



PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ

LEAN & EFFICIENT OPERATIONS
WITH ENVIRONMENTAL IMPACT

AND

ADDITIONAL PERFORMANCE INDICATORS

2022

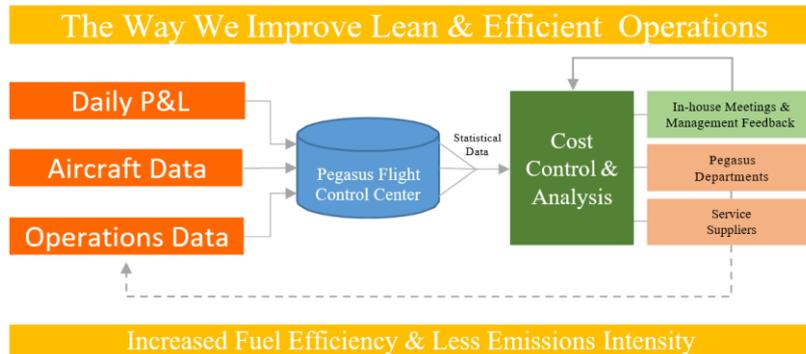
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LEAN & EFFICIENT OPERATIONS WITH ENVIRONMENTAL IMPACT

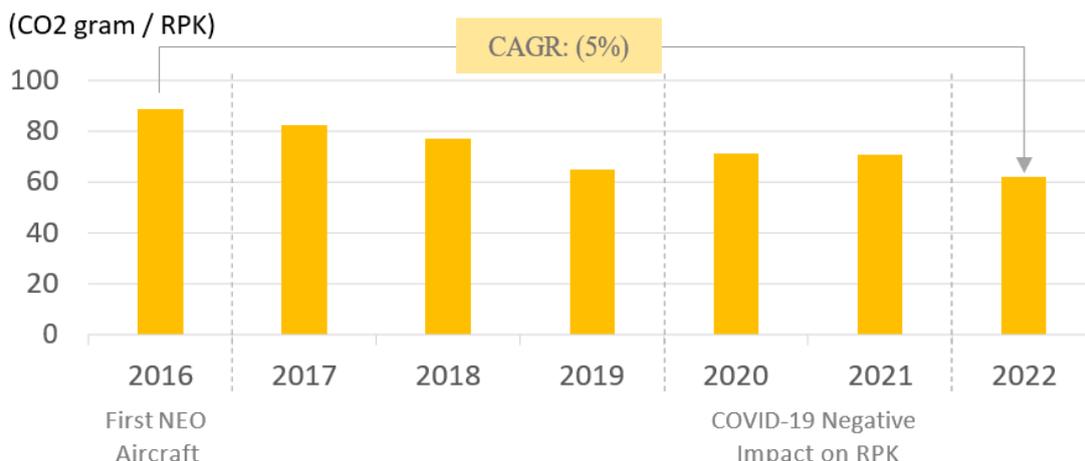
Successful “Bespoke” LCC Model

Strongly supported by our Board and C-level management, various initiatives spearheaded by our operational teams, coordinated by our Cost Control & Analysis Team, and enabled by our support functions, continuously drive substantial efficiency and cost savings by breaking the mold of «traditional» practices.



Specific Initiative Examples
Airbus NEO Fleet Investment
Flight Level Optimization
Electronic Flight Bag (EFB) & Paperless Cockpit
Auxiliary Power Unit (APU) Use Optimization
Alternate Airport Optimization
Flight Plan Fuel Optimization
Aircraft Weight Reduction Initiatives
Catering Optimization through AI
Aircraft Exterior & Engine Washing
Electric Vehicle Use for Ground Operations
Airport RAMP Optimization through IoT
Terminal Optimization Measures (Express Baggage Kiosks, ID Card Boarding, Check-in Optimization)

Increased Fuel Efficiency & Less Emissions Intensity



FLEET TRANSFORMATION AND SERVICE OFFER WITH IMPROVED ENVIRONMENTAL IMPACT

Pegasus Airlines maintains the youngest aircraft fleet in Türkiye and runs one of the youngest fleets among all low-cost carriers globally. Our fleet's average age was 4.4 years as of 31 December 2022.

In July 2012, we placed a firm order with Airbus for 75 firm order, and 25 optional Airbus A320/321neo aircraft. This was the largest single aircraft order in Turkish civil aviation history at the time.

Following the exercise of our option in December 2017, and several amendments and additional orders up to 2022, our 2012 Airbus Order, as amended, contained a total of 42 A320neo and 72 A321neo aircraft. In addition, in 2016, Pegasus became the first customer of the CFM-Leap series engine used on A320neo aircraft.

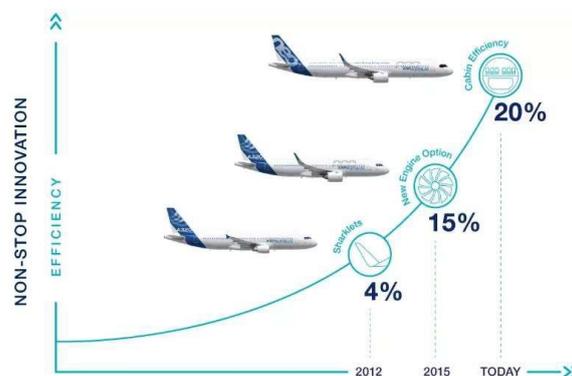
Significant investment in our fleet and ongoing fleet transition brings substantial advantages in reducing fuel burn. According to Airbus, the new generation neo aircraft, compared to previous generation models (Airbus A320ceo – current engine option or Boeing 737-800NG), provides up to 20% efficiency in unit fuel consumption and carbon emissions.

The share of the fuel-efficient new generation Airbus neo aircraft in our fleet, in terms of total seats, reached 76% as of 31 December 2022.

Aircraft seat availability is the main driver of our revenue generation and fuel-efficient Airbus neo aircraft will continue to generate a higher portion of our flight revenue. Investment in a fuel-efficient fleet and further potential fleet efficiency and advancement opportunities will help us move towards our 2030 and 2050 targets and continue to play a vital role in the early stages of our roadmap.

Pegasus aircraft fleet evolution in the past five years:

Aircraft Type	2018	2019	2020	2021	2022
Boeing 737-800	46	39	34	25	18
Boeing 737-400	1	-	-	-	-
Airbus 320ceo	12	12	12	11	7
Airbus 320neo	22	31	40	46	46
Airbus 321neo	-	2	7	8	25
Total	81	84	93	90	96
neo aircraft in fleet	27%	39%	51%	60%	74%



A320neo – Built-In Efficiency (Source: Airbus)



FUEL EFFICIENCY AND NOISE REDUCTION PERFORMANCE

We consider combating climate change a material issue. In this regard, we committed to achieve “Net Zero Carbon Emissions by 2050”. One of our major focus areas is fuel efficiency since most of our emissions are caused by jet fuel burn. Our NEO-type aircraft are currently the world’s most advanced and fuel-efficient aircraft family in their operating segment. The service of these innovative aircraft achieves fuel savings, reduces carbon dioxide emissions, and thus provides strong operational, economic, and environmental performance. The LEAP-1A engines found in our A320neo & A321neo aircraft have a high bypass ratio of 11:1. The bypass ratio of the CFM56-5B engine in our older Airbus CEO aircraft or the CFM56-7B engine in the Boeing 737-800 models is around 5:1 and 6:1, respectively. The LEAP-1A engine offers A320neo and A321neo operators enhanced performance by reducing fuel consumption and CO2 emissions. Pegasus is the first customer of the CFM-Leap series engine used on the A320neo aircraft.

We monitor our carbon dioxide emissions per revenue passenger kilometer (gram CO2/RPK) as a key performance indicator and aim to reduce this emission intensity in line with our 2030 mid-term carbon emission intensity target.

Average fleet age and emissions intensity in the past five years:

Key Metrics	2018	2019	2020	2021	2022
Average Fleet Age	5.70	5.35	5.20	5.00	4.37
Gram CO ₂ /RPK	77.2	64.9	71.0	70.8	61.9

On the other hand, we carry out fuel optimization through different initiatives in many areas. For example, we use a carbon brake system on our aircraft instead of steel. Our aircraft seats are designed with lighter materials, and hence we optimize fuel consumption by reducing aircraft weight. In addition, we also optimize our engine and aircraft exterior washing in order to achieve efficiency in fuel consumption. Overall, we reduce our carbon dioxide emissions with our fuel optimization initiatives.

The noise impact of our operations is another focus area to improve our services. As part of our environmental innovation efforts, we carry out work to improve noise performance. Noise emissions are part of the type certification of the aircraft. Our NEO-type aircraft, constituting the majority of our fleet also have a significant impact in reducing noise, and we aim to increase our noise reduction performance.

LEAN & EFFICIENT OPERATIONS

We are a low-cost carrier and our strong commitment to maintaining lean & efficient operations is a significant enabler for us to operate with a low unit cost base and high efficiency.

A wide range of operational initiatives which are strongly supported by our Board and C-level management spearheaded by our operational teams, coordinated by our Cost Control & Analysis Team, and enabled by our support functions, continuously drive substantial efficiency and cost savings by breaking the mold of “traditional” practices. Our specific initiatives are shaped by our Digital Airline promise and our environmental targets.

These are significant enablers for our sustainability efforts. Within the scope of the Sabiha Gökçen International Airport optimization project, which is one of our R&D initiatives, our annual operational and maintenance expenditure was 66,875 TL in 2022, in addition to our capital expenditure between the years 2018-2021.

CHANGE IN FOCUS: OUR APPROACH TO CABIN PRODUCT OFFER & WASTE MANAGEMENT

The interplay between operational efficiency and environmental efficiency is striking for airline operations. Operational efficiency mostly serves the environment positively, triggering more efficient use of resources and less waste. The time commitments of operational efficiency on the other hand may put pressure on environmental sensitivities, especially when aircraft utilization and punctual operational performance require quick turn-around of aircraft on the ground thereby limiting time to address less-time sensitive needs.

In-flight catering is an evident example of this. For years, our catering offer, the Pegasus Cafe, was tailored as an on demand ancillary service. Above and beyond the revenue impact of this ancillary service, the optimization benefits unlocked by demand-based consumption not only helped us reduce waste but also helped us optimize aircraft weight, fuel burn and punctuality performance. We went on to achieve further efficiency through an AI-based optimization.

In the past two years, we have been implementing new initiatives to transform certain components of our Pegasus Cafe product offer to reduce waste and to move towards the use of more sustainable material with less stress on the environment. Our efforts will continue into 2023 and beyond to achieve further improvement in this area.

KEY PERFORMANCE INDICATORS

SOCIAL PERFORMANCE		2021	2022
Total Number of Employees	Female	1,877	2,334
	Male	3,947	4,420
Total Number of New Employees	Female	162	623
	Male	312	781
Total Number of Senior Managers	Female	2	4
	Male	14	17
Total Number of Mid-Level Managers	Female	16	14
	Male	58	49
Total Number of Employees with Disabilities	Female	19	23
	Male	68	68
Turnover Rate (%)	Voluntary	9.2%	9.70%
	Involuntary	4.3%	2.80%
Gender Pay Gap Percentage (%)		83.1%	86.40%
Average Employee Length of Service (Year)		5.7	5.4
Employee Effectiveness Sustainable Engagement Index* (%)		-	77%
Total Injury Rate** (Based on 1,000,000 working hours)		16.68	30.6
Total Lost Time Injury Rate*** (Based on 1,000,000 working hours)		4.14	7.10
Total Accidents		298	406
Total Accidents with Fatalities		0	0
Total Number of Occupational Diseases		2	0
Total Number of Lost Working Days		477	721
Total Number of Health & Safety Training Participants		3,239	3,142
Average Training Time Per Person (hour/person)		4.41	12.0

Total Employee Health & Safety Training Hours (person*hour)	14,292	37,704
Total Employee Training Cost (TL)****	710,160	2,009,420
HSMS Certified Percent (%)	97%	97%

* Employee satisfaction is measured in the “employee effectiveness sustainable engagement index” indicator.

** Injury Rate = Number of injuries/total working hours*1,000,000.

*** Lost Time Injury Rate = Number of lost time injuries/total working hours*1,000,000.

**** Legislative training carried out by Pegasus Academy is considered for the “total employee training cost” indicator.

ENVIRONMENTAL PERFORMANCE		2021	2022
Total Environmental Expenditures (TL)		604,148.81	1,316,558.30
Revenue Percentage from NEO Type Aircraft (%)		65%	76%
Total New Employee Environmental Training Participants (person)		313	1,180
Total New Employee Environmental Training Hours (person*hour)		62.6	236
Emissions (ton CO _{2e})	Scope 1	1,791,358.05	2,507,472.39
	Scope 2 (Location-based)	4,559.14	6,042.47
	Scope 2 (Market-based)		4,294.77
	Scope 3	456,641.91	647,490.33
Total Amount of Waste (Tons)	Hazardous	102.8	107.8
	Non-Hazardous	118.9	99.9
	Electronic	0.269	0.345
Total Recycled Waste (Tons)		221.63	207.7
Waste Recycling Ratio (%)		99.97	99.98
Total Water Withdrawal (m ³)	Total	9,986	15,520
	Fresh Water	9,986	15,520
	Other	0	0
Average Water Withdrawal Per Person (m ³ /person)		1.71	2.30
Average Emissions Per Revenue Passenger Kilometer (CO ₂ /RPK)		70.80	61.90
Total Number of Suppliers Audited within the scope of EHS	Total	42	11
	Audit	8	11
	Survey	34	-

GOVERNANCE PERFORMANCE		2021	2022
Total Revenue (TL)		10,664,406,707	42,732,213,696
Total Litigation Expenses (TL)		6,084,766	11,342,004
Litigation Contingency in Financial Statements (TL)		12,667,596	17,992,364
Litigation Expense in Total Revenue (%)		0.06	0.03

OTHER INDICATORS	EXPLANATION (2021-2022)
Flexible Working Hours	We use flexible working hours to increase the motivation of our eligible employees. Eligible employees who do not participate in a shift system or on flight schedule, can check in between 07.30-09.00 and check out between 16.30-18.00, depending on their preference. We also use remote working for our eligible employees. In this context, we offer our employees the opportunity to work certain days of the week away from the office. Another benefit of this flexibility is supporting the reduction of transportation emissions caused by employees commuting to/from work. In 2022, The sensitivity to not holding a meeting during the lunch break (between 12:00 and 13:00) to implement the remote work effectively continued. We took care to schedule our meetings for no more than 1 hour and take a 10-minute break between each meeting hour.
Side Benefits for Employees	We care about increasing the life quality of our employees. In this direction, we provide all our employees with comprehensive private health insurance, which also includes flexible and hybrid applications. We apply discounted ticket fares to our employees and their first-degree relatives. We also participate in wider flight ticket benefit schemes involving other carriers in the industry. We provide meal payments with meal cards at every work location. We offer transport services to different locations. We apply a hybrid working model for departments that are considered suitable for remote working, and we provide the opportunity to work periodically and permanently in domestic and international locations outside the main workplace. In addition to the remote working model, we provide remote working support to our employees. We offer benefits such as company vehicles, fuel support and corporate lines with our additional benefits package prepared according to the title structure. In line with our performance and bonus model and based on company targets, we reward annual business results and individual performance. We provide kindergarten assistance for children between the ages of 0-6 of our divorced female employees or male employees whose mothers are deceased and have custody of their children. We provide free check-up from contracted health institutions once a year for all our employees. When our employees have children, we present them with a monetary gift. In addition, an operation team member who declares that she is pregnant is removed from the shift working order and is planned to work only during the day, starting from the date of the declaration. Our female employees, who are on unpaid leave, continue to benefit from private health insurance during their unpaid leave and start to benefit from private health insurance for their babies as soon as they are born. We offer additional opportunities for our employees by making periodic agreements with different institutions and brands. With university collaborations, we support our employees in their development by providing facilities in the field of education.
Internal Promotion	Within the context of our growth targets and as part of the annual evaluation of our human capital; a comprehensive internal promotion process is run on an annual basis. Candidates for promotion are evaluated against the internal promotion criteria such as performance score, educational status, company seniority, total position seniority, technical knowledge and skills, competency level and language proficiency. Any internal promotion will require that the existing job size and the area of responsibility of the candidate have reached a higher level, which is evaluated according to the results of the job evaluation.

The internal promotion process can be run for a newly created position in the organization, and a job evaluation will be made. Employees occupying manager/head-of and higher positions must take a language examination and undergo an assessment center application. Appointments within the scope of organizational change or in case of vacancies in manager/head-of and higher positions are also made in the interim period. For appointments to director/VP and C-level positions, the final decision is made by evaluating external candidates together with the internal candidate evaluation. In 2022, 323 appointments were made as part of the annual internal promotion process. Within the scope of our sustainable organizational approach, succession readiness is carried out for all director/VP and above positions in the organization and for positions that are considered critical regardless of title. In 2022, succession plans were created for 32 positions. Additionally, personalized development journeys are created for our reserve candidates to support their career development with the support of the Pegasus Academy.

**Biodiversity Impact
Reduction**

Türkiye and Istanbul – home to our main operations base – is an important living and transitory areas for various bird species. The impact of this phenomenon on our operations is important due to safety threats in connection with bird strikes and the counter impact of flight operations on these species. In 2021, Pegasus Airlines adopted Pegasus Wildlife Hazard Management Plan to reduce bird strikes with support from independent advisors and this was further developed in 2022. Joint action by airport authorities and other airlines is important for the effectiveness of measures in this area. Therefore, we advocated wildlife management actions before different stakeholders including the Istanbul Sabiha Gökçen (our main base) Airport Authority HEAŞ, Turkish Civil Aviation Authority and Turkish State Airports Authority and facilitated the commencement of coordinated efforts in this area. A working group is established to coordinate efforts at Istanbul Sabiha Gökçen Airport around a Wildlife Hazard Management Plan for the airport. In 2022, 10 out of 17 action items were completed, and an acoustic bird control device was established and activated at the 06 runway-end. Pegasus Airlines is providing analysis, research & development, and project support to these efforts.



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

