



PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ
ACTIVITY REPORT OF THE BOARD OF DIRECTORS
FOR THE PERIOD BETWEEN JANUARY 1 – DECEMBER 31, 2022

MARCH 6, 2023

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ANNEX-5

PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ CORPORATE SUSTAINABILITY REPORT FOR THE YEAR 2022

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 2022 is prepared and published in the Capital Markets Board's new format. All other information previously included in our 2020 and 2021 Corporate Sustainability Reports is provided in this section and is cross-referenced to the 2022 Sustainability Compliance Report.

MOVING TOWARDS A SUSTAINABLE FUTURE

Dear Stakeholders,

We are proud to share our significant work and progress on sustainability with you as part of our Annual Report. The year was marked by a tremendous change on how we govern sustainability at Pegasus Airlines. In 2022, sustainability and ESG actions were fully integrated into our Company strategy. Corporate responsibilities were fine-tuned, and our sustainability efforts are now being implemented by over 70 Pegasus Airlines employees – and still growing – directly contributing to this common workstream alongside their regular responsibilities. Our workforce has significant contribution in what we do. We would like to take this chance to thank everyone taking part in our Sustainability Working Group, our Steering Committee and the Board of Directors and driving this change at Pegasus Airlines.

The following pages will show you how we integrate our business with the United Nations Sustainable Development Goals. We will also provide a brief explanation for each reporting item covered in our Sustainability Compliance Report. This is helpful to interpret our compliance status and the hyperlinked references that contain core information on our actions. Our long-term commitments, whether related to climate action, gender balance, or transparency, only truly make sense if they form part of a larger, global effort. That is why we are willing to go the extra mile to engage more with all stakeholders and create more value.

You will see a lot of initiatives coming into life and explained further down in this section. But two of them are worth mentioning here as they epitomize our work:

We recently 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.

We also published our [Sustainability Manifesto](#), which is an excellent distillation of our strategy and our aspirations for the future.

We are already looking forward to our next opportunity to continue sharing our progress. We are also interested in what you do and say, so feel free to contact us on our [Sustainability Hub](#).

Best regards,

Pegasus Airlines





MOVING TOWARDS A SUSTAINABLE FUTURE

We are taking confident steps towards a sustainable future with our vision of what is best for the greater good of society and the environment.

MOVING TOWARDS NET ZERO CARBON EMISSIONS

Caring about the ecosystem we live in means sharing responsibility for reducing emissions.

At Pegasus, we aim to reduce carbon emissions per revenue passenger kilometre (RPK) by 20% by 2030 as we move towards our target of net zero carbon emissions by 2050.

MOVING TOWARDS PERPETUAL DYNAMISM, INNOVATION AND PRODUCTIVITY

Pegasus did not start Turkish aviation but continues to transform it.

In 2012, we placed what was then the largest aircraft order in the history of Turkish civil aviation.

In 2016, we became the first airline in the world to use CFM-Leap series engines. And today, we operate the youngest aircraft fleet in Türkiye. By 2025, our aim is to build an entire fleet of new-generation Airbus A320neo and A321neo aircraft, the best in class for fuel efficiency and carbon emissions. By continuing to optimise and monitor our investment, production, and service processes, we are committed to producing less waste for greater efficiency.

MOVING TOWARDS GENDER BALANCE IN CIVIL AVIATION

In 2019, Pegasus signed IATA's '25by2025' initiative and we have been working across all departments to either increase women's representation* to or by 25% by 2025.

We are taking firm steps that affect all levels of our company and ensure we create the right opportunities to encourage a more balanced gender representation of employees.

*As of 2022, women make up 34% of our employees, 25% of our board members, and 28% of our executive staff.

MOVING TOWARDS POSITIVE IMPACT

Maximising the impact of our activities means using our resources in the most efficient way within the framework of our business model.

This approach helps us plan our activities in a way that will have the greatest impact in line with our sustainable development goals.

We will continue this approach to enrich our entire value chain.

MOVING TOWARDS INCREASED TRANSPARENCY

Pegasus adheres to best practice in corporate governance, and we communicate our actions, objectives, and approach to stakeholders in a clear, responsible, and accountable manner.

We pledge to continue to take this transparent approach in our public communications to reap the benefits this brings.



PEGASUS
AIRLINES

ABOUT THIS REPORT

As Pegasus Airlines, we report on our corporate sustainability efforts in 2022, in accordance with the Sustainability Principles Compliance Framework published by the Turkish Capital Markets Board.






Our 2022 Corporate Sustainability Report summarizes our compliance efforts and sets out the conceptual framework of these efforts under four main headings: General Principles, Environmental Principles, Social Principles and Corporate Governance Principles. Along these lines, the Report lists each and every compliance item under the Sustainability Principles Compliance Framework.




Public resources and references for our compliance efforts are listed in our Sustainability Compliance Report for the year 2022, separately published in line with the Turkish Capital Markets Board decision dated June 23, 2022 and numbered 34/977. These can be cross-referenced through the numbering code for each reporting item.

CONCEPTUAL FRAMEWORK

We relate our actions, explained in detail in the later sections of the Report, to the United Nations Sustainable Development Goals (“**UNSDG**”) as shown in the following table:

SDG	RELEVANT ACTIONS
 <p>4 QUALITY EDUCATION</p>	<ul style="list-style-type: none">- Training and Development Programs initiated by Pegasus Academy, aimed at personal and professional development of our employees.- Pilot and Cabin Crew Development and Technician Long-Term Internship Programs developed in partnership with Pegasus Flight Academy and Universities, Flight Schools and Professional Colleges.- University collaborations (MBA) coordinated by Pegasus Academy.- Donations and charitable contributions in the field of education.
 <p>5 GENDER EQUALITY</p>	<ul style="list-style-type: none">- First airline to join the UN Women’s Empowerment Principles.- Participation in IATA’s 25by2025 Initiative.- Membership with the Turkish General Directorate of Civil Aviation Gender Balance Development Commission.- Our partnership with NGOs in the area of gender equality.- Recruitment and HR policies aiming at equal opportunity, diversity at work and equal rights and opportunities for all employees (Diversity, Equality & Inclusion).

<p>7 AFFORDABLE AND CLEAN ENERGY</p> 	<ul style="list-style-type: none"> - Reduction of fossil fuel consumption through technology and infrastructure investments. - Choosing less harmful options for the environment in investments.
<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 	<ul style="list-style-type: none"> - Technology and infrastructure investments reducing fossil fuel consumption. - Choosing environmentally preferable options in investments. - Fleet strategy and planning. - Employee Loyalty and Effectiveness Surveys and similar inclusive workplace actions covering our way of work, communication, processes and how we work together. - Human resources actions inciting high performance aligned with Pegasus' long-term goals and strategies to achieve a sustainable and profitable growth.
<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 	<ul style="list-style-type: none"> - As the "Digital Airline" of Türkiye we aim to fully utilize the benefits of technology in all our processes. - We exploit technological developments to make lives and work of our passengers and employees easier.
<p>10 REDUCED INEQUALITIES</p> 	<ul style="list-style-type: none"> - We believe that everyone has the right to fly, and we carry out our low-cost carrier business model to enable it. - With our approach transforming aviation in Türkiye we deliver air travel as an accessible, low-cost and lean service to our passengers.
<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> 	<ul style="list-style-type: none"> - Contrary to other major low-cost carriers in the World, we connect a wide flight network for passengers. - We connect 36 destinations in Türkiye to 90 destinations in 47 countries.

<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<ul style="list-style-type: none"> - We evaluate our environmental impact and aspects in all our processes. - We undertake necessary preventive and improvement actions. - We continue our efforts to monitor, reduce and prevent waste and emissions. - We continue our efforts to implement this perspective throughout our supply chain.
<p>13 CLIMATE ACTION</p> 	<ul style="list-style-type: none"> - We invest with a view to reduce emissions to support fight against climate change. - We participate and support domestic and international efforts directly or through sector representatives. - We consider technological developments, alternative fuel and sustainable energy resources as major opportunities.
<p>17 PARTNERSHIPS FOR THE GOALS</p> 	<ul style="list-style-type: none"> - We keep constant contact with all our stakeholders for brainstorming and feedback. - We consider the output of these studies as tools creating value in social matters and enabling solutions.

ADDITIONAL EXPLANATIONS TO THE REPORTING ITEMS COVERED IN THE 2022 SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

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”)

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

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.

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. Our Board of Directors revised our "Policy on Representation in the Board of Directors" as a solid commitment to the campaign, stating there would be a minimum female representation of 25% on the Board of Directors by 2025.

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 quarterly.

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. We also published our [Sustainability Manifesto](#) as a key reference document that binds together our strategy and our aspirations for the future.

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 Corporate Sustainability Reports
- 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

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 Corporate Sustainability Reports, Annual Reports, corporate presentations on performance and through specific disclosures (such as communication on the first use of sustainable aviation fuel in domestic flights in Türkiye, the first ever sustainability performance linked EXIM-backed aircraft financing we secured for 10 incoming Airbus 321neo aircraft and our Carbon Offsetting Project for June 5, 2022 World Environment Day).

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](#)
- [Social Media Communication on June 5, 2022 Carbon Offsetting Project](#)

- [Pegasus Airlines Press Room](#)
 - [Press Release on SAF use for Domestic Flights](#)
 - [Press Release on Sustainability Linked Loan](#)

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. Corporate Responsibility Report is annexed to our Annual Report. 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 Corporate Sustainability Report provides 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, 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 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 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. As of 2022, we supplement 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. See explanations for Item A2.3 above for a list of platforms where such information is made available.

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. 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 three-year period.

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 2022, 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 Vice-Chairperson of the Board of Directors (Managing Director) Mehmet T. NANE currently serves 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.

In 2022, among other platforms we were involved in:

- Member of IATA Environment & Sustainability Partners Working Group.
- Member of AACO Environmental Policy Group.
- Member of Special Expert Panel on Climate Change as part of the 12th Development Plan preparations carried out by the Turkish Presidency on Strategy and Budget.
- 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, 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.

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. We aim to implement these measures in the next three-year period.

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 have plans and works to increase use of renewable energy in our operations. We aim to implement these measures in the next three-year period.

B19. Renewable energy production and consumption data are disclosed.

As part of our sustainability strategy, we have plans and works to increase use of renewable energy in our operations. We aim to implement these measures in the next three-year period.

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.

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 or between the European Union and the United Kingdom 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.

There is no 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 Corporate Sustainability Reports
- 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 carry out studies as a full member of the TDGCA’s Gender Balance Development Commission and 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. 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 three-year period.

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, 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 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 the 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 2022, 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. 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 60 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 Turkey but
we transformed it!

