The Legal 500 & The In-House Lawyer
Comparative Legal Guide
Turkey: Corporate Governance

This country-specific Q&A provides an overview to tax laws and regulations that may occur in Turkey.

This Q&A is part of the global guide to Corporate Governance. For a full list of jurisdictional Q&As visit http://www.inhouselawyer.co.uk/practice-areas/corporate-governance/

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1. **What is the typical organizational structure of a company and does the structure typically differ if the company is public or private?**

   There are two main different legal forms of a company, the organizational structure of which has been explained in *Question 2*, mostly preferred in Turkey and enacted in Turkish Commercial Code numbered 6102 ("**TCC**"):

   - Joint Stock Company (JSC) – (*Anonim Şirket*)

- Limited Liability Company (LLC) – (*Limited Şirket*)

A JSC can be established by at least one shareholder with a minimum capital of TRY 50,000. Its capital is divided into shares, the company is liable for its debts up to its assets and the shareholders are liable only towards the company itself up to the subscribed capital. Therefore, the shareholders are not responsible for the debts in terms of their personal assets.
This legal form can be established both as a public and private company. A public JSC has a multi-shareholder company compared to the private one. Even, a private JSC is deemed as public automatically in case the number of the shareholders exceeds 500 except for the ones whose shares are traded on the stock exchange and the ones collecting money from the public through crowd funding. (*Capital Markets Law numbered 6362 ("**CML**"), article 16*) In addition, although private JSCs are only subject to TCC, the provisions of both TCC and CML will be applicable to publicly trades ones meaning that public JSCs will have more obligations and opportunities when compared to the private ones.

A LLC, whose principal capital is fixed, is established by one or more real or legal persons under a trade name. The shareholders are not liable for the debts of the company with their personal assets and are obliged to pay the share of the capital they committed. The number of the shareholders cannot exceed 50 and the minimum capital requirement is TRY 10,000. Unlike JSCs, LLCs are not able to offer shares to public.

Thus, in sum, the structure differs as public companies are established as JSC.

2. **Who are the key corporate actors (e.g., the governing body, management, shareholders and other key constituencies) and what are their primary roles? How are responsibilities divided between the governing body and management?**

The key corporate actors in a JSC are General Assembly ("**GA**") and Board of Directors ("**BoD**"). Board of Managers ("**BoM**") takes the place of the BoD in an LLC. There can be other organs of the company which are not mandatory (*i.e. consultancy board, committees and commissions to determine risks in advance, liquidators in case of dissolution etc.*), but discretionary organs are not mentioned herein. These discretionary organs cannot act or involve in matters which must exclusively resolved by BoD or GA by law. Apart from these, there may be also some authorized representatives and signatories carrying out the management of the company.

GA is composed of all shareholders of the company (real or legal persons) where they have the right to vote. The resolutions that must be adopted by the GA are specified under TCC and those that can be resolved by the GA are also regulated under Articles of Association ("**AoA**") of the company.

BoD and BoM are the administrative and representative bodies of JSC and LLC respectively and the members of the same are appointed by the GA of each.

As per the liabilities, shareholders, namely GA, are not responsible for the acts or negligence of the company unless the shareholders have acted in fault in this regard. Moreover, the liability of the shareholders is limited to their subscribed capital contribution both in JSC and LLC. However, the

shareholders of LLC are liable for the governmental debts with their personal assets according to their shareholding ratio in the company capital (*Law on Collection Procedure of Assets No.6183, article 35*).

Members of the BoD and the BoM are responsible for their incorrect documents or undertakings with regard to company and company transactions. They are not responsible for the acts or negligence of the company unless they have acted in fault in this regard and also they are not responsible for acts or negligence of persons appointed by them for duties not exclusive to their position unless they have shown reasonable level of diligence in selection of these persons. Also, the members of both are liable for the governmental debts of the company with their personal assets without any limitation. (*Law on Collection Procedure of Assets No.6183, repeating article 35*). Therefore, for the LLCs it must be noted that the shareholders are limitedly responsible for the governmental debts whereas the members of the BoM are liable for the same without any limitation.

(*In our explanations below, we will be using the term "Governing Body" to refer to the BoD and BoM and using the term "Management" to refer to the other authorized persons involving in the management of the company. Moreover, we will mainly provide our detailed explanations regarding the GA in the "Shareholders" section.*)

3. **What are the sources of corporate governance requirements?**

The main source of corporate governance is the TCC which adopts international corporate governance and auditing standards such as international trade, industry, finance and transparency in financial

reporting, and so on.

In addition to TCC, other important laws, communiqués and principles legalizing the corporate governance are as follows:

- the CML dated December 6, 2012
- Capital Markets Communiqués
- Corporate Governance Communiqué (serial II, No. 17.1) dated January 3, 2014
- Corporate Governance Principles ("**CGP**") (Annex I of Corporate Governance Communiqué)

These principles are set forth for the accountability of the persons holding the management due to all kinds of actions and transactions they carry. The principles provide continues supervision on the management and ensures that the partnership activities are carried out in full transparency. Only the public companies having their shares traded on the stock exchange are subject to these principles, especially the mandatory ones. Although CGP aim to be implemented by each and every company regulated under the TCC, the TCC sets forth provisions with respect to the websites, independent auditing, and obligation to provide information and criminal liability only. Therefore for now, these principles constitute as a guide for companies in general.

4. **What is the purpose of a company?**

JSCs and LLCs may be established for all economic purposes and issues that are not prohibited by law.

5. **Is the typical governing body a single board or comprised of more than one board?**

   Governing body of the companies is comprised of one board typically which is the BoD in JSCs and BoM in LLCs. However, there may be other voluntary boards within the company. Especially in public companies these additional boards are commonly seen.

6. **How are members of the governing body appointed and removed from service?**

   Except appointment of first board members which is done through issuance of the AoA during the establishment of the company, shareholders have the exclusive authority to appoint and remove the board members (except for resignation and death). According to article 408 of TCC, this authority is one of the non-assignable authorities of the shareholders forming the GA. However, if a BoD member in JSCs is discharged from its membership, BoD will be authorized to appoint a new member temporarily (for the term of the discharged member) and this temporary appointment must be approved by the first meeting of GA to be held (*TCC, article 363*).

   For removing or appointment of the board member, the needed meeting quorum for the GA is shareholders or their representatives equaling to at least one-quarter of the capital and a simple majority of votes will be necessary unless provided otherwise in any other law or in AoA. In case the meeting quorum is not reached in the first meeting, then for the second meeting no quorum will be sought (*TCC, article 418*).

7. **Who typically serves on the governing body and are there requirements that govern board composition or impose qualifications for directors regarding independence, diversity or succession?**

In JSCs, the board members serve on BoD and the BoD is comprised of one or more members appointed by the GA or by AoA in establishment. Board members can be a real person or a legal entity. In case a legal entity is appointed as a member of the BoD, then a real person representative must also be determined by the legal entity to act on behalf of the legal entity (*TCC, article 359*). In addition, provided that it is set forth in the AoA, the right to be represented in the BoD can be granted to certain share groups and to shareholders who form a specific group with their characteristics (*TCC, article 360*). Their terms of duty are 3 years at maximum. The BoD members may appoint one or more managers (representatives) to execute their duties. However, there must be at least one BoD member who will be responsible and authorized to act on behalf of the company.

In LLCs, the managers serve on BoM and BoM can be comprised of one or more shareholders or third parties. However, at least one member of the BoM has to be a shareholder of the company having the management and representation authority. Managers can either be a real person or a legal entity. In case a legal entity is appointed as a manager, then a real person representative must also be determined by the legal entity to act on behalf of the legal entity (*TCC, article 623*). In addition, in case there is more than one manager in the company, one of those shall be elected by the GA as the chairman of BoM regardless of whether this manager is shareholder or not (*TCC, article 624*).

With respect to the companies having their shares traded on the stock exchange, the BoD must be consisting of at least 5 members and the majority of BoD shall be the members who do not take part in execution. This majority has some independent members carrying out the activities without being prejudiced by somebody else. The number of independent members cannot be less than one-third of the total number of members. In any case, the number of independent members may not be less than two. Term of office for the independent members is 3 years and it is possible for them to be re-elected (*CGP, article 4.3*). There are rules as to the qualification of the members under the CGP. A board member fulfilling all the criteria below is considered as an independent board member:

- Not having any employment relationship at an administrative level in the last 5 years and not having any significant commercial relationship with companies and corporations whose management is controlled by the company that member is working in. Additionally, the member should not have had more than 5% of the capital, voting rights or privileged shares of the said company or corporation together or alone.
- Not to be shareholders having 5% and more shares or not to be an employee at an administrative level in companies with whom the company purchases and sells goods and services in the last 5 years.
- Having the necessary professional education, knowledge and experience to carry out the duties properly as an independent member.
- Not being a full-time employee in state institutions and organizations after the appointment except being a faculty member.
- Residing in Turkey in accordance with Income Tax Law.
- Having strong ethical standards, professional reputation and experience in order to be able to impartial and to contribute to the company activities.
- Being able to allocate time for the corporation business.
- Not being a board member for more than 6 years within last 10 years.
- Not being an independent member of more than 3 companies (more than 5 companies in companies whose shares are traded on the stock exchange) whose control is held by the member’s company.

- Not being a registered and announced representative of the legal entity appointed as board member.

(*CGP, article 4.3.6*)

Additionally, a company must aim a percentage, which cannot be less than 25%, and a time for the number of the female member rate in BoD and must create a policy to achieve these objectives (*CGP, article 4.3.9*).

8. **What is the common approach to the leadership of the governing body?**

According to Turkish Law, it is possible for a manager to have the title of both a chairman and a CEO. It is a common approach that CEO of the company also has the BoD membership but in big companies it is separated from the BoD. However, pursuant to CGP, no one in the company must be authorized solely with unlimited powers that the authorities of chairman and CEO must be separated from each other clearly and this separation must be stated in the AoA. Furthermore, in case it is decided that a person will be appointed as both chairman and CEO, then this will be published at Public Disclosure Platform together with its justification (*CGP, articles 4.2.5 and 4.2.6*).

9. **What is the typical committee structure of the governing body?**

According to TCC, BoD is obliged to form a committee aiming to manage the risks by early diagnosis of the reasons that endanger the existence of the company and by taking the necessary measures in companies having

their shares traded on the stock exchange. In the other companies, this committee is formed in case the auditor of the company finds it necessary. The committee evaluates the situation, highlights the current risks and presents the remedies by submitting a report to the BoD every two month. This report must be also sent to the auditor (TCC, article 378). The scope of duties, working principles and the members of the committees are determined by the BoD and they are published at Public Disclosure Platform (CGP, article 4.5.2).
Pursuant to CGP, in public companies, the following committees must be constituted as a rule:

- Audit Committee
- Corporate Governance Committee
- Nomination Committee
- Early Detection of Risk Committee
- Price Committee

The obligating to form these committees can vary for the banks. In the event that nomination committee and price committee cannot be formed due to the settlement of BoD, corporate governance committee fulfills the duties of the same (*CGP, article 4.5.1*).

The committees must include at least two members. In the event that two members are included, both of them must be non-executive members of BoD. If there is more than two members, then the majority of the members must be non-executive members. The head of the committee must be elected among the independent members of BoD. All the members of the committees in charge of auditing must be independent members (*CGP, article 4.5.3*). The CEO cannot take part in the committees (CGP, article 4.5.4) and care is taken to ensure that one board member does not serve on more than one committee (*CGP, article*

4.5.5).

10. **How are members of the governing body compensated?**

As to TCC, financial rights including the attendance fee, wage, bonus, premium and percentages of annual profit can be granted to the board members provided that the amounts of them are determined by AoA or GA resolution (*TCC, article 394*).

With regards to CPG, the profit share, share options or the schedules related to the company's performance payment cannot be taken into consideration in the remuneration of the independent board members. In so far, the remuneration of the board members must be sufficient to ensure their independency (*CPG, article 4.6.3*). Furthermore, the remuneration paid and also the other advantages granted for the board members and the members having the administrative responsibility shall be announced to the public by annual activity report (*CPG, article 4.6.5*).

11. **Are fiduciary duties owed by members of the governing body and to whom are they owed?**

TCC regulates board member's duty of care and loyalty. Accordingly, the members of BoD and the third parties responsible for the company management are obliged to carry out their duties with due care of a cautious director and to preserve the company interests in accordance with the good faith (*TCC, article 369*). Moreover, the board members are liable for the damages to the company, its shareholders and creditors in the event that they violate their obligations set forth in the law and AoA

(*TCC, article 553*).

12. **Do members of the governing body have potential personal liability? If so, what are the key means for protecting against such potential liability?**

As stated in *Question 2*, although the board members are liable for the acts or negligence of the company unless they have acted in fault in this regard, they are responsible for the governmental debts of the company with their personal assets without any limitation. (*Law on Collection Procedure of Assets No.6183, repeating article 35*).

In addition, civil and criminal liabilities of the board members are regulated under the separate articles 553 and 562 of TCC respectively. As per the civil liability, the board members are liable for the damages to the company, its shareholders and creditors in the event that they violate their obligations set forth in the law and AoA. As per the criminal liability, for instance, the board members are responsible for the losses incurred due to hiding the truth, unlawfulness and false, fraudulent and fake documents, statements, commitments and warranties in case the directors acted in fault while preparing these documents or declarations (*TCC, article 549*).

BoD can transfer the management to the other members of BoD or the third parties partially or completely with an internal directive to be registered and published. By way of this, the liabilities of the said members can be restricted (*TCC, article 367*). The delegating members do not have any responsibility with regards to the decisions and acts of the assignee unless it is proven that the assignor did not show reasonable

diligence to the selection of the assignee. However, this restriction is only effective in the company that the restriction cannot be alleged towards the third parties acting in good faith, unless the registered and published restriction is allocated to the affairs of the company headquarters or branch or it is related to the joint signatures of the members (*TCC, article 371*).

It is possible to get insurance for the board members with regards to damage of the company incurred due to the fault of the board members while carrying out their duties under the laws. In case the damage is insured at a price exceeding 25% of the public company's capital and the public company is secured, this must be published at Capital Markets Board bulletin and additionally in the stock exchange bulletin if the shares of the company are traded on the stock exchange (*TCC, article 361*). According to CPG, the damage of the company must be insured at a price exceeding 25% of the company capital and this shall be published at Public Disclosure Platform (*CPG, article 4.2.8*).

13. **How are managers typically compensated?**

There is not any provision in TCC directly regulating the compensation of the managers. It is stipulated in TCC that the annual activity report of the BoD shall include the premiums, bonuses, allowances, travel, accommodation and representation expenses, in-kind and in-cash opportunities, insurances and similar guarantees paid to the BoD members and senior executives (*TCC, article 516/2*).

In accordance with CGP, basis of remuneration for the members having the administrative responsibility must be in written and presented to the

attention of the shareholders as a separate matter in GA’s agenda for the shareholders to share their opinions on it. The remuneration policy prepared for this purpose shall be included on the company's corporate website (*CGP, article 4.6.2*). The remuneration paid and also the other advantages granted for the board members and the members having the administrative responsibility shall be announced to the public by annual activity report (*CGP, article 4.6.5*).

14. **How are members of management typically evaluated?**

Job descriptions, job distribution, performance and rewarding criteria must be announced to the employees in companies whose shares are traded on the stock exchange. Attention is paid to the productivity in determining the wage and the other benefits to be granted to the employees. The company can create plans in order to make the employees have shares (*CGP, article 3.3.6*).

In addition, the audit committee determines the method and criteria in the evaluation of the notices regarding the employees within the scope of the confidentiality principle (*CGP, article 4.5.9*). Similarly, the nomination committee has the duty to form a transparent system and to determine policies and strategies in choosing the appropriate candidates for the position of executive members (*CGP, article 4.5.11*).

15. **Do members of management typically serve on the governing body?**

As per the CGP, the authorities of chairman and CEO must be separated

from each other clearly and this separation must be stated in the AoA. If it is decided that a person will be appointed as both chairman and CEO, then this will be published at Public Disclosure Platform together with its justification (*CGP, articles 4.2.5 and 4.2.6*).

According to TCC, it is still possible for the executive members to take part in the governing body. It is regulated that at least one BoD member must have the authority to represent in JSCs (*TCC, article 370*). Furthermore, at least one shareholder must take part in BoM having the authority to represent and manage the company in LLCs (*TCC, article 623*).

16. **What are the required corporate disclosures, and how are they communicated?**

The companies subject to independent audit under the TCC must establish a website within 3 months as the registration of the company to the trade registry and must allocate a specific part of this website to announcements of the publications required by law. The company must make the announcement within the time period granted by the law differently for each announcement. Not fulfilling these obligations can lead to the nullification of the related resolution, arising of the consequences of illegality and the responsibility of the board members or the directors acting in fault (*TCC, article 1524*). In addition criminal liability will also arise if the said website is not formed. In this case, board members will be subject to judicial fine of between 100 and 300 days and the ones who did not duly provide the related information on the website are subject to judicial fine up to 100 days (*TCC, article 562/12*).

The information that must be shared with public at the Public Disclosure Platform are stipulated in the legislation and specified in some of the questions of this QA.

17. **How do the governing body and the equity holders of the company communicate or otherwise engage with one another?**

Since the shareholders carry out their duties during the GA meetings, the governing body engages with them generally within the scope of GA meetings. As it is explained in detail in *Question 25*, as a rule, the GA can be convened upon the invitation of the governing body. The invitation, which will be published in the Turkish Trade Registry Gazette and on the company website if necessary, is made in the form that is determined in AoA of the company. This invitation must be issued at least two weeks before the date of the GA where the announcement and the meeting date are not counted. Besides, the date and the agenda of the meeting and the gazettes on which the invitation will be published are notified to the shareholders, whose names take part in the share ledger and who provided their address by proving their shares before by submitting the related documents to the company, via registered mail (*TCC, article 414*).

18. **Are dual or multi-class capital structures permitted and how common are they?**

The shares of the company may be structured as common shares and preferred (privileged) shares with regards to the rights and benefits provided by them. Common shares are the ones that grants equal rights to the owner whereas the preferred (privileged) shares provides privilege

to its owner as to dividend distribution, liquidation balance, right to preference and voting right (*TCC, article 478*). It is possible to grant privilege to some of the shares through the AoA.

Dual and multi-class capital structures can be created by giving the said privilege to two or more shares. These different groups in the capital holding privileged shares are called as A, B, C. etc. group shareholders.

19. **What percentage of public equity is held by institutional investors versus retail investors?**

The public stocks of the company can be owned both by the institutional or the retail investors. The institutional investor must appoint a real person representative to fully act on behalf of the said investor. The pension funds, insurance companies and the fund managers are the main institutional investors. In 2018, the total portfolio value of institutional investors was TRY 173 billion (per Borsa Istanbul). 68% of the public debt instruments issued in TRY by private sector are held by local institutional investors whereas 27% of the same are held by local retail investors, 4% is held by foreign institutional investors (https://www.tuyid.org/files/yayinlar/Borsa_Trendleri_Raporu_XXVII_TR.pdf).

20. **What matters are subject to approval by the shareholders and what are the typical quorum requirements and approval standards? How do shareholders approve matters (e.g., voted at a meeting, written consent)?**

Although the management of the company is carried out by the board members, the other fundamental organ of the company is the GA which is authorized to take the decisions specifically for matters regulated under the TCC. The matters about which the GA must issue a resolution exclusively are: (*TCC, article 408*) is as follows:

- Dissolution of the company,
- Appointment, release of board members,
- Selection of auditor and withdrawal,
- Sales of considerable part of company assets,
- Amending AoA of the company
- Taking financial decisions, annual board report, determining annual profit amount,

There are some other matters that are subjected to the approval of the shareholders in AoA and in legislation.

Some of the matters that are in need of the approval of the shareholders are as follows:

- The internal directive prepared by the board members (*TCC, article 419*)
- The financial statements (*TCC; article 424*)
- The report prepared by the board members with regards to the capital decrease (*TCC, article 473*)
- The temporary board member appointment in case one of the members is discharged from its membership for any reason (*TCC, article 363*)
- The request of the shareholders for appointment of an auditor to have clarifications on some issues (*TCC; article 438*)
- The legal form change plan prepared by the board members (*TCC, article 185*)
- The transfer of the shares if necessary (*TCC, article 480*)
- Release of the members and settlement (*TCC, article 559*)

The meeting and resolution quorums are regulated under TCC and AoA. The required meeting quorum for the GA is shareholders or their representatives equaling to at least one-quarter of the capital except for the aggravated quorum requirements in law or AoA. In case the meeting quorum is not reached in the first meeting, then for the second meeting no quorum will be sought. In addition, simple majority of the votes will be needed for the GAto take a decision (*TCC, article 418*).

The aggravated quorum requirements for certain issues are as follows:

- The meeting quorum for the amendment of the AoA is the shareholders representing at least the half of the company capital and the amendment decision is taken by present shareholders' majority of votes unless provided otherwise in law or AoA. In case the anticipated meeting quorum is not met, a second meeting may be arranged within one month at the latest. The meeting quorum for the second meeting is the shareholders equaling to at least one third of the company capital.
- The amendments of AoA about imposing an obligation and secondary obligation for the compensation of the balance sheet losses and transferring the address of the company abroad require meeting and resolution quorum of 100% of the shareholders or their representatives.
- The amendments of AoA about the company's scope of activity, creation of preferred stocks ad limitation on the transfer of the registered shares require meeting and resolution quorum of at least 75% of the shareholders or their representatives.

The AoA provisions decreasing the meeting and resolution quorums or foreseeing relative majority with regards to the issues listed above are invalid (*TCC, article 421*).

The GA can take a resolution or approve the matters by voting in the meeting or by voting online. Therefore, it is possible for the shareholders to take decision by giving a written consent as it will be also explained in *Question 21*.

21. **Are shareholder proposals permitted and what requirements must be met for shareholders to make a proposal?**

Agenda is determined before the GA meeting by the BoD calling GA. Items that are not included in the agenda cannot be discussed and resolved during the GA. For GA that is convened without following announcement procedures, additional item can be added to the meeting agenda during the meeting with unanimous votes of the GA.

22. **May shareholders call special meetings or act by written consent?**

As it is explained in detail in *Question 25*, an extraordinary GA can be convened whenever required apart from the ordinary ones. In addition, a decision can also be taken in case all the shareholders give consent to the proposal of a shareholder (*see Question 21*).

23. **Is shareholder activism common and what are the recent trends?**

Shareholder activism is the shareholders' intervention in company's management by exercising power over the directors if the company is not well-managed. Shareholder activism is not a well developed concept in Turkey and there is not any regulation specifically providing rules for shareholder activism. However, TCC grants shareholders rights to attend the GA and to vote, to request and to examine information, and so on. In addition, TCC also grants different rights to minority shareholders or the

shareholders with privileged shares. For instance, minority shareholders have the right to call GA and add an item to the agenda, to request special audit, to request the procrastination of financial statements' negotiation and so on. Therefore, these rights allow the shareholders to follow up the management and can lead shareholders to have power over the directors.

24. **What is the role of shareholders in electing the governing body?**

The shareholders have exclusive and non-transferable authority to appoint the board members.

25. **Are shareholder meetings required to be held annually or otherwise, and what information needs to be presented?**

The shareholders can both have an ordinary and extraordinary GA meeting. The ordinary meeting shall be held within 3 months after the end of each activity period. In this meeting the shareholders can take decisions regarding the appointments of bodies, financial statements, annual report of the BoD, the use of profit, determination of dividends and the profit shares to be distributed, release of the board members and the other matters deemed necessary. The shareholders can be called for an extraordinary meeting if necessary (*TCC, article 409*).

The person calling the GA must prepare the agenda. In principle, the matters not included in this agenda cannot be taken into consideration in the meeting (*TCC, article 413*).

26. **Do any organizations advise or counsel shareholders on whether to approve matters?**

There are two associations whose decisions are taken into consideration by the companies and these are Capital Market Investors' Association (BORYAD) and Turkish Industry and Business Association (TUSIAD). There are also company management consultation and corporate consulting companies advising the companies.

27. **What role do other stakeholders, including debt holders, employees, suppliers and customers and the government, typically play in the corporate governance of a company?**

The creditors of the company can file lawsuit against the board members and request indemnification if the company incurs loss due to the board members not carrying out their duties with due care of a cautious director (*TCC, article 553*). In addition, in accordance with the Code on Enforcement and Bankruptcy, the creditors can hold the directors liable in the event that the company become bankrupt since the directors do not fulfill their obligations regarding the management.

Although the employees do not take part in the corporate governance according to TCC, under CPG the employees are listed among the stakeholders whose rights and benefits must be protected (*CPG, article 3.1.1*).

The benefits and rights of listed stakeholders are also regulated under

CPG. Accordingly, the companies must develop models to support participation in the company management in a way that the company activities are not disturbed and this must be set forth in AoA and in internal regulations of the company. The opinions of the stakeholders are obtained for important decisions regarding the benefits of them (*CGP, article 3.2*).

28. **What consideration is given to environmental and social issues, including climate change, sustainability and product safety issues, and are there any legal disclosure obligations regarding the same?**

The company carries out its activities in accordance with the ethical rules disclosed to the public on the company website. The company shall be sensitive to its social responsibilities. It complies with the regulations on the environment, customer and public health, and supports and respects internationally recognized human rights (*CGP, article 3.5*). The BoD in companies whose shares are traded on stock exchange shall include information about corporate social responsibility resulting in social and environmental consequences in their activity report (*CGP, article 2.2.2*).

29. **How are the interests of shareholders and other stakeholders factored into decisions of the governing body?**

Both the interests of shareholders and the stakeholders are taken into consideration in the GA resolutions by the ways stated above as examples.

- The information and explanations that can affect the rights of the shareholders are

disclosed on the company website for investors (*CGP, article 1.1.2*).

- The company avoids the practices making use of voting rights difficult for the shareholders (*CGP, article 1.4.1*).
- The GA meetings shall be held in a way that it will not lead inequality among the shareholders and will ensure the participation of the shareholders with the lowest possible cost in order to increase the participation of the shareholders (*CGP, article 1.3.3*).
- A balanced policy is preferred between the interests of the shareholders and the interests of the company in the dividend distribution policy (*CGP, article 1.6.4*).
- The company protects the rights of the stakeholders stipulated in legislation and mutual agreements in its operations and activities. In case they are not protected by the legislation or the mutual agreements, the interests of the stakeholders are protected within the framework of the rules of good faith and the company opportunities (*CGP, article 3.1.1*).

30. **Do public companies typically provide earnings guidance on either a quarterly or annual basis?**

In accordance with the article 12/(b) of Regulation on the Minimum Contents of the Annual Activity Reports of Companies, the prospective expectations must be included in the financial status of the annual financial activity report of the company.

31. **May public companies engage in share buybacks and under what circumstances?**

The nominal value of the shares that will be accepted as an acquisition and pledge cannot exceed one tenth of the registered or issued capital. The conditions for the share buybacks in JSCs are as follows:

- The GA must authorize the BoD at most for 5 years.
- The nominal value of the shares and the upper and lower limits of the amount to be paid

will be stated.

- The BoD will state in each authorization request that these conditions are met.
- The shares shall be paid-up completely.

(*TCC, article 379*)

The shares acquired or accepted as pledge in contradiction with TCC shall be disposed of or the pledge on them shall be removed within six months as of the date of acquisition or acceptance of the pledge (*TCC, article 385*).

In accordance with the article 5/1 of the Communiqué on Share Repurchase, the GA must authorize the BoD to repurchase its own shares in public companies. However, this authorization will not be needed for the companies, whose shares are traded on stock exchange, if this purchase is necessary to prevent a probable and serious loss. A probable and serious loss is deemed present if average daily costs of shares are under the nominal value or this cost has lost value over 20%. In case these conditions are not met, the only way for the company to purchase its shares by BoD is to get the approval of Capital Markets Board.

The nominal value of the repurchased shares cannot exceed 10% of the paid-in capital (*Communiqué on Share Repurchase, article 19*).

The company cannot repurchase its own assets if the company delayed to make the internal matters disclosed (*Communiqué on Share Repurchase, article 10/1*).

32. **What do you believe will be the three most significant issues influencing corporate governance trends over the next two years?**

Together with the developing of the technology and the use of the Internet, much more attention will be paid to the Information Technology and Governance. Insufficient internal controls may lead to breaches with regards to the privacy, loss of reputation and personal data. Therefore, a mechanism must be established with regards to the IT projects and activities to control the internal records of the company and to ensure the balance between confidentiality and transparency. A special committee can be established for this purpose of managing big data. It is possible for persons who are convicted before to be a member of BoD. This practice has been criticized on the doctrine over the years. A provision preventing these persons to take part in the company must be also set forth in law and BoD must consist of independent members. In compliance with the professional management, diversity to be maintained in the board becomes more important day by day. The scope of the diversity herein includes the gender, ethnical background, experience, social, etc. differences. Within this framework, more criteria can be required in the appointment of the board members such as the education level of them in order to ensure more professional management.