



CEE LEGAL MATTERS COMPARATIVE LEGAL GUIDE: CAPITAL MARKETS 2023 TURKEY



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1. Market Overview

Turkish capital markets have undergone significant developments since the legislative change at the end of 2012 through the enactment of *Capital Markets Law No. 6362* (CML). The CML is a framework law aiming to harmonize Turkish capital markets legislation with European Union regulations, to the extent possible. Detailed provisions regarding specific capital markets instruments and transactions are regulated in the secondary legislation issued by the competent authorities, including the Capital Markets Board (CMB).

Turkish capital markets experienced a slow year in 2020 due to the emergence of the COVID-19 pandemic. However, an unexpected rise in the number of Turkish initial public offerings (IPOs) occurred in 2021, with 32 companies launching IPOs and collecting approximately TRY 14.6 billion. This rise continued in 2022. As of 24 December 2022, the number of investors in the Turkish equity capital markets has become 3.7 million (compared to 2.4 million in 2021) and the total market capitalization has reached TRY 6.1 trillion. Most of this increase was due to domestic investors' growing interest. Indeed, the foreign investors' ratio has decreased to about 30% by the end of 2022, which is the lowest of all time.

Generally, the companies that go public on the Turkish capital markets are Turkish companies.

2022 marked a significant regulatory development in Turkey in terms of sustainable debt instruments. Due to the increased demand for sustainable debt instruments, the CMB has recently published a guideline on green debt instruments, sustainable debt instruments, green lease certificates, and sustainable lease certificates in February 2022, which is in line with the *Green Bond Principles* of the International Capital Market Association. However, the risk of the use of the proceeds of green bonds in projects that in reality have a negligible impact on the environment (i.e., corporate greenwashing) still remains due to the growing number of firms issuing green bonds and the high demand for these instruments. Given that green bonds are relatively a new concept, the relevant authorities are expected to regulate these instruments in detail in the near future.

2. Overview of the local stock exchange and listing segments (markets)

2.1. Regulated market

The CMB is the primary regulatory and supervisory authority in Turkish capital markets. The CMB's main objective is to ensure fair, efficient, and transparent capital markets by protecting the investors' rights and interests and improving the Turkish capital market's competitiveness. The structure, powers, and responsibilities of the CMB are defined in the CML. Accordingly, the CMB supervises and regulates the activities of, among others, public companies, capital markets

institutions (e.g., banks and other financial intermediaries, mutual funds, investment companies, appraisal companies, rating firms, and other institutions engaged in capital markets activities), and the investors in the relevant markets. Entire procedures of offering and issuing all kinds of securities are subject to the CMB's supervision under the CML and its secondary regulations. The CMB is also entitled to apply sanctions against parties who breach the CML and its secondary legislation.

The sanctions mainly include administrative penalties, license revocation, trading bans, and imprisonment for certain crimes, such as insider trading and market manipulation in connection with capital markets activities.

Borsa Istanbul Anonim Sirketi (BIST), as a self-regulatory entity, is the sole securities exchange in Turkey. Prior to the BIST's establishment, there were several exchanges in Turkey (i.e., Istanbul Stock Exchange, Istanbul Gold Exchange, and Turkish Derivatives Exchange (Turkdex)). The CML provided for the establishment of the BIST, which would assume all assets, rights, and obligations of the Istanbul Stock Exchange and Istanbul Gold Exchange upon registration of its articles of association with the Istanbul Trade Registry. In addition, under the CML, shareholders of Turkdex were granted an option right to subscribe to the BIST's share capital within one month of the registration of the BIST's articles of association. The registration of the BIST's articles of the association took place on April 3, 2013, and upon the exercise of the said option right by Turkdex's shareholders, Turkdex was merged under the BIST. As a result, the BIST replaced the former exchange entities and remains the only exchange entity. To be able to trade on the BIST's relevant markets, issuers must apply to the BIST for the listing of their securities in accordance with the applicable legislation.

The BIST has four main markets:

(i) **Equity Market:** Equities, exchange-traded funds, warrants and certificates, participation certificates of venture capital investment funds and real estate investment funds, and real estate certificates are traded on the Equity Market. The Equity Market is divided into several sub-markets (terms and conditions, and the list of instruments traded in such sub-markets is subject to the updates by the BIST) where the companies or instruments listed below are traded in:

- companies with a market capitalization of actual free float shares of at least TRY 300 million are listed on the BIST Stars Market,

- companies with a market capitalization of actual free float shares of between TRY 75 million and TRY 300 million are listed on the BIST Main Market,

- companies with a market capitalization of actual free float shares of between TRY 40 million and TRY 75 million are listed on the BIST Sub Market (the BIST Stars, BIST Main, and BIST Sub Markets were also divided into groups based on the

value of the company shares offered to the public; however, as of October 1, 2020, a simplified equity market structure as explained above applies),

- shares of companies in which developments that would result in exclusion from the BIST Stars, BIST Main, or BIST Sub Markets as per the *Listing Directive of the BIST* (Listing Directive) have occurred are traded on the Watchlist Market,

- warrants and certificates, exchange-traded funds, participation certificates of real estate investment funds and venture capital investment funds, ownership-backed lease certificates, and real estate certificates are traded on the Structured Products and Funds Market,

- shares of companies that are issued for direct sale to “qualified investors” (as defined in the applicable legislation) without being offered to the public and other capital market instruments that are approved by the BIST’s board of directors are traded only among qualified investors on the Equity Market for the Qualified Investors, and

- shares of companies that became public due to achieving a total number of more than 500 shareholders, which are not yet listed on the BIST, and shares with a free float ratio below 5% can be traded on the Pre-Market Trading Platform.

(ii) Debt Securities Market: Debt securities, securitized assets and income-backed debt securities, lease certificates, liquidity bills issued by the Central Bank of the Republic of Turkey, and other securities which are approved by the board of directors of the BIST, which can be issued in Turkish liras or foreign currency can be traded on the Debt Securities Market. The Debt Securities Market is divided into several sub-markets:

- secondary market transactions of debt securities are conducted on the Outright Purchases and Sales Market,

- debt securities of companies whose shares are traded on the Equity Market are issued to qualified investors on the Offering Market for Qualified Investors,

- repo-reverse repo transactions are conducted on the Repo-Reverse Repo Market,

- repo-reverse repo transactions with specified debt securities are conducted on the Repo Market for Specified Securities,

- repo-reverse repo transactions are carried out with the shares of the companies that are traded on the Equity Market and which are included in the BIST 50 Index on the Equity Repo Market,

- foreign debt securities (Eurobonds) issued by the Ministry of Treasury and Finance and listed by the BIST are traded on the International Bonds Market,

- same day or forward value date buy-sell transactions between the seller party with a commitment to repurchase predetermined security and the buyer party with a commitment to resell that security are realized on the Committed Transactions

Market,

- capital market instruments that were previously traded in the Outright Purchases and Sales Market and decided to be traded in the Watchlist Market pursuant to the Listing Directive are traded on the Watchlist Market,

- banks and intermediary institutions may conduct collateralized money purchase and sale transactions on the Money Market, for which Istanbul Settlement and Custody Bank (Takasbank) provides central counterparty service, and

- swap transactions aiming at the exchange of different currencies with each other or the exchange of currencies with precious metals within the determined conditions are conducted on the Swap Market.

(iii) Derivatives Market: The trading futures and options contracts based on economic or financial indicators and capital markets instruments, along with the other derivative products in an electronic environment are traded on the Derivatives Market.

(iv) Precious Metals and Diamond Market: Precious metals and diamond transactions are traded on the Precious Metals and Diamond Market, which was formed upon the merger of the Istanbul Gold Exchange into the BIST.

2.2. Non-regulated market

As explained above, since 2012, Turkish capital markets have gone through legislative changes and developments, and restructuring by way of vertical integration of exchanges under the BIST. The BIST is currently the sole securities exchange and does not operate in any non-regulated markets. Indeed, all trading infrastructure services such as order matching and listing are provided by the BIST and there are not any multilateral trading facilities that would be considered a non-regulated market.

3. Key Listing Requirements

3.1. ECM

A company that decides to go public must prepare a prospectus (*izahname*) and apply to the CMB for its approval and to the BIST for the listing of the offered shares. However, there is a specific exemption for offering securities only to qualified investors. In such case, a company subject to the CML must prepare an issuance certificate (*ihrac belgesi*) for the issuance of securities only to qualified investors. A simultaneous filing to the CMB and the BIST is preferred since it will significantly reduce processing times.

Under the CML, only joint stock companies can become public and be listed on the BIST. Public offerings may be made by selling some of the company’s existing shares or through a capital increase in which the preemptive rights of the existing shareholders will be partially or wholly restricted. The compa-

ny may either choose one of these methods or combine both methods. In addition, a company's shares that are listed for the first time on the BIST can be traded either on the BIST Stars, BIST Main, or BIST Sub Markets or on the Equity Market for Qualified Investors.

The key listing requirements are regulated under several applicable legislations (i.e., the *Communique on Shares No. II-128.1*, *Communique on Prospectus and Issuance Certificate No. II-5.1*, and the *Listing Directive*). According to the *Communique on Shares No. II-128.1*, the material conditions precedent for a public offering are as follows:

- the existing share capital of the company must be fully paid-in and have been free from revaluation surplus funds or similar other funds arising out of the carriage of assets to a fair value within two years prior to the application for the public offering, except for the funds permitted by the applicable legislation,
- the company's non-trade related party receivables must not exceed 20% of its total receivables or 10% of its total assets, and
- if the company has been transformed into a joint stock company within two years prior to the application for the public offering, the shareholders' equity items included in the pre-transformation balance sheet must be shown as separate items in the balance sheet as a continuity of the pre-transformation company, without making a consolidation under the capital account in the opening balance sheet of the post-transformation company, and a certified public accountant's report must be issued for determination of the such issue.

In addition, the *Listing Directive* provides for other key listing requirements:

- an application filed for the initial listing of a company's shares must concern the entire share capital of the company,
- except for applications filed by investment trusts and companies applying for trading on the Equity Market for Qualified Investors, the company's total assets must not be less than TRY 450 million and its net sales revenue must not be less than TRY 270 million pursuant to its 2022 year-end financial statements (prepared and audited in accordance with the applicable legislation),
- two years must have elapsed since the company's establishment, including, if applicable, the amount of time that the business has existed in any form of a capital company other than a joint stock company (this requirement does not apply if the company is a holding company which holds at least a 51% interest in a company that has existed for over two years),
- the company must meet the following key conditions of any one of the relevant markets:
 - a) free float market value of shares must be at least TRY 300 million for the BIST Stars Market, TRY 75 million for the

BIST Main Market, and TRY 40 million for the BIST Sub Market;

- b) the minimum ratio of the nominal value of free float shares to the entire share capital must be at least 15% for the BIST Stars Market, 20% for the BIST Main Market, and 25% for the BIST Sub Market;
 - c) the company must have earned a profit in the past two years according to its independently audited annual financial statements for all three markets; and
 - d) the minimum ratio of shareholders' equity to the share capital according to the most recent independently audited financial statements must be over one for the BIST Stars and Main Markets, and over 1.25 for the BIST Sub Market,
- the BIST must have examined the company's financial structure and accepted its ability to continue as an ongoing concern,
 - the company's shares must not be restricted by encumbrances precluding the shareholder from exercising its shareholding rights,
 - the company's articles of association must not include any provisions restricting the transfer and circulation of the securities to be traded on the BIST,
 - except for reasons that may be accepted by the BIST, the company must not have suspended its business activities and operations for more than three months and has not been involved in any process of liquidation or concordat (*konkordato*) or suspension of bankruptcy or similar other proceedings specified by the BIST within the last year,
 - there must not be any material legal disputes that may adversely affect the company's products and activities,
 - a legal expert report confirming that the company's establishment, governance, operations, and shares comply with the applicable laws and regulations must be issued by an independent legal adviser, and
 - the issuer company must pay the CMB a fee calculated over the total nominal value of the shares being issued during the public offering.

3.2. DCM

An issuer must apply to the BIST for the listing or registration of its debt securities and to the CMB for the approval of the prospectus or, if the securities will be issued to qualified investors without a public offering, the issuance certificate. Such applications can be filed for a standalone issuance covering a pre-determined amount in full or in a manner covering all issuances to be made in ranks within a certain period, which must be within the CMB-approved issue ceiling amount. Debt securities that are issued solely to qualified investors can be listed by the BIST upon the CMB's approval of the issuance certificate.

The key listing requirements are regulated under several appli-

cable legislations (i.e., the *Communiqué on Debt Instruments No. VII-128.8*, *Communiqué on Prospectus and Issuance Certificate No. II-5.1*, and the *Listing Directive*). The key listing requirements for debt securities to be issued through public offering are as follows:

- two years must have elapsed since the issuer company's establishment,
- its total shareholders' equity must be greater than its share capital according to the issuer's most recent independently audited financial statements prepared as per the CMB regulations,
- the issuer must have earned profits before tax in at least one of its financial statements pertaining to the last two annual accounting periods,
- the BIST must have examined the issuer's financial structure and accepted its ability to continue as an ongoing concern,
- there must not be any material legal disputes that may adversely affect the company's production and activities, and
- a legal adviser report confirming that the issuer's establishment, governance, operations, and debt securities comply with the applicable laws and regulations must be issued by an independent legal adviser.

However, these listing requirements do not apply if (i) the issuer's shares are traded in the BIST Stars, BIST Main, or BIST Sub Markets, (ii) the issuer is a bank supervised by the Banking Regulation and Supervision Agency (BRSA) in terms of its establishment and operating licenses and the BRSA has consented to the issuance of the relevant debt securities, or (iii) the issuer is an investment firm subject to the CML in terms of its establishment and operating licenses.

4. Prospectus Disclosure

4.1. Regulatory regime (EU Prospectus Regulation or similar) – equity

The CMB is the main authority regulating Turkish capital markets, including the rules on IPOs. In addition to the CMB, the BIST, Takasbank, and the Central Registry Agency are the main rule-making authorities on equity markets in Turkey. The most important legislation applicable to companies considering going public in Turkey are:

- the *Turkish Commercial Code*,
- the CML,
- the *Communiqué on Shares No. VII-128.1*,
- *Communiqué on Prospectus and Issuance Certificate No. II-5.1*,
- *Communiqué on Sales of Capital Market Instruments No. II-5.2*,
- *Communiqué on Material Events No. II-15.1* (Material Events Communiqué),
- *Communiqué on Corporate Governance No. II-17.1* (Corporate

Governance Communiqué),

- the *Listing Directive*, and
- relevant directives, general letters, and announcements of Takasbank and the Central Registry Agency.

4.2. Regulatory regimes (EU Prospectus Regulation or similar) – debt

Debt securities markets are regulated by the following legislation:

- the *Turkish Commercial Code*,
- the CML,
- the *Communiqué on Debt Instruments No. VII-128.8*,
- *Communiqué on Sales of Capital Market Instruments No. II-5.2*,
- *Communiqué on Prospectus and Issuance Certificate No. II-5.1*, and
- the *Listing Directive*.

4.3. Local market practice considerations

In order for the shares of a company to be traded on the relevant market of the BIST, a prospectus has to be approved by the CMB and the shares have to be listed on the relevant BIST market. Accordingly, a company planning to apply for a public offering must go through a preparation process. In this respect, the following steps are initially expected to be conducted by a company that is going public:

- Constitution of the internal working group and external advisers

A working group consisting of finance and public relations department employees and relevant mid-level managers will be formed within the company. The company will also appoint professional external advisors (e.g., financial, legal, and public relations advisers, independent auditors) as well as CMB-authorized intermediary institutions, the list of which is available on the CMB's website.

- Preparation of financial statements

The issuer is required to prepare financial statements which must be audited by an independent auditor in accordance with the capital market regulations.

- Execution of an intermediation agreement with intermediary institutions

In order for company shares to be offered to the public, the company must agree with an intermediary institution, and the agreement is required to be signed between the intermediary institution, the company, and the shareholders who will offer their shares to the public (if any).

- Ordinance of general assembly meeting and the amendment of articles of association

The issuer must amend its articles of association to comply with the capital markets legislation and rules and an amend-

ment proposal regarding the relevant changes must be submitted to the CMB. The CMB, the Ministry of Commerce, and if applicable, other governmental authorities' approval on the issuer company's articles of association amendment in accordance with the applicable legislation must be obtained prior to the convening of the general assembly meeting.

■ IPO price determination

The public offering price will be calculated by the appointed intermediary institution without the intervention of any other institution including the CMB and the BIST. However, the price evaluation report can be subject to an examination by another intermediary firm.

■ Legal due diligence work

A legal adviser shall be appointed for the preparation of the legal documents (e.g., the legal due diligence report and application documents) to be prepared in line with the CMB and BIST regulations).

■ Preparation of the prospectus and any other documents for the application to CMB and BIST

The company and/or the intermediary institution will get in contact with the CMB and the BIST's specialists in the preparation stage and prepare the necessary application documents under their guidance. Among these documents, a prospectus is required to be prepared by the issuer and approved by the CMB for capital markets instruments to be offered to the public and traded on the exchange.

The prospectus must contain all information that should be known about the issuer and the public offering process. It includes, among others, information relating to the issuer's shareholding and group structure, fields of activity, audited and/or limited reviewed financial statements, and all potential risks relating to the public offering process. The prospectus must be clear and understandable, allowing the investors to make the right investment decision in the public offering. The prospectus must be signed by the issuer and the shareholders of the issuer if applicable, and the intermediary institution prior to submission to the CMB.

4.4. Language of the prospectus for local and international offerings

The language of the documents to be submitted to the CMB, including the prospectus and the issuance certificate, must be Turkish. If such documents are intended to be translated into a foreign language (e.g., in a public offering aiming at both domestic and international investors), the relevant translation text shall be published at the same time and in the same place as the Turkish original. In addition, if there are documents in a foreign language that were used in the preparation of the prospectus and are not made public in the prospectus' attachments, the prospectus must clearly state where the relevant parts of such documents can be accessed. If the CMB deems

it necessary, it may require that the relevant parts of such documents be translated into Turkish by a sworn translator.

5. Prospectus Approval Process

5.1. Competent authority/regulator

ECM: The competent authorities are the CMB and the BIST. Additionally, the CMB, the Ministry of Commerce, and if applicable, other governmental authorities (e.g., BRSA) approval on the issuer company's articles of association amendment regarding the IPO process must be obtained prior to the application to the CMB.

DCM: The competent authorities are the CMB and the BIST. In addition, if the issuer is operating in a regulated sector (e.g., banking), the relevant regulatory authority's (e.g., the BRSA) consent must be obtained prior to the application to the CMB.

5.2. Timeline, review, and approval process

ECM: The timing of an IPO depends on several factors, including the complexity of the transaction and the corporate structure of the issuer, the issuer's industry, the financial conditions of the issuer, market conditions, and economic developments during the IPO process. Therefore, it is difficult to determine an exact timeline for the IPO process. However, in practice, the IPO process takes approximately six months. In this respect, an indicative roadmap for an IPO process is below.

Preparation process

Once the company decides to offer its shares to the public, the public offering preparation stage begins. As explained above, the company will form an internal working group, appoint external advisors and intermediary institutions, get in contact with the CMB and the BIST's specialists, and the company must amend its articles of association to comply with the capital markets legislation during this stage and must submit the proposed articles of association to the CMB for its approval. There is no exact timeline for this process. However, in practice, it usually takes approximately two-three months.

Application to CMB and BIST

The company is required to prepare the prospectus and apply the CMB for its approval. The company must also apply to BIST for listing. In this respect, due diligence on the company will be conducted and the due diligence report is required to be prepared by the external legal adviser then due diligence report and required other documents will be submitted to the BIST.

Following the submission of all required documents, the CMB and the BIST's experts visit the company's headquarters and other facilities (if any) to perform on-site investigation during the period between applications to and approvals of the

CMB and the BIST, the company must submit membership applications to (i) the Central Registry Agency, (ii) the Public Disclosure Platform, (iii) Takasbank, and (iv) the electronic general assembly system which is provided by the Central Registry Agency and which enables the shareholders to attend general assembly meetings online. The Central Registry Agency conducts the electronic dematerialization and registration of capital markets instruments, safeguarding the confidentiality of securities records and it operates the Public Disclosure Platform. In addition, the shares traded on the BIST must be dematerialized in their entirety and physically held by Takasbank.

Within 15 business days of the CMB's approval, the approved prospectus must be published on the issuer and the intermediary institution's official websites, as well as on the Public Disclosure Platform.

Public Offering

Public offering of shares may at the earliest be started on the third day following the date of publication of the prospectus and the price determination report (or whichever was published at the latest). The sale period can be determined by the issuer, provided that it is not less than two business days and not more than 20 business days.

The company's shares are offered to the public by the intermediary institution or a consortium in accordance with the CMB regulations, within the dates and principles determined in the prospectus. Once the sale is completed, the intermediary institution publishes the results of the public offering on the Public Disclosure Platform and notify it to the BIST and the CMB.

Accordingly, the BIST evaluates the sale results in accordance with the listing requirements specified in the prospectus. Once such requirements are met, the company's shares will begin trading on the second business day following the announcement to be made on the Public Disclosure Platform.

DCM:

Debt securities may be issued to be sold domestically, with or without a public offering, or abroad. Domestic sales without a public offering may be made either in the form of sales to qualified investors or in the form of a private placement, provided that the unit nominal value is equal to at least TRY 100,000. In the event of a public offering of debt securities, the issuer must prepare a prospectus and apply it to the BIST for the trading of the debt securities. However, if the debt securities will be issued without a public offering, the preparation of an issuance certificate by the issuer and approval by the CMB will be sufficient. The approval process usually takes about two to three months.

Among the debt securities that are issued without a public of-

fering, those issued for sale to qualified investors can be listed and quoted on the BIST's relevant market to be traded among qualified investors. However, debt securities issued for sale through a private placement are generally not listed or traded on the BIST within the scope of the provisions specified in the relevant capital markets regulation.

For the issuance of debt securities, the issuer's general assembly of shareholders or the board of directors, which should be authorized either with a general assembly resolution or by the articles of association, must adopt a resolution. The resolution must set out the amount of debt securities that are planned to be issued and the offering place and method.

Debt securities that will be issued domestically are required to be issued on a dematerialization basis via the Central Registry Agency in electronic media. As a result, the issuers must apply to the Central Registry Agency after obtaining the CMB approval on the prospectus or the issuance certificate.

The issuer must pay a CMB fee, which will be calculated over the issue amount and varies according to the maturity of the debt security.

Debt securities sold on a private placement basis cannot be held by more than 150 investors in total during a certain period of time. This limit does not apply to secondary market transactions of shares.

Sales to qualified investors can only be made through a call addressed to those investors or through a process in which the qualified investors are pre-determined. No limitation on the number of investors applies in the event of debt security sales to qualified investors.

6. Listing Process

6.1. Timeline, process with the stock exchange

See Sections 3. and 5.

7. Corporate Governance

7.1. Corporate governance code/rules (independent director, board and supervisory composition, committees)

The main piece of legislation regulating corporate governance is the *Turkish Commercial Code*, the CML, and the *Corporate Governance Communiqué*. The *Turkish Commercial Code* contains corporate governance provisions for both public and non-public companies, including but not limited to the composition and duties of the board of directors, shareholders' right to request and review information, and audit of the company. The CML sets out the main framework of the corporate governance principles for public companies and authorizes the CMB to define such principles and related procedures. In that regard, the *Corporate Governance Communiqué* was published in the Official

Gazette on January 3, 2014 and has only been amended once in October 2020 to incorporate sustainability-related provisions, which are detailed under Section 7.2.

The *Corporate Governance Communiqué* provides for mandatory and non-mandatory (voluntary) corporate governance principles that are applicable to public companies. The non-mandatory principles operate on a “comply or explain” basis, according to which the reason for any non-compliance must be detailed in the annual activity reports. Under the Corporate Governance Communiqué, the companies are categorized into three categories based on their market capitalization and the market value of their free float shares, which is recalculated each year in January by the CMB. While first-category companies must comply with all mandatory corporate governance principles, certain exemptions apply to second and third-category companies.

The *Corporate Governance Communiqué* covers matters in relation to the listed company’s shareholders, stakeholders, and board of directors, public disclosure and transparency, and related party transactions. Accordingly, the board of directors of a listed company must be composed of at least five members. The number of independent members must be at least two and cannot be less than one-third of the total number of board of directors’ members. To be an independent member, certain criteria are stipulated by the Corporate Governance Communiqué, such as not having direct or indirect commercial relations with the company, a related party of the company, or with shareholders who hold 5% of the total capital of the company. In addition, the duties of the chairman of the board of directors and the Chief Executive Officer should be clearly separated. In the event it is decided to have the same director serve as both the chairman and the Chief Executive Officer, the reasons for the such decision must be disclosed on the Public Disclosure Platform.

Under the *Corporate Governance Communiqué*, (i) an audit committee; (ii) a corporate governance committee; (iii) early detection of risk committee; (iv) a nomination committee; and (v) a remuneration committee must be formed within the board of directors.

7.2. Any other ESG considerations

ESG consists of the environmental, social, and governance practices that may have a fundamental impact on the performance of the issuer company’s investment. As these aspects of ESG are linked to transparency, and consciousness, and becoming a material part of the investment process, they became essential for the investment of public companies. The *Corporate Governance Communiqué* was amended on October 2, 2020, to incorporate non-mandatory sustainability principles to be followed on a “comply or explain” basis. On the same date, the CMB announced the *Sustainability Principles Compliance Framework*, which consists of the principles to be followed and

disclosed by public companies in the conduct of ESG activities.

According to the *Sustainability Principles Compliance Framework*, public companies are required to adopt and disclose to the public ESG policies, strategies, and action plans. In addition, they must report on and disclose to the public their sustainability performance, goals, and actions at least once a year. The information relating to sustainability activities must also be included in public companies’ annual activity reports. In case there are significant changes in respect of these issues, the companies will have to report these changes in their interim reports.

8. Ongoing Reporting Obligations (Life as a Public Company)

8.1. Annual and interim financials

According to the *Communiqué on the Principles Regarding Financial Reporting in Capital Markets No. II-14.1* (Financial Reporting Communiqué) and the *Communiqué on Public Disclosure Platform No. VII-128.6*, issuers must prepare annual activity reports and financial statements in accordance with the *Turkish Financial Reporting Standards*. The companies whose shares are listed on an exchange and/or another marketplace must also prepare interim financial statements and activity reports on a quarterly basis.

The company’s financial statements and independent audit reports are required to be disclosed on the Public Disclosure Platform within the period specified in the Financial Reporting Communiqué. This period depends on whether the company is required to prepare consolidated financial statements.

Public companies must present their annual financial statements and related independent audit reports to the Public Disclosure Platform at least three weeks before the general assembly meeting in which these will be discussed. In any event, annual financial statements must be presented to the Public Disclosure Platform by the end of the third month following the end of the accounting period.

8.2. Ad hoc disclosures

General

The material events for public companies subject to disclosure obligations are detailed in the *Material Events Communiqué* and the *Material Events Guideline* of the CMB. Public companies are required to prepare and disclose financial statements and reports as well as other information which may affect the value or price of capital markets instruments or the investors’ investment decisions. All information that is required to be disclosed under the applicable capital markets legislations will be disclosed to the public through an electronic system, the Public Disclosure Platform, which is available at www.kap.gov.

tr and operated by the Central Registry Agency.

The language of public disclosures must be Turkish. However, if the CMB deems it necessary, it may request disclosures in languages other than Turkish, taking into account the market in which the company is traded, the group to which the company is included in accordance with the CMB regulations regarding corporate governance principles, or any other criteria deemed appropriate by the CMB.

Insider Information

Under the *Material Events Communiqué*, information, events, and developments that may affect the value or price of capital markets instruments or the investors' investment decisions, which have not yet been disclosed to the public are defined as "insider information." The insider information and any changes to such information must be disclosed by issuers upon the occurrence or being aware of such information and changes. In the event that insider information is obtained by persons who, directly or indirectly, hold 10% or more of the total share capital and/or total voting rights of the issuer company or, regardless of such percentage, the privileged shares, which give the right to elect or nominate a board member to the issuer company's board of directors, this person must also disclose such insider information to the public. The issuer company will individually assess whether an event constitutes insider information and decide on whether to disclose it to the public. In addition, public companies must provide the CMB and the BIST with a list of persons having access to insider information, which must be kept up to date.

An issuer company may, in its sole responsibility, decide to postpone disclosure of insider information to protect its legitimate interests, provided that (i) it can ensure strict confidentiality of such information, (ii) the postponement will not mislead investors, and (iii) the company's board of directors has resolved on the necessary precautions to protect the information's confidentiality and confirmed that the postponement will not mislead investors. If such insider information is leaked or the reasons for the postponement no longer exist, the relevant information must immediately be disclosed by the company.

In the event of news or rumors about issuer companies that may affect the value and price of securities or the investors' investment decisions, the issuer company is obliged to make a public disclosure as to the accuracy and adequacy of such news or rumors.

The BIST may request that the company make a disclosure regarding any change in prices or trading volumes of securities that cannot be explained by ordinary market conditions. In such disclosure, the company must disclose to the public any existing inside information unless it decides to postpone such disclosure to the extent possible.

The following are some examples that may constitute insider

information:

- events or developments such as any regulatory change, legal or administrative decision, or natural disasters which may result in the partial or complete suspension of the issuer's activities,
- material administrative or legal proceedings, extraordinary income and profit, mergers, acquisitions or takeover bids, and material changes in the company's financial situation,
- material changes related to financial assets, and
- changes in the company's independent auditors and management bodies.

Continuous Information

The CMB also requires public companies to disclose certain information other than inside information on the Public Disclosure Platform, on an ongoing basis. Such information includes; changes in the company's shareholding or management structure, changes in rights attached to different groups of shares, information on the general assembly of shareholders, information on the distribution of dividends, issuance of new shares, the exercise of preemptive rights, and cancellation or if applicable, conversion of the issued shares, changes relating to the general information on the company that is already available on the Public Disclosure Platform.

Issuers must notify the Public Disclosure Platform of the changes relating to their general information that has already been made public within two business days of the change. In addition, changes regarding the shareholding chart that is available on the Public Disclosure Platform which indicates the shareholders directly having 5% or more of the shares or voting rights of the issuer will immediately be reflected by the Central Registry Agency.



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