
Turkey

Stock Option Plans

Employment

Labor Concerns

There is a risk of employees claiming that they are entitled to compensation for loss of rights under the Plan where the Plan is amended or discontinued or where their employment is terminated.

There are laws which prohibit discrimination against, and/or less favorable treatment of, employees on certain grounds, including age, gender, disability and part-time status. Companies should be mindful of this when determining the eligibility of employees to participate in a Plan, the benefits being granted and the exercise of any discretion.

Communications

A disclaimer should be included in the award agreement, which acknowledges each employee's receipt of the Plan documents and the discretionary nature of the Plan and confirms that termination of employment will result in the loss of unvested rights.

Although there is no legal requirement to do so, it is recommended that the Plan documents be translated.

Government filings must be made in Turkish.

Electronic execution of award agreements may be acceptable under certain conditions, which are not onerous.

Regulatory

Securities Compliance

Neither the grant nor the exercise of Options is likely to trigger any prospectus requirements or the requirement to obtain the approval of the Capital Markets Board of Turkey, provided that:

- (i) all aspects of the Plan are operated outside of Turkey;
- (ii) the Option is not granted in such a way as to constitute a "public offering";
and
- (iii) the information provided to the employees does not include indications of a public offering (e.g., there must be no use of mass media communication or general solicitation).

Foreign Exchange Residents of Turkey may only purchase shares (or beneficial interests therein) traded in markets outside of Turkey through banks or authorized institutions licensed in Turkey or other duly authorized intermediary institutions.

Data Protection Employee consent for the processing and transfer of personal data is a recommended method of compliance with existing data privacy requirements. Generally, an employer must register data processing activities and databases with the local data protection authorities.

Tax

Employee Tax Treatment An employee is generally subject to income tax on the gain on exercise (i.e., the excess of the market value of the Stock acquired over the aggregate exercise price).

Capital gains tax is also payable on any gain upon the net proceeds of sale of the Stock.

Social Security Contributions Social security contributions are due from both the Subsidiary and the employee on all income received up to a threshold, provided that the Subsidiary reimburses the costs of the Plan to the Issuer.

Tax-Favored Program There is no tax-favored program applicable to stock option plans.

Withholding and Reporting The Subsidiary only has an obligation to withhold the income tax and social security contributions (if the threshold has not been met) where it reimburses the costs of the Plan to the Issuer.

Reporting requirements apply to the Subsidiary where it reimburses the Issuer for the costs of the Plan. Reporting requirements apply to the employee where the Subsidiary does not have a withholding obligation.

Employer Tax Treatment A deduction may be available if the Subsidiary reimburses the Issuer for costs of the Plan. A written reimbursement agreement is required (setting out the criteria used to establish the amount to be paid by the Subsidiary).

Turkey

Restricted Stock and RSUs

Employment

Labor Concerns

There is a risk of employees claiming that they are entitled to compensation for loss of rights under the Plan where the Plan is amended or discontinued or where their employment is terminated.

There are laws which prohibit discrimination against, and/or less favorable treatment of, employees on certain grounds, including age, gender, disability and part-time status. Companies should be mindful of this when determining the eligibility of employees to participate in a Plan, the benefits being granted and the exercise of any discretion.

Communications

A disclaimer should be included in the award agreement, which acknowledges each employee's receipt of the Plan documents and the discretionary nature of the Plan and confirms that termination of employment will result in the loss of unvested rights.

Although there is no legal requirement to do so, it is recommended that the Plan documents be translated.

Government filings must be made in Turkish.

Electronic execution of award agreements may be acceptable under certain conditions, which are not onerous.

Regulatory

Securities Compliance

Neither the grant nor the vesting of Restricted Stock or RSUs is likely to trigger any prospectus requirements or the requirement to obtain approval of the Capital Markets Board of Turkey, provided that:

- (i) all aspects of the Plan are operated outside of Turkey;
- (ii) the Restricted Stock and RSUs are not granted in such a way as 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 or general solicitation).

Foreign Exchange

Residents of Turkey may only purchase shares (or beneficial interests therein) traded in markets outside of Turkey through banks or authorized institutions licensed in Turkey or other duly authorized intermediary institutions.

Data Protection

Employee consent for the processing and transfer of personal data is a recommended method of compliance with existing data privacy requirements. Generally, an employer must register data processing activities and databases with the local data protection authorities.

Tax

Employee Tax Treatment

For Restricted Stock, an employee is generally subject to income tax on the value of the Restricted Stock when it is acquired, provided that the employee receives at least voting and dividends rights.

For RSUs, an employee is generally subject to income tax on the value of the Stock received on vesting.

Capital gains tax is also payable on any gain upon the net proceeds of the sale of the Restricted Stock or Stock.

Social Security Contributions

Social security contributions are due from both the Subsidiary and the employee on all income received up to a threshold, provided that the Subsidiary reimburses the costs of the Plan to the Issuer.

Tax-Favored Program

There is no tax-favored program applicable to restricted stock and RSU plans.

Withholding and Reporting

The Subsidiary only has an obligation to withhold the income tax and social security contributions (if the threshold has not been met) where it reimburses the costs of the Plan to the Issuer.

Reporting requirements apply to the Subsidiary where it reimburses the costs of the Plan to the Issuer. Reporting requirements apply to the employee where the Subsidiary does not have a withholding obligation.

Employer Tax Treatment

A deduction may be available if the Subsidiary reimburses the Issuer for costs of the Plan. A written reimbursement agreement is required (setting out the criteria used to establish the amount to be paid by the Subsidiary).

Turkey

Employee Stock Purchase Plans

Employment

Labor Concerns

There is a risk of employees claiming that they are entitled to compensation for loss of rights under the Plan where the Plan is amended or discontinued or where their employment is terminated.

There are laws which prohibit discrimination against, and/or less favorable treatment of, employees on certain grounds, including age, gender, disability and part-time status. Companies should be mindful of this when determining the eligibility of employees to participate in a Plan and the exercise of any discretion.

Communications

A disclaimer should be included in the award agreement, which acknowledges each employee's receipt of the Plan documents and the discretionary nature of the Plan, and confirms that termination of employment will result in the loss of unvested rights.

Although there is no legal requirement to do so, it is recommended that the Plan documents be translated.

Government filings must be made in Turkish.

Electronic execution of award agreements may be acceptable under certain conditions, which are not onerous.

Regulatory

Securities Compliance

The offer of participation rights under the Plan is not likely to trigger any prospectus requirements or the requirements to obtain the approval of the Capital Markets Board of Turkey, provided that:

- (i) all aspects of the Plan are operated outside of Turkey;
- (ii) the right to participate is not granted in such a way as to constitute a "public offering"; and
- (iii) the information provided to the employees does not include indications of a public offering (e.g., there must be no use of mass media communication or general solicitation).

Foreign Exchange

Residents of Turkey may only purchase shares (or beneficial interests therein) traded in markets outside of Turkey through banks or authorized institutions licensed in Turkey or other duly authorized intermediary institutions.

Data Protection

Employee consent for the processing and transfer of personal data is a recommended method of compliance with existing data privacy requirements. Generally, an employer must register data processing activities and databases with the local data protection authorities.

Tax

Employee Tax Treatment

An employee is generally subject to income tax on the value of the discount when the Stock is purchased.

Capital gains tax is also payable on any gain upon the net proceeds of sale of the Stock.

Social Security Contributions

Social security contributions are due from both the Subsidiary and the employee on all income received up to a threshold, provided that the Subsidiary reimburses the costs of the Plan to the Issuer.

Tax-Favored Program

There is no tax-favored program applicable to employee stock purchase plans.

Withholding and Reporting

The Subsidiary only has an obligation to withhold the income tax and social security contributions (if the threshold has not been met) where it reimburses the costs of the Plan to the Issuer.

Reporting requirements apply to the Subsidiary where it reimburses the costs of the Plan to the Issuer. Reporting requirements apply to the employee where the Subsidiary does not have a withholding obligation.

Employer Tax Treatment

A deduction may be available if the Subsidiary reimburses the Issuer for the costs of the Plan. A written reimbursement agreement is required (setting out the criteria used to establish the amount to be paid by the Subsidiary).