed to the public.
  - ✓ Performance evaluations of the board of directors are made on the basis of both the board and its members.
- ✓/\* The fees and other benefits provided to the Board of Directors and executives with administrative responsibilities are not disclosed on an individual basis in the annual report.
  - ✓/\* The percentage of female members on the Board of Directors is below 25%.
  - \* **Directors and Officers Liability Insurance has not been obtained.**

In this section, the Company has been assessed by **148** different criteria under the headings of **Function of the Board of Directors, Principles of Activity of the Board of Directors, Structure of the Board of Directors, Procedure of Board of Directors Meetings, Committees Formed within the Structure of the Board of Directors and Financial Rights Provided for the Members of the Board of Directors and Executives** as laid down by the Capital Market Board's Corporate Governance Principles, for which the Company has gained the grade of **97.23**.

#### **a. Function of the Board of Directors**

By the strategic decisions it takes, Board of Directors manages and represents the company, keeping the risk, growth and return in balance while paying attention primarily to company's long-term interests under a reasonable and prudent risk management approach. In this sense, Board of Directors has



described the corporate strategic objectives, and determined necessary human and financial resources.

Board of Directors monitors company activities to be in compliance with regulations, Articles of Association, internal procedures and policies and it supervises management performance.

Board of Directors is authorized to make decisions, to determine strategy and represent the company at the highest level.

In this subsection, Pegasus has achieved very good compliance with corporate governance principles.

#### ***b. Principles of Activity of the Board of Directors***

It is our impression that the Company Board of Directors conducts its activities in an open, accountable, fair and responsible fashion.

The distribution of responsibilities among board members, as well as their duties and powers are disclosed to public in the annual report.

The Board of Directors has established internal control systems, including risk management and information systems and processes, that can minimize the effects of risks that may affect the company's stakeholders, especially the shareholders. It has been learned that the Board is reviewing the effectiveness of risk management and internal control systems.

No person in the Company has the authority to decide solely and in an unrestricted fashion. Positions of Chairman of the Board and CEO are held by different individuals.

It is thought that Board of Directors plays a leading role in the maintenance of effective communication and in easing and resolving disputes that might arise between the company and the shareholders. To this end, the Board is in close cooperation with the

Corporate Governance Committee and Investor Relations Department.

Board Members have not been included in "Manager Liability Insurance policy", against defects of them in carrying out their duties. Obtaining executive liability insurance and making a statement on the Public Disclosure Platform will strengthen compliance with the principles.

Regarding this subsection, it has been determined that company practices are compliant with corporate governance principles.

#### ***c. Structure of the Board of Directors***

Company's Board of Directors is formed with 8 (eight) members; including 1 (one) Chairman and 7 (seven) members. The requirement of having at least 5 (five) members to form the Board has been met and the number of Board Members found sufficient to serve effectively and constructively and to form and efficiently organize activities of committees.

5 (five) Board members are non – executives, while 3 (three) of them are executives. 4 (four) non-executive members are independent members who satisfy the independence criteria laid down by the Corporate Governance Principles. With this practice, Pegasus has taken an important step towards good governance by appointing more than the number of independent members on its board of directors.

There is 1 (one) female member on the Board of Directors. This structure does not comply with the "not less than 25%" criterion determined by the CMB as the rate of female members in the board of directors. However, with the "Representation Policy in the Board of Directors," a policy has been established to assign female members to the board, and developments and progress are evaluated annually in this context.

On the other hand, at the general assembly held on 31.03.2022, the general manager of the company, Mr. Mehmet Tevfik NANE, was

elected as a member of the board of directors. With the decision of the board of directors dated 31.03.2022 and numbered 739, it was decided to assign the relevant person as the vice chairman of the board of directors and executive board member, to resign from the general manager position as of 01.05.2022 and to appoint the deputy general manager Ms. Güliz ÖZTÜRK, effective from the same date. This appointment has been evaluated as an indicator of Pegasus' sensitivity towards equal opportunities in gender.

The Company has achieved very good compliance with the principles through its practices in this subsection.

#### ***d. Procedure of Board of Directors Meetings***

According to the 12th article of the articles of association, the board of directors convenes whenever the business and transactions of the company necessitate it. However, the Board of Directors must convene at least four times a year.

The Board convened 4 (four) times in 2021, on March 19, 2021, May 28, 2021, September 16, 2021 and December 16, 2021. As of the end of June 2022, 2 (two) meetings were held on March 17, 2022 and June 1, 2022.

The company's articles of association also include information on the meeting place of the board of directors, participation in the meeting in electronic environment, and meeting and decision quorum.

The manner in which the meetings of the board of directors will be held has also been written down by inside regulations.

Each member has one voting right on the Board of Directors. There are no veto powers for any member.

The ongoing jobs of the members of the board of directors outside the company are presented to the information of the shareholders at the general assembly

meeting, where their election is discussed by distinguishing in-group and out-group.

There are no restrictions on board members for taking a job or jobs outside the company. However, in view of number of Board meetings and members' attendance to these meetings, it is fair to say that members take care to allocate the necessary time for company affairs.

In this subsection, the Company has achieved very good compliance with corporate governance principles.

#### ***e. Committees Formed within the Structure of the Board of Directors***

In order for the Board of Directors to fulfill its duties and responsibilities soundly, the Audit Committee, Corporate Governance Committee and Early Detection of Risk Committees have been established. Separate Nomination and Remuneration Committees haven't been established because of the Board's structure. These duties are carried out by the Corporate Governance Committee. The working principles of the corporate governance committee have been established to cover these duties as well.

The committees' duties, working principles and their members have been determined and approved by the Board of Directors as documents in writing; then they have been disclosed to public via electronic means and Public Disclosure Platform.

The company has stuck with the principle, which requires that all members of the Audit Committee and, at minimum, the Chairmen of other committees are appointed from independent members, and the General Manager has not been assigned to any committee.

All sources and support are provided by the Board to ensure that the committees perform their duties.

Committees invite appropriate executives to their meetings to benefit from their opinions.

All discussions in committees are recorded in writing.

Committees convene with the frequency deemed necessary for the efficiency of their activities. They report information on their activities and the results of their meetings to the board of directors.

Committee activities and a number of its meetings are disclosed in the annual report.

- **The Audit Committee** monitors the performance and effectiveness of the company's accounting system, public disclosure of financial information, independent audit and internal control system. The audit committee implements the selection of an independent audit company and supervises its work at every stage. The Committee reviews and evaluates the systems, processes and activities of the company on the accounting system, financial reporting, public disclosure, internal control and internal audit system, independent external audit, compliance with laws, regulations and ethical principles, and makes recommendations to the Board of Directors when necessary.

The Audit Committee convened 4 (four) times in 2021, on March 3, 2021, May 7, 2021, August 16, 2021, and November 8, 2021, and 2 (two) times in 2022, on March 3, 2022, and May 9, 2022. The Committee reported its findings and opinions to the board of directors after each meeting.

The Committee comprises 2 (two) independent members. One of them meets the principle of "At least one of the Audit Committee members should have 5 years of experience in audit/accounting and finance ."

#### **Internal Audit**

The Internal Audit Directorate, which operates under the Board of Directors through the Audit Committee, monitors the effectiveness and efficiency of the internal control and risk management systems, covering the entire company, within the annual audit plan

prepared in accordance with risk assessments. On the other hand, it has been determined that internal control mechanisms have been established to be followed and implemented by company personnel at all levels in order to ensure that the Company's activities are carried out in accordance with the current legislation and within the framework determined by the Board of Directors and to ensure the integrity and reliability of the accounting and reporting systems.

Internal Audit Department conducted 15 (fifteen) audits in 2021 and 6 (six) audits as of the end of June 2022. The unit has reported to the audit committee 4 (four) times in 2021 and 2 (two) times as of the end of June 2022. Every quarter, the audit committee reports to the board of directors.

- **The Corporate Governance Committee** is composed of 4 (four) members; 2 (two) members are independent, and 1 (one) is a non-executive member. Its chairman is an Independent Member of the Board, in accordance with the Corporate Governance Communiqué No. II.17-1 of the Capital Markets Board, Investor Relations Manager Mr. Ömer L. ÖMERBAŞ was appointed as a Member of the Corporate Governance Committee with the Board of Directors decision dated 31.03.2022 and numbered 739.

The Corporate Governance Committee convened 4 (four) times in 2021, on March 18, 2021, May 25, 2021, September 15, 2021, December 15, 2021, and 2 (two) times as of June 2022, on March 16, 2022, May 31 2022 and presented the reports containing the meeting results to the board of directors.

Working closely with the Corporate Governance Committee, the Investor Relations Department reports its activities to the Board of Directors more than once a year. The Investor Relations Department made presentations and briefings to the Board 4 (four) times in 2021, on March 19, 2021, May 28, 2021, September 16, 2021, and December 16, 2021, and 2 (two) times in 2022, on March 17, 2022 and June 1, 2022.

- **Early Detection of Risk Committee** is charged for early detection of risks that may endanger the existence, development and continuity of the company; it takes necessary measures against determined risks and manages the risk. It reviews the risk management system for at least once a year.

The Committee is composed of 3 (three) members. The committee chairman and 1 (one) member are independent members. The other 1 (one) member is the manager of Esas Holding and does not have an executive position at Pegasus.

The Early Risk Detection Committee convened 4 (four) times in 2021, on March 18, 2021, May 26, 2021, September 15, 2021, December 14, 2021, 2021 and 2 (two) times on March 15, 2022, May 30, 2022, and presented the reports containing the meeting results to the board of directors.

The secretariat of the board of directors and committees is carried out by Mr. Ali UZUN (General Legal Counsel, Sustainability Leader and Secretary General) and Ms. Ekin DİKMEN (General Secretariat Specialist).

In this subsection, Pegasus has achieved very good compliance with corporate governance principles.

**f. Financial Rights Provided for Members of the Board of Directors and Executives**

Guidelines for the remuneration of board members and top executives have been written, approved by the general assembly, and disclosed to the public in the electronic environment.

It has been seen that actions have been taken in compliance with the principle, which states that stock-options or payment plans based on corporate performance should not be used for remuneration of independent members of board. The emoluments of independent directors are sufficient to protect their independency.

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

Considering that the Board of Directors is responsible for the company's achievement of the operational and financial performance targets, which are determined and disclosed to the public, whether the target has been achieved or not is explained in the annual report along with the reasons.

The board of directors evaluates performance on both a board and member basis, but there is no practice of rewarding or dismissing members based on their performance.

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. This practice does not meet the issue of disclosure on the basis of persons recommended in the principles.

It has been determined that Pegasus has achieved very good compliance with the Corporate Governance Principles in this subsection.

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

<b>GRADE</b>	<b>DEFINITIONS</b>
<b>9-10</b>	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.
<b>7-8.9</b>	The Company complied considerably with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are operational and in place, although some improvements are required. Potential risks to which the Company may be exposed 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.
<b>6-6.9</b>	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.

<b>GRADE</b>	<b>DEFINITIONS</b>
<p style="text-align: center;"><b>4–5.9</b></p>	<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, as well as the working conditions of the Board. Under the current conditions, the Company is not eligible to be listed in the BIST Corporate Governance Index.</p>
<p style="text-align: center;"><b>&lt; 4</b></p>	<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>

