

**PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ**  
**CORPORATE SUSTAINABILITY REPORT**  
**2020**

***ABOUT THIS REPORT***

Pegasus reports its corporate sustainability efforts in 2020 in accordance with the Sustainability Principles Compliance Framework published by the Turkish Capital Markets Board.

Our 2020 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 and provides information on and references for our compliance efforts under each item.

***OUR CEO'S MESSAGE***

Dear Stakeholders,

As Pegasus Airlines, we believe that everyone has the right to fly. Rightly so, since 2005, we enable our passengers to travel on reasonable fares and young aircraft thanks to the *“low cost airline”* business model, first introduced by us in Turkey. As part of our digital transformation launched in 2018, as *“Turkey’s digital airline”*, we continue to add digital technologies and unparalleled novelties facilitating travel experience and enhance our focus on passenger experience. In doing this, we manage all our operations and activities with a *“sustainable environment”* perspective.

Minimizing negative impact on the environment and prevention of pollution as part of the environment lifecycle constitute important principles in our environmental policy. Aircraft model impact on fuel consumption, efforts to reduce aircraft weight, route optimization, single-engine taxiing, taxiway improvements and similar actions help us minimize our operations’ negative impact on the environment.

We undertake monitoring, reporting and improvement efforts for climate protection and fight against global warming as part of national and international regulations. We disclose our reporting and improvements publicly as part of our participation in the Carbon Disclosure Project. After a period of five-year improvement, in 2020, we improved our corporate score to *“A-”*. We were among the eight companies attaining this score in a list covering 129 Turkish companies. We take pride in being the highest scored transportation entity in Turkey and achieving the second highest airline score globally. These are only a few examples of what we do for a sustainable future...

Since 2013 we increased our reach to new shareholders and investors as a public company. Every year we take more responsibility in the area of environmental, social and corporate governance issues and we aim to be a good corporate citizen for all our stakeholders. We are extremely happy to share our works with you in a consolidated manner through our first Sustainability Report published in 2021. We aim to keep this momentum and share our sustainability efforts in accordance with national and international standards in the coming years.

We will continue to work for a sustainable future through benefiting from new aircraft technologies and by continuously transforming our fleet, through weight reduction and similar operational improvements and actions alike. On behalf of Pegasus Airlines, I would like to thank all our stakeholders accompanying us on this journey and supporting our goals.

Sincerely,




Mehmet T. NANE

CEO

Pegasus Airlines

**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><b>4</b> QUALITY EDUCATION</p>	<ul style="list-style-type: none"> <li>- Training and Development Programs initiated by Pegasus Academy, aimed at personal, managerial and Professional development of our employees</li> <li>- 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</li> <li>- University collaborations (MBA) coordinated by Pegasus Academy</li> <li>- Donations and charitable contributions in the field of education</li> </ul>
 <p><b>5</b> GENDER EQUALITY</p>	<ul style="list-style-type: none"> <li>- First airline to join the UN Women’s Empowerment Principles</li> <li>- Participation in IATA’s 25by2025 Initiative</li> <li>- Membership with the Turkish General Directorate of Civil Aviation Gender Balance Development Commission</li> <li>- Our partnership with NGOs in the area of gender equality</li> <li>- Recruitment and human resources processes and policies aiming equal opportunity, diversity at work and equal rights and opportunities for all employees</li> </ul>
 <p><b>7</b> AFFORDABLE AND CLEAN ENERGY</p>	<ul style="list-style-type: none"> <li>- Reduction of fossil fuel consumption through technology and infrastructure investments</li> <li>- Choosing less harmful options for the environment in investments</li> <li>- Fleet strategy and planning</li> </ul>

<p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p> 	<ul style="list-style-type: none"> <li>- Technology and infrastructure investments reducing fossil fuel consumption</li> <li>- Choosing environmentally preferable options in investments</li> <li>- Fleet strategy and planning</li> <li>- Employee Loyalty and Effectiveness Surveys and similar inclusive workplace actions covering our way of work, communication, processes and how we work together</li> <li>- Human resources actions inciting high performance aligned with Pegasus' long-term goals and strategies to achieve a sustainable and profitable growth</li> </ul>
<p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 	<ul style="list-style-type: none"> <li>- As "Turkey's Digital Airline" we aim to fully utilize the benefits of technology in all our processes</li> <li>- We exploit technological developments to make lives and work of our passengers and employees easier</li> </ul>
<p><b>10</b> REDUCED INEQUALITIES</p> 	<ul style="list-style-type: none"> <li>- We believe that everyone has the right to fly and we carry out our low-cost carrier business model to enable it</li> <li>- With our approach transforming aviation in Turkey we deliver air travel as an accessible, low-cost and lean service to our passengers</li> </ul>
<p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p> 	<ul style="list-style-type: none"> <li>- Contrary to other major low-cost carriers in the World, we connect a wide flight network for passengers</li> <li>- We connect 35 destinations in Turkey to 76 destinations in 42 countries</li> </ul>
<p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<ul style="list-style-type: none"> <li>- We evaluate our environmental impact and aspects in all our processes</li> <li>- We undertake necessary preventive and improvement actions</li> <li>- We continue our efforts to monitor, reduce and prevent waste and emissions</li> <li>- We continue our efforts to implement this perspective throughout our supply chain</li> </ul>

<p><b>13</b> CLIMATE ACTION</p> 	<ul style="list-style-type: none"> <li>- We invest with a view to reduce emissions to support fight against climate change</li> <li>- We participate and support domestic and international efforts directly or through sector representatives</li> <li>- We consider technological developments, alternative fuel and sustainable energy resources as major opportunities</li> </ul>
<p><b>17</b> PARTNERSHIPS FOR THE GOALS</p> 	<ul style="list-style-type: none"> <li>- We keep constant contact with all our stakeholders for brainstorming and feedback</li> <li>- We consider the output of these studies as tools creating value in social matters and enabling solutions</li> </ul>

## 1. GENERAL PRINCIPLES

### A. Strategy, Policy and Targets

**1.1. Board of Directors determines priority ESG items, risks and opportunities and formulates appropriate ESG policies. To ensure an efficient implementation of these policies, corporate regulations, procedures, etc. can be prepared. Board of Directors adopts and publicly announces these policies by a resolution.**

Pegasus Corporate Sustainability Policy was adopted by our Board of Directors and publicly announced on our corporate website and on the Public Disclosure Platform. Our corporate sustainability efforts are carried out based on this policy.

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#### PEGASUS 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.

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#### References:

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/policies>
- <https://www.flypgs.com/en/about-pegasus/policies>

**1.2. Corporate Strategy is determined in accordance with ESG policies, risks and opportunities. Short and long-term targets are determined and publicly announced in accordance with Corporate strategy and ESG policies.**

We are designing our compliance strategy for each of the environmental, social and corporate governance aspects 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 (“CORSA”); European Union Emissions Trading System (“EU ETS”).

**SOCIAL** : ISO 9001:2015 Quality Management System; ISO 27001:2017 Information Security Management System; ISO 45001:2018 Workplace Health and Safety Management System; TDGCA Air Operator’s Certificate; EASA TCO (Third Country Operator License); 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 and other TDGCA Training Authorizations.

**CORPORATE GOVERNANCE** : BIST Corporate Governance Index, BIST Sustainability Index.

**References:**

- <https://www.flypgs.com/en/about-pegasus/authorisation-and-certificates>
- <https://www.flypgs.com/en/about-pegasus/policies>
- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>
- <http://www.pegasusinvestorrelations.com/en/corporate-governance/corporate-governance-rating>
- <https://www.borsaistanbul.com/en/sayfa/2227/bist-sustainability-index>

**B. Implementation / Monitoring**

**1.3. Committees/unites responsible for implementing ESG policies are determined and publicly announced. Responsible committee/unit reports activities carried out in line with the policies at least once a year and in any event within the deadline provided for the disclosure of annual reports to the Board of Directors.**

Pegasus ESG policies are implemented by the Sustainability Working Group, formed in accordance with the Corporate Sustainability Policy. Pegasus Sustainability Working Group is formed of representatives from Human Resources, Technic, Investor Relations and Legal & Corporate Secretariat. Working Group acts in collaboration with Corporate Communications and Compliance Monitoring departments. Working Group reports on its works to the Corporate Governance Committee and the Board of Directors prior to the publication of the Company’s annual activity report.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>

**1.4. Implementation and action plans are developed and publicly announced in accordance with short and long-term targets.**

Our environmental targets and relevant implementation and action plans are determined and publicly announced as part of our CDP and CORSIA reporting. Our social and corporate governance implementation and action plans are publicized through our corporate governance compliance statement annexed to our annual activity reports and the additional information provided in the linked Corporate Governance Compliance Form (URF) and Corporate Governance Information Form (KYBF). We are considering a further integrated reporting on this matter in 2021 and beyond.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>
- <http://www.pegasusinvestorrelations.com/en/operational-information/annual-reports>

**1.5. ESG Key Performance Indicators (KPIs) are determined and announced on an annually comparative basis. If confirmed data is available, KPIs are presented with domestic and international sector benchmarks.**

Our environmental KPIs are published as part of our CDP reporting, while our social and corporate governance are publicized through our corporate governance compliance statement annexed to our annual activity reports and the additional information provided in the linked Corporate Governance Compliance Form (URF) and Corporate Governance Information Form (KYBF). We are considering a further integrated reporting on this matter in 2021 and beyond.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>
- <http://www.pegasusinvestorrelations.com/en/operational-information/annual-reports>

**1.6. Innovation actions to improve sustainability performance relating to work processes or products or services are disclosed.**

Innovation actions to improve sustainability performance relating to work processes or products or services are disclosed in Section 3 (Research & Development Activities) of our annual activity reports. Our innovation actions reducing the impact of our operations on the environment are also disclosed through CDP reporting while our flight related emissions are shared with authorized bodies as part of our CORSIA and EU ETS reporting. We are considering a further integrated reporting on this matter in 2021 and beyond.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>
- <http://www.pegasusinvestorrelations.com/en/operational-information/annual-reports>

**C. Reporting**

**1.7. Sustainability performance, targets and actions are reported and publicly announced at least once a year. Sustainability activities are disclosed as part of the annual activity report.**

This Corporate Sustainability Report is the first comprehensive report published by Pegasus regarding our sustainability efforts. Reporting on our sustainability performance, targets and actions will continue in 2021 with annual and periodic updates. All documents relating to our performance, targets and actions in connection with ESG framework are published on our Investor Relations Website, Sustainability and Corporate Governance Compliance Rating sections.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>
- <http://www.pegasusinvestorrelations.com/en/corporate-governance/corporate-governance-rating>

**1.8. It is essential for all stakeholders that the company's position, performance and development and all material information relating to its development are presented in a direct and concise manner. Detailed information and data can be further disclosed on the corporate website and additional reports can be published to address the needs of different groups of stakeholders.**

This Corporate Sustainability Report is the first comprehensive report published by Pegasus regarding our sustainability efforts. Reporting on our sustainability performance, targets and actions will continue in 2021 with annual and periodic updates. All documents relating to our performance, targets and actions in connection with ESG framework are published on our Investor Relations Website, Sustainability and Corporate Governance Compliance Rating sections.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>
- <http://www.pegasusinvestorrelations.com/en/corporate-governance/corporate-governance-rating>



**1.9. *Utmost care is given to transparency and credibility. As part of a balanced approach to disclosure and reporting, issues of priority are explained in a comprehensive and objective manner.***

This Corporate Sustainability Report is the first comprehensive report published by Pegasus regarding our sustainability efforts. Reporting on our sustainability performance, targets and actions will continue in 2021 with annual and periodic updates. All documents relating to our performance, targets and actions in connection with ESG framework are published on our Investor Relations Website, Sustainability and Corporate Governance Compliance Rating sections.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>
- <http://www.pegasusinvestorrelations.com/en/corporate-governance/corporate-governance-rating>

**1.10. *Information on how activities relate to the United Nations (UN) Sustainable Development Goals is provided.***

Information on how our activities relate to the United Nations 2030 Sustainable Development Goals is provided at the beginning of our Corporate Sustainability Report.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>

**1.11. *Provides information on lawsuits filed/finalized on environmental, social and corporate governance aspects.***

General information on files and/or finalized lawsuits on ESG aspects are provided in Section 4F (*Information on Public Audits*) of our annual activity and Corporate Governance Information Form (KYBF). We are considering a further integrated reporting on this matter in 2021 and beyond.

**References:**

- <http://www.pegasusinvestorrelations.com/en/operational-information/annual-reports>

**D. Verification**

**1.12. *Sustainability performance evaluations are disclosed if these are verified by independent third parties (independent sustainability assurance providers) and efforts are made to increase the scope of such verification.***

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 report containing general information on verified CORSIA and EU ETS reports, Corporate Governance Compliance Rating, etc.) are disclosed on our Corporate Website and on our Investor Relations Website.



## References:

- <https://www.flypgs.com/en/about-pegasus/authorisation-and-certificates>
- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>
- <http://www.pegasusinvestorrelations.com/en/corporate-governance/corporate-governance-rating>

## 2. ENVIRONMENTAL PRINCIPLES

### 2.1. *Policies and action plans, environmental management systems (known as ISO 14001) and programs are disclosed.*

Pegasus holds ISO 14001:2015 Environmental Management System certificate. Pegasus, discloses its environmental impact and management actions as part of its Environment Policy, CDP, CORSIA and/or EU ETS reporting to the public and to reporting authorities.

#### References:

- <https://www.flypgs.com/en/about-pegasus/authorisation-and-certificates>
- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>

### 2.2. *Environmental laws and regulations are complied with and compliance is disclosed.*

Environment-related legal compliance controls and action items are managed as part of ISO 14001:2015 Environmental Management System. Carbon offsetting and reduction efforts for our aviation activities are carried out in accordance with International Civil Aviation Organization “ICAO” and Turkish General Directorate of Civil Aviation “TDGCA” regulations.

#### References:

- <https://www.flypgs.com/en/about-pegasus/authorisation-and-certificates>
- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>

### 2.3. *The scope, reporting period, reporting date, data collection process and reporting limitations are disclosed in relation to the Sustainability Principles.*

ISO 14001:2015 Environment Management System geographically covers our headquarters located in Istanbul/Kurtköy and our facilities at Istanbul Sabiha Gökçen, Izmir Adnan Menderes and Antalya Airports. Elsewhere, the scope and conditions relating to our CDP greenhouse gas inventory monitoring and reporting are published in the Pegasus 2019 Emissions Reporting Overview. Through CORSIA and EU ETS reporting, we filed carbon emission reports to reporting authorities. We are considering a further integrated reporting on this matter in 2021 and beyond.

#### References:

- <https://www.flypgs.com/en/about-pegasus/authorisation-and-certificates>
- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>

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

Pegasus ESG policies are implemented by the Sustainability Working Group, formed in accordance with the Corporate Sustainability Policy. Pegasus Sustainability Working Group is formed of representatives from Human Resources, Technic, Investor Relations and Legal & Corporate Secretariat. Working Group acts in collaboration with Corporate Communications and Compliance Monitoring departments. Working Group reports on its works to the Corporate Governance Committee and the Board of Directors prior to the publication of the Company's annual activity report. Pegasus CEO is entrusted with the highest-level executive responsibility regarding environment and climate change issues.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>

**2.5. Incentives offered for the management of environmental matters, including realization of targets are disclosed.**

We follow the targets determined for the management of environmental matters in accordance with our corporate scorecard model. As of 2020, realization of environmental targets is linked to individual performance targets for certain employees, assumed within the framework of our individual performance management system. We are considering a further integrated reporting on this matter in 2021 and beyond.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>

**2.6. The manner by which environmental issues are integrated into business targets and strategies is disclosed.**

We follow the targets determined for the management of environmental matters in accordance with our corporate scorecard model. All targets in our corporate scorecard have defined key performance indicators ("KPIs") and employees responsible for the relevant target. Senior management carries out a periodic monitoring of how targets are achieved. Strategic overview of corporate sustainability and environmental principles is carried out by the Corporate Governance Committee reporting to the Board of Directors on an annual basis. Matters requiring a review as part of our risk inventory are monitored and reported to the Board of Directors through the Risk Committee's risk management reports issued every other month. All these mechanisms allow for a Board-level reporting and monitoring environment. We are considering a further integrated reporting on this matter in 2021 and beyond.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>

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

Environmental Sustainability performance relating to business processes, products and services is monitored as explained in Sections 2.5 and 2.6 above. Greenhouse gas emission limitation and reduction efforts are disclosed as part of CDP reporting while flight related emission data is reported through CORSIA and EU ETS. We are considering a further integrated reporting on this matter in 2021 and beyond.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>

**2.8. Management of environmental matters not only in connection with operations, but also throughout the value chain and integration of suppliers and customers into strategies are disclosed.**

We are considering a further integrated reporting on this matter in 2021 and beyond.

**2.9. Participation in policy-making activities on environmental matters (sectoral, regional, national and international); memberships in or partnerships with environment related associations and organizations, responsibilities assumed and initiatives supported are disclosed.**

Pegasus is 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.

**References:**

- <https://www.flypgs.com/en/about-pegasus/authorisation-and-certificates>
- <https://www.flypgs.com/basin-bultenleri/iatanin-duzenledigi-uluslararası-havacılık-icin-karbon-ofset-ve-azaltma-plani-corsia-seminer-i-istanbulda-gerceklesti>

**2.10. Information on environmental impact is reported periodically and with comparative data in light of environmental indicators (Greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect) 1 ), air quality, energy management, water and wastewater management, waste management, biodiversity impact).**

Environmental indicators for all headings apart from Scope-3 and biodiversity impact are monitored as part of the framework described in Sections 2.5 and 2.6 above. We are considering a further integrated reporting on this matter in 2021 and beyond.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>

**2.11. Standards, protocols, methodologies and base year details used to collect and calculate data are disclosed.**

Applicable standard, protocol, methodology and base year details are provided in our reporting under CDP and CORSIA. We are considering a further integrated reporting on this matter in 2021 and beyond.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>

**2.12. Environmental indicators for the reporting year are explained with previous years' comparison (increase or decrease).**

Details on indicators compared against previous years are covered in our reporting under CDP. We are considering a further integrated reporting on this matter in 2021 and beyond.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>

**2.13. Short and long-term targets are determined to reduce environmental impact and these targets are disclosed. It is recommended that these targets are scientifically determined as proposed by the United Nations Climate Change Parties Conference. Reporting year improvements on previously determined targets are disclosed.**

We are considering a further integrated reporting on this matter in 2021 and beyond.

**2.14. Climate crises combat strategy and actions are disclosed.**

We are considering a further integrated reporting on this matter in 2021 and beyond.

**2.15. Programs or procedures to prevent or minimize the negative impact of offered products and/or services are disclosed. Third-party actions aimed at reducing greenhouse gas emissions are disclosed.**

We are considering a further integrated reporting on this matter in 2021 and beyond.

**2.16. Number of actions aimed at reducing environmental impact, projects and initiatives underway and the environmental benefit and cost savings achieved by these are disclosed.**

This information is covered in our reporting under CDP. We are considering a further integrated reporting on this matter in 2021 and beyond.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>

**2.17. Total energy consumption data (except for raw materials) are reported and energy consumption is disclosed as Scope-1 and Scope-2 consumption.**

This information is covered in our reporting under CDP. We are considering a further integrated reporting on this matter in 2021 and beyond.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>

**2.18. Information on electricity, heat, steam and cooling produced and consumed in the reporting year is provided.**

Pegasus does not have any resource production. Resource consumption is disclosed through our reporting under CDP. We are considering a further integrated reporting on this matter in 2021 and beyond.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>

**2.19. Actions are taken and disclosed regarding the increase of the use of renewable energy and transition to zero or low carbon electricity.**

We are considering a further integrated reporting on this matter in 2021 and beyond.

**2.20. Renewable energy production and consumption data are disclosed.**

We are considering a further integrated reporting on this matter in 2021 and beyond.

**2.21. Energy efficiency projects are carried out and energy consumption reduction and emission reduction achieved as a result of these projects are announced.**

We are considering a further integrated reporting on this matter in 2021 and beyond.

**2.22. Water volume, resources and procedures for water sourced from above or under-ground, used, recycled and discharged are reported (total water consumption for each resource, resources affected by water use, percentage and total volume of recycled and reused water, etc.).**

We are considering a further integrated reporting on this matter in 2021 and beyond.

**2.23. Whether operations or activities are subject to any carbon pricing scheme (Emission Trade System, Cap & Trade or Carbon Tax).**

As of 2020, Pegasus is part of the carbon offsetting and reduction scheme for international aviation in accordance with ICAO and TDGCA regulations. EU-ETS is applicable for only a limited number of flights carried out within the European Union in the same period. Pegasus also complies with carbon tax like measures implemented in various jurisdictions.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>

**2.24. *Saved or purchased carbon credits for the reporting period are disclosed.***

As of 2020, Pegasus is part of the carbon offsetting and reduction scheme for international aviation in accordance with ICAO and TDGCA regulations. EU-ETS is applicable for only a limited number of flights carried out within the European Union in the same period.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>

**2.25. *Details of carbon pricing are disclosed, if implemented.***

We did not have any activity captured by carbon pricing in 2020.

**2.26. *Mandatory or voluntary platforms through which environmental information is published are disclosed.***

In 2020, Pegasus voluntarily disclosed environmental information through CDP platform.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>

**3. SOCIAL PRINCIPLES**

**A. Human Rights and Employee Rights**

**3.1. *A Corporate Human Rights and Employee Rights Policy is formed where full compliance with the International Declaration of Human Rights, ILO Agreements and the national legal framework on human rights and employment is stated. The policy and the roles and responsibilities for the implementation of the policy are 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 Ethical Behavior Guide, Pegasus Human Resources Policy, Pegasus Compensation and Indemnification Policy and Pegasus Human Resources Regulation. We are considering a further integrated reporting on this matter in 2021 and beyond.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/policies>
- <https://www.flypgs.com/en/careers>
- <http://www.pegasusinvestorrelations.com/en/operational-information/annual-reports>

**3.2. Equal opportunity is provided in recruitment processes. Corporate policies cover fair workforce, improvement of working conditions, female employment and inclusiveness issues (gender, religious belief, race, ethnic origin, age, disability, refugees, 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 Human Resources Policy, Pegasus Recruitment Procedure and Pegasus 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, 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 new born 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.

In addition to the above, through the Pegasus Social Activity Clubs, we support active participation of all our employees in sports functions and enable them to represent us in various corporate platforms. Employees are voluntarily gathered around a common goal and enjoy becoming a team and competing together. In order to support gender equality awareness we represent Pegasus in corporate sports competitions by all-female teams such as the Pegasus Female Sailing Team.

We are considering a further integrated reporting on this matter in 2021 and beyond.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/policies>
- <https://www.flypgs.com/en/careers>
- <http://www.pegasusinvestorrelations.com/en/operational-information/annual-reports>
- <https://weps-gapanalysis.org/>
- <http://web.shgm.gov.tr/tr/shgm-calisma-gruplari/5771-sivil-havacilik-genel-mudurlugu-toplumsal-cinsiyet-dengesi-gelistirme-komisyonu>
- <https://www.iata.org/en/policy/future-of-airlines-2035/25-by-2025/>



**3.3. Precautions adopted across the value chain to ensure the rights of/equal opportunity for certain groups exposed to economic, environmental, social factors (persons with low income, women, etc.) or minorities.**

Our commitments in this area are explained in Section 3.2 above.

**3.4. Improvements on preventive and corrective actions on discrimination, inequality, human rights violations and forced labor are reported. Regulations on the prevention of child labor are disclosed.**

Our actions in this area are covered in various sections of the Pegasus Human Resources Policy and Pegasus Ethical Behavior Guide and general information on our activities is reported in our annual activity reports. We are considering a further integrated reporting on this matter in 2021 and beyond.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/policies>
- <http://www.pegasusinvestorrelations.com/en/operational-information/annual-reports>

**3.5. Investment in employees (training, development policies), indemnity, side benefits, unionization right, private/business life balance solutions and talent management policies are disclosed. Dispute resolution mechanisms to solve employee complaints and disagreement are formed. Actions for achieving employee satisfaction are regularly reported.**

Pegasus Academy, operating within the scope of our Human Resources Department has been formed as a key training and development platform for the personal, managerial and professional development of all our employees. Pegasus Academy is pursuing its activities to this goal since 2015. Our employee's indemnification and similar statutory rights are secured by Company policies including the Pegasus Compensation and Indemnification Policy and the Pegasus Human Resources Policy. Talent management, side benefits, protection of employees' personal rights, ethical behavior rules, transparent communication and complaint mechanisms are regulated under various other Human Resources procedures and in the Pegasus Ethical Behavior Guide. General information on our activities is reported in our annual activity reports. We are considering a further integrated reporting on this matter in 2021 and beyond.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/policies>
- <http://www.pegasusinvestorrelations.com/en/operational-information/annual-reports>

**3.6. Workplace health and safety policies are formed and published. Precautions to prevent accidents and to protect workplace health and accident statistics are published.**

Pegasus holds ISO 45001:2018 Workplace Health and Safety Management System certificate. Our Workplace 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 are considering a further integrated reporting on this matter in 2021 and beyond.

**References:**

- <https://www.flypgs.com/en/about-pegasus/authorisation-and-certificates>
- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>

**3.7. Personal data protection and information security policies are formed and disclosed.**

Pegasus commits to the protection of personal data and ensuring data security at the highest level through the Pegasus Information Security Policy. Efforts in these areas are coordinated by the Legal and Information Technologies Departments and subject to extensive Company-wide regulations. Pegasus formed 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. Pegasus participates in the aviation-specific cybersecurity studies as part of a TDGCA-led task force. Since 31.12.2018, Pegasus discloses its registry records relating to personal data protection aspects on the Data Controllers Registry (VERBIS) of the Turkish Data Protection Authority as per the provisions of the Law No. 6698 on the Protection of Personal Data.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/policies>
- <http://web.shgm.gov.tr/tr/s/5209-kurumsal-siber-olaylara-mudahale-ekipleri-ile-ilgili-genel-mudurlugumuz-genelgesi-revize-edilmistir>
- <https://verbis.kvkk.gov.tr/>

**3.8. Ethical policy is formed (workplace and work ethics, compliance obligations, advertisement and marketing ethics, information rights, etc.) and disclosed.**

We have adopted the Pegasus Ethical Behavior Guide to manage ethics compliance. Relying on this document, an efficient ethical governance if functioning under the direct supervision of the Audit Committee reporting to the Board of Directors. General information on our activities is reported in our annual activity reports.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/policies>
- <http://www.pegasusinvestorrelations.com/en/operational-information/annual-reports>

**3.9. Community investment, social responsibility, financial inclusiveness and financial access efforts are disclosed.**

Pegasus engages in community investment and social responsibility and regularly reports its efforts in this area. These efforts are carried out in accordance with the Pegasus Donations and Charitable Contributions Policy adopted by the Shareholders' General Assembly and the Pegasus Corporate Social Responsibility Policy adopted by the Board of Directors. In addition to the efforts described in Section 3.2 above, 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, solidarity and civil aviation.

**References:**

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

**3.10. Employees are informed of ESG policies and actions through informative meetings and training programs.**

Through training and development programs planned at Pegasus Academy and awareness campaigns, our employees are informed of ESG policies and actions. In 2020, 55,566 trainings were provided in total to our employees, through 21 online and class training programs, on flight safety, environment, information security, ethics compliance and COVID-19 measures. Awareness actions were carried out on the same subjects through online announcements and teasers. Workplace health and safety related specific training and awareness activities were given special focus in 2020 at a time when the COVID-19 outbreak had significant impact on workplace conditions and flight operations.

**B. Stakeholders, International Standards and Initiatives**

**3.11. Sustainability activities are carried out considering the needs and priorities of all stakeholders (employees, customers, suppliers, service providers, public institutions, shareholders, NGOs, etc.).**

Pursuant to the Pegasus Ethical Behavior Guide, Pegasus commits to honest, respectful, fair and trustful behavior based on reason, conscience and common sense when interacting with employees, passengers, customers, suppliers and other persons and entities we work and interact with. We believe that everyone has the right to fly and we carry out our activities with all our people, suppliers and business partners for this mission. In line with this mission, we receive feedback from our employees regarding Company processes concerning them and from our passengers and customers through satisfaction surveys and other customer interaction tools.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/policies>
- <https://www.flypgs.com/en/write-to-us>
- <https://www.flypgs.com/en/contact/headquarters>

**3.12. Customer complaints management and solutions are governed by and disclosed through a customer satisfaction policy.**

Pegasus regularly measures customer satisfaction and has adopted customer satisfaction among management performance indicators. Pegasus implements a "low-cost" business model through an innovative, rational, principled and responsible approach. In this context Pegasus offers its customers a measurable satisfaction. In the last two years, Pegasus 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. We are considering a further integrated reporting on this matter in 2021 and beyond.

**References:**

- <http://www.pegasusinvestorrelations.com/en/operational-information/annual-reports>

**3.13. Stakeholder communication is constantly carried out in a transparent manner. Stakeholders communicated with, purposes for and scope and frequency of communication and any improvements on sustainability activities are disclosed.**

Our actions in this area are explained in Section 4.3 below.

**3.14. International reporting standards adopted (Carbon Disclosure Project – CDP, Global Reporting Initiative – GRI, International Integrated Reporting Council – IIRC, Sustainability Accounting Standards Board – SASB, Climate Related Financial Disclosure Task Force – TCFD, etc.) are disclosed.**

Pegasus carried out Carbon Disclosure Project (CDP) reporting in 2017, 2018 and 2019.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>

**3.15. Subscribed organizations or principles (Equator Principles, United Nations Environment Program Finance Initiative – UNEP-FI, United Nations Global Compact – UNGC, United Nations Responsible Investment Principles – UNPRI, etc.), adopted international principles (International Capital Markets Association ICMA Green/Sustainable Bonds Principles, etc.) are disclosed.**

Pegasus is the first Turkish airline 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 in Section 3.2 above.

**References:**

- <https://www.globalcompactturkiye.org/10-ilke/>

- <https://www.flypgs.com/basin-bultenleri/pegasus-hava-yollari-bm-kuresel-ilkeler-sozlesmesine-imza-atti#:~:text=Pegasus%20Hava%20Yollar%C4%B1%2C%20Birle%C5%9Fmi%C5%9F%20Milletler,%C4%B0Ike'ye%20uyaca%C4%9F%C4%B1n%C4%B1%20taahh%C3%BCt%20etti.>

**3.16. 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.).**

Pegasus is represented in the BIST Corporate Governance Index permanently since 2013 and in the BIST Sustainability Index between 2016-2019. In 2019, our Corporate Governance Committee, considering the Company's future obligations in connection with CORSIA, initiated works for a comprehensive sustainability compliance framework going forward. As part of these works, Pegasus was readmitted to the BIST Sustainability Index in 2020.

**References:**

- <https://www.borsaistanbul.com/en/sayfa/2202/corporate-governance-index>
- <https://www.borsaistanbul.com/en/sayfa/2227/bist-sustainability-index>

#### **4. CORPORATE GOVERNANCE PRINCIPLES**

**4.1. Maximum effort is made to comply with the non-mandatory Corporate Governance Principles of the Turkish Capital Markets Board Corporate Governance Communiqué No. II-17.1.**

Following the initial public offering of our shares in April 2013, Pegasus 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. Pegasus is 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 has constantly improved its corporate governance compliance rating over the years. In 2020, our Corporate Governance Compliance Rating reached 96.30%. Detailed information on corporate governance compliance is provided in Corporate Governance Compliance Form (URF) and Corporate Governance Information Form (KYBF). We provide information on current actions for all principles, including those with which we fully comply.

**References:**

- <http://www.pegasusinvestorrelations.com/en/operational-information/annual-reports>
- <http://www.pegasusinvestorrelations.com/en/corporate-governance/corporate-governance-rating>

**4.2. Sustainability, environmental impact of activities and principles relating thereto are taken into consideration when determining corporate governance strategy.**

We consider sustainability, environmental impact of our activities and principles relating thereto when determining our corporate governance strategy. As such, CDP and similar environmental studies as well as many initiatives under the social and corporate governance aspects were carried out starting from the initial public offering of our shares in 2013 and developed over the course of the years. Pegasus is represented in the BIST Corporate Governance Index permanently since 2013 and in the BIST Sustainability Index between 2016-2019. In 2019, our Corporate Governance Committee, considering the Company's future obligations in connection with CORSIA, initiated works for a comprehensive sustainability compliance framework going forward. As part of these works, Pegasus was readmitted to the BIST Sustainability Index in 2020 while Pegasus Sustainability Working Group assumed the role of coordinating efforts on policy making, strategy development, organization, targets, measurement and reporting.

**References:**

- <https://www.borsaistanbul.com/en/sayfa/2202/corporate-governance-index>
- <https://www.borsaistanbul.com/en/sayfa/2227/bist-sustainability-index>

**4.3. 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.**

Our compliance with the Corporate Governance Principles regarding stakeholders and measures to strengthen communication with stakeholders are publicized through our corporate governance compliance statement annexed to our annual activity reports and the additional information provided in the linked Corporate Governance Compliance Form (URF) and Corporate Governance Information Form (KYBF). In 2020, our Corporate Governance Compliance on stakeholders was rated as 96.98%. Communication of our sustainability actions are carried out with our stakeholders in a transparent manner. We are considering a further integrated reporting on this matter in 2021 and beyond.

Furthermore, pursuant to the Pegasus Ethical Behavior Guide, Pegasus commits to honest, respectful, fair and trustful behavior based on reason, conscience and common sense when interacting with employees, passengers, customers, suppliers and other persons and entities we work and interact with. We believe that everyone has the right to fly and we carry out our activities with all our people, suppliers and business partners for this mission. In line with this mission, we receive feedback from our employees regarding Company processes concerning them and from our passengers and customers through satisfaction surveys and other customer interaction tools.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>
- <http://www.pegasusinvestorrelations.com/en/operational-information/annual-reports>
- <http://www.pegasusinvestorrelations.com/en/corporate-governance/corporate-governance-rating>
- [http://www.pegasusinvestorrelations.com/medium/image/rules-of-business-ethics\\_136/view.aspx](http://www.pegasusinvestorrelations.com/medium/image/rules-of-business-ethics_136/view.aspx)

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

Communication of our sustainability actions are carried out with our stakeholders in a transparent manner. Part of this communication is carried out in the form of awareness activities aimed at our employees, and Company-wide and professional training and development programs. We are considering a further integrated reporting on this matter in 2021 and beyond.

**References:**

- <http://www.pegasusinvestorrelations.com/en/corporate-governance/sustainability>
- <http://www.pegasusinvestorrelations.com/en/operational-information/annual-reports>
- <http://www.pegasusinvestorrelations.com/en/corporate-governance/corporate-governance-rating>
- [http://www.pegasusinvestorrelations.com/medium/image/rules-of-business-ethics\\_136/view.aspx](http://www.pegasusinvestorrelations.com/medium/image/rules-of-business-ethics_136/view.aspx)