



PEGASUS HAVA TAŞIMACILIĞI A.Ş.

BIST FIRST GROUP

**CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE**

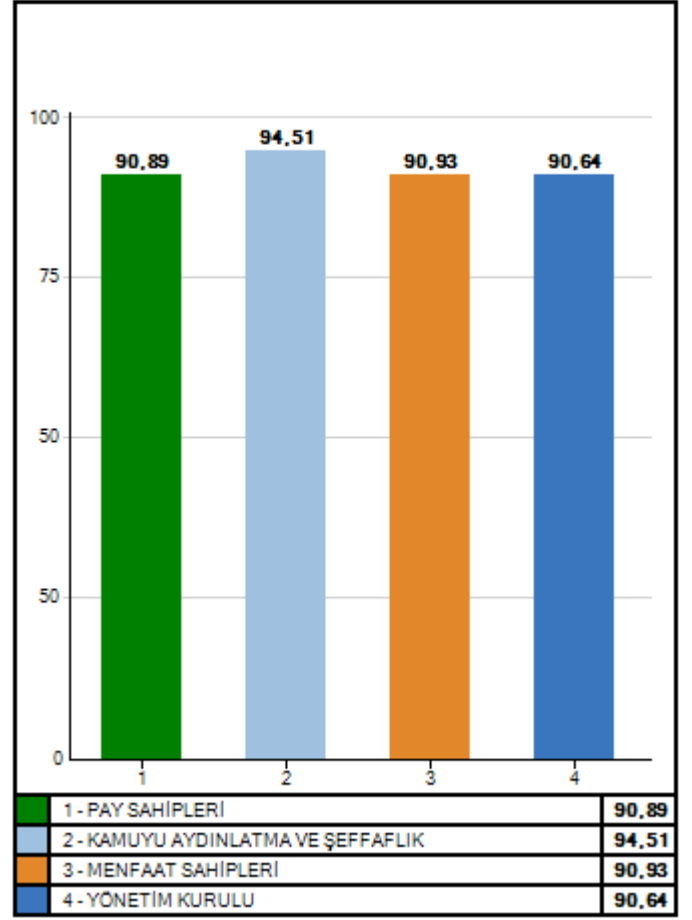
9.17

**Kobirate Uluslararası Kredi Derecelendirme
ve Kurumsal Yönetim Hizmetleri A.Ş.**

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1. RATING SUMMARY

This report of rating of compliance of **PEGASUS Hava Taşımacılığı A.Ş.** with the Corporate Governance Principles has been concluded through onsite examinations of the documents, interviews held with executives and persons involved, disclosed information and of other reviews and observations. It has been prepared in accordance with the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.Ş., based on CMB's Corporate Governance Principles directive no II-17,1 issued on Official Gazette no 28871, dated January 3, 2014.

According to Capital Market Board decision dated 08.01.2016 and numbered 1/23, PEGASUS Hava Taşımacılığı A.Ş. is included in the list of **BIST First Group Companies**. The company has been examined in 408 criteria described by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş.'s methodology for "BIST First Group Companies". Rating process has been conducted under the main headings of Shareholders, Public Disclosure and Transparency, Stakeholders and the Board of Directors and Corporate Governance Compliance Rating Grade of **PEGASUS Hava Taşımacılığı A.Ş.** has been determined as **9.17**.

This result signifies that **PEGASUS** has achieved a considerable compliance with CMB's Corporate Governance Principles. The grade shows that internal control systems have been formed, possible risks for the Company have largely been determined and controlled and, rights of shareholders are treated fairly. It indicates that public disclosure and transparency activities are conducted at high level and rights of stakeholders are treated fairly. The structure and working conditions of board of directors are compliant with corporate governance principles. With this grade, the Company well deserves to be included in the BIST Corporate Governance Index.

Determined and willing approach that board of directors and top management showed in order to produce solutions for the areas which require improvement and their internalization of Corporate Governance Principles have been the most important factors in achieving the revised grade.

In view of rating process under main headings in brief;

It is seen that Pegasus has obtained the grade of **90.89** in Shareholders' Section.

The company in general has achieved a rather good level of compliance with the CMB Corporate Governance Principles in this section. The existence of a properly operating Investors Relation Department, duly call for and convention of general assembly, preparation of a comprehensive briefing note to ensure shareholders' access to information about the agenda items and establishment and disclosure to public of a dividend policy, which has been presented to the approval of the general assembly are salient positive achievements. In accordance with CMB Directive no II.17-1, the Unit Director of Investors Relation Department has been appointed as Corporate Governance Committee member.

The Company has achieved the grade of **94.51** for the section Public Disclosure and Transparency. It conducts public disclosure activities in accordance its disclosure policy,

which is published on its corporate website. It is deemed positive that access is provided to several current data on the corporate internet website, which are specified in the principles and might be needed by the investors. It is seen that the Annual Report is sufficient in terms of content and information is strengthened with graphics. It is thought that due to such efforts the Company has achieved compliance with corporate governance principles to a significant degree in the field of public disclosure and transparency.

It is seen that the company has reached the grade of **90.93** for the Stakeholders' Section.

The Company has achieved considerable compliance with CMB's Corporate Governance Principles in this section. Management consultancy services that the Company has received are completed and all internal procedures that concern stakeholders and particularly employees have been updated. Human resources policy has been established; regulations are made and disclosed to the employees including recruitment, job descriptions, performance appraisal, promotion, awarding, leave and social benefits. Training policies and annual training programs have been prepared and disclosed to employees.

It has been observed that job processes and standards have been set forth and relevant parties are being informed of such processes.

Procedures for outsourcing of products and services have been laid down in written documents.

Ethical Principles and Rules have been set forth and introduced to employees to act pursuant to such rules.

Compensation policy for employees has been prepared and approved by the Board of Directors. Compensation policy is published on the corporate website.

Company's corporate social responsibility and sustainability policies have been prepared and disclosed to public.

As for the Board of Directors Section, the Company's grade is **90.64**, representing a rather good level compliance with the CMB's Corporate Governance Principles.

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

The posts of Chairman of the Board and Chief Executive Officer are held by separate individuals.

It has been observed that the Board convenes regularly and procedures for meetings are incorporated in both the Articles of Association and internal directives.

Audit, Corporate Governance and Early Detection of Risk Committees, referred to in the Principles, have been formed and their working principles prepared in written documents. On the other hand, the fact that there are three (3) independent members in the Board of seven (7) members and that one woman has been appointed as Board member has strengthened compliance with principles. Guidelines for Compensation of the Directors and Top Executives have been determined, presented to shareholders as a separate item at the general assembly meeting and disclosed to public on the corporate website.

Shareholders

- ✓/✗ No information has been given to shareholders at the general assembly meeting on beneficiaries of donations and aids given in the period.
- ✓/✗ Adding a provision about minority right to the Articles of Association will strengthen compliance with Corporate Governance Principles.

Public Disclosure and Transparency

- ✓/✗ It would be appropriate to give information in the annual reports on whether or not the partnership plans to make any changes in management policies in future within the scope of corporate governance principles.

Stakeholders

- ✓/✗ Company employees are not unionized.

Board of Directors

- ✗ Although there is the practice of self-criticism and performance evaluation for Board Members, there is still no practice of rewarding or sacking them in the light of these assessments.
- ✓/✗ It would be appropriate to disclose the remuneration provided for board members and executive managers on individual basis.