

Turkey

Employment

Corporate and Labor Concerns

Employee stock option and stock purchase plans are not specifically addressed in the legislation in Turkey except for limited cases described below and yet not prohibited, either.

Foreign companies operating in Turkey may design employee stock option and stock purchase plans and award stock option to their employees in Turkey in their employment contracts or ancillary employment documents describing benefits granted to employees subject to the restrictions under the “Regulatory” section below.

In the absence of any prohibition under current Turkish law, Turkish companies may also design stock option/purchase plans in their employment contracts.

Pursuant to the New Turkish Commercial Code (the “**New TCC**”), that entered into force on July 1, 2012, the companies (public or private) may set aside reserves for provident funds to be established for the employees. There is no prohibition for such provident funds to invest in the company’s shares or other capital markets instruments issued by the company. Through this way, the employees may indirectly benefit from a stock option plan.

Under the previous law, privately held companies were prohibited from holding the company’s own shares (save certain listed conditions in the code), therefore companies could not honour stock option plans through treasury stock. However, the New TCC provides less rigid rules in relation to share buyback (i.e. as a general rule the company is permitted to buyback 10% of its own shares), easing the way to design stock option plans relying on treasury stock.

The New TCC further codifies the concept of conditional capital increase whereby employees may turn stock options into shareholding of the company without the burdensome procedure under the previous law.

An additional carve out is foreseen in the New TCC for the purchase of company shares by the company’s or its subsidiaries’ employees, in connection with restrictions on financial assistance. Under the New TCC any advance payment, loan or collateral transaction entered into by the company with any person for the purpose of acquiring the company’s shares will be deemed void, except in the event that the company enters into such transactions in order to facilitate the acquisition of the company’s shares by its or its affiliates’ employees.

For Turkish public companies, share buyback rules are similar to the New TCC; however, the shares to be bought back must be tradable on the stock exchange; the purchase transactions must take place on the relevant stock exchange markets; and the disposal of the shares bought back within the framework of a buyback program must take place on the relevant stock exchange markets at all times besides other restrictions that may be relevant for a stock option/purchase plan.

However, pursuant to the provisions of the communiqué no. IV/56 referred to under the “Regulatory” section below, public companies listed on the Istanbul Stock Exchange are prohibited from providing stock option/purchase plans to their independent board members.

This summary is intended to reflect local law and practice as at 1 May 2013. Please note, however, that recent amendments and legal interpretations of the local law may not be included in these summaries. In addition, corporate governance, administration, and option plan design facts that are specific to your company may impact how the local laws affect the company’s equity based compensation plans.

With these matters in mind, companies should not rely on the information provided in this summary when implementing their stock plans.

Turkey (cont.)

Regulatory

Securities Compliance

As a general rule, pursuant to Turkish capital markets legislation, all capital market instruments to be issued or publicly offered must be registered with the Capital Markets Board of Turkey ("CMB").

The CMB communiqué no. III/44 regarding the registration and sale of foreign capital markets instruments and depository receipts ("**Foreign Securities Communiqué**") provides an exemption to foreign companies to grant "stock options" to their employees in Turkey without being subject to a registration requirement if: (i) the sale transaction is executed outside of Turkey; (ii) the stock option is not granted in a way to constitute a "public offering"; and (iii) the information to be provided to the employees does not include indications of a public offering (e.g. there must be no use of mass media communication).

Disclosure Rules

Under the CMB communiqué no. IV/56 regarding the determination and implementation of corporate governance principles, with respect to public companies listed on the Istanbul Stock Exchange, principles of remuneration of the members of the board and senior managers must be stated in writing, published on the company website and be submitted to the information of the shareholders in shareholders' meetings.

Under the same regulation, remuneration and all benefits provided by the public companies to the members of their boards and senior managers should be disclosed to public through annual activity report on a comply or explain basis.

Furthermore, under the Turkish capital markets public disclosure rules, persons with administrative responsibility in a public company as well as their related parties must publicly disclose all transactions conducted in relation to the securities of the relevant company, irrespective of the amount of securities purchased/sold.

Insider Trading and Market Manipulation

It should be noted that the current Turkish capital markets legislation does not provide for any insider trading or market manipulation exemptions for exercise of rights under stock option/purchase plans. The Capital Markets Law provides that stock option/purchase plans and allocation of shares to a public company's or its subsidiaries' employees do not constitute insider trading or market manipulation.

Foreign Exchange

Under Article 15(d)(II) of Council of Ministers Decree No. 32 on the Protection of the Value of the Turkish Currency, residents of Turkey may only purchase shares (or beneficial interests therein) traded in markets outside of Turkey through banks or intermediary institutions authorized pursuant to CMB regulations.

Data Protection

Employee' written consent for the processing and transfer of personal data is a recommended method of compliance with existing data privacy requirements.

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