



PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ
ACTIVITY REPORT OF THE BOARD OF DIRECTORS
FOR THE PERIOD BETWEEN JANUARY 1 – DECEMBER 31, 2023

MARCH 4, 2024

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(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Shareholders of Pegasus Hava Taşımacılığı Anonim Şirketi

1) Opinion

We have audited the annual report of Pegasus Hava Taşımacılığı Anonim Şirketi ("the Company") and its subsidiaries ("the Group") for the period of 1 January – 31 December 2023.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated March 4, 2024 on the full set consolidated financial statements of the Group for the period of 1 January – 31 December 2023.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Group is responsible for the following items:

- a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- b) Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- c) The annual report also includes the matters below:
 - Subsequent events occurred after the end of the fiscal year which have significance,
 - The research and development activities of the Group,
 - Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

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5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Sinem Arı Öz.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Sinem Arı Öz, SMMM
Partner

March 4, 2024
İstanbul, Turkey

PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ
ANNUAL ACTIVITY REPORT OF THE BOARD OF DIRECTORS
FOR THE PERIOD JANUARY 1 – DECEMBER 31, 2023

This Report is prepared in accordance with the Regulation on the Determination of the Minimum Content of Company Annual Reports published by the Turkish Ministry of Commerce, the Corporate Governance Communiqué No. II-17.1 and the Corporate Governance Principles published by the Turkish Capital Markets Board and other applicable provisions of Turkish law.

As used in this Report, the following terms shall have the meanings indicated below:

- **“Board”** or **“Board of Directors”** refers to the Pegasus Airlines Board of Directors.
- **“Company”** or **“Pegasus Airlines”** refers to Pegasus Hava Taşımacılığı A.Ş., more fully described in Section 1/A of this Report.
- **“Esas Holding”** or **“Esas”** refers to Esas Holding A.Ş.
- **“Hitit CS”** refers to Hitit Bilgisayar Hizmetleri A.Ş.
- **“PIN Lab”** refers to Pegasus Innovation Lab, Inc.
- **“PFTC in Liquidation”** refers to Tasfiye Halinde Pegasus Uçuş Eğitim Merkezi A.Ş.
- **“PAT”** refers to Pegasus Havacılık Teknolojileri ve Ticaret A.Ş.
- **“Principles”** refers to the Corporate Governance Principles published by the Turkish Capital Markets Board.
- **“Report”** refers to this Annual Report of the Pegasus Airlines Board of Directors.

1- GENERAL INFORMATION

A- GENERAL INFORMATION ON PEGASUS AIRLINES

Reporting Period : January 1, 2023 – December 31, 2023
Commercial Title : Pegasus Hava Taşımacılığı A.Ş.
Trade Registration : Istanbul Trade Registry / 261186
Central Registry No. : 0-7230-0470-8500017
Headquarters : Aeropark, Yenişehir Mahallesi, Osmanlı Bulvarı, No: 11/A
Kurtköy 34912 Pendik / Istanbul
Contact Information : Telephone. +90 216 560 7000
Corporate Website. www.flypgs.com
Investor Relations Website.
<http://www.pegasusinvestorrelations.com>

B- VISION, MISSION, AND STRATEGIC TARGETS OF PEGASUS AIRLINES

We operate in line with the strategic targets determined by our Board of Directors in accordance with our aim of being: *“To be a leading low-cost carrier across the industry, providing safe and easy travel with low fares”* and our motto: *“Everybody has the right to fly.”*

Our strategic targets are underpinned by our key corporate values: Innovation, People Orientation, Competitiveness, Result Orientation, and Effectiveness & Efficiency.

Our annual budget is approved by our Board of Directors before each fiscal year. Our operational and financial results are monitored by the Board of Directors on a regular basis, against budgeted targets. The Board of Directors reviews our strategic targets and the Company's progress in terms of strategic key performance indicators on a regular basis.

C- CAPITAL, SHAREHOLDING AND ORGANIZATION STRUCTURE OF PEGASUS AIRLINES

Our issued capital is ₺102,299,707 and our authorized capital ceiling is ₺500,000,000. Information on our capital and shareholding structure as of January 1, 2023, and December 31, 2023, respectively, is shown in the table below.

<i>Shareholder</i>	January 1, 2023		December 31, 2023	
	<i>Number of Shares</i>	<i>Shareholding Ratio</i>	<i>Number of Shares</i>	<i>Shareholding Ratio</i>
Esas Holding	57,959,838	56.66%	57,959,838	56.66%
Publicly Traded	42,482,689	41.53%	42,482,689	41.53%
Emine KAMIŞLI	619,060	0.61%	619,060	0.61%
Ali İsmail SABANCI	619,060	0.61%	619,060	0.61%
Kazım KÖSEOĞLU	309,530	0.30%	309,530	0.30%
Can KÖSEOĞLU	309,530	0.30%	309,530	0.30%
Total	102,299,707	100.00%	102,299,707	100.00%

As of December 31, 2023, Esas Holding is the controlling shareholder of Pegasus Airlines. Established in 2000, Esas Holding is the largest family-owned investment firm in Türkiye and is backed by the first- and second-generation family members of Şevket SABANCI, one of the five founding members of H. Ö. Sabancı Holding A.Ş., a leading Turkish conglomerate. With offices in Istanbul and London, Esas invests in various asset classes globally including private equity, real estate, venture capital and public markets.

Our Company's management organization chart as of December 31, 2023, is provided in Section 1/F of this Report.

D- INFORMATION ON BUSINESS ACTIVITIES

We are the leading low-cost airline in Türkiye. We operated charter flights since 1990. Following our acquisition by Esas at the beginning of 2005, we changed our business model, introducing a low-cost network carrier model for the first time and focused on providing affordable and on-time air travel service with a young fleet.

As a result of the successful implementation of this low-cost strategy, we experienced rapid expansion of our operations both in domestic and international routes. Between 2009 and 2019, our cumulative average annual passenger growth reached 18%, significantly outpacing the 9% annual average growth recorded by the Turkish market. We operate a growing young and modern fleet of 110 aircraft with 4.62 average aircraft age as of December 31, 2023.

We provide high-frequency services on short- and medium-haul, point-to-point, and transit routes on its domestic and international network primarily from our main hub in Istanbul Sabiha Gökçen International Airport. As of December 31, 2023, we offered scheduled passenger services on 36 domestic routes in Türkiye and 98 international routes to European (including North Cyprus), CIS, Middle Eastern and African destinations, serving a flight network covering 134 destinations in 50 different countries.

Our business model is based on a strong focus on efficient operations and cost control, and revenue generation through various services ancillary to the core air passenger services. In 2023, our CASK, non-fuel was recorded as €2.26, while revenue recorded from ancillary

services constituted 30% of total revenue for the period. In 2023, we continued to derive revenue from other services, primarily consisting of cargo services and a relatively low volume of charter and split charter flights for tour operators, which represented 2% of total revenue for the period.

E- INFORMATION ON PRIVILEGED SHARES

We do not have any privileged shares. Therefore, there are no voting privileges attached to Pegasus Airlines shares or any preference in respect of the nomination of Board members or the allocation of any distribution or payment to be made from Company profits.

F- INFORMATION ON THE MANAGEMENT BODY, SENIOR MANAGEMENT AND PEGASUS AIRLINES EMPLOYEES

a)- Management Body: Our management body is the Board of Directors. Within the framework of Article 10 of our Articles of Association, the Board of Directors must be composed of at least five members. Also, pursuant to the Principles, one third of the members of the Board must fulfill the independence criteria determined by the Turkish Capital Markets Board.

Five independent members served in our Board of Directors between October 2022 and March 2023. Three independent board members appointed in the General Assembly Meeting in Marh 31, 2023. All independent Board members were nominated by the Corporate Governance Committee, and each nominee obtained the Capital Markets Board non-objection before taking office as an independent Board member.

Apart from independent Board members, two other members served in the capacity of non-executive Board member at the end of 2023.

The identity, duty and term of office of each Board member are indicated below.

Name / SURNAME	Duty	Serves Since ⁽¹⁾	Committee Duties
Mehmet Tevfik NANE	Chairperson of the Board	2022	Member, Technology Comm.
Ali İsmail SABANCI	Non-Executive Board Member	2005	-
Mehmet Cem KOZLU	Non-Executive Board Member	2013	Member, Corp. Gov. Comm.
Hatice Zeynep Bodur OKYAY	Non-Executive Board Member	2016	Member, Risk Comm.
Agah UĞUR	Independent Board Member	2019	Chair, Audit Comm. Member, Risk Comm.
David Florenz Alexander VISMANS	Independent Board Member	2022	Chair, Risk Comm. Member, Technology Comm.
Ayşegül İLDENİZ	Independent Board Member	2022	Chair, Corp. Gov. Comm. Member, Audit Comm., Technology Comm.
Hüseyin Çağatay ÖZDOĞRU ⁽²⁾	Board Member	2023	-

⁽¹⁾ Board appointments are made annually at the discretion of our shareholders and our current Board members were appointed for a term of one year at the Annual General Assembly Meeting dated March 30, 2023.

⁽²⁾ Appointed to succeed Stephen Mark GRIFFITHS upon his resignation dated August 28, 2023 to serve for the remainder of his term of office subject to the approval of the shareholders at the next General Assembly Meeting.

Information on the duties assumed elsewhere by our Board members in 2023 is provided in **Annex-2** to this Report. Independency statements by our independent Board members are provided in **Annex-3** to this Report.

b)- Senior Management: Our senior management comprises the General Manager (CEO) and department heads directly reporting to the CEO. Information on Pegasus senior management and their duties as of December 31, 2023, is provided in the following chart.

Name / SURNAME	Duty	Serves Since (1)	Serves in Position Since (2)
Güliz ÖZTÜRK	Chief Executive Officer	2005	2022
M. Barbaros KUBATOĞLU	Chief Financial Officer	2007	2018
Onur DEDEKÖYLÜ	Chief Commercial Officer	2010	2022
Ergün DEMİRCİ	Chief Operations Officer	2013	2022
Gençer KARATEPE	Chief Flight Operations Officer	2018	2020
Dilara OĞUR	Chief Human Resources Officer	2015	2015
Barış FINDIK	Chief Information Technologies Officer	2017	2017
Murat TÜNAY	Chief Safety Management & Emergency Response Management Officer	2011	2020
Yavuz Selim ÖZMEN	Chief Flight Academy Officer	2016	2020
Ali UZUN	General Counsel and Sustainability Director	2013	2022
Sinan Onur ÖZTUNA	Compliance Monitoring Group Manager	2016	2020
Tayfun BORA ⁽³⁾	Aviation Security Group Manager	2003	2020
Özgür DİNÇER ⁽⁴⁾	Group Head of – Internal Audit & Integrated Management Systems and Business Excellence	2017	2017

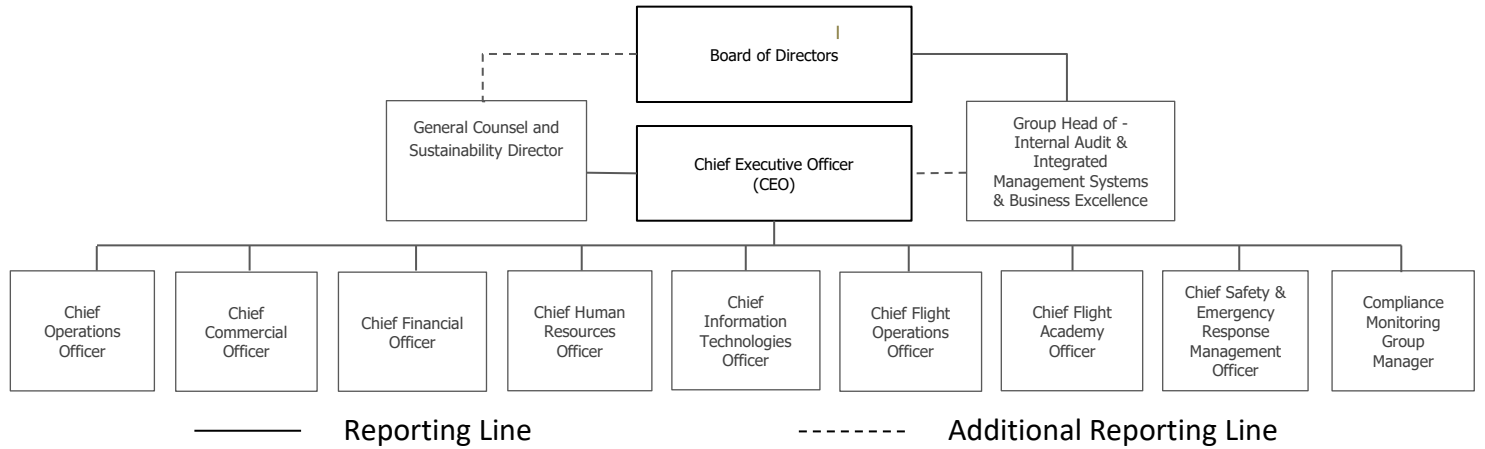
(1) Indicates service in Pegasus Airlines Group Companies.

(2) Indicates service in the stated duty.

(3) Resigned from his duty on January 30, 2024, and the duties for Aviation Security were assumed by Murat TÜNAY effective as of the same date, pending approval of appointment by the Turkish General Directorate of Civil Aviation.

(4) Resigned from his duty on October 26, 2023, and was succeeded by Ayşe Naz ÇAĞIL effective as of February 6, 2024.

Our management organization chart is shown below:



c)- Number of Employees: The total number of our full-time employees, including the employees of our consolidated subsidiary defined in Section 4/D of this Report, as of December 31, 2023, was 7,670. This number includes the members of our senior management listed above. There are no employees under a collective bargaining agreement.

G- INFORMATION ON TRANSACTIONS BETWEEN PEGASUS AIRLINES AND BOARD MEMBERS, COMPETING BUSINESS ACTIVITIES OF BOARD MEMBERS AND CONFLICT OF INTEREST REGARDING INVESTMENT ADVICE, RATING AND SIMILAR SERVICES PROCURED BY PEGASUS AIRLINES

At the Annual General Assembly Meeting held on March 30, 2023, our shareholders authorized our Board members, in accordance with Articles 395 and 396 of the Turkish Commercial Code No. 6102, to enter transactions with Pegasus Airlines on their own behalf

and on behalf of others and to engage in commercial business falling within the area of activity of Pegasus Airlines.

At the same meeting, our shareholders were informed, under a separate agenda item, as per the provisions of Principle 1.3.6, that in the previous year:

- no material transactions realized between Pegasus Airlines or its subsidiaries on one hand and our controlling shareholders, Board members, members of our senior management with administrative responsibility or their spouses or relatives up to and including the second degree on the other hand, which would create a conflict of interest, or
- any other instance where any of the foregoing persons engaged in competing business on their own account or on the account of others or through any enterprise where they act as a shareholder with unlimited liability.

Information on the related party transactions entered into by us in 2023 was provided in Note 5 to the Consolidated Financial Statements for the Accounting Period between January 1 – December 31, 2023, "Related Party Transactions".

In 2023, several Board members held executive and non-executive duties in entities that operate in the field of aviation. None of these entities competed with or entered into a significant transaction with us in a manner that would fall within the scope of Principle 1.3.6.

- Our Chairperson of the Board of Directors Mehmet T. NANE served as a non-executive board member of Flybondi Limited (United Kingdom), investing in the first low-cost airline based in Argentina.
- Stephen M. GRIFFITHS served as managing director at East Midlands Airport and Group Operational Transformation Director, as part of the Manchester Airports Group (United Kingdom) in 2023.
- Our non-executive Board member M. Cem KOZLU served as a member of the supervisory board and the audit committee of DO & CO AG (Austria).

The above transactions and engagements do not create any conflict of interest for us or our subsidiaries.

We act diligently to prevent any conflict of interests with the entities providing us services such as investment advice, corporate governance advice and rating services. In 2023, there are no transactions to report that gave rise to a conflict of interest in this respect.

H- WORKING PRINCIPLES OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES

The [Working Procedures and Principles of our Board of Directors](#) are determined in writing and are published on our Investor Relations Website. Subject to the provisions of the mandatory provisions of Turkish law and the Articles of Association regarding the authority, responsibilities, duties of the members of the Board of Directors and the delegation thereof, the Board of Directors:

- provides entrepreneurial leadership of the Company by taking decisions and guiding and overseeing the Company management, maintaining its risk, growth and income balance at the most appropriate level and by giving priority to the long-term interests of Pegasus Airlines with a diligent risk-management approach;

- guides corporate strategy, determines the human and financial resources required by Pegasus Airlines and approves the Company's annual budget, and while preventing conflicts of interest and balancing competing demands on Pegasus Airlines, supervises the performance of Pegasus Airlines and its management; and
- supervises the compliance of Pegasus Airlines' operations with the applicable legislation, the Articles of Association, the internal regulations, and corporate policies.

Our Articles of Association authorize our Board of Directors to resolve on donations on behalf of the Company, within the ceiling to be determined by the General Assembly and subject to the restrictions that may be brought by the Capital Markets Board pursuant to Article 19 of the Capital Markets Law and to resolve on all matters that do not fall within the explicit authority of the General Assembly under the applicable law and the Articles of Association.

In line with the relevant provisions in our Articles of Association, our Board of Directors convenes for meetings and adopts resolutions whenever the Company business requires. However, the Board of Directors meets at least four times a year. Board members are expected to attend all meetings, devote sufficient preparation time ahead of each meeting and present their opinions at each meeting. The Chairperson of the Board is expected to facilitate the efficient participation of all Board members at the meeting.

Records relating to the work of the Board of Directors are kept in writing and available to all Board members. Board members dissenting on any matter discussed during the meeting records his/her reasonable and detailed dissenting opinion in the records.

Save for special quorum requirements of the law, the Board meets at the presence of simple majority of its members and adopts decisions by simple majority of those that are present at the meeting. Each Board member has one vote. Unless one of the Board members requests a meeting, the Board can adopt decisions by the written approval of simple majority of its members to a written proposal submitted by a Board member or by the Company management. Each resolution passed at the Board of Directors is signed by a sufficient number of Board members and are kept in the Resolution Ledger of the Board of Directors.

Based on the resolution of our Board of Directors dated March 30, 2023, Committees and duties were identified as follows.

Audit Committee		
Chairperson	Agah UĞUR	<i>Independent Board Member</i>
Member	Ayşegül İLDENİZ	<i>Independent Board Member</i>
Corporate Governance Committee		
Chairperson	Ayşegül İLDENİZ	<i>Independent Board Member</i>
Member	Stephen Mark GRIFFITHS ⁽¹⁾	<i>Non-Executive Board Member</i>
Member	Mehmet Cem KOZLU	<i>Non-Executive Board Member</i>
Member	Ömer L. ÖMERBAŞ	<i>Group Head of – Investment Relations</i>
Committee on Early Detection of Risks		
Chairperson	David F. A. VISMANS	<i>Independent Board Member</i>
Member	Agah UĞUR	<i>Independent Board Member</i>
Member	H. Zeynep Bodur OKYAY	<i>Non-Executive Board Member</i>
Member	Mustafa TERCAN	<i>Non-Board Member Expert</i>
Technology Committee		
Member	Ayşegül İLDENİZ	<i>Independent Board Member</i>
Member	David F. A. VISMANS	<i>Independent Board Member</i>

⁽¹⁾ Resigned from his duty on August 28, 2023.

In determining the composition of the structure of the Board Committees, the Board of Directors aims to form a balanced distribution of work in consideration of the number of non-executive and independent Board Members and the legal requirements for the composition of each Board Committee.

In accordance with the requirements of the Principles, all the members of the Audit Committee and the chairpersons of the Corporate Governance and Risk Committees are appointed from among independent Board members. Executive Board members assume no active duty in these Committees. Our Board did not establish separate Compensation and Nomination Committees, and, in accordance with the Principles, the duties pertaining to such functions are assumed by the Corporate Governance Committee.

The Committees record and maintain all their work in writing and submit regular reports on their work and results of Committee meetings to the Board.

Summary of the work undertaken by the Board Committees is provided below.

Audit Committee

The Audit Committee held four meetings on March 3, May 9, August 11, and November 8, 2023, in attendance of all members. The Committee engaged in works within the framework of its Charter and in this respect reviewed our Company's financial reports for the periods ending on December 31, 2022, and on March 31, June 30, and September 30, 2023, and shared its favorable opinion with the Board. The Committee prepared the proposal for the appointment of the independent audit firm for 2023 audit requirements, oversaw the activities of the Company's Internal Audit Department, its work plan and budget. In 2023, the Committee continued to oversee ethics governance work. The Committee informed the Board of its activities at each Board meeting held in 2023.

Corporate Governance Committee

The Corporate Governance Committee held four meetings on March 21, May 31, September 13, and December 13, 2023, in attendance of all members. The Committee engaged in works within the framework of its Charter and in this respect, oversaw corporate governance compliance, the nomination of independent directors and the determination of nomination and compensation principles for Board members in 2023, succession planning for executive management and key positions, scrutinized the operations of the Investor Relations Department. In 2022, the Committee reviewed the Company's Sustainability/ESG actions on a regular basis. The Committee reviewed and followed-up the action items of Board Self-Evaluation Study. In 2023, Pegasus Airlines retained one of the highest Corporate Governance Compliance Ratings across BIST, with a compliance rating of 97.5%. Pegasus Airlines remained the top-rated aviation stock on BIST and the second-highest ranked Company in terms of Board practices in 2023. The Committee informed the Board of its activities at each Board meeting held in 2023.

Committee on Early Detection of Risks

The Committee on the Early Detection of Risks held four meetings on March 21, May 30, September 12, and December 12, 2023, in attendance of all members. The Committee engaged in works within the framework of its Charter and in this respect established the main

principles and control mechanisms for the determination and management of main risks on commercial, operational, financial, legal, IT, HR and sustainability, that may endanger the existence, development and future of the Company and oversaw the implementation of such principles and mechanisms. The Committee conducted its annual review of Safety Emergency Response and IT Business Continuity actions in 2023. The Committee informed the Board of its activities at each Board meeting held in 2023. The Committee also provided information on its work and its periodic evaluation of risks once every two months in accordance with the provisions of Article 378 of the Turkish Commercial Code.

Technology Committee

The Technology Committee held two meetings on March 24 and October 23, 2023 in attendance of all members. The Committee engaged in works within the framework of its Charter and in this respect, the Committee oversaw the planning and establishment process of our subsidiary Pegasus Innovation Lab, Inc. in 2023. The Committee also evaluated technological and digital innovation initiatives within the Company, focusing particularly cybersecurity and digitalization in operations.

The overall attendance rate for Board and Committee meetings was 96.0% in 2023. A breakdown of individual attendance is provided below:

Board / Committee Member	Attendance				
	Audit Comm.	Corp. Gov. Comm.	Risk Comm.	Technology Comm.	Board
Mehmet Tefik NANE	-	-	-	2/2 (100%)	4/4 (100%)
Ali İsmail SABANCI	-	-	-	-	3/4 (75%)
Mehmet Cem KOZLU	-	4/4 (100%)	-	-	4/4 (100%)
Hatice Zeynep Bodur OKYAY	1/1 (100%)	-	2/3 (67%)	-	4/4 (100%)
Stephen Mark GRIFFITHS	-	2/2 (100%)	-	-	2/2 (100%)
Agah UĞUR	4/4 (100%)	-	3/4 (75%)	-	4/4 (100%)
David F. A. VISMANS	-	1/1 (100%)	4/4 (100%)	2/2 (100%)	4/4 (100%)
Ayşegül İLDENİZ	3/3 (100%)	3/3 (100%)	-	2/2 (100%)	4/4 (100%)
H. Çağatay ÖZDOĞRU ⁽¹⁾	-	-	-	-	2/2(100%)
Mustafa TERCAN	-	-	4/4 (100%)	-	-
Ömer Lütfü ÖMERBAŞ	-	4/4 (100%)	-	-	-
TOTAL	100%	100%	87%	100%	97%

⁽¹⁾ Succeeded Stephen Mark GRIFFITHS on August 28, 2023.

We run an effective mechanism to identify and follow-up on the completion of action items decided by the Board of Directors or by Board Committees. 95.3% of all action items raised for 2023 were completed by the end of 2023. There are no material overdue action items as of December 31, 2023.

I- INFORMATION ON THE EFFICIENT EXERCISE OF SHAREHOLDER RIGHTS

Pegasus Airlines Investor Relations is responsible for managing shareholder relations and reports to the Company CFO. Corporate Secretary works in collaboration with Pegasus Airlines Investor Relations on all corporate governance matters. Our senior management staff responsible for shareholder relations and their contact information are provided below:

Mr. M. Barbaros KUBATOĞLU
Chief Financial Officer

Mr. Ömer L. ÖMERBAŞ
Group Head of Investment Relations

Telephone : +90 216 560 7542

Fax : +90 216 560 8087

E-mail : pegasusyatirimciiliskileri@flypgs.com

Website : <http://www.pegasusinvestorrelations.com/>

In accordance with the requirements of the Capital Markets Board's Corporate Governance Communiqué No. II-17.1, Ömer L. ÖMERBAŞ is the Group Head of Investment Relations unit and serves as a member of our Corporate Governance Committee. Ömer L. ÖMERBAŞ is a full-time employee reporting to the CFO. He holds Capital Markets–Level 3 and Corporate Governance Rating Licenses. As the head of Pegasus Airlines Investment Relations, he carries out all investor relations activities under the scrutiny of the Committee. Pegasus Airlines investor relations strategy, key targets, activities, performance results are regularly reported to the Committee and the Board of Directors. In 2023, the regular updates were reported to the Board and the Committee on March 21-23, May 31, June 1, September 13-14, and December 13-14.

Throughout 2023, we responded to inquiries submitted by our shareholders without discrimination, through telephone, e-mails or meetings and attended nine targeted investor events.

Information on the principles, methods and frequency of communication of information to our shareholders is detailed in the [Pegasus Information Policy](#) available on our Investor Relations Website.

We undertake to act in an honest, respectful, fair, and trustful behavior based on reason, conscience, and common sense with all stakeholders. In this respect, we aim to establish a sustainable, efficient, and transparent communication with stakeholders and to enable stakeholders to achieve correct and complete information on time, in equal terms and in a way that is comprehensible, interpretable, and easily accessible at low cost. Pegasus Investor Relations Website forms the principal communication platform for investor communication.

Also, information we are required to make available as per the "**Information Society Services**" related provisions of the Turkish Commercial Code No. 6102, is published on the e-COMPANY platform of the Central Registry Agency accessible by a link on our Investor Relations Website (<https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/sirketbilgileri/11366>).

The inquiries received by the Investor Relations Unit were answered within the framework of the law and the Pegasus Information Policy.

No requests for special audit of a specific matter were submitted to Pegasus in 2023. Our shareholders are entitled by law to request the appointment of a special auditor to review specific matters, and this statutory right is explicitly recognized in Article 16 of our Articles of Association.

In accordance with the provisions of Article 137 paragraph 3 of the Capital Markets Law No. 6362, our Articles of Association do not contain any restrictions with respect to the transfer of Company shares that are traded on Borsa Istanbul. Article 7 of our Articles of Association grants our Board of Directors the right not to approve the transfer of Company shares in specific circumstances and for the purpose of our Company's ability to resume its operations

within the framework of the Turkish Civil Aviation Law No. 2920. Such authority of the Board of Directors will only become exercisable to the extent at least 50% of Pegasus shares are held by non-Turkish citizens.

J- INFORMATION ON SHAREHOLDER MEETINGS HELD IN THE REPORTING PERIOD

The Annual General Assembly meeting of our Company for the year 2022 was held on March 30, 2023, at 10:00 am local time at our Company Headquarters in Istanbul.

The meeting invitation and the agenda were published in the Trade Registry Gazette dated March 6, 2023, and numbered 10783, on page 507 - 508, on our Investor Relations Website, on the Public Disclosure Platform and the Electronic General Assembly Portal within the time limits prescribed by the law. Written invitations were also communicated to the shareholders that are not subject to the exception set out in Article 29 Paragraph 2 of the Capital Markets Law No. 6362.

Shareholders representing ₺70,236,127 (68.65% of the Company capital) were represented at the meeting, thereby constituting the requisite meeting quorum. Mr. Mehmet T. NANE, Vice-Chairperson of the Board of Directors, Ms. Güliz ÖZTÜRK, CEO, Mr. M. Barbaros KUBATOĞLU, CFO, responsible for financial reporting, and Ms. Zeynep ARI ÖZ representing the Company's independent auditor, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi, attended the meeting in person.

The decisions of our shareholders adopted at the Annual General Assembly meeting held on March 30, 2023, are indicated in the table below:

March 30, 2023 Annual General Assembly Resolutions	Vote
• Approval of the appointment made for the replacement of the resigning member of the Board of Directors in accordance with Article 363 of Turkish Commercial Code,	Majority
• Approval of the Annual Activity Report, the Auditor Report, and the Financial Statements for the year 2022	Majority
• Release of the members of the Board of Directors for operations and accounts pertaining to the year 2022	Majority
• Determination of no distributable profit for the year 2023	Unanimity
• Approval of the amendment to Article 6 of the Company Articles of Association proposed by the Board of Directors, subject to the prior consent of the Capital Markets Board and the Ministry of Commerce	Majority
• Appointment of the members of the Board of Directors for a term of one year	Majority
• Determination of payments to be made to Board members during the term of appointment	Majority
• Authorization of the members of the Board of Directors for transactions falling within the scope of Articles 395 and 396 of the Turkish Commercial Code	Majority
• Appointment of Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Ernst & Young Global Limited) as the independent audit firm for the year 2023 as per the provisions of Article 399 of the Turkish Commercial Code	Majority
• Approval of the proposed amendments by the Board of Directors to the Pegasus Airlines Donations and Charitable Contributions Policy	Unanimity
• Determination of a ceiling for donations to be made by the Company in 2023 and approval of the solidarity donations made in connection with the earthquakes dated February 6, 2023 affecting 10 provinces in southeast Türkiye	Unanimity / Majority

The agenda, list of attendees and meeting minutes at the meeting are published on our Investor Relations website.

There were no transactions to report in 2023 that had to be submitted for the approval of our shareholders, where the approval of the majority of the independent Board members was required and not received with respect to a resolution of the Board of Directors.

K- AMENDMENTS TO THE ARTICLES OF ASSOCIATION IN THE REPORTING PERIOD

Article 6 of the Company Articles of Association was amended regarding the Company's authorized capital ceiling of TL 500,000,000 valid for 2018 – 2022 to be extended by another five years to cover the period between 2023 – 2027 by the approval of shareholders in the General Assembly meeting dated March 30, 2023.

L- AMENDMENTS TO THE POLICIES APPROVED BY THE GENERAL ASSEMBLY OR THE BOARD IN THE REPORTING PERIOD

Amendments proposed by the Board of Directors to Pegasus Donations and Charitable Contribution Policy were approved by the shareholders at the General Assembly meeting dated March 30, 2023. Amendments to Pegasus Information Policy and Pegasus Compensation and Indemnification Policy were adopted by the Board of Directors in the reporting period.

2- FINANCIAL BENEFITS PROVIDED TO BOARD MEMBERS AND SENIOR MANAGEMENT

Pursuant to our Articles of Association, Board members are paid a monthly or annual salary or meeting-based remuneration to be determined by the General Assembly. Principles relating to the compensation of Directors are set out in the [Pegasus Airlines Compensation and Indemnification Policy](#).

With respect to the remuneration of independent Board members, stock options or payment plans based on the Company's performance cannot be used. Nevertheless, remuneration of independent Board members should be at a level sufficient to protect their independence.

The criteria and procedures relating to the compensation of Board members and proposals for the remuneration of and other benefits to be provided to them are annually determined by the Corporate Governance Committee and submitted for the evaluation of our shareholders at the Annual General Assembly Meeting. In this respect, “**2023 Nomination and Compensation Principles and Criteria for Pegasus Board of Directors**” was determined by the decision of the Corporate Governance Committee, which was published as **Annex-4** to the [Information Document](#) prepared for the Annual General Assembly meeting held on March 31, 2023 and communicated to our investors through our Investor Relations Website, the Public Disclosure Platform and the Electronic General Assembly Portal.

The cumulative ceiling for honorary payments to be made to our Board members based on their attendance to Board meetings and the annual payments made for their duty as chairperson or member in the Board Committees, and the main principles applicable to such payments, were determined by the shareholders at the Annual General Assembly meeting held on March 30, 2023 and was published in the meeting minutes.

Total financial benefits provided to Board Members and Senior Management in 2023 amounted to ₺121,114,527. This amount includes the gross honorary fees paid to the members of our Board of Directors for the Board meetings they attended in 2023 as well as gross payments for their duties as chairperson or member at the relevant Board committees,

the total salary and bonus fees paid to the CEO and other C-level executives, and the income tax and social security contributions with respect to the same persons.

In 2023, there were no loans or security extended by Pegasus to the members of the Board or senior management.

3- RESEARCH AND DEVELOPMENT ACTIVITIES

We are dedicated to allocating resources for in-house aviation technology developments and research & development activities.

In 2023, our R&D work focused on improving integration and coordination between our operational systems, tools and operations staff to increase flight safety and operational efficiency. Our Xml AHM565 project was designed to facilitate ground services at airports with the aim of improving flight safety and fuel efficiency by ensuring accurate and complete loading and balancing processes for our aircraft. This project contributes to minimizing ground time by eliminating the root factors causing delays at airports due to misinformation.

Elsewhere, PegasusConnect initiative was implemented to provide digital communication between crew members and ground service teams. PegasusConnect contributes to an effective and a faster operation by enabling a platform for sharing documents and providing easy access to necessary information through online connectivity between crew members and system users.

Handling module on the Electronic Flight Bag (EFB) system was developed for easy access, monitoring and managing of contract and service information for service providers at airports through a single application, which is connected to the PegasusConnect application. This enables our staff members to take quick and proactive actions to cockpit requests during operations for potential ground service issues.

Another initiative, Pilot Training Dashboard, provides an effective and user-friendly training management system to meet the training needs of pilots of our growing fleet. This project digitalized line training forms and made training processes evaluated and monitored separately for both trainers and trainees.

Completed and ongoing innovation, technology and design projects will continue to positively impact operations, allowing for smart review of operational efficiency and a more simplified and effective operational performance.

Besides our in-house development projects for our flight operations, in 2023, we continued to improve digitalized functions for both passengers and employees, further strengthening our position as the “Digital Airline” of Türkiye. These improvements not only improve user experience across the board, but also empower both passengers and employees. In 2023, our digitalization initiatives continued to be driven under the “N+1” standard which signifies our aspiration to be better than the best, to support our business through technologic improvements. Major novelties in 2023 on the digital front included the following:

- In 2023, we launched the Smart Reissue enhancement, bringing significant updates to the calculation structure and display views within flight change processes. This enhancement aims to improve the clarity and accessibility of fare calculations for our reservation system users and guests. It has effectively streamlined guest services by optimizing guest notifications, resulting in increased guest satisfaction.

- We have implemented a rule engine structure in the Allotment Manager module used for Charter and Split Charter flights. With the use of the rule engine, quota and price changes are automatically carried-on, based on a set of business rules. The development helps us minimize manual management, reduces overbooking risk, and achieves growth in both revenue and passenger load factors.
- In 2023, we provided bundle upgrade offers on our agency portal and digital channels to offer defined package upgrade offers. Also in 2023, we created the “bundle upgrade” option in our agency portal, enabling our guests buy packages and upgrade their packages after ticketing.
- Significant enhancements were made to improve the performance and capacity of our new generation web-based application used by our Revenue Management team, aiming to make it high-performance, functional and user-friendly. The application code was refactored to improve system health and performance, and the work is planned to continue in 2024. In order to enable the Revenue Management team to perform their work faster and more effectively, to improve the application and to facilitate its use, work is being carried out with Agile transformation within the framework of product continuity.
- Within the scope of our 360 Flight Search Program in 2023, we introduced features such as "**Trip Finder**," which allows our guests to plan their travels based on specific themes according to their budget and needs; "**Search Redesign**," which makes the search function in mobile applications more functional; and "**Prices on Calendar**," which displays prices on a calendar during the search, offering our guests time savings and ease of use. Additionally, we integrated the "**Best Deals**" feature, added in 2022, into mobile applications, providing options based on location. Thus, we have taken our 360 Flight Search Program a step further in matching the right content, at the right price, with the right person.
- In 2023, as part of our "My Flights" function that accompanies our guests throughout their travel journey, we introduced "Express Baggage and Terminal Information," automatic (and offline) saving of the Boarding Pass, and the "New Boarding Pass Design" which highlights the most relevant and important information for our guests in a prominent way. Thus, we have taken our "My Flights" function a step further towards providing the best travel experience for our guests.
- To improve processing speed and accessibility, the software architectural framework has been changed on our homepage and associated domains of our commercial website. As a result, guests accessing our site can now reach content much faster and without interruption, and the time it takes for new features to reach our guests is reduced.
- New developments were carried out to increase the diversity of benefits in our campaign management systems. We provide unique code campaigns to our members so that they can use them at the parties we cooperate with, and as a result of our smart segmentation, BolPoints can be given as benefit in addition to the discount campaigns.
- In 2023, Pegasus BolBol Loyalty Program continued to gain new functions. Especially with our "Invite your Friend" concept, our members can invite others to the program and thus provide BolPoint benefit to both the invited and the inviter.

- Travel Planning Support with ChatGPT was launched on our Webchatbot, which we positioned under the name FLYBOT on our commercial website the previous year. With the power of Generative AI technology, we enlightened our guests on issues that require detailed information such as "characteristics of the place to travel" and suggested routes suitable for their demands. With this work, it became the first airline in Türkiye to integrate ChatGPT in customer-facing services.
- Improvements were made in our channels with surveys measuring the ease of the transaction, which we started collecting immediately after our guests' important steps. In this context, feedback regarding Ticketing, Membership and Express Baggage usage was closely monitored.
- Our TAMS (Turnaround Management System) Project, the final platform development initiative of our SENKRON program aimed at effectively and efficiently managing our Ground Operations, became live. With the TAMS product, it is now possible to track the time our aircraft spend on the ground in real-time, anticipate situations that may cause disruptions, and take necessary actions when required. Information from aircraft, ground vehicles, and ground personnel received from ACARS and IoT Systems can be processed in real time. Potential delays in departure time can be identified in advance based on the interdependence of operational processes, and alerts can be communicated to the necessary departments through the system.
- Due to our self-service investments and newly developed digital capabilities, the percentage of passengers continuing their travel without visiting counters reached 45% at digital hubs equipped with Express Baggage devices and 32% across all hubs in 2023. Our aim is to raise this rate to over 50% by enhancing our online check-in capabilities and increasing the availability and usage of Express Baggage devices.
- In 2023, we continued our efforts to expand the usage of Express Baggage at various hubs. A total of 12 kiosks and 4 baggage drop units were installed. While the number of self-service devices at Antalya, Bodrum, Ankara, and North Cyprus Ercan airports increased, new devices were also deployed at Trabzon hub and the Istanbul Sabiha Gökçen Airport metro station. As of the end of 2023, we are providing services at 9 domestic hubs with a total of 95 kiosks and 34 baggage drop units.
- In 2023, with our aim of being a leading airline in self-service experiences, we implemented the Arc 5-D experience. At Istanbul Sabiha Gökçen Airport, we have added light and sound features to provide information during baggage drop processes, alongside visual flows, interfaces, and error notifications. Our goal is to strengthen all steps of the baggage drop process, such as belt waiting, tag reading, and placing the baggage on the belt, by using light and sound, aiming to help our guests complete their transactions with an enhanced experience.
- In 2023, the first step was taken to enable our Departure Control System (DCS) used in passenger operations to be utilized during airport infrastructure issues and interruptions in internet access. The Mobile DCS application was implemented, allowing ground staff to conduct boarding independently via their mobile phones, regardless of airport infrastructures.

- During system issues, Express Baggage devices were enabled to continue operations seamlessly via our Backup Departure Control System (Fallback DCS). This minimized the impact of system downtime on our guests' travel experiences.
- Improvements were completed to the IROPS-Aircraft Optimizer, developed to handle any disruption that may occur during flight operations. Aircraft Optimizer is designed to create the most optimal flight schedule for aircraft based on feasibility rules, airport closures, planned/unplanned maintenance, and operational costs. Within defined constraints, Aircraft Optimizer plans flights with the least number of cancellations, delays, and aircraft swaps.
- The WhatsApp Boarding Pass was introduced for the convenience of our guests. With the implementation of this first-of-its-kind application in Türkiye, our guests can receive their boarding passes via WhatsApp visual notifications on their phones, prompted either from Express Baggage kiosks at terminals or from counters.
- The Crew Tracking application, responsible for all flight and duty scheduling of our flight crews, was renewed. The aim is for the new application to better meet Pegasus' growing flight and crew planning needs and to provide swift solutions to changing schedules.
- New features have been added to the mobile applications used by our flight crews to ease their lives, providing them with easier access to tasks and necessary information while on duty. The applications were enriched with features such as smart assistant functionality, specialized functions for office and expat captains, hotel information, and call center integration.
- Training required for our pilots within the scope of their duties is optimized using our Plato system. This system now includes training for cabin crews as well.
- Our Corporate Portal and Corporate Mobile Application were updated with new features. Some of the newly added features include a notification application to be used in the event of natural disasters, live streaming capability, and a ChatGPT-supported employee recommendation system.
- In addition to the corporate digital applications, new innovations such as OCR and Artificial Intelligence-supported expense form, and digital signature processes were implemented.
- Under the scope of Robotic Process Automation, a total of 38 processes causing routine workload in various units were automated.
- OHS Trainings with Virtual Reality were initiated. Our trainings, such as emergency situations and working from height, where live training is not possible, are provided in 3D and interactive ways.
- In 2023, new features were added to our SmartTechnic mobile application within the scope of digitalization of Aircraft Maintenance and Repair activities. Some of the prominent features are the aircraft selection system with QR code, warehouse material controls, and display of work order lists to cabin crew.
- Technical Education; TREX (Training Examination System) interface was updated to be mobile compatible and exam management has been managed via tablets.

In addition to all of these enhancements, on December 28, 2023, we incorporated PIN as a new fully-owned subsidiary in the United States of America, State of Delaware, to operate in the “Silicone Valley” to support and improve our future digitalization efforts.

4- COMPANY'S BUSINESS AND MATERIAL DEVELOPMENTS RELATING TO THE COMPANY ACTIVITIES

A- SECTOR OUTLOOK

International Aviation Market

There had been a strong recovery in travel demand through the summer season of 2022 parallel to the relaxation of the restrictions on international travel which were imposed by the authorities as part of the efforts to battle the COVID-19 pandemic. The recovery in demand continued in 2023, albeit at a slower pace compared to 2022. According to IATA's (International Air Transport Association) “Air Passenger Market Analysis” published on January 31, 2024, world total passenger traffic measured in RPK (Revenue Passenger Kilometers) grew by 37% YoY in 2023 following the 64% YoY growth in 2022. In Europe and Middle East, RPKs were 20% and 32% higher YoY in 2023, however the traffic at both regions were still slightly lower than 2019 level (the last normal year before the pandemic).

Turkish Aviation Market

According to the data published by the General Directorate of State Airports Authority (DHMI), the number of total passengers in Türkiye grew by 18% YoY in 2023 following the 52% YoY growth recorded in 2022. Consequently, the total passenger number of Türkiye reached 6% over the 2019 level. As for a breakdown, domestic passengers in Türkiye grew by 16% YoY while international passengers increased by 19% YoY in 2023.

Development of Pegasus Airlines Market Share Since 2005

Following the acquisition by Esas at the beginning of 2005, we changed our business model, introducing a low-cost network carrier model and focused on providing affordable and on-time air travel service with a young fleet.

As a result of the successful implementation of this low-cost strategy, we experienced rapid expansion of our operations both in domestic and international routes. Between 2009 and 2019, our cumulative average annual passenger growth reached 18%, significantly outpacing the 9% annual average growth recorded by the Turkish market.

However, parallel to the decline in demand and negative impact of the travel restrictions with the COVID-19 pandemic, our total booked passenger number declined by 34% in the two-year period from 2019 to 2021. In the same period, total number of passengers in the overall Turkish market contracted by 38%. In 2022, our booked passenger number grew by 34% followed by a 19% growth in 2023.

The table below indicates Pegasus market share trend in terms of domestic and international scheduled passenger numbers between 2016 and 2023:

Pegasus Market Share Data (2016 – 2023)

	2016	2017	2018	2019	2020	2021	2022	2023
Domestic	29.8%	30.8%	31.5%	31.3%	37.5%	34.1%	27.2%	25.7%
International	11.8%	12.4%	12.2%	12.9%	15.0%	13.0%	14.9%	15.7%

Source: Pegasus Airlines (carried passengers), DHMI

Explanations on the Company's Production Units, Information on Sales, Sales Conditions and Productivity

Comparative data on our Company's revenue generating activities, sales, and productivity in 2023 is provided in Section 5/C of this Report.

B- INFORMATION ON INVESTMENTS MADE BY PEGASUS AIRLINES IN THE RELEVANT ACCOUNTING PERIOD

Information relating to our fleet as of December 31, 2023, is shown below:

AIRCRAFT TYPE	RANGE (KM)	NUMBER OF AIRCRAFT			SEAT CAPACITY			AVERAGE FLEET AGE
		31.12.2023	31.12.2022	Growth (%)	31.12.2023	31.12.2022	Growth (%)	31.12.2023
B737-800	4,163	16	18	-11%	3,024	3,402	-11%	9.89
A320CEO	4,074	7	7	0%	1,092	1,272	-14%	8.99
A320NEO	4,740	46	46	0%	8,556	8,556	0%	4.96
A321NEO	4,237	41	25	64%	9,799	5,975	64%	1.43
TOTAL		110	96	15%	22,471	19,205	17%	4.62

In July 2012, we placed an order with Airbus for 57 firm order A320neo and 18 firm order A321neo aircraft, totaling 75, and an additional 25 optional aircraft, thereby constituting a purchase order for 100 new aircraft. This was the largest single aircraft order in Turkish civil aviation history at the time. In December 2017, we exercised our option for 25 additional aircraft and converted these option aircrafts to firm orders in A321neo configuration. In October 2021, we placed an order with Airbus for 6 additional A321neo aircraft, and in June 2022, we placed an order with Airbus for 8 additional A321neo aircraft and in July 2023, we placed an order with Airbus for 36 additional A321neo aircraft. The 2012 Airbus Order, as amended, comprised a total of 42 A320neo and 108 A321neo aircraft as of August 14, 2023. Pegasus is the first customer of CFM-Leap series engine used on A320neo aircraft. 15 aircraft joined Pegasus fleet in 2023.

The delivery schedule for the A320neo/A321neo aircraft under our Airbus order is as follows:

Aircraft Type	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
A320neo	9	6	0	0	0	0	0	0	0	0
A321neo	5	1	20	17	16	3	8	11	11	11

C- EVALUATION OF INTERNAL AUDIT AND INTERNAL CONTROL SYSTEMS

Our Internal Audit Department was first established in June 2006 and since April 2011, our Internal Audit Department works under the auspices of the Audit Committee. The Audit Committee was reorganized on August 17, 2013, to align its structure with the Principles determined by the Capital Markets Board.

The establishment of an efficient internal control system at Pegasus Airlines is carried out under the responsibility of the Board and under the scrutiny of the Audit Committee. In this context, the Committee takes into consideration information received from the Company management, the Internal Audit Department and the independent auditor and shares its opinion and recommendations on internal controls with the Board. The Audit Committee ensures that all actions are taken so that internal controls can be carried out in a sufficient and transparent manner. Pegasus Airlines Internal Audit Department performs its task under the scrutiny of the Audit Committee and according to the audit plan approved by the

Committee. Besides the internal control function operated by the Internal Audit Department, we benefit from the work of various operational internal control units acting as part of management in accordance with civil aviation rules and Company policies.

As of December 31, 2023, our Internal Audit Department of Pegasus is formed by our Group Head of Internal Audit (appointment for vacant position completed as of February 6, 2024), IMS & Business Excellence, Lead Internal Auditor and three other Internal Audit staff members.

D- INFORMATION ON DIRECT AND INDIRECT INVESTMENTS BY PEGASUS AIRLINES IN OTHER VENTURES

The table below lists information relating to our direct subsidiaries and joint ventures as of December 31, 2023. As of December 31, 2023, we did not have any indirect subsidiaries or joint ventures. We were not subject to any cross-shareholding in 2023.

Affiliate	Nationality / Area of Activity	Issued Share Capital	Nominal Shareholding	Share %	Affiliation with Pegasus
Hitit CS	Türkiye / Information Technologies Solutions	₺127,500,00	₺46,939,893	36.82%	Joint Venture
PFTC in Liquidation	Türkiye / Simulated flight training	₺200,000	₺98,800	49.40%	Joint Venture
PAT	Türkiye / Simulated flight training	₺100,000	₺100,000	100.00%	Subsidiary
PIN Lab	U.S.A. / Collaboration for and Development of Applicable Aviation Technology and Software Solutions	\$150,000	\$150,000	100.00%	Subsidiary

Pegasus Uçuş Eğitim Merkezi A.Ş. (PFTC) in which our Company has 49.40% ownership stake, provided Boeing 737 simulator flight training services to our Company, in line with the training requirements arising from our fleet planning between 2010 and 2023 entered into liquidation by the shareholders' approval at the General Assembly Meeting dated December 28, 2023.

Pegasus Airlines Innovation Lab, Inc. (PIN Lab) in which our Company has 100% ownership stake is incorporated in the State of Delaware, U.S.A., effective as of December 28, 2023, to undertake operations primarily in the Silicon Valley with the aim of identifying collaboration and development opportunities for technology and software applicable in the air transport industry.

E- SHARE BUYBACK TRANSACTIONS

There were no share buyback transactions for the year 2023.

Pursuant to the [Pegasus Share Buyback Policy](#) adopted by the resolution of Board of Directors dated November 20, 2013, and amended on December 16, 2021, we will implement any share buyback or accepting our own shares as lien in accordance with the mandatory provisions of the Turkish Commercial Code and the rules determined by the Capital Markets Board under the authority granted by the Capital Markets Law and all share buyback transactions are publicly announced within the framework of the regulatory framework.

F- INFORMATION ON SPECIAL AUDIT AND PUBLIC AUDITS DURING THE REPORTING PERIOD

There were no requests for special audit by Pegasus shareholders in 2023.

In 2023, we were subject to several planned and non-planned investigations and audits by various civil aviation authorities, authorized environment protection, consumer protection, data protection, competition, fiscal and labor bodies in Türkiye and in several other countries where we perform operations, with respect to operational, technical, environmental, and regulatory compliance. Our operations may, from time to time, be subject to routine or one-off investigations by other administrative bodies authorized in Türkiye and abroad. As a result of the said inspections and audits, we paid administrative fines in the amount of ₺5.154.207.

G- IMPORTANT LEGISLATIVE AND REGULATORY CHANGES THAT MAY HAVE MATERIAL IMPACT ON THE COMPANY'S OPERATIONS

The following legislative and regulatory changes in 2023 were important for our operations and triggered considerable work in terms of compliance planning and execution:

- In October 2023, the RefuelEU aviation initiative as a key part of the EU's Fit for 55 package was adopted by the EU with the aim to increase both demand for and supply of sustainable aviation fuels (SAF), which have lower CO2 emissions than fossil fuel kerosene, across the EU air transport market. The new regulation contains the obligation for aviation fuel suppliers to ensure that all fuel made available to aircraft operators at EU airports contains a minimum share of SAF from 2025 and, from 2030, a minimum share of synthetic fuels, with both shares increasing progressively until 2050. Fuel suppliers will have to incorporate 2% SAF in 2025, 6% in 2030 and 70% in 2050. From 2030, 1,2% of fuels must also be synthetic fuels, rising to 35% in 2050. Aircraft operators are obliged to ensure that the yearly quantity of aviation fuel uplifted at a given EU airport is at least 90% of the yearly aviation fuel required.
- In December 2023, the Turkish Public Oversight Accounting and Accounting Standards Authority (KGK) adopted Turkish Sustainability Reporting Standards 1 (sustainability-related risks and opportunities) and 2 (climate-related risks and opportunities), applicable for companies matching two of the following three criteria two years in a row: companies with total assets above TRY 500 million, companies with an annual net revenue of more than TRY 1 billion and companies with more than 250 employees. The standards will become applicable starting from 2025.

H- LAWSUITS FILED AGAINST PEGASUS WITH A POTENTIAL TO AFFECT THE COMPANY'S FINANCIAL STATUS AND OPERATIONS AND POSSIBLE OUTCOME OF DISPUTES

As of December 31, 2023, Pegasus Airlines or its consolidated subsidiaries are not defendants in any lawsuit the outcome of which, alone, is expected to affect the Company's financial status and its operations, especially that would affect the Company's scheduled and unscheduled flight operations. The total risk arising from these lawsuits and the contingency allocation for the said risk as of December 31, 2023, as well as information on lawsuits that have not been made subject to any contingency calculations but, if finalized against Pegasus Airlines, may affect the Company's financial status and its shares in subsidiaries negatively are provided in Note 15 to the Consolidated Financial Statements for the Accounting Period between January 1 – December 31, 2023. The said financial statements are available on our Investor Relations Website.

I- ADMINISTRATIVE OR JUDICIAL SANCTIONS IMPOSED AGAINST THE COMPANY OR THE BOARD MEMBERS FOR ACTIONS IN VIOLATION OF THE LAW

Save as disclosed in Section 4/F of this Report, there were no administrative or judicial sanctions imposed against Pegasus or our Board members for any action in violation of the law in 2023.

J- EVALUATION OF FULFILMENT OF TARGETS SET OUT BY THE COMPANY, FULFILMENT OF SHAREHOLDER DECISIONS ADOPTED AT THE GENERAL ASSEMBLY MEETING, EXPLANATIONS ON ANY FAILURE TO MEET THE FOREGOING

There are no shareholder decisions adopted at the Annual General Assembly Meeting held in 2023 that are not fulfilled. Our operational results in the year 2023 were periodically shared with the investor community.

K- DATE OF EXTRAORDINARY GENERAL ASSEMBLY MEETINGS HELD IN THE REPORTING PERIOD AND INFORMATION ON DECISIONS ADOPTED AT THE RELEVANT MEETINGS

There were no extraordinary General Assembly meetings held in 2023.

L- INFORMATION ON DONATIONS BY THE COMPANY AND CORPORATE SOCIAL RESPONSIBILITY PROJECTS WHERE THE COMPANY PARTICIPATED IN THE REPORTING PERIOD

Pegasus carried out donations, charitable contributions and social responsibility projects in line with the [Pegasus Donations and Charitable Contributions Policy](#) and the [Pegasus Corporate Social Responsibility Policy](#) in 2023. Both policies are available on our Investor Relations Website.

At the Annual General Assembly Meeting held on March 30, 2023, the General Assembly, in accordance with Article 19 of the Capital Markets Law No. 6362 and Article 11 of the Company Articles of Association, determined the ceiling for donations to be made by the Company in 2023 as ₺50,000,000.

The donations we made in 2023, totaled ₺ 23,877,635. 94.5% of the total donations were made for education purposes and 5.5% were civil aviation related.

M- TRANSACTIONS ENTERED INTO WITH OR UNDERTAKEN BY OR REFRAINED FROM FOR THE BENEFIT OF THE CONTROLLING PARENT COMPANY OR ANY OTHER ENTITY CONTROLLED BY THE CONTROLLING PARENT; WHETHER A REASONABLE CONSIDERATION WAS OBTAINED IN EACH INSTANCE AND WHETHER SUCH TRANSACTIONS HAVE RESULTED IN ANY LOSS FOR THE COMPANY

Pursuant to Article 199 of the Turkish Commercial Code, the Board of Directors is required to prepare a report with respect to our Company's transactions with its controlling parent Esas and other entities controlled by Esas and disclose the outcome of this report in the Annual Activity Report.

The relevant report prepared by the Company's Board of Directors on March 4, 2024, notes that *"in all transactions between the Company and Esas Holding or its subsidiaries between January 1, 2023 and December 31, 2023, according to the circumstances and conditions known to us at the time the transaction was made or a precaution was taken or not taken, an appropriate consideration was received, there are no precautions the Company has refrained from and there are no transactions or precautions that would require a settlement."*

Information on related party transactions entered by our Company and our subsidiaries is provided in Note 5 to the Consolidated Financial Statements for the Accounting Period

between January 1 – December 31, 2023. The said financial statements are available on our Investor Relations Website.

5-FINANCIAL STATUS

A- PEGASUS SHARE

Pegasus shares started trading on Borsa Istanbul on April 26, 2013, at the initial public offer price of ₺18.40. As of December 31, 2023, the indices including Pegasus Airlines shares and information on Pegasus Airlines shares are as follows:

Issuer	: PEGASUS HAVA TAŞIMACILIĞI A.Ş.
Trade Platforms	: BORSA ISTANBUL (BIST)
Market Segment	: STAR MARKET
Indices	: BIST CORPORATE GOVERNANCE / BIST STARS / BIST ALL SHARES / BIST SUSTAINABILITY / BIST SUSTAINABILITY 25 / BIST PARTICIPATION 30 / BIST TRANSPORTATION / BIST SERVICES / BIST 100 / BIST PARTICIPATION 100 / BIST 50 / BIST ISTANBUL / BIST PARTICIPATION ALL SHARES / BIST SUSTAINABILITY PARTICIPATION / BIST PARTICIPATION 50 / BIST 30
BIST Ticker	: PGSUS
Bloomberg Ticker	: PGSUS.TI
Reuters Ticker	: PGSUS.IS

Pegasus shares closed the year 2023 at a price of ₺649.50/share with an annual increase of 35% compared to the year-end 2022 closing.

B- ANALYSIS OF FINANCIAL STATUS AND OPERATIONAL RESULTS; SUCCESS IN MEETING PLANNED OPERATIONAL TARGETS AND THE COMPANY'S STRATEGIC POSITIONING WITH RESPECT TO STRATEGIC TARGETS

As of December 31, 2024, Pegasus Airlines is the second largest airline and the leading low-cost carrier in Türkiye in terms of passengers carried. The Company's performance within the operational and financial targets regularly disclosed in investor presentations is set out in detail in Sections 4/J and 5/C of this Report.

C- SALES AND PROFITABILITY IN THE REPORTING PERIOD, REVENUE GENERATION, DEBT/EQUITY RATIO AND OTHER ASPECTS THAT PROVIDE INFORMATION ON THE COMPANY'S OPERATIONAL RESULTS COMPARED AGAINST PREVIOUS YEARS

Our key operational, financial, and non-financial results and main ESG KPIs for the period between January 1 – December 31, 2023, compared against the same period in 2022 and the year-over-year changes for the relevant line items are set out in the following charts.

The tables are complemented by a Management Discussion & Analysis.

Management Discussion & Analysis

Operational Metrics

<i>Overall Traffic Results</i>	<i>Jan. – Dec. 2023</i>	<i>Jan. – Dec. 2022</i>	<i>Y-O-Y Change %</i>
Number of passengers (<i>million</i>)	31.93	26.94	18.5
Cycles	187,071	16,191	12.6
Number of seats (<i>million</i>)	37.66	32.22	16.9
Load factor (%)	84.8	83.6	1.1
ASK ⁽¹⁾ (<i>million</i>)	58,217	47,643	22.2

Passengers per cycle	171	162	5.3
Avg. daily aircraft utilization (hours) ⁽²⁾	12.6	12.3	2.0

Domestic

Number of passengers (million)	11.98	10.90	9.9
Cycle	68,748	66,405	3.5
Number of seats (million)	13.66	12.80	6.7
Load factor (%)	87.7	85.2	2.9
ASK ⁽¹⁾ (million)	10,052	9,381	7.2
Passengers per cycle	174	164	6.1

International

Number of passengers (million)	19.47	15.40	26.4
Cycle	115,710	96,251	20.2
Number of seats (million)	23.53	18.78	25.3
Load factor (%)	82.8	82.0	0.8
ASK ⁽¹⁾ (million)	47,375	37,081	27.8
Passengers per cycle	168	160	5.2

Charter

Number of passengers (million)	0.48	0.64	-25.3
Cycle	2,613	3,535	-26.1
Number of seats (million)	0.48	0.64	-24.9
ASK ⁽¹⁾ (million)	790	1,181	-33.1

⁽¹⁾ Refers to available seat kilometers and is equal to the number of seats available for passengers during a specified period multiplied by the number of kilometers that those seats are flown.

⁽²⁾ Refers to the hours from an aircraft's take-off to landing (including taxi time).

In 2023, capacity in ASK increased by 22%, average aircraft utilization per day increased by 2%, while total number of passengers increased by 19% compared to 2022, resulting in record annual passenger numbers. Total load factor increased 1 percentage point compared to 2022.

Financial Metrics

Summary Balance Sheet ('000 TL)	31.12.2023	31.12.2022	Change (%)
Current assets	48,001,577	20,717,301	132%
Non-current assets	153,953,503	75,085,745	105%
Total assets	201,955,080	95,803,046	111%
Current liabilities	37,183,795	20,759,664	79%
Non-current liabilities	110,102,099	56,998,639	93%
Shareholders' equity	54,669,186	18,044,743	203%
Summary P&L ('000 TL)	31.12.2023	31.12.2022	Change (%)
Sales	70,531,532	42,732,214	65%
Gross (loss) / profit	16,818,399	11,576,706	45%
(Loss) / profit from operations	13,08,349	9,675,474	35%
Operating (loss) / profit before financial income/(expense)	14,450,345	10,144,306	42%
(Loss) / profit before tax	10,114,684	6,618,948	53%
(Loss) / profit for the period	20,907,502	7,100,145	194%
(Loss) / profit per share	204.37	69.41	194%
Changes in Financial Position ('000 TL)	31.12.2023	31.12.2022	Change (%)
Cash and cash equivalents	16,078,359	10,558,267	52%
Financial Investments	20,208,861	6,538,414	209%
Financial liabilities	119,518,239	60,999,941	96%

Net debt position ⁽¹⁾	83,231,019	43,903,260	90%
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⁽¹⁾ Net debt position = Financial liabilities - Cash and cash equivalents – Financial Investments

Operational performance metrics directly reflected on financial performance in 2023. Increase in revenues with increased operational activity led to balance sheet growth. Liabilities, financial liabilities, and net debt position increased with new aircraft deliveries and related borrowings.

Sales increased by 65% over 2022, through increased operational volume and revenue performance on scheduled flights and ancillary revenue. Overall, costs increased through both TRY and foreign currency inflation. The Company was able to conclude the year with net profit.

In 2023, the Company continued to generate net cash from operations.

Non-Financial Metrics

We regularly monitor certain non-financial key performance indicators in the performance of our operations that relate to flight safety, carbon emissions, waste management, customer satisfaction, employee composition, professional and organizational development, succession planning, operational efficiency, and Board of Directors effectiveness, among others. We consolidate and share certain aspects of this performance monitoring as part of our Corporate Sustainability (ESG) actions. An overview of these indicators is provided below.

Non-Financial Indicator	ESG	Indicator	Target	2023	2022	2021
CO2 grams per revenue passenger km (RPK)	E	Emissions Intensity	Mid-Term Intensity Target for 2030	61.1	61.9	70.8
CDP Report Score	E	Emissions Reporting	Attain Top 3 Level Score	A-	A-	B
Waste Recycle & Reuse Contribution Ratio % for Ground Ops., Technic and Administrative Waste	E	Waste Management	Remain Above 99.50%	99.70%	99.76%	99.97%
Total Passengers Carried (millions)	S	Low-Fare Accessibility	Increase	31.93	26.94	20.16
Destinations and Countries Served	S	Network Accessibility	Increase	134 & 50	125 & 47	120 & 44
Safety Assessment of Foreign Aircraft (SAFA) Ratio	S	Flight Safety Assessment	Do Not Exceed National Average (0.43 for 2023)	0.21	0.19	0.10
% of Female Employees in Workforce	S	Gender Equality	Increase / Minimum Target for 2025	35.0%	34.5%	31.15%
Insourced Successor Readiness for Key Positions	S	Succession Planning	-	77%	66%	70%

Turnover Rate in Critical Positions	S	Retaining Employees	-	0	6.4%	6.7%
Employee Trainings Total in Hours and by Subject	S	Personal & Professional Development	-	392,789 & 1,241	420,585 & 821	176,691 & 1,269
Number of Digitalization Initiatives Reported Annually	S	Digital Airline Proposition	-	32	18	17
% of ESG-linked KPIs in Key Company KPIs	G	ESG Focus on Company Targets	Remain Above 33%	50%	50%	50%
Board & Committee Attendance %	G	Board Effectiveness	Maximum Attainable	96%	100%	100%
Board & Committee Actions Completed in %	G	Board Effectiveness	Maximum Attainable	95.3%	97.0%	91.2%
BIST Corporate Governance Index Rating	G	Governance Performance	Increase	97.5%	97.1%	96.8%

Environmental Metrics

In October 2021, Pegasus Airlines joined other leading global airlines to commit to the "2050 Net Zero Carbon Emissions" target set at the 77th Annual General Assembly of the International Air Transport Association (IATA). Under the motto "Fly Net Zero," we commit to reaching net zero carbon emissions by 2050.

In December 2021, we strengthened our 2050 net zero commitment by setting an interim carbon emissions intensity goal for 2030. With this target, we aim to decrease flight-related carbon emissions per unit per passenger kilometer (RPK) by 20% by 2030, compared to 2019.

As of October 2021, we started announcing our carbon emission data benchmarked against previous years as part of our monthly traffic data.

In 2019, our flight-related carbon emissions were 64.9 grCO₂/RPK. Due to COVID-19-related restrictions, our seat capacity offered dropped significantly, and our performance deteriorated in 2020 (71.1 grCO₂/RPK) and 2021 (70.8 grCO₂/RPK). We built on the improvement in 2021, and achieved reductions in 2022 and 2023, bringing us to 61,1 grCO₂/RPK in 2023, marking a 5,8% improvement from the 2019 baseline.

Our 2022 CDP Climate Change Report score was revised as A- in March 2023, and in 2023 we maintained our A- score. This was the third time we attained Leadership Level score from CDP Climate Change. We remain among the highest-scored transportation entities in Türkiye and abroad and remain within our target of attaining Top 3 Level Score.

Waste management performance is well above our target. In 2023, we changed our medical waste delivery process, providing a more accurate reporting of medical (non-recyclable) waste output.

Social Metrics

In the post-Covid-19 normalization period, we were able to increase the number of passengers carried and the destinations and countries served in 2022, compared to the previous two years. In 2023, total number of passengers reached 32 million passengers, representing the highest ever annual number of passengers.

SAFA performance was in line with the target and as of the date of this Report the moving trend is below reported year-end performance.

The recovery from Covid-19 in 2022, reflected positively on female employment and turnover in critical roles in 2022, and this trend continued in 2023. Female employment metrics in various levels is monitored quarterly within the scope of our 2025 female employment commitment. In sourced successor readiness improved 11pp in 2023.

On trainings; total training hours decreased by 6.6% from last year. The main reason behind this was the high baseline in 2022 for re-initiation of pilot hiring and associated cockpit initial trainings carried out by our Flight Academy in the past Covid-19 recovery environment. The total number of subjects covered increased in line with changes associated with operations.

Living up to our Digital Airline proposition we continued to implement digitalization initiatives that are explained in more detail in Section 3 of this Report. Through punctuality and customer metrics, ESG focus on Company Targets remained at 50%.

Governance Metrics

We completed another year of efficient Board and overall governance performance. Board members' attendance to the Board & Committee meetings was strong. Board & Committee actions requested for the year were completed at a rate of 95.3%. We continued to increase our BIST Corporate Governance Index Rating to 97.5% and we remain the highest ranked aviation entity.

D- FINANCING SOURCES AND CAPITAL MARKETS INSTRUMENTS ISSUED BY PEGASUS

We finance approximately 85% of the purchase price for the Boeing and Airbus aircraft acquired by way of financial lease through loans obtained from various banks. As of December 31, 2023, the outstanding balance of the total loans borrowed for the financing of 81 aircraft acquired by way of financial lease is ₺93,393,069,585.

Furthermore, as of December 31, 2023, together with our subsidiary, we had drawn ₺8,471,326,700 on cash loans and ₺1,166,226,910 on non-cash loans under credit lines with various Turkish and foreign banks. These credit lines are open credit facilities that can be generally used for terms ranging from 12 to 24 months.

We issued debt in capital markets as a separate source of financing. Within the issuance limit of US\$750,000,000, approved by the Capital Markets Board by its decision dated April 1, 2021, and numbered 17/524, we concluded a first tranche issue of Eurobonds with a nominal value of US\$375,000,000 on April 30, 2021. The bonds carrying the ISIN XS2337336445 and US705567AA31 were issued for a term of 1,826 days and variable rate interest coupon payment in six-month arrears and will mature on April 30, 2026.

E- MANAGEMENT BODY EVALUATION AS TO THE COMPANY'S PRESERVATION OF ITS PAID CAPITAL

It is determined that as of December 31, 2023, our issued capital of ₺102,299,707 is maintained and we are not insolvent.

F- MEASURES TO IMPROVE THE FINANCIAL STRUCTURE OF THE COMPANY, IF ANY

As of December 31, 2023, the Company's shareholders' equity totaled ₺54,669,186,221.

G- INFORMATION ON DIVIDEND DISTRIBUTION POLICY AND EXPLANATION ON THE USE OF PROFITS IF NOT USED TO PAY DIVIDENDS

[Pegasus Dividend Policy](#), adopted by our shareholders, is published on our Investor Relations Website and comprises the following principles with which we adhere to in terms of dividend distributions:

- The main principles relating to the distribution of profit are laid out in Article 21 of our Articles of Association.
- In this framework, in the event there remains distributable profit following the deduction of previous years' losses from the net annual profit relating to a fiscal year, our shareholders have the authority to resolve on the distribution of profit, by taking into consideration our Company's targets and its financing requirements, in cash, in shares or a by using a combination of the two and the completion of distribution within the timeframe foreseen in the applicable law.
- The proposal for distribution of profit by our Board of Directors will be prepared in consideration of the above needs and will be submitted to the attention of our shareholders for discussion at the General Assembly. The Board of Directors must inform our shareholders at the General Assembly on how the profit will be used in the event there is no dividend distribution.
- Pegasus complies with the provisions of the Turkish Commercial Code No. 6102, the Capital Markets Law No. 6362 and the Corporate Governance Principles determined by the Capital Markets Board relating to the right to receive dividends and distribution of profit.

Pursuant to our accounts based on Turkish Financial Reporting Standards, the profit for the year 2023 realized as ₺20,907,501,797. The proposal of the Board of Directors regarding the use of profit for the year 2023 will be communicated to our shareholders prior to the Annual General Assembly Meeting relating to the year 2023.

The Company Articles of Association do not provide for any privileges in respect of profit distribution.

6- RISKS AND THE EVALUATION OF THE MANAGEMENT BODY

A- INFORMATION ON THE RISK MANAGEMENT POLICY ADOPTED BY PEGASUS AIRLINES WITH RESPECT TO FORSEEABLE RISKS

Our Board of Directors is responsible for protecting the long-term benefits of our Company through a rational and prudent risk management approach by performing optimum balance between risk, growth and returns.

The Committee on the Early Detection of Risks (Risk Committee) assists the Board with respect to the determination in advance, management and mitigation of the risks that may endanger the existence, development, and the future of Pegasus Airlines.

When performing its risk detection and management duties, the Committee cooperates with other Board Committees and the Company management. In this respect, the Committee works in cooperation with the Audit Committee with respect to risks inherent to financial reporting and internal control mechanisms, with the Corporate Governance Committee with respect to human resources related risks involving the Board and the senior management.

The main risks to which the Company is exposed, the relevant departments responsible for the scrutiny and management of these risks and the measurement tools and tolerance limits applicable to these risks are determined by the Risk Committee. Risk areas thus defined are regularly reviewed, re-evaluated and the mitigating actions implemented by Company management in response to these risks are periodically submitted for the review and evaluation of the Committee. The risk evaluation analysis reviewed by the Committee and recommendations by the Committee are communicated to the Board once every two months.

B- INFORMATION ON THE WORK AND REPORTING OF THE COMMITTEE ON THE EARLY DETECTION OF RISKS

Committee on the Early Detection of Risks (Risk Committee) was established by the resolution of our Board of Directors dated August 17, 2013, and is composed of three members, including the Committee Chairperson. The Committee Charter is available on our Investor Relations Website. In first Risk Committee Meeting of 2023, Agah UĞUR, an independent Board member, acted as the Committee Chairperson while our independent Board member David F. A. VISMANS and Mustafa TERCAN served as members of the Committee. On March 30, 2023, David VISMANS, our independent Board member, was appointed as the Committee Chairperson and our independent Board member Agah UĞUR, non-executive Board member H. Zeynep Bodur OKYAY were appointed the members of the Committee together with Mustafa TERCAN.

Pursuant to its Charter, the Committee convenes and adopts decisions by majority. The Committee convenes for meetings at least four times a year. The timing of Committee meetings follows, to the extent possible, the schedule of the meetings of the Board of Directors by having a meeting ahead of each scheduled Board meeting. In case of urgency the Committee may convene for meetings at the request of the chairperson of the Committee or the chairperson of the Board of Directors. In 2023, the Committee held four meetings on March 21, May 30, September 12, and December 12.

The Committee performed duties determined in its Charter and in this respect, established the main principles and review processes with respect to the main risks determined on commercial, operational, financial, legal, IT and HR that may endanger the existence, development and the future of Pegasus, and the implementation of necessary precautionary measures and the management of detected risks and periodically reports its findings to the Board of Directors. The Committee reported its works and its findings and recommendations on risks faced by the Company to the Board of Directors once every two months in accordance with the provisions of Article 378 of the Turkish Commercial Code.

C- FORWARD LOOKING RISKS WITH RESPECT TO SALES, PROFITABILITY, REVENUE GENERATION, EFFICIENCY, DEBT/EQUITY RATIO AND SIMILAR EVENTS

These have been evaluated as part of the above explanations.

7- OTHER MATTERS

A- STAKEHOLDER INITIATIVES

Overview

In 2023, we implemented important initiatives aiming to create value for the investors, employees, customers, and the community. These initiatives include the following:

- We continued growth in our operations both in terms of fleet size, passengers carried, number of flights and destinations served across our network. We improved our services through enhancements and improvements explained in more detail in the relevant sections of this Report.
- Growth in operations reflected in growth in number of total employees. We focused on improving the working conditions of our workforce. Key enablers were achieved through digitalization initiatives, flexible working hours and home office practices for relevant employees and training & development. Focused Company training, personal development and personal education programs were developed and implemented for a wide group of participants. Participation of all employees in Company management was actively supported through written company policies and management initiatives in the areas of career planning and development, performance management, improvement of workplace environment and development of creative/innovative business ideas. In 2023, we conducted a Company-wide employee experience survey.
- We carried out significant actions as part of our sustainability (ESG) work.

In Q1:

- We extended our cooperation with **Petrol Ofisi to use Sustainable Aviation Fuel in Türkiye**, to flights out of **Istanbul Sabiha Gökçen Airport (SAW)**. This initiative now covers three domestic airports.
- With I-REC, we certified that **4,242 MWh of electricity**, corresponding to our **2022 electricity consumption at our HQ and at our home base SAW**, is sourced from **renewable energy sources**. I-REC refers to the international certification system developed by RECs International, and it certifies electricity generation from renewable energy sources. This initiative marks our first ever renewable energy purchase for our utility needs.
- We joined **28 other project partners** to submit our bid for an **EU Horizon Project Grant for “HyH2VADIK – North Marmara Hydrogen Valley”**. We participated in this project with the aim of exploring the possibility of introducing Hydrogen energy as an alternative source of energy use for our airport ground operations & airport locations at our home base SAW.
- We launched «**Harmony**» as our new **Diversity, Equality & Inclusion** initiative. Working groups were formed and are in action to develop specific initiatives and targets.
- We became a founding member of the **Sustainability Working Group of the Turkish Private Civil Aviation Enterprises association (TOSHID)**. We aim to contribute to the Turkish Aviation industry’s decarbonization efforts.

- On ESG reporting, we improved our **2022 Carbon Disclosure Project (CDP) rating to A-**. This placed us among the top two rating tiers and among the highest scored airlines globally.

In Q2:

- Our Sustainability-Linked Loan transaction for the financing of ten new Airbus 321neo we took delivery in 2022, was awarded the **Sustainability Supported Finance Deal of the Year** by **Airline Economics**, and the **Guaranteed Financing Deal of the Year 2022** by **Euromoney's Airfinance Journal**. The transaction was also recognized by IATA in its 2050 Net Zero Finance Roadmap as an example for how sustainability-linked financing can be integrated into EXIM-supported aircraft finance.
- In July 2023, we announced our firm order for another **36 new Airbus 321neo** aircraft, bringing our Airbus Order total to 150 Airbus 320/321neo family aircraft.
- In 2023, we joined **UN Global Compact's** new association established in Türkiye. Our CEO, Ms. Güliz ÖZTÜRK will serve as Vice-Chair of the Board of Directors this term. In 2019, we were the **first airline in Türkiye to commit to UN Global Compact** and we are happy to extend our collaboration with the Turkish Network for greater impact towards implementing the **UN Sustainable Development Goals**.

In Q3:

- We [received](#) the **EMEA (Europe, Middle East and Africa) 2023 Environmental Sustainability Airline/Airline Group of the Year Award** at **CAPA's (Centre for Aviation)** annual Environmental Sustainability Awards for Excellence. CAPA Aviation Sustainability Awards utilizes a range of independently sourced data and analysis, as well as an in-depth judging process to recognize aviation leaders putting environmental sustainability at the forefront of their strategy.
- We were [presented](#) with **Green Check Certificate** by Bureau Veritas and the Sustainability Academy for our commitments and achievements regarding sustainable business practices regarding Environment (Energy, Greenhouse Gases, Waste & Water) Management, OH&S Management, Communication & Engagement, Customer Feedback Management, Value Chain & Working Environment. We obtained this certification at the highest (**Gold**) level.
- We [launched](#) a **new climate program in partnership with climate tech company CHOOOSE**, offering our passengers the ability to understand and address their travel emissions.

- **Autumn 2023 marked the 100th anniversary of the Turkish Republic and us [becoming](#) a 100-aircraft fleet airline.** We are extremely proud to be a successful entity representing our country in international aviation. The occasions were marked by numerous events, as part of which we [announced](#), in collaboration with the Turkish Education Foundation (TEV), scholarship for 1,000 female university students. This collaboration is the largest single scholarship offer through TEV and 25% of the recipients will be chosen from the Turkish cities struck by the severe earthquakes earlier in 2023.
- Our **2023 Corporate Governance Compliance Rating [resulted](#) in an increased compliance score of 97.5%.** This marks the **highest compliance score in the aviation industry and one of the highest overall scores across Borsa Istanbul.**

In Q4:

- We published our **Climate Transition Roadmap** on our [Sustainability Hub](#), setting out our course to our 2050 Net Zero Emissions Target. The Roadmap is supported by a discussion on key assumptions, opportunities and risks involved. We closed 2023 with continued **reduction in our carbon intensity performance**, achieving unit carbon emissions of 61.1 grCO₂/RPK.
- We continued investing in new generation Airbus neo aircraft. **Three new Airbus A321neo aircraft joined our fleet in 2023Q1**, further contributing to **efficiency in fuel consumption and carbon emissions and 16 A321neo aircraft joined our fleet in 2023.**
- We completed a new phase of **electrification of our ground equipment we use in our main base at the Istanbul Sabiha Gökçen International Airport (SAW).** We carry-out our own ground handling at SAW. With the introduction of our new passenger stairs re-generating electricity through photovoltaic panels, electric ground power units and new electric tractors, 23% of our motorized ground equipment at SAW now run on electricity, reducing emissions, noise and maintenance complexity.
- Following a series of on-board catering content revisions to reduce waste and increase circularity, we **initiated waste management on board our aircraft.** In collaboration with Pendik Municipality, the waste management authority for our home base at SAW, we are now separately collecting renewable package waste on board to improve recycling efficiency.
- We improve our independent assessment on sustainability performance. **For a third year following 2020 and 2022, we attained [Leadership Level Score \(A-\)](#) for our CDP Climate Change Reporting.** In 2023, we also published our first Water Security Report as part of CDP, qualifying for Awareness Level Score (C). Our **LSEG ESG [score](#) is 79%** (formerly Refinitiv), giving us the **3rd highest ranking** among 124 passenger transport service companies. We were also [awarded](#) the **EMEA 2023 Environmental Sustainability Airline of the Year Award** by CAPA.
- We [published](#) our **Sustainability Compliance Framework.** Through new collaborations we aim to initiate under this framework, we aim to multiply the positive impact of the value we create, acting together with our value chain.

- In 2023, we continued our support for our long-running corporate social responsibility (CSR) project “*We’re Flying to the Future*” for a third term to support ideas around youth empowerment. The project is co-organized by *Sivil Toplum İçin Destek Vakfı*, Support Foundation for Civil Society.¹
- In 2023, we continued to improve our employee recommendation system “FLYDEA”, whereby employees are encouraged to submit innovative ideas on improving our business. Ideas are welcomed in eight categories: Customer Experience; Revenue Generation; Unit Cost Reduction & Savings; Sustainability, Environment & OHS; Safety Promotion; Lean Business Processes; Innovative Services, New Business Models & Markets; and Digitalization and N+1. Ideas are evaluated by a tiered review system, voted by employees and selected ideas are scheduled for implementation while those submitting the ideas are rewarded.

The foregoing efforts were recognized by several Turkish and international awards, ratings, and recognitions, including the following:

- Our CEO, Güliz ÖZTÜRK was awarded “Executive Leadership: Europe” in Flight Global’s Airline Strategy Awards, “Sustainability Leaders 50” in Fast Company Sustainability Leaders 2023, Leadership in Sales Awards (LISA) 2023 100th Year Leadership Awards, Leadership Award in the Commercial Aviation Category in Aviation Week Network’s Laureate Awards in 2023.
- In 2023, we were awarded “World’s Youngest Aircraft Fleet Award 2023” in the 100+ aircraft in their fleet category and “Europe’s 4th Youngest Aircraft Fleet Award 2023” by ch-aviation.
- We received the ATN Corporate Award at the 2023 Air Transport Awards organized by Hermes – Air Transport Organization and Air Transport News.
- We received “Best Team to Join” award at Sales Network Contact Day 2023.
- We received “Airline Brand of the Year” award in VII. Türkiye Brand Summit & Türkiye Golden Brand Award.
- We were awarded “Sustainability Supported Finance Deal of the Year” in Airline Economics Sustainability Award in 2023.
- We were awarded “Airline Group of the Year” and “EMEA Environmental Sustainability Airline” at the CAPA Environmental Sustainability Awards 2023.
- In 2023, we received “Aviation Finance of the Year” in the Bluesky Awards 2023.
- In 2023, we received Passenger Transport Services 2nd Prize in Service Exporters Association 2022.
- In 2023, we attained Carbon Disclosure Reporting Project (CDP) Climate Change reporting score of A- and we were ranked among the highest-rated airlines for the third time

¹ <https://www.yarinlaraucuyorum.com/>

following the same feat in 2020 and 2022, fulfilling continuous CDP reporting of eight years. CDP is a voluntary platform focused on combat against climate change.

- In 2023, we were presented with Green Check Certificate by Bureau Veritas and the Sustainability Academy for our commitments and achievements regarding sustainable business practices regarding Environment (Energy, Greenhouse Gases, Waste & Water) Management, OH&S Management, Communication & Engagement, Customer Feedback Management, Value Chain & Working Environment. We obtained this certification at the highest (Gold) level.
- In 2023, we increased our Turkish Capital Markets Board Corporate Governance Principles Compliance Rating to 97.5%, attaining one of the highest compliance scores in Türkiye and remaining the highest rated Turkish aviation stock in the index.

Participation of Stakeholders in Company Management

Pegasus believes that everybody has the right to fly, and in this respect, we value the opinion of and recommendations by all stakeholders in consideration of which we seek to introduce new practices that will improve our operations.

Through contact means provided in our corporate website (www.flypgs.com) and Pegasus Call Center we are receiving and evaluating requests, questions and complaints from all stakeholders.

Pegasus encourages and incentivizes all employees to engage in business management processes. In this respect:

- Within the framework of Pegasus Ethical Behavior Guide, Pegasus undertakes to facilitate for all Employees easy access to their superiors and members of our senior management and actively implements this principle.
- Studies are carried out to improve all matters directly affecting our Company's profitability and our work environments. Meeting minutes, progress reports and other relevant information and documents are regularly made available to all Employees through our corporate intranet portal.

Human Resources Policy

As Pegasus Airlines Human Resources, we aim to develop and implement fair, transparent, responsive, and innovative human resources strategies for sustainable and constantly improving success in business.

Pegasus Airlines Human Resources strategy is to be the Company everyone would like to work for in the aviation sector.

To reach our goals:

- We design all our practices based on the principle of diversity, equality, and inclusion (DEI).
- Considering the sectoral dynamics, we design and implement solution-oriented and innovative human resources practices in line with organizational requirements and our talent management strategy.
- We build and continuously improve our Human Resources processes with a focus on employee experience.

- By determining the workforce needs accurately and effectively, we aim to manage the organization efficiently and plan the norm staff correctly with a job evaluation system based on the scope and the size of the work.
- We focus on our Company values in all Human Resources systems and processes that our employees experience during their career journeys at Pegasus; and aim continuous improvement, expanding the high-performance culture and implementing rewarding practices that will encourage high performance.
- Within the scope of our performance management approach, we determine and measure individual goals that are associated with company KPI's, through our performance evaluation process with concrete and measurable performance indicators. We integrate performance evaluation results into our employees' compensation and career planning processes in accordance with our talent and reward management strategies.
- We perform employee experience analysis and take improvement actions to ensure and sustain employee engagement.
- We design our fair, transparent and competitive compensation management policy based on the total cash approach. We believe that the most distinguishing element in total cash is the performance-based bonus.
- We work together to ensure sustainable and profitable growth, and we coordinate our company performance and rewarding systems.
- We actively seek for individuals with high potential who align with the values of our company to contribute to sustainable growth and success.
- We implement integrated talent management and succession processes to ensure the continuity of our organization.
- We track the development of our employees, provide access to cross-functional horizontal and vertical career movements, and ensure all our employees have equal access to career and development opportunities.
- We implement innovative applications and platforms for all employees to express their ideas and thoughts. We listen to our employees and try to understand them.

We inform our employees about our organizational structure and career map, performance metrics, and incentive policies through our document management system. Furthermore, written documentation that clearly describe our employment standards are provided.

As Pegasus Airlines, we are extending the following commitments to our employees with reference to the Pegasus Ethical Behavior Guide:

- Maintain honest, respectful, fair, and trustful behavior based on reason, conscience and common sense while performing all our activities,
- Establish open, collaborative, and friendly relationships in every aspect,
- Uphold, protect, and incentivize the protection of the values set out in the Pegasus Ethical Behavior Guide,
- Act in accordance with all applicable laws, rules, and regulations,

- Act honestly and ethical in case of conflicts of interest between responsibilities towards Pegasus and personal interests,
- Provide full, accurate and comprehensible information in the reports and documents which are made public or sent to the registered regulatory authorities,
- Work to preserve a Company culture and a working environment that promotes the ethical principles set out in the Ethical Behavior Guide to achieve Company targets, provide safety and satisfaction to our guests.

Ethical Rules and Social Responsibility

Following the initial public offering of its shares in April 2013, we published our first set of ethical rules, the Pegasus Rules of Business Ethics on December 4, 2013. The document was later superseded on December 15, 2016, by the Pegasus Airlines Ethical Behavior Guide, which includes more comprehensive and explanatory rules of ethical behavior especially for our employees, has been adopted in the same date. Information on the [Pegasus Airlines Ethical Behavior Guide](#) is published on the Public Disclosure Platform and is available on our Investor Relations Website.

[Pegasus Airlines Corporate Social Responsibility Policy](#) was adopted by the decision of our Board of Directors dated November 20, 2013, and has subsequently been published on our Investor Relations Website and the Public Disclosure Platform November 22, 2013.

Pegasus Airlines Ethical Behavior Guide defines Rules of Ethical Behavior as honest, respectful, fair, and trustful behavior based on reason, conscience and common sense when interacting with Pegasus Airlines employees, guests, customers, suppliers and other persons and entities we work and interact with and sets this as the basis of all of its relations. Pegasus Airlines Ethical Behavior Guide covers all Pegasus Airlines employees, including all Pegasus Airlines Board members and employees and board members and employees of our subsidiaries. Pegasus Airlines Ethical Behavior Guide determines the framework of the system which is implemented for the responsibilities of both our Company and employees, the implementation of the rules and resolution of conflicts.

On the other hand, Pegasus Airlines Corporate Social Responsibility Policy determines the main values we care to address in our corporate social responsibility projects and our main goals as part of these projects within our strife to be a good corporate member of the society.

B- MATERIAL EVENTS TAKING PLACE AFTER PERIOD END THAT MAY AFFECT THE RIGHTS AND BENEFITS OF THE SHAREHOLDERS, CREDITORS AND OTHER RELATED PERSONS AND ENTITIES

In line with the decision of our Board of Directors announced by our Material Event Disclosure dated 30.11.2023, Pegasus Airlines Innovation Lab, Inc., in which our Company has 100% ownership stake is incorporated in the State of Delaware, U.S.A., effective as of December 28, 2023, to undertake operations primarily in the Silicon Valley. Notifications regarding incorporation are completed as of January 2, 2024.

Our Board of Directors resolved on the increase of the Company's current issued capital of TRY 102,299,707 to TRY 500,000,000, by an increase of TRY 397,700,293, through the conversion of funds available as part of the "Share Premiums on Capital Stock", within the TRY 500,000,000 authorized capital ceiling; the undertake of necessary transactions for the conversion of the said "Share Premiums on Capital Stock" amount to the "Capital" account and the certification of the conversion through a certified public accountant report; and the issuance of TRY 397,700,293 shares, each with a nominal value of TRY 1.00, and subject to the

completion of the legal process regarding the capital increase, the distribution of the newly issued shares to the shareholders pro rata to their shareholding in the Company through the Central Registry Agency.

Pursuant to the resolution of the Board of Directors dated 29.02.2024, regarding the resolution of the Board of Directors dated 28.02.2024 on the increase of the Company's current issued capital of TRY 102,299,707 to TRY 500,000,000, by an increase of TRY 397,700,293, through the conversion of funds available as part of the "Share Premiums on Capital Stock", within the TRY 500,000,000 authorized capital ceiling; the Board of Directors acknowledged that the said capital increase is certified in the certified public accountant report issued by Unit Yeminli Mali Müşavirlik Ltd. Şti. dated 29.02.2024 and numbered YMM .1631/2024-08 In this context, the Board of Directors resolved on:

1. The notification of the due completion of the capital increase transactions to the Capital Markets Board;
2. The approval of the proposed amendments to the Company Articles Association Section 6 entitled "Company Capital" as shown in the annex and the submission of the same for the review of the Capital Markets Board;
3. The filing of an application with the Capital Markets Board for the approval of the issuance certificate regarding the shares to be issued as part of the capital increase; and
4. The authorization of the Company Management to undertake necessary applications for the approval of the issuance certificate and the proposed amendments to Section 6 of the Articles of Association entitled "Company Capital" by the Capital Markets Board, and for the filing of applications before administrative bodies to complete other necessary procedures.

In connection with the increase of the Company's current issued capital of TRY 102,299,707 to TRY 500,000,000, by an increase of TRY 397,700,293, through the conversion of funds available as part of the "Share Premiums on Capital Stock", within the TRY 500,000,000 authorized capital ceiling; an application was filed with the Capital Markets Board on 29.02.2024 for the approval of the Issuance Certificate regarding the shares to be issued with a nominal value of TRY 397,700,293 and the approval of the amendments to Section 6 of our Articles of Association entitled "Company Capital".

C- OTHER MATTERS AND ADDITIONAL INFORMATION THAT ARE NOT INCLUDED IN THE FINANCIAL STATEMENTS THAT MAY STILL BE HELPFUL FOR INTERESTED PARTIES

The following annexes have been incorporated into this Report by reference:

- **Annex-1:** Pegasus Corporate Governance Compliance Statement for the year 2023
- **Annex-2:** Information on Duties Assumed Elsewhere by Pegasus Board Members in 2023
- **Annex-3:** Independency Statements of Pegasus Independent Board Members
- **Annex-4:** 2023 Financial Report Responsibility Statement
- **Annex-5:** Notes to 2023 Sustainability Compliance Report

ANNEX-1

PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT FOR THE YEAR 2023

Pegasus Airlines enjoys a rich corporate governance culture that is shaped by a welcoming approach and desire for continuous improvement.

We are proud of our heritage of good corporate governance practices, some of which date back to the launch of our low-cost scheduled flights business in 2005. These practices are backed by an independent Board of Directors with a global perspective on aviation, a strategy-driven, highly motivated, and successful management team, staff and an accountable and transparent shareholder and stakeholder communication.

Following the initial public offering of its shares in April 2013, we achieved full compliance with the mandatory Corporate Governance Principles published by the Turkish Capital Markets Board and substantially complied with the non-mandatory Corporate Governance Principles. We are the only member of the BIST Corporate Governance Index to have obtained a qualifying corporate governance compliance rating within the same year of its initial public offering and we constantly improved our corporate governance compliance rating over the years.

In previous years, we published our Corporate Governance Compliance Reports as an annex to the Annual Report of the Board of Directors in the narrative form then prescribed by the Capital Markets Board. Since 2019, corporate governance compliance is reported through the Compliance Report Format (*URF*) and the Corporate Governance Information Document (*KYBF*) accessible through the Public Disclosure Platform (<https://www.kap.org.tr/en/sirket-bilgileri/ozet/1710-pegasus-hava-tasimaciligi-a-s>).

While certain information on shareholders, shareholder relations, board structure and functions, risk management and internal controls is provided in the relevant sections of the Annual Report, detailed information on corporate governance compliance is available in the Compliance Report Format and the Corporate Governance Information Document. We are committed to explain our approach on each principle in the referred documents and not only on those principles which are not fully complied by us.

The Corporate Governance Principles determined by the Capital Markets Board comprise of 97 principles, 24 of which are mandatory principles for Pegasus, which is classified as a Group 1 Company in terms of the implementation of the Capital Markets Board Corporate Governance Communiqué No. II-17.1.

In 2023, we complied with the Corporate Governance Principles, subject to the following exceptions on certain voluntary matters. Deviations from recommended practices, reasons for such deviations, alternative measures being implemented, and an outlook for the year 2024 are presented for each of these principles in the Compliance Report Format (*URF*).

We will continue our efforts to further improve its corporate governance actions within the framework of the corporate governance principles published by the Capital Markets Board, including limited number of non-fully complied voluntary principles.

- 1.5.2 (No Compliance) – The Articles of Association extend the use of minority rights to those who own less than 1/20 of the outstanding shares and expand the scope of the minority rights.
- 3.3.5 (Partial Compliance) – Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.
- 3.3.8 (Partial Compliance) – The efficient recognition of freedom of association and collective bargaining rights is supported.
- 4.5.5 (Partial Compliance) – Board members serve in only one of the Board's committees.
- 4.6.5 (Partial Compliance) – Individual remuneration of board members and executives is disclosed in the annual report.

Pursuant to the amendments published in the Official Gazette dated October 2, 2020, and numbered 31262, *“requirements to announce if the company implements sustainability principles, to provide reasoned explanations if they are not, description of impact on environmental and social risk management due to partial or no compliance in the annual report”* was incorporated into the Communiqué. Our activities within the scope of the “Sustainability Principles Compliance Framework” adopted by the Turkish Capital Markets Board are reported in a consolidated manner as part of the Notes to 2023 Sustainability Compliance Report (see more information on this in **Annex-5**).

ANNEX-2

PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ MEMBERS OF THE BOARD OF DIRECTORS DUTIES ASSUMED ELSEWHERE IN 2023

The résumés and information on duties assumed elsewhere in 2023 for each Board member is provided in this Annex.

Mehmet Tevfik NANE	Chairperson of the Board	
Mehmet T. Nane started his career in 1988. After holding positions in various business units at the Türkiye Emlak Bankası, Demirbank and Demir Invest until 1997, respectively; he held roles including Vice President of the Strategic Planning and Project Development department, Director of the Retail Group and General Secretary of Sabancı Holding within the Sabancı Group, which he joined in 1997, until 2005. He served as Vice-Chairperson of the Board of Teknosa between 2000 and 2005, CEO of Teknosa between 2005 and 2013 and CEO of CarrefourSA between 2013 and 2016. Mehmet T. Nane, who transferred to Pegasus Airlines in March 2016 and served as CEO for 6 years, continued his duty as Vice-Chairperson of the Board & Managing Director of the company as between March 2022-March 2023. Mehmet T. Nane has been working as Chairperson of the Board of Directors of Pegasus Airlines as of 30 March 2023. Mehmet T. Nane graduated from Boğaziçi University, department of International Relations, in Istanbul, in 1990. In 1993, Mehmet T. Nane received a full scholarship for his graduate degree from the department of International Banking and Finance at Heriot Watt University in Scotland. He also completed the Harvard Business School Executive Management Program in 2013. Mehmet T. Nane has served as Chair of the Board of Governors and Chair Committee of the International Air Transport Association (IATA), Founding Chairperson of Asia Pacific Retailers Federation (FAPRA), Founding Chairperson of the Turkish Federation of Shopping Centers and Retailers (TAMPF), Food Retailers Association (GPD) and Chain Stores Association (ZMD), Board Member of the Union of Chambers and Commodity Exchanges of Türkiye (TOBB) Retail Council, Chairperson of the Board of the SEV Health and Education Foundation, and Chairperson of the Association of the Harvard Business School Turkish Alumni Association. He currently holds the following positions in various Non-Governmental Organisations; Member of the Chair Committee of the International Air Transport Association (IATA), Chairperson of the Board of the Turkish Private Aviation Enterprises Association (TÖSHİD), Vice President of Union of Chambers and Commodity Exchanges of Türkiye (TOBB) Civil Aviation Council, Vice President of Turkish Tourism Investors Association (TTYD), Member of the Board of Trustees and Board Member of the TOBB GS1 Türkiye Foundation, Member of the Board of Trustees of the SEV Health and Education Foundation and Member of the Board of Trustees, Board Member of the Boğaziçi University Foundation. Mehmet T. Nane is a Founding Member of the Yanındayız Association and Women in Technology Association (WTECH), and he joined the PWN Equality Ambassadors as a part of the Manifesto of Gender Equality Supporting CEOs by Professional Women Network (PWN) Istanbul.		
Duties Assumed Elsewhere in 2023		
1.	Pegasus Uçuş Eğitim Merkezi A.Ş. in Liquidation	Chairperson
2.	Pegasus Havacılık Teknolojileri ve Ticaret A.Ş.	Chairperson
3.	Flybondi Limited (U.K.)	Non-Executive Board Member

Ali İsmail SABANCI	Non-Executive Board Member
Ali İsmail SABANCI served as the Chairperson of our Board of Directors between January 2005 and March 2023 and continues to serve as a board member since March 2023. Ali Sabancı vice chairperson of Mars Sportif which are part of the Esas Private Equity portfolio. He also serves on the board of Esas Properties. Ali is one of the co-founders of Esas Social, which was established to facilitate sustainable social investment. He focuses on increasing awareness of entrepreneurship in Turkey. As the president of the Young Entrepreneurs Board in the Union of Chambers and Commodity Exchanges of Turkey (TOBB), he has led successful projects including Angel Investing Legislation, Global Entrepreneurship Congress, G3 Forum, Global Entrepreneurship Week and TIM Innovation Week - Born Global. He is also an angel investor in more than 25 start-up companies Ali is a member of the Turkish Family Business Association. In 2018 he was awarded the Légion d'Honneur by the French government for his contributions to economic relations between Türkiye and France. Ali Sabancı earned his M.B.A. degree with a major in International Finance from Columbia Business School and B.A. degree in Politics and Economics from Tufts University.	

Duties Assumed Elsewhere in 2023

1.	Esas Holding A.Ş.	Chairperson
2.	VCSA Teknolojik Yatırımlar ve Danışmanlık Hiz. A.Ş.	Chairperson
3.	Esas Venture Capital Teknoloji Yatırımları A.Ş.	Chairperson
4.	Kiraz 1 Gayrimenkul ve Yat. Dan. A.Ş.	Chairperson
5.	Esas Aile Ofisi Yönetim Danışmanlık A.Ş.	Vice Chairperson
6.	Mars Sportif Tesisler İşletmeciliği A.Ş. (Group Company)	Vice Chairperson
7.	Mars Spor Kulübü ve Tesisler İş. A.Ş. (Group Company)	Vice Chairperson
8.	Esas Burda Turizm ve İnş. San. Tic. A.Ş. (Group Company)	Board Member
9.	Sosyal Ağlar Elektronik Ticaret A.Ş.	Board Member
10.	Beyoğlu Gazozu İçecek A.Ş.	Board Member

H. Çağatay ÖZDOĞRU	Board Member
H. Çağatay ÖZDOĞRU served as a member and Vice-chairperson of the Board of Directors at Pegasus Hava Taşımacılığı A.Ş. between December 2006 and September 2022. He was reappointed as a member of the Board of Directors in August 2023. H. Çağatay ÖZDOĞRU oversees all of Esas Holding's business segments including real estate, private equity, venture capital and wealth management, and serves on their investment committees. H. Çağatay ÖZDOĞRU joined Esas Holding in 2005 as an executive board member. He played a major role in establishing Esas Private Equity where he served as CEO since 2010, until transitioning to his current role in 2019. He led a number of Esas' private equity investments and exits of various portfolio companies including UN Ro-Ro, Mars Cinema Group and Peyman. Previously, H. Çağatay ÖZDOĞRU was the president of IT & Telecommunications Investments at Sabancı Holding. Prior to that, he held various positions at France Telecom Group, where he last served as the executive vice president of the MEA region at Orange Business Services. He was also a member of the Global Operating Committee. In 2020, H. Çağatay ÖZDOĞRU was appointed as the chairperson of Türkiye - France Business Council at DEİK (Foreign Economic Relations Council) and Independent Board Member of Fenerbahçe Football A.S in 2021. H. Çağatay ÖZDOĞRU is also a member of the Board of Directors at TÜSİAD, Turkish Business & Industry Association as of April 2022. Previously, he served as the chairperson of Türkiye - Sweden Business Council and Türkiye - Croatia Business Council, and board member of TBV (Türkiye IT Foundation) and TUBISAD (Türkiye	

IT Industry Association). He was also the president of Sigortamnet İTÜ Basket of Turkish Basketball League between 2018-2019. H. Çağatay ÖZDOĞRU earned his M.S. degree in Electrical Engineering from George Washington University, where he received the Hall of Fame Award for Alumni in 2016, and B.S. degree in Electronics and Telecommunications Engineering from Istanbul Technical University.

Duties Assumed Elsewhere in 2023

1.	Esas Holding A.Ş.	CEO & Board Member
2.	Kiraz1 Gayrimenkul ve Yatırım Danışmanlığı A.Ş.	Board Member
3.	Denkar Denizcilik A.Ş.	Chairperson
4.	Multimarka Ayakkabıcılık San. ve Tic. A.Ş.	Chairperson
5.	Esas Hava A.Ş.	Chairperson
6.	Esas Aile Ofisi Yönetim Danışmanlık A.Ş.	Board Member
7.	Esasburda Turizm ve İnşaat San. Tic. A.Ş.	Board Member
8.	Ayakkabı Dünyası Kundura San. ve Tic. A.Ş.	Board Member
9.	Bekal Yönetim Danışmanlığı A.Ş.	Chairperson

M. Cem KOZLU

Non-Executive Board Member

Mehmet Cem KOZLU served as an independent member of our Board of Directors between 2013 and 2020 and continues to serve as a non-executive member of our Board of Directors since April 2020. Cem KOZLU served as the chairperson of the board of directors and CEO at Türk Hava Yolları A.O. between 1988 and 1991 and in 1990 he also served as the chairperson of the Association of European Airlines. After having served as a member of the Turkish Parliament between 1991 and 1995, he took a second term as the chairperson of Turkish Airlines between 1997 and 2003. Cem KOZLU held several positions at The Coca-Cola Company between 1996 and 2006 where his last position was the president of the company's Central Europe, Eurasia and Middle East operations. He served as consultant to Coca-Cola Eurasia and Africa Group between 2007 - 2015. Cem KOZLU served as the chairperson of the International Airline Training Fund between 2008 and 2010 and continues to serve as member of board of directors or advisor in various companies. Cem KOZLU holds a bachelor's degree from Denison University and an MBA degree from Stanford University. He also holds a Ph.D. in administrative sciences from Boğaziçi University.

Duties Assumed Elsewhere in 2023

1.	Koç Holding A.Ş.	Independent Board Member
2.	DO & CO AG (Austria)	Supervisory Board Member

H. Zeynep Bodur OKYAY

Non-Executive Board Member

Zeynep Bodur OKYAY joined Pegasus Airlines as a non-executive member of the Board of Directors member on July 14, 2016 and served as an independent Board member between October 2016 – March 2022. Zeynep Bodur OKYAY continues to serve as a non-executive board member since March 2022. From 1992 to 1993, Zeynep Bodur Okyay served in various positions as a management trainee in the production units of Çanakkale Ceramic Factories in Çan, Çanakkale. In 1995, she was appointed as a Member and Chairman of the Executive Committee of Kale Group's Marketing Companies and has been serving as the President and CEO of Kale Group since 2007. Zeynep Bodur Okyay actively contributes to many non-governmental and international organizations by taking part in their management levels. Served as the President of the Assembly of the Istanbul Chamber of Industry for two consecutive terms between 2013 and 2022, Okyay currently serves as the

Chairperson of the Board of Directors of the Global Relations Forum Association, Board Member and Executive Committee Member of the Foreign Economic Relations Board (DEİK), Chairman of the Türkiye-Morocco Business Council at DEİK, Vice President of the Italian Chamber of Commerce Association, and member of Turkish Industry and Business Association (TÜSİAD), Impact Investing Advisory Board, Carnegie Europe Advisory Board, İstanbul Chamber of Industry, İstanbul Chamber of Industry Council and Professionals Committee, and chairperson of of the Council of Ceramics and Refractors at Turkish Union of Chambers and Commodity Exchanges (TOBB). Zeynep Bodur Okyay, who has been actively supporting the G20 processes since the 2015 Turkish Presidency, will continue to serve as Co-Chair of the B20 “Women Diversity Inclusion Action Council” during the Brazilian Presidency through 2024. Zeynep Bodur Okyay was awarded the **"Cavaliere di Lavoro"** decoration by the Italian State in 2006 for her contributions and services to Turkish-Italian relations and received the **"Ufficiale dell'Ordine al Merito della Repubblica Italiana"** high-level state decoration in 2014. In 2010, she was honored with the Franco Nobili Award within the scope of “Türkiye in Europe” for her contribution to the relations between Türkiye and the European Union countries. In the same year, Zeynep Bodur Okyay received the Distinguished Service Award from the Grand National Assembly of Türkiye. Also supported the establishment of a Turkish Chair at Harvard University through her work at the Harvard Alumni Association, of which she is one of the founders, Okyay leads many pioneering programs within Kale Group to contribute to Türkiye's education, design, art, local development, and social entrepreneurship ecosystem as Chairman of the Board of Trustees and Chairman of the Board of Directors of Dr. (h.c.) İbrahim Bodur Kaleseramik Education, Health, and Social Aid Foundation. Zeynep Bodur Okyay is fluent in Italian and English, having graduated from the Italian High School, İstanbul Technical University Department of Management Engineering, and Harvard University's graduate executive training programs, respectively. Zeynep Bodur Okyay is married to Osman Okyay, Vice Chairman of Kale Group, and has one child.

Duties Assumed Elsewhere in 2023

1.	H. İbrahim Bodur Holding A.Ş.	Executive Chairperson
2.	Kale Holding A.Ş.	Executive Chairperson
3.	Kaleseramik, Çanakkale Kalebodur Seramik Sanayi A.Ş.	Executive Chairperson
4.	Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.	Executive Chairperson
5.	Bodur Gayrimenkul Geliştirme A.Ş.	Executive Chairperson
6.	Bodur Menkul İş Geliştirme Sanayi ve Ticaret A.Ş.	Executive Chairperson
7.	Kale Sanayi Arazileri Geliştirme ve Yönetim A.Ş.	Executive Chairperson
8.	Mavruz Tarım A.Ş.	Chairperson
9.	Küçükçekmece Gayrimenkul Geliştirme Yatırım ve Ticaret A.Ş.	Chairperson
10.	Manavgat Sahil Gayrimenkul Geliştirme Yatırım ve Ticaret A.Ş.	Chairperson
11.	Manavgat Akdeniz Gayrimenkul Geliştirme Yatırım ve Ticaret A.Ş.	Chairperson
12.	Manavgat Adalar Gayrimenkul Geliştirme Yatırım ve Ticaret A.Ş.	Chairperson
13.	Manavgat Karacalar Gayrimenkul Geliştirme Yatırım ve Ticaret A.Ş.	Chairperson

- | | | |
|-----|---|-------------|
| 14. | Anadolu Ataşehir Gayrimenkul Geliştirme Yatırım ve Ticaret A.Ş. | Chairperson |
| 15. | Gaziemir Gayrimenkul Gayrimenkul Geliştirme Yatırım ve Ticaret A.Ş. | Chairperson |
| 16. | Kalebodur Gayrimenkul Ticaret A.Ş. | Chairperson |

Stephen M. GRIFFITHS

Non-Executive Board Member

Stephen Mark GRIFFITHS joined Pegasus Airlines as a non-executive member of the Board of Directors on November 11, 2016, and served as an independent Board member between January 2017 – March 2023 and continued to serve as non-executive member of the Board of Directors until August 2023. Since November 2022, Steve GRIFFITHS has been managing director of East Midlands Airport and Group Operational Transformation Director. Between October 2018 – June 2020, Steve GRIFFITHS acted as the Chief Operating Officer and between June 2020 – October 2022, he served as managing director for London Stansted Airport, both airports being part of the Manchester Airport Group. Between 2015 and 2017, Steve GRIFFITHS was the Chief Operating Officer of the London Underground. Between 1995 and 2013, Steve GRIFFITHS served in various positions at Virgin Atlantic Airways Limited. Between March 2009 and June 2013, Steve GRIFFITHS was the Chief Operating Officer of Virgin Atlantic, responsible for the safe, efficient and cost-effective delivery of the airline operations and customer service promise, with leadership responsibility for 6,500 employees in flight operations, engineering, airports, cargo, pilots, cabin crew, safety and security and customer experience. Prior to that, Steve GRIFFITHS served as director of engineering between 2007 and 2009 and undertook various senior engineering positions between 1995 and 2007. Between 1986 and 1995, Steve GRIFFITHS served as senior service engineer at Rolls Royce plc.

Duties Assumed Elsewhere in 2023

- | | | |
|----|-----------------------------|-------------------|
| 1. | East Midlands Airport, U.K. | Managing Director |
|----|-----------------------------|-------------------|

Agah UĞUR

Independent Board Member

Agah UĞUR joined Pegasus Airlines as a non-executive member of the Board of Directors in August 2019 and serves as an independent member of Board of Directors since April 2020. Agah UĞUR worked in accountancy, consulting and banking firms in England and Türkiye before joining Borusan Group in 1989 as their CFO. He served as the Borusan Group CEO between 2001 and 2018. Agah UĞUR held and continues to hold several board and advisory board positions in NGOs. Currently, he is a member of TUSIAD's High Advisory Council, member of the Board of Trustees of Sabancı University, and member of the advisory board of Columbia University Istanbul Global Center. Agah UĞUR holds a bachelor's degree in industrial engineering obtained from the University of Birmingham in the U.K. and qualified as chartered accountant in England in 1985.

Duties Assumed Elsewhere in 2023

- | | | |
|----|--|---------------------------------|
| 1. | Doğan Şirketler Grubu Holding A.Ş. | Vice Chairperson |
| 2. | Sabancı Üniversitesi | Member of the Board of Trustees |
| 3. | Türk Sanayiciler ve İş İnsanları Derneği | Member of High Advisory Council |
| 4. | Saha Derneği | Vice Chairperson |
| 5. | Columbia Üniversitesi İstanbul Global Center | Member of Advisory Board |
| 6. | Alcatel Lucent Teletaş Telekomünikasyon A.Ş. | Independent Board Member |
| 7. | Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş. | Independent Board Member |

8.	Makine Takım Endüstrisi A.Ş.	Independent Board Member
9.	Efes Pazarlama ve Dağıtım Ticaret A.Ş.	Board Member
10.	Coca Cola İçecek A.Ş.	Board Member

David A. F. VISMANS	Independent Board Member
David F. A. VISMANS joined Pegasus Airlines as a non-executive member of the Board of Directors in January 2022 and serves as an independent member of Board of Directors since March 2022. David VISMANS is a product development executive with an engineering and AI education, having 20 years of experience of leading and scaling global oriented digital products and product organizations on hyper-growth trajectory, in various industries: digital navigation, social networking, e-commerce and travel. Between 2015 and 2021, David VISMANS served as Chief Product Officer for Booking.com, having previously served as Front-End Division Director and Mobile Senior Product Owner between 2012 and 2015. Previously, David VISMANS served as Product Development Director for Telegraaf Media Nederland in 2012, Chief Technology Officer and Head of Development for Hyves, between 2009 and 2012, and Development and Software Manager for Tomtom, between 2004 and 2008. David VISMANS has a bachelor's and a master's degree in Artificial Intelligence from the University of Amsterdam. David VISMANS is a citizen and resident of Netherlands.	

Duties Assumed Elsewhere in 2023		
1.	Virtuo (France)	Supervisory Board Member
2.	ParkBee (Netherlands)	Supervisory Board Member
3.	OpenUp (Netherlands)	Advisory Board Member
4.	Bits of Stock (U.S.)	Advisory Board Member
5.	Balderton Capital (U.K.)	Executive in Residence

Ayşegül İLDENİZ	Independent Board Member
Ayşegül İLDENİZ joined Pegasus Airlines as a non-executive member of the Board of Directors in September 2022 and serves as an independent member of Board of Directors since October 2022. Ayşegül İLDENİZ is a pioneer in innovation, technology transformation and future vision with working experience in the Silicon Valley and Türkiye. A graduate of Boğaziçi University with a bachelor's degree in Business Administration and holder of a master's degree on Electronic Communications Arts from San Francisco State University, California, she joined microprocessor giant Intel Corporation in 1998. Until 2016, she served as Türkiye Country General Manager, Regional President overseeing 67 countries including Türkiye, Middle East and Africa and European Board member, and finally as the Vice President for New Devices Group. In this role, she developed products regarding wearable smart devices and IoT. In 2016, she was appointed as the Chief Operating Officer of Silver Spring Networks (SSNI), a publicly traded entity on the NYSE, serving half of the U.S. smart energy market with 26 million subscribers. In this role she implemented smart city programs in cities including Chicago, Singapore, Paris, Copenhagen and Dubai and she took part in the successful exit transaction at SSNI in 2018. She has board duties in various other companies in Türkiye and she also carries out consultancy work on entrepreneurship and mobility in the Silicon Valley. Ayşegül İLDENİZ is very active in social work and drives technological development, smart future, and innovation agenda in developing countries. In 2015, she was listed as one of the top 100 most creative people in business by Fast Company magazine. She was also awarded as the third most influential Turkish-American woman by	

Turks of America magazine. Other accolades include the “Tech Women of the Year” award by Dünya Magazine in 2004, the prestigious “Betül Mardin Leaders Shaping the Future Award” in 2016 presented by Turkish Public Relations Association, and an honorary appreciation award by Middle East Technical University Senate. Ayşegül İLDENİZ is a 2010 Eisenhower Türkiye Fellow. She currently serves as the Silicon Valley Network Chairperson at TUSIAD and as a board member for Turkish Philanthropy Funds.

Duties Assumed Elsewhere in 2023

1.	Doğan Şirketler Grubu Holding A.Ş.	Independent Board Member
2.	Vestel Elektronik Sanayi ve Ticaret A.Ş.	Independent Board Member
3.	Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.	Independent Board Member
4.	Zorlu Enerji Elektrik Üretim A.Ş.	Independent Board Member

ANNEX-3

PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ INDEPENDENT BOARD MEMBERS' INDEPENDENCE STATEMENTS FOR 2023

To the attention of the Board of Directors and the Corporate Governance Committee of Pegasus Hava Taşımacılığı A.Ş.,

Re : Statement of Independence relating to Corporate Governance Principles

In relation to my nomination as an independent director of Pegasus Hava Taşımacılığı A.Ş. (the "**Company**"), I hereby declare that I fulfill the independency criteria set out in the below paragraph no. 4.3.6 of the corporate governance principles determined by the Capital Markets Board of Türkiye as part of the Corporate Governance Communiqué No. II-17.1 (the "**Communiqué**") that entered into force upon publication in the Official Gazette dated January 3, 2014 and numbered 28871.

4.3.6 A director fulfilling all of the following criteria qualifies as an "independent director".

- (a) No employment in a management position undertaking important duties and responsibilities, equity⁽¹⁾ or an important commercial relationship⁽²⁾ should have taken place between the independent director, his/her spouse or his/her relatives up to and including second degree on one side and the public company, other companies controlled⁽³⁾ or materially influenced⁽⁴⁾ by the public company, shareholders having management control or material influence over the public company and other companies where such shareholders enjoy management control, at any time during the past 5 years;
- (b) The independent director should not have been a shareholder (with 5% stake or more), a manager undertaking important duties and responsibilities or a member of the board of directors in any entity providing or procuring products or services to/from the public company of an important scale at any time during the past 5 years, during the time such products or services were provided or procured by the public company, most notably the audit (including tax audit, statutory audit, internal audit), rating and consultancy services provided to the public company;
- (c) The independent director must have acquired the vocational education, knowledge and experience necessary to duly perform the duties he/she is to undertake in this position,
- (d) The independent director should not be working full time in a governmental entity or institution after his/her appointment, unless he/she is a professor at the university who is allowed to act as an independent director according to the applicable legislation,
- (e) The independent director should be residing in Türkiye⁽⁵⁾ according to the Income Tax Law No. 193 dated December 31, 1960;⁽⁶⁾
- (f) The independent director should have strong ethical standards, professional reputation and experience allowing him/her to make positive contributions to the company's activities, keep his/her independence regarding any conflict of interest between the company's shareholders, and decide freely taking the rights of stakeholders into consideration;
- (g) The independent director should be in a position to spend sufficient time for the company matters enabling him/her to follow-up on the activities of the company and fully perform his/her duties as an independent director;
- (h) The independent director should not have served as a member of the public company's Board of Directors for more than 6 years during the past 10 years;
- (i) The independent director should not be serving as an independent director at more than three companies under the same management control or at more than five publicly traded companies; and
- (j) The independent director should not be registered as a representative for a legal entity appointed as member of the Board of Directors.

Respectfully yours,

Agah UĞUR
Independent Board Member

David F. A. VISMANS
Independent Board Member

Aysegül İLDENİZ
Independent Board Member

⁽¹⁾ Equity relationship covers instances where more than 5% of the capital, voting rights or the total number of privileged shares are owned, alone or together with others listed in this sub-paragraph.

⁽²⁾ Commercial relationship will be deemed important if the revenue or earning before tax derived from the transaction by either party represents 20% or more of its/his/her revenue or earning before tax from the same type of transactions.

⁽³⁾ (Management) Control will be determined based on Turkish Financial Reporting Standard 10 Consolidated Financial Statements.

⁽⁴⁾ Material Influence will be determined based on Turkish Accounting Standard 28 Investments in Associates and Joint Ventures.

⁽⁵⁾ Individuals are considered residents in Türkiye, if (i) they are domiciled in Türkiye in accordance with the Turkish Civil Code No. 4721, or (ii) they stay in Türkiye for more than 6 months in a calendar year.

⁽⁶⁾ Pursuant to Article 5 Paragraph 6 of the Communiqué it is sufficient for at least half of the independent directors to fulfill this criterion.

ANNEX-4

RESPONSIBILITY STATEMENT AS PER ARTICLE 9 OF THE COMMUNIQUÉ NO. II-14.1 OF THE CAPITAL MARKETS BOARD

The audited consolidated financial statements and the annual activity report of the Board of Directors for the period between January 1, 2023 and December 31, 2023, prepared in accordance with the Capital Markets Board Communiqué No: II-14.1 and approved by the Board of Directors by its decision dated March 4, 2024 and numbered 801 have been provided in the annex hereto.

We hereby inform you that the Consolidated Balance Sheet, Income Statement, Cash Flow Statement, Statement of Changes in Equity, together with the notes thereto, the Annual Activity Report, the Corporate Governance Compliance Statement annexed thereto and the Corporate Governance Compliance Report (KYR) and the Corporate Governance Information Form (KYBF) referred to in the statement, prepared in accordance with the Capital Markets Board decision dated January 10, 2019 and numbered 2/49, in accordance with the regulations of the Capital Markets Board:

- a) Have been reviewed by us;
- b) Based on the information available to us as a result of our duty at the Company, do not contain any incorrect disclosure on material issues or any insufficiencies that may be misleading as of the date the disclosure is made;
- c) Based on the information available to us as a result of our duty at the Company, the financial statements prepared in accordance with the applicable financial reporting standards and based on the principle of consolidation, reflect fairly on the Company's assets, liabilities, financial standing and profit/loss for the relevant period, and the activity report, again based on the principle of consolidation, reflect fairly on the development of the business, performance and the important risks and uncertainties faced by the Company;

and we hereby declare our responsibility for this statement.

Respectfully yours,

Agah UĞUR
Chairperson of the Audit
Committee and Independent
Board Member

Ayşegül İLDENİZ
Audit Committee and
Independent Board
Member

M. Barbaros KUBATOĞLU
CFO

ANNEX-5

PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ NOTES TO 2023 SUSTAINABILITY COMPLIANCE REPORT

By its decision dated June 23, 2022 and numbered 34/977, Turkish Capital Markets Board requires publicly traded companies to report on their work regarding the Capital Markets Board's "Sustainability Principles Compliance Framework" based on the Sustainability Reporting Template published by the Capital Markets Board. Our Sustainability Compliance Report for the year 2023 is prepared and published in the format requested by the Capital Markets Board. All other information previously included in our 2020, 2021 and Corporate Sustainability Reports is provided in this section and is cross-referenced to the 2023 Sustainability Compliance Report.

This year we are working on the publication of our first Sustainability Report to be prepared in accordance with Global Reporting Initiative Standards. We aim to publish our 2023 Sustainability Report by the end of 2024 Q2.

A. GENERAL PRINCIPLES

A1. Strategy, Policy and Targets

A1.1. The Board of Directors has determined priority ESG items, risks and opportunities. The Board of Directors has adopted and disclosed ESG policies (e.g., Environment Policy, Energy Policy, Human Rights and Employee Policy).

All our ESG efforts are carried out based on the Pegasus Airlines Corporate Sustainability Policy adopted by the Board of Directors.

PEGASUS AIRLINES CORPORATE SUSTAINABILITY POLICY

As Pegasus Airlines, we are committed:

- to identify our environmental, social and governance sustainability goals in relation to our operations,
- to identify organizational responsibilities necessary to implement processes with a view to achieve these goals,
- to continuously improve our sustainability compliance framework by raising stakeholder awareness on corporate sustainability.

In carrying out our commitment, we will be cognizant of the applicable national and international standards, regulations and our corporate undertakings.

Various other Policies are adopted that support our sustainability (ESG) framework, including the following:

- Corporate Social Responsibility Policy
- Donations and Charitable Contributions Policy
- Information Policy
- Anti-Bribery and Anti-Corruption Policy

- Policy on Representation in the Board of Directors
- Compensation and Indemnification Policy
- Dividend Policy
- Share Buyback Policy
- Ethical Behavior Guide
- Environmental Policy
- Quality Policy
- Safety Policy
- Occupational Health and Safety Policy
- Information Security Policy
- Privacy Policy
- Human Resources Policy
- Compensation Management Policy

We are designing our ESG framework in line with our Corporate Sustainability Policy and the following standards:

ENVIRONMENTAL:

- ISO 14001:2015 Environment Management System
- Carbon Disclosure Project (“**CDP**”)
- International Civil Aviation Organization – ICAO Carbon Offsetting and Reduction Scheme for International Aviation (“**CORSIA**”)
- National flights emission measurement, verification and reporting scheme SHT-CORSIA published by the Turkish General Directorate of Civil Aviation (“**TDGCA**”)
- European Union Emissions Trading System (“**EU ETS**”)
- United Kingdom Emission Trading System (“**UK ETS**”)

SOCIAL:

- ISO 9001:2015 Quality Management System
- ISO 27001:2017 Information Security Management System
- ISO 45001:2018 Occupational Health and Safety Management System
- TDGCA Air Operator’s Certificate
- EASA TCO (Third Country Operator License)
- 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, Maintenance Authorizations
- TDGCA TRTO (Type Rating Training Organization) Authorizations

- Other TDGCA Training Authorizations

CORPORATE GOVERNANCE:

- BIST Corporate Governance Index
- BIST Sustainability Index
- BIST Sustainability 25 Index

A1.2. Short and long-term targets determined in line with ESG policies have been publicly disclosed.

We are among the world's leading airlines to join IATA's 2050 Net Zero Target.

We strengthened our 2050 net zero commitment by setting an interim carbon emissions intensity goal for 2030. With this target, we aim to decrease flight-related carbon emissions per unit passenger km (RPK) by 20% by 2030, compared to 2019. In 2023, we published our Climate Transition Roadmap on our [Sustainability Hub](#).

We are one of the first airlines in the world to join IATA's "25by2025" initiative, a voluntary campaign for IATA member airlines to improve female representation in the industry by 25%, or up to a minimum of 25% by 2025. We revised our "Policy on Representation in the Board of Directors" in 2019 as a solid commitment to the campaign, stating there would be a minimum female representation of 25% on the Board of Directors by 2025. The target set for the Board of Directors was achieved in September 2022.

A2. Implementation/Monitoring

A2.1. Committees and/or units responsible for implementing ESG policies, and persons with highest level authority on ESG matters and their duties have been determined and publicly disclosed. Responsible committee and/or unit reported on activities carried out in line with the policies to the Board of Directors at least once during the year.

In February 2022, we established a dedicated Sustainability Office responsible for implementing our sustainability policy and our strategic sustainability targets. Our Sustainability Office is also responsible for coordinating and reporting on company-wide sustainability and ESG efforts. Our Sustainability Director (who also undertakes the role of Company General Counsel) reports directly to our CEO.

We also formed a Sustainability Working Group to facilitate communication among relevant business units. Our team members are interested in sustainability, and they voluntarily support our sustainability efforts. The Sustainability Working Group is further divided into Focus Groups carrying out specific projects within their areas of expertise. An additional working platform is established to coordinate communication efforts on sustainability (ESG) actions both within and outside the Company.

A Sustainability Steering Committee has also been formed to bring together senior management representatives and the Sustainability Director to evaluate our long-term targets and to plan and monitor the progress of work on sustainability and ESG.

The Sustainability Director is responsible for facilitating communication between the Steering Committee and the Working Group and reporting their work directly to Pegasus Airlines' CEO.

We engage outside expertise through consultancy when necessary.

The work carried out by these functions is then passed to the Corporate Governance Committee every quarter and reported to the Board of Directors on a regular basis.

Our Corporate Sustainability Policy, opportunities and risk framework, strategic targets, key performance indicators and reporting structure are determined by the CEO, the Corporate Governance Committee, or the Board of Directors according to the governance matrix set out in our corporate procedures.

In 2022, our three-year sustainability (ESG) roadmap was presented to and was endorsed by the Board of Directors. Also in 2022, we developed a risk & opportunity framework under the auspices of the Corporate Governance Committee and incorporated ESG-related risks in our corporate risk ledger, subject to periodic review by the Risk Committee. Committee review takes place quarterly. Board review takes place annually and Board reporting is carried out in two concurrent levels, on a monthly and quarterly basis.

A2.2. Implementation and action plans have been developed and publicly disclosed in accordance with ESG targets.

In 2022, sustainability (ESG) was integrated into our main strategic roadmap by our Board of Directors. The framework endorsed by the Board of Directors identifies 24 specific initiatives targeted for completion between 2022 and 2025.

In 2022, we launched our [Sustainability Hub](#) on our website flypgs.com. This section is dedicated to our sustainability efforts. It is meant to provide clear and accessible information on why sustainability is important to us and our relevant actions for anyone who is interested.

A2.3. ESG Key Performance Indicators (KPIs) and annual progress on these KPIs have been publicly disclosed.

Since 2021, we disclose our main ESG KPIs as part of our Annual Reports. Changes and trends are analyzed in the management's discussion & analysis section. As of 2022, we supplement this set of data with additional ESG KPIs and a presentation of lean & efficient operations with environmental impact.

Key reference documents for our ESG KPIs are as follows:

- Our Annual Reports (MD&A on Operational, Financial and Non-Financial Performance)
- Presentations on Additional ESG Performance Indicators
- Presentations on Environmental Impact of Lean & Efficient Operations

In specific contexts, the following reports will also contain information on action plans and developments:

- BIST Corporate Governance Rating Reports
- UN Global Compact Communications on Progress
- Our CDP Reports
- Our Quarterly Investor Presentations
- Our Monthly Traffic Data
- Corporate Governance Compliance Form (URF) and Corporate Governance Information Form (KYBF)

Our Corporate Governance Compliance Form (URF) and Corporate Governance Information Form (KYBF) is accessible through the [Public Disclosure Platform](#). All other sources are available on our [Investor Relations Website](#).

A2.4. Actions to improve sustainability performance of work processes or products and services have been publicly disclosed.

We report on improvements in the sustainability performance of our work processes and products and services, in addition to the disclosure of ESG KPIs in our Annual Reports, corporate presentations on performance and through specific disclosures.

In addition to the sources listed in response to A2.3, the following channels are used to communicate information on specific initiatives:

- [Pegasus Airlines Sustainability Hub](#)
- [Communication on June 5, 2023 World Environment Day](#)
- [Pegasus Airlines Press Room](#)

A3. Reporting

A3.1. Sustainability performance, targets and actions have been reported and publicly disclosed as part of the annual activity report in a direct, accurate and concise manner.

Please refer to explanations in A2.2, A2.3 and A2.4 above. All information is provided accurately in a clear and concise manner.

A3.2. Information on how activities relate to the United Nations (UN) 2030 Sustainable Development Goals have been publicly disclosed.

Our Annual Reports provide a conceptual framework identifying the UN Sustainable Development Goals we contribute to and how we aim to do that.

A3.3. Adverse litigation on ESG matters filed and/or finalized or otherwise material for ESG policies and/or with a potential to materially impact business have been publicly disclosed.

There is no material litigation falling within the scope of this reporting item. General information on files and/or finalized lawsuits are provided in Sections 4F and 4H of our Annual Report.

A4. Verification

A4.1. ESG KPI calculations have been verified by independent third parties and this information has been publicly disclosed.

We give importance to the verification, performance measuring and rating for our ESG efforts by independent third parties. Our proficiencies for our activities (TDGCA, EASA, IATA, ISO, etc.), verification and rating of our activities (CDP, LSEG ESG, CORSIA and Corporate Governance Compliance Rating, etc.) are disclosed on our Investor Relations Website.

As part of the sustainability linked loan financing secured for 10 Airbus 321neo aircraft, our sustainability KPIs were verified by a second party opinion provided by an independent ESG ratings and analytics agency as to their alignment with sustainable finance principles.

B. ENVIRONMENTAL PRINCIPLES

B1. The Company has disclosed its policies and practices regarding environmental management, its environmental management systems (ISO 14001) and programs.

We are committed to constantly improving our system by realizing environmental targets, enhance environmental performance, prevention of pollution and protecting the environment, complying with applicable laws and all applicable standards, creating sustainable environmental awareness in our passenger and cargo air transportation activities.

Our environmental targets and deliverables are set out in the Pegasus Airlines Sustainability Hub and our environmental reporting under CDP, LSEG ESG and UN Global Compact CoP.

B2. Scope, reporting period, reporting date, and reporting limitations have been disclosed in relation to environment reports prepared to deliver information on environment management.

Our ISO 14001 Environmental Management System geographically covers our headquarters located in Pendik, Istanbul and our facilities at Istanbul Sabiha Gökçen, Izmir Adnan Menderes and Antalya Airports. The scope and conditions relating to our CDP greenhouse gas inventory and water consumption monitoring and reporting is provided in our CDP reports.

B3. Senior responsible, high-level committees and their responsibilities relating to environment and climate change are disclosed.

See explanations for Item A2.1 above.

B4. Environmental targets included in rewarding criteria for performance incentive schemes for stakeholders (e.g., Board members, management and employees) have been publicly disclosed.

There are various environmental target related performance incentives applicable to certain members of senior management as well as employees from different departments.

In 2022, we launched a brand-new employee recommendation system “FLYDEA”, whereby employees are encouraged to submit innovative ideas on improving our business. Ideas are welcomed in eight categories, one of them being Sustainability, Environment & OHS. Ideas are evaluated by a tiered review system, voted by employees and selected ideas are scheduled for implementation while those submitting the ideas are rewarded.

B5. The manner by which material environmental issues are integrated into business targets and strategy has been publicly disclosed.

Since 2021, we disclose our main ESG KPIs as part of our Annual Reports. Changes and trends are analyzed in the management’s discussion & analysis section. Starting from 2022, we supplemented this set of data with additional ESG KPIs and a presentation of lean & efficient operations with environmental impact. ESG performance is presented to investors as part of our quarterly results presentation. Furthermore, our Sustainability Hub provides a clear description of how we view sustainability and integrate sustainability into our business model. Our CDP Climate Change report explains how identified climate-related risks and impacts are analyzed and addressed. See explanations under the relevant heading of our Annual Report 2023 for detailed information.

B6. Sustainability performance relating to business processes or products and services and performance-enhancing actions are disclosed.

See explanations for Item A2.4 above.

B7. The way environmental issues are managed and are integrated into business targets and strategy, in a way that covers operations and suppliers and customers across the value chain, has been publicly disclosed.

As part of our Corporate Sustainability Policy, we are committed to continuously improve our sustainability compliance framework by raising stakeholder awareness on corporate sustainability. In 2023, we published the [Sustainability Compliance Framework](#). We have plans and works in place to strengthen and infuse our sustainability initiatives across our value chain. Through new collaborations we aim to initiate under this framework, we aim to multiply the positive impact of the value we create, acting together with our value chain. We aim to implement these measures in the next years.

B8. The Company has publicly disclosed if it participates in policy development with relevant institutions and non-government organizations and cooperation areas with these institutions.

Exploring partnerships with stakeholders and non-governmental organizations is part of our sustainability (ESG) strategy. In 2023, we have been involved in policy work with ministries and other regulatory authorities, aviation stakeholders, non-governmental organizations (NGOs), universities and private enterprises within and outside of the aviation industry.

We are actively involved in policy-making, regulatory feedback, cooperating with relevant organizations and NGOs for environmental matters as part of national and international sectoral entities where we serve in management or advisory councils such as International Air Transport Association (“IATA”) and Turkish Private Sector Aviation Enterprises Association (“TÖSHİD”) and in direct contact with TDGCA in respect of national regulatory work such as the establishment of a national aviation emission monitoring, reporting, verification system infrastructure and a national regulation on sustainable aviation fuels.

Our Chairperson of the Board of Directors (Managing Director) Mehmet T. NANE served as the Chair of the IATA Board of Governors. Mehmet T. NANE became IATA’s first Turkish Chair and also the first IATA Chair appointed from a low-cost carrier IATA member. Mr. NANE is also the President of TÖSHİD. Our CEO Güliz ÖZTÜRK is currently acting as the Vice-Chairperson of the Board of Directors of Global Compact Signatories Association in Türkiye, which is the official Turkish Local Network of UN Global Compact.

In 2023, among other platforms we were involved in:

- Member of IATA Environment & Sustainability Partners Working Group.
- Member of AACO Environmental Policy Group.
- Member of TÖSHİD Sustainability Working Group.
- Sector representation on Climate Change and Environment Panels organized by the Turkish Ministry of Infrastructure and Transport, Turkish Ministry of Energy and Natural Resources and Turkish Ministry of Environment, Climate Change and Urbanization.

B9. Information on environmental impact has been publicly disclosed in comparable format with previous term, in light of environmental indicators (Greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity impact).

Environmental impact information with targets and comparable with previous performance is mainly provided in our CDP reports but are also communicated through different regular and specific reports.

B10. Standards, protocols, methodologies and base year details used to collect and calculate data have been publicly disclosed.

Applicable standard, protocol, methodology and base year details are provided in our reporting under CDP and CORSIA.

B11. Increase or decrease in the levels of environmental indicators for the reporting year is publicly disclosed.

Details on indicators compared against previous years are covered in our reporting under Annual Reporting of main ESG KPIs, our reporting under CDP and UN Global Compact, Operational Efficiency & Environmental Impact presentation and Additional Performance Indicators presentation, our monthly traffic results and specific initiative presentations.

B12. Short and long-term targets have been developed to reduce environmental impact, progress on these targets with information on targets from previous years have been publicly disclosed.

We disclose our short and long-term targets on environmental impact on our Sustainability Hub and in our reporting under Annual Reporting of main ESG KPIs, CDP and UN Global Compact. We also provide progress information in our monthly traffic results and specific initiative presentations.

B13. Climate action strategy has been developed and planned actions have been publicly disclosed.

In 2021, we were among the leading airlines in the world to join the “2050 Net Zero Carbon Emissions” target adopted at the 77th Annual General Assembly of International Air Transport Association (IATA). Also in 2021, we further strengthened this commitment by setting our interim carbon emissions target for 2030. Accordingly, we are aiming to reduce flight related carbon emissions per unit passenger kilometer (RPK) by 20% by 2030, compared to 2019. As of October 2021, we started disclosing our carbon emission data benchmarked against past years as part of our monthly traffic reports. In 2023, we published our Climate Transition Roadmap on our [Sustainability Hub](#).

B14. Programs and policies to prevent or minimize potential negative environmental impact of products and/or services have been developed and have been publicly disclosed. Actions were implemented to reduce greenhouse gas emissions of third parties (e.g., supplier, dealer) and these actions have been publicly disclosed.

We disclose such content as part of our Annual Reports and through specific initiative presentations.

As part of our Corporate Sustainability Policy, we are committed to continuously improve our sustainability compliance framework by raising stakeholder awareness on corporate sustainability. We have plans and works in place to strengthen and infuse our sustainability initiatives across our value chain. In 2023, we [published](#) our [Sustainability Compliance Framework](#). Through new collaborations we aim to initiate under this framework, we aim to multiply the positive impact of the value we create, acting together with our value chain. In addition, our CDP reports disclose information on how the environmental impact of the product/service scope is assessed and the relevant studies are carried out.

B15. Environmental benefit/gains and cost savings derived from initiatives and projects aiming to reduce environmental impact have been publicly disclosed.

We disclose such content as part of our reporting under CDP and through specific initiative presentations.

B16. Energy consumption (natural gas, gas oil, LPG, coal, electric, heating, cooling, etc.) data have been publicly disclosed as Scope-1 and Scope-2 emissions.

This information is covered in our reporting under CDP.

B17. Information on electricity, heating, vapor and cooling generation within the reporting year has been publicly disclosed.

This information is covered in our reporting under CDP.

B18. Actions on the increase in renewable energy use and transitioning into zero or low carbon electricity have been developed and these have been publicly disclosed.

As part of our sustainability strategy, we started increasing the use of renewable energy in our operations. In 2023, with I-REC, we certified that 4,242 MWh of electricity, corresponding to our 2022 electricity consumption at our HQ and at our home base Istanbul Sabiha Gökçen Airport, is sourced from renewable energy sources. I-REC refers to the international certification system developed by RECs International, and it certifies electricity generation from renewable energy sources. This initiative marks our first ever renewable energy purchase for our utility needs. In 2023, we completed a new phase of electrification of our ground equipment we use in our main base at the Istanbul Sabiha Gökçen International Airport (SAW). We carry-out our own ground handling at SAW. With the introduction of our new passenger stairs re-generating electricity through photovoltaic panels, electric ground power units and new electric tractors, 25% of our motorized mobile equipment at SAW now run on electricity and we aim to increase this percentage. Another significant impact of these efforts has been a reduction in our emissions and an improvement in noise and maintenance complexity.

B19. Renewable energy production and consumption data are disclosed.

See explanations for Item B18 above. We disclose such content as part of our reporting under CDP and through specific initiative presentations.

B20. Energy efficiency projects have been implemented and energy consumption savings and emission reductions realized through these projects have been publicly disclosed.

We disclose such content as part of our reporting under CDP and through specific initiative presentations.

B21. Information on water consumption, water sourced from above or under-ground if any, water recycled and discharged, the applicable resources and procedures have been publicly disclosed.

Publicly disclosed information is limited to water consumption rates and policy declarations. In 2023, we published our first Water Security Report as part of CDP, qualifying for Awareness Level Score (C).

B22. Information on the applicability of any carbon pricing scheme (Emissions Trading System, Cap & Trade or Carbon Tax) on operations or activities has been publicly disclosed.

We participate in the carbon offsetting and reduction scheme for international aviation in accordance with ICAO and TDGCA regulations. EU-ETS and UK-ETS are applicable for only a limited number of flights carried out within the European Union and United Kingdom or between the European Union, the United Kingdom and Switzerland in the same period. We also comply with carbon tax like measures implemented in various jurisdictions.

B23. Information on carbon credits accumulated or purchased in the reporting period have been publicly disclosed.

CORSIA first phase has become effective as of the beginning of 2024 and we anticipate potential offsetting obligations starting from our operations in 2024. However; as part of CORSIA scheme, offsetting obligations for the first phase can be completed until the end of 2026. There is no other carbon credit purchase obligation for the reporting period.

B24. Details on carbon pricing implemented within the Company is publicly disclosed.

We use a carbon scheme for our internal use, risk assessment, procurement needs and budgeting, based on our future projections and market price trends for carbon credits and other commodities such as sustainable aviation fuels.

B25. Platforms through which the Company discloses environmental information have been publicly disclosed.

We report environmental performance through a number of platforms, including the following:

- Our Annual Reports (MD&A on Operational, Financial and Non-Financial Performance)
- Presentation on Additional ESG Performance Indicators
- Presentation on Environmental Impact of Lean & Efficient Operations
- UN Global Compact Communications on Progress
- Our CDP Reports
- Our Quarterly Investor Presentations
- Our Monthly Traffic Data

C. SOCIAL PRINCIPLES

C1. Human Rights and Employee Rights

C1.1 Corporate Human Rights and Employee Rights Policy have been formed in a way that addresses the International Declaration of Human Rights, ILO Agreements and the national legal framework on human rights, and the policies and the roles and responsibilities for the implementation of the policies have been published.

Full compliance commitment with the legal framework on human rights and employment and related roles and responsibilities are covered in various sections of the Pegasus Airlines Ethical Behavior Guide, Pegasus Airlines Human Resources Policy, Pegasus Airlines Compensation and Indemnification Policy and Pegasus Airlines Compensation Management Policy.

We are the first airline in Türkiye to commit to the United Nations Global Impact. Thereby, we committed to comply with the ten principles regarding human rights, labor, environment and anti-corruption.

C1.2. Corporate policies on employee rights cover fair workforce, improvement of working conditions, female employment and inclusiveness issues (gender, race, religious belief, language, marital status, ethnic identity, sexual orientation, sexual identity, familial responsibilities, union actions, political view, disability, social and cultural differences, etc.), by also considering impact on supply and value chain.

Equal opportunity, fair workforce, improvement of working conditions, female employment and inclusiveness policies are covered in various sections of the Pegasus Airlines Human Resources Policy and Pegasus Airlines Ethical Behavior Guide.

Underlining our specific emphasis on women's role in the workplace, gender balance and the principle of equality, we were the first airline globally to sign-up with the United Nation's Women's Empowerment Principles. We support platforms such as Yanındayız (In Support) Association, wTech Women in Technology Association, PWN Istanbul, Women in Sales platform and we continue our proud tradition of naming our new aircraft after newborn baby girls of our employees. We support actions to increase awareness among women regarding opportunities in aviation, and to improve women's quantitative and qualitative impact and effectiveness in aviation. In 2019, we became one of the first airlines in the World to join IATA's "25by2025" initiative which is a voluntary campaign for IATA member airlines to improve female representation in the industry by 25%, or up to a minimum of 25% by 2025. As a solid reflection of this commitment, our Board of Directors revised its "Policy on Representation in the Board of Directors" and adopted a 25% minimum female representation in the Board of Directors by 2025.

C1.3. Actions implemented throughout the value chain on providing equal opportunity to groups sensitive to specific economic, environmental, social factors (persons with low income, women, etc.) or on minority rights, have been publicly disclosed.

As part of our Corporate Sustainability Policy, we are committed to continuously improve our sustainability compliance framework by raising stakeholder awareness on corporate sustainability. In 2023, we [published](#) our [Sustainability Compliance Framework](#). Through new collaborations we aim to initiate under this framework, we aim to multiply the positive impact of the value we create, acting together with our value chain. We have plans and works in place

to strengthen and infuse our sustainability initiatives across our value chain. We aim to implement these measures in the next years.

C1.4. Developments aiming to prevent or remedy discrimination, inequality, human rights violations, forced labor and child labor have been publicly disclosed.

Our actions in this area are covered in various sections of the Pegasus Airlines Human Resources Policy and Pegasus Airlines Ethical Behavior Guide, Pegasus Value Chain Sustainability Compliance Framework and specific action is reported through Annual Reports, specific reporting on ESG performance and UN Global Compact Communications on Progress.

C1.5. Corporate policies on employee rights cover employee investment (training and development policies), indemnification, side benefits, unionization right, life/work balance solutions and talent management. Mechanisms and remedy methods have been developed on employee complaints and dispute resolution. Actions implemented during the reporting period aimed at employee satisfaction have been publicly disclosed.

Our actions in this area are covered in various sections of the Pegasus Airlines Human Resources Policy and Pegasus Airlines Ethical Behavior Guide, and specific action is reported through Annual Reports, specific reporting on ESG performance and UN Global Compact Communications on Progress.

Complaint and resolution mechanisms are established within our Ethics Governance Framework and are addressed through our Human Resources Policy, Pegasus Airlines Ethical Behavior Guide and our Anti-Bribery and Anti-Corruption Policy.

Our actions are measured by employee effectiveness surveys and reported through Annual Reports and specific reporting on ESG performance and UN Global Compact Communications on Progress.

C1.6. Occupational health and safety policies have been developed and have been publicly disclosed. Preventive actions for workplace accidents and employee health, and accident statistics have been publicly disclosed.

Pegasus holds ISO 45001:2018 Occupational Health and Safety Management System certificate. Our Occupational Health and Safety Policy is publicly available. Company-wide workplace accidents and preventive actions, measures, accident statistics are reported to senior management on a monthly basis. We disclose our targets and performance indicators on Occupational Health and Safety on our Investor Relations Website.

C1.7. Policies on the protection of personal data and data security have been developed and have been publicly disclosed.

We commit to the protection of personal data and ensuring data security at the highest level through the Pegasus Airlines Information Security Policy and Pegasus Airlines Privacy Policy. Efforts in these areas are coordinated by the Legal and Information Technologies Departments, managed by inter-departmental governance bodies and regulated by extensive Company-wide regulations. We maintain working groups such as Information Security Committee, Personal Data Protection Committee and Corporate Cyber Incidents Response Team to address issues such as protection of personal data, information security and business continuity. We participate in aviation-specific cybersecurity studies as part of a TDGCA-led task force.

C1.8. Ethics policy has been developed and has been publicly disclosed.

We adopted the Pegasus Airlines Ethical Behavior Guide to manage ethics compliance. Relying on this document, an efficient ethical governance is functioning under the direct supervision of the Audit Committee reporting to the Board of Directors. Information on our activities is reported in our Annual Reports and our UN Global Compact Communications on Progress.

C1.9. Community investment, social responsibility, financial inclusiveness and financial access efforts are disclosed.

We engage in community investment and social responsibility, and we regularly report our efforts in this area. These efforts are carried out in accordance with the Pegasus Airlines Donations and Charitable Contributions Policy adopted by the Shareholders' General Assembly and the Pegasus Airlines Corporate Social Responsibility Policy adopted by the Board of Directors. Through initiatives such as the “*We’re Flying to the Future*” project where we collaborate with a foundation operating at national level to address complex social issues (*Sivil Toplum İçin Destek Vakfı*), we assume social responsibility especially in the areas of education, health, environment, solidarity and civil aviation.

C1.10. Employees have been provided access to informative sessions and training programs on ESG policies and actions.

Through training and development programs planned at Pegasus Academy and awareness campaigns, our employees are informed of ESG policies and actions. In 2023, trainings were provided to our employees, through online and class training programs, on a wide range of topics including flight safety, environment, information security, ethics compliance, occupational health and safety and sustainability actions. Awareness actions were carried out on the same subjects through online announcements and teasers.

C2. Stakeholders, International Standards and Initiatives

C2.1. Customer satisfaction policy has been developed regarding the management and resolution of customer complaints and has been publicly disclosed.

We regularly measure customer satisfaction, and we adopted customer satisfaction among our key management performance indicators. In the last three years, we received national and international awards on customer experience, brand image and services and improved overall customer satisfaction compared to the previous year. We describe our efforts in this area and the awards received in Sections 3 (*Research & Development Activities*) and Section 7A (*Stakeholder Initiatives*) of our annual activity reports.

C2.2. Information on stakeholder communication (which stakeholder, subject matter and frequency) has been publicly disclosed.

Information on this item is provided as part of our Annual Reports and Corporate Governance Reporting.

C2.3. International reporting standards applied to reports have been publicly disclosed.

We report within the framework of CDP, UN Global Compact Enhanced Communication on Progress publicly, and within the framework of CORSIA, EU ETS and UK ETS on respective emissions monitoring, verification and reporting schemes.

C2.4. Sustainability principles adopted by the Company and international institutions, committees and principles to which the Company commits have been publicly disclosed.

We are the first airline in Türkiye to sign the United Nations Global Compact. Thus, we committed to comply with the ten principles relating to human rights, working standards, environmental sensitivity and fight against corruption. Platforms where we actively participate in the area of gender equality are detailed under Item C1.2 above. We also committed to the 2050 Fly Net Zero campaign and 25by2025 by campaign initiated by IATA.

C2.5. Solid efforts are made to take part in the Borsa Istanbul Sustainability Index and international sustainability indices (Dow Jones Sustainability Index, FTSE4Good, MSCI ESG Indices, etc.).

We are represented in the BIST Corporate Governance Index permanently since 2013 and in the BIST Sustainability Index between 2016-2019 and since 2020. In 2023, we joined the BIST Sustainability 25 Index. We are committed to improving our performance on both indices and are considering other platforms to increase visibility on our sustainability performance.

D. CORPORATE GOVERNANCE PRINCIPLES

D1. Necessary measures are taken to comply with the Corporate Governance Principles regarding stakeholders and to strengthen communication with stakeholders. Stakeholders' views are sought regarding sustainability measures and strategy development.

We redesigned our sustainability strategy through workshops bringing together around 80 employees from different departments and organizational seniority levels in a facilitated format. Communication of our sustainability actions are carried out with our stakeholders in a transparent manner. Our actions are enhanced through third party support, including advisor input. To that end we maintain open communication channels with the public on sustainability and evaluate stakeholder impact. Please also refer to our explanations for Item D2 below.

D2. Efforts are made to increase awareness on social responsibility projects and sustainability through training and awareness activities.

Raising awareness on sustainability and its importance to all but also to Pegasus Airlines is part of our sustainability strategy. A significant number of demonstrative projects, employee training and awareness work is being carried out. This was also the main idea behind launching the Pegasus Airlines Sustainability Hub in 2022. We quote part of the Hub's welcoming message below:

"At Pegasus, our sustainability ventures, whether related to climate action, gender balance, or transparency, only truly make sense if they form part of a larger, global effort. With that in mind, we aim to share easy-to-access information on the sustainability of our business that our passengers, investors, employees, and stakeholders may find interesting. Please use the topic links below to navigate this site, and if you would like to send us feedback, please **contact us.**"

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We didn't start aviation in Türkiye but
we transformed it!

