

D-4: REVIEW OF
GREEN TAXONOMIES
WITH A FOCUS ON
RELEVANT ISSUES
TO TÜRKİYE

APRIL
2023

PREPARATION OF
GUIDELINES FOR
REPORTING AND
IDENTIFICATION OF
USERS AND
BENEFICIARIES OF
GREEN TAXONOMY
IN TÜRKİYE



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BAŞKANLIĞI**



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Table of Abbreviations and Acronyms

Acronym	Definition
ABM	Association of Banks of Mexico
AMAI	Mexican Association of Investment Advisors
AMAFORE	Mexican Association of Retirement Savings Fund Administrators
AMIB	Mexican Association of Stock Market Institutions
AMIS	Mexican Association of Insurance Institutions
ASEAN	Association of Southeast Asian Nations
ASISA	The Association for Saving and Investment South Africa
BASA	The Banking Association of South Africa
BEIS	Department for Business, Energy and Industrial Strategy
BUSA	Business Unity South Africa
CapEx	Capital expenditures
CBD	Convention on Biodiversity
CBRC	China Banking Regulatory Commission
CESF	Council for the Stability of the Financial System
CET	Technical Evaluation Criteria
CMFS	Mexican Council of Sustainable Finance
CNBV	Mexico- National Banking and Securities Commission
CNSF	Mexico - National Insurance and Bonding Commission
CONSAR	National Commission of the Retirement Savings System
CSRC	Chinese Securities Regulatory Commission
CSRD	Corporate Sustainability Reporting Directive
DEA	Department of Environment Affairs
DFFE	South Africa's Department of Forestry, Fisheries and the Environment
DNSH	Do no significant harm
DoCC	Directorate of Climate Change
DPME	Department of Monitoring and Evaluation
ESDM	Indonesia - Ministry of Energy and Mineral Resources
ESG	Environmental, Social and Governance
EU	European Union
FA	Financial Advisors
FCDO	Foreign, Commonwealth and Development Office
FDI	Foreign Direct Investment
FMP	Financial Market Participant
FSCA	Financial Sector Conduct Authority
FSI	Financial Services Industry
FSS	Financial Sector Surveillance
GDP	Gross Domestic Product
GHG	Greenhouse gas
GKKT	Integrate Financial Services Sector Policy Group

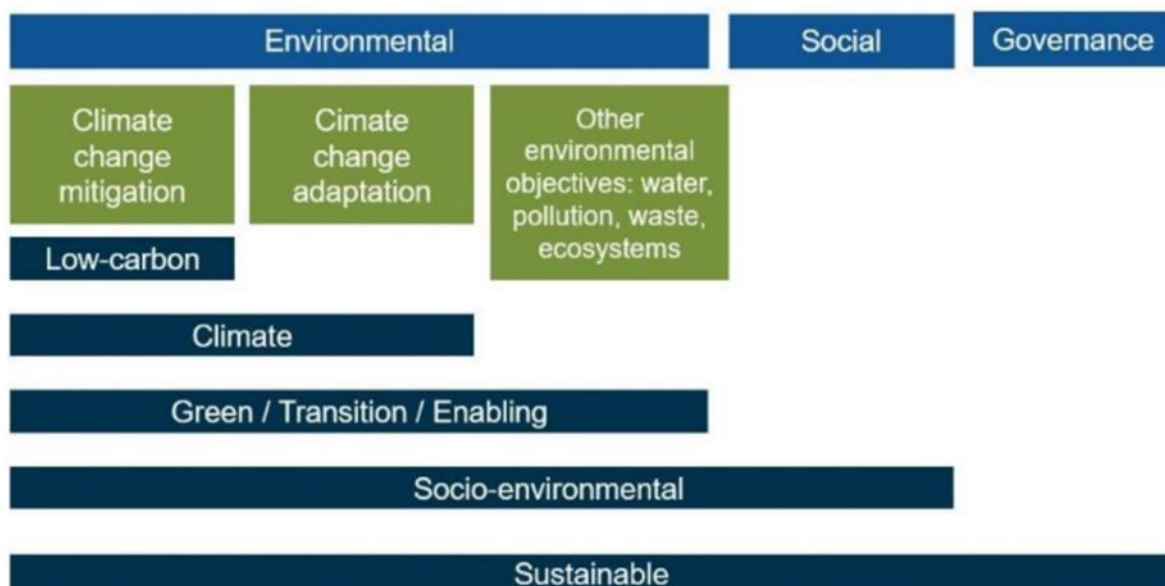
GTT	Mexico - The Sustainable Taxonomy Working Group
HLEG	High-Level Expert Group
IEA	International Energy Agency
IFC	International Finance Corporation
IPAB	Mexico - Institute for the Protection of Bank Savings
IPCC	Intergovernmental Panel on Climate Change
IPSF	International Platform on Sustainable Finance
JSE	The Johannesburg Stock Exchange
KKP	Indonesia - Ministry of Marine Affairs and Fisheries
KLHK	Indonesia - Ministry of Environment and Forestry
NACE	Nomenclature des Activités Économiques dans la Communauté Européenne
NBI	National Business Initiative
NBFI	Non-Bank Financial Industry
NDC	Nationally Determined Contributions
NDRC	National Development and Reform Commission
NFRD	The Non-Financial Reporting Directive
OECD	Organisation for Economic Co-operation and Development
OJK	Indonesian Financial Services Authority
OPEX	Operating Expenditure
PA	Prudential Authority
PBOC	People's Bank of China
PUPR	Indonesia - Ministry of Public Works and Housing
SA GFT	South Africa's Green Finance Taxonomy
SAIA	The South African Insurance Association
SIAN	North American Industrial Classification System
SDG	Sustainable Development Goals
SECO	Swiss State Secretariat for Economic Affairs
SFC	Sustainable Finance Committee
SFDR	The Sustainable Finance Disclosure Regulation
SHCP	Mexico - The Ministry of Finance and Public Credit
Sida	Swedish International Development Cooperation Agency
TCFD	Task Force on Climate-Related Financial Disclosures
TEG	Technical Expert Group
UN	United Nations
UNCCD	United Nations Convention to Combat Desertification
UNFCCC	United Nations Framework Convention on Climate Change
UNDP	United Nations Development Program

Introduction

“Preparation of guidelines for reporting and identification of users and beneficiaries of green taxonomy in Türkiye” project aims to strengthen the technical capacity of the public and private institutions to establish green taxonomy schemes for Türkiye. A green taxonomy refers to a system or framework that classifies economic activities and investments based on their contribution to environmental and social objectives, while a sustainable taxonomy considers a comprehensive set of criteria to evaluate the sustainability of economic activities. It typically has a broader scope and covers a wider range of sustainability factors beyond just environmental considerations. It is designed to provide a standardized methodology for determining whether an economic activity is sustainable or “green.”

Figure 1 Sustainable Finance Taxonomy Objectives - Source: Developing Sustainable Finance Definitions and Taxonomies by OECD

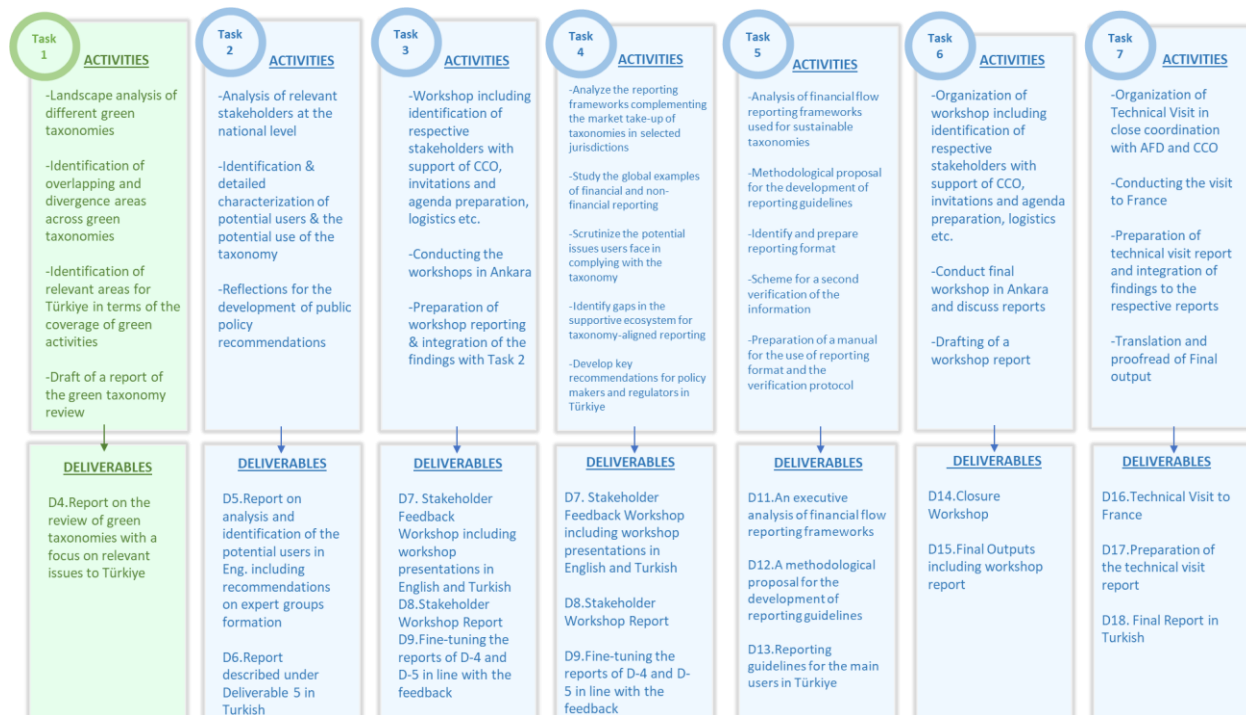
Sustainable finance taxonomies can have multiple objectives



Within the scope of this project, the specific objectives are 1) to provide an analysis of the **global examples** where successful green/sustainable taxonomy has been developed; 2) to carry out **analysis and identification of the potential users of the green taxonomy** in the financial system, as well as the expected benefits of it in each relevant market; 3) to develop a proposal for **reporting guidelines for the green taxonomy**; 4) to develop a proposal for the **institutional set-up of the technical expert group**.

The overview of project tasks with respective activities and deliverables is listed in the figure below. This report is part of **TASK - 1** and comprises the fourth deliverable of the project.

Figure 2 The Overview of Project Tasks with Respective Activities and Deliverables



The report contains the following main sections:

- **Overview of Taxonomies in the Selected Jurisdictions** which reviews six green taxonomies including **EU, China, South Africa, Indonesia, South Korea and Mexico**. For each of the selected jurisdictions background information, process organization details, overarching and environmental objectives, target users, principles, classification code, sectoral and screening criteria, disclosure requirements, principles for international taxonomy harmonization and assessment of relevance for Türkiye is summarized.
- Assessment of the selected taxonomies from the **perspective of relevance for Türkiye** is analyzed in depth in the last chapter and **policy recommendations** have been developed.

1. Analysis of International Examples of Taxonomies

1.1 Overview of Taxonomies in Other Selected Jurisdictions

In recent years, green taxonomies have been developed in different regions of the world (see the figure below). The review of a wide spectrum of national and regional taxonomies is an important step for the development of the green taxonomy in Türkiye. The landscape analysis can be used for four objectives:

- To benefit from other country experiences and to follow best practices in different pillars/phases of taxonomy development.
- To identify specific relevant areas and/or processes for the development of Türkiye's taxonomy.
- To identify areas of taxonomy harmonization for strategic policy purposes – to leverage investment flows, to reduce transaction costs, to provide regulatory clarity.

For each taxonomy, **points of relevance for Türkiye** are also highlighted. Our **policy recommendations**, which are presented under Chapter 3 of the report, also offer **specific references to aforementioned taxonomies**.

1.1.1 EU Taxonomy

Background

The EU launched the **European Green Deal** in line with the Paris Agreement goals, setting out the objectives to achieve a carbon neutral economy by 2050. The EU's ambition is reducing greenhouse gas emissions to at least 55% below 1990 levels by 2030.

For aiming to develop an overarching and comprehensive EU strategy on sustainable finance, a **High-Level Expert Group** (HLEG) on sustainable finance was appointed by the EU Commission in 2016. HLEG identified two imperatives for Europe's financial system. The first is **to improve the contribution of finance to sustainable and inclusive growth**. The second is **to strengthen financial stability by incorporating Environmental, Social and Governance (ESG) factors into investment decision-making**. Additionally, HLEG issued eight key recommendations, which are essential for building blocks of a sustainable European financial system. The most important of those recommendations is the creation of a technically robust, science-based **classification system** at EU level to establish clarity on which activities are 'green' or 'sustainable'. In line with the recommendations of the HLEG, the EU Commission published an Action Plan on Financing Sustainable Growth in 2018, committed for the preparation of the gradual development of an EU taxonomy for climate change and environmentally and socially sustainable activities.

Process

The preparatory work started in 2018 when the Commission set up a **Technical Expert Group (TEG)** on sustainable finance to assist in developing the EU Taxonomy. The Commission selected its highly qualified members, based on their personal expertise, from civil society, academia, business, and the finance sector as well as additional members and observers from EU and international public bodies work both through formal plenaries and subgroup meetings for each workstream (Annex 1a-1b). Selected members and observers of TEG were from distinguished public and private, financial and non-financial institutions such as BNP Paribas Asset Management, SCOR, European Central Bank and United Nations Environment Programme Finance Initiative. As part of the technical visit of the project, DoCC officials and the technical project team had the opportunity to meet with Michèle Lacroix, Group Head of Sustainability at SCOR and member of TEG. Ms. Lacroix shared her valuable experience with the Delegation, regarding reporting requirements of companies, eligibility criteria for taxonomy, and the significance of having ambition for running TEG meetings. Detailed information can be found in D-17 Technical Visit Report.

The Commission considered the need for a balanced representation of relevant expertise and areas of interest, geographical and gender distribution and a sufficiently wide variety in the representation of financial and real economic actors and sectors. Additionally, with the expertise in specific areas the Commission invited certain types of organizations-such as international institutions-directly to participate.

For the implementation of taxonomy, the core task of the TEG was to develop **technical screening criteria** that is used to determine whether an activity is environmentally sustainable.

Over **200 additional experts** were engaged to develop recommendations for these technical criteria. The process was further supported by various Commission services and especially by scientific advice. The TEG

published two interim reports in 2018 and 2019. Both reports were subject to an open call for feedback to which 257 and 830 responses were received, respectively. In December 2018, the TEG published a first draft proposal for the Taxonomy and asked for public feedback to review comments on the individual technical screening criteria for each sector and the usability of the Taxonomy. Then, in June 2019, the TEG released a technical report containing proposed technical screening criteria for substantial contributions to climate change mitigation across 67 economic activities, as well as setting out the conceptual approach for climate change adaptation and initial guidance on how to use the Taxonomy, with an accompanying call for feedback.

The Commission also organized meetings and workshops with stakeholders to gather their views. The final report was published in March 2020 accompanied by a technical annex.

The EU taxonomy has also been supplemented by delegated acts that contain detailed **technical screening criteria**¹.

After TEG's mandate ended in September 2020, the new **Platform on Sustainable Finance** was established in October 2020. The Platform is a permanent expert group of the European Commission that was established to assist the development of sustainable finance policies, the EU Taxonomy. The Platform is an advisory body that has been established under Article 20 of the Taxonomy Regulation². Its main purpose is to advise the European Commission on the implementation and usability of the EU taxonomy³, and to advise on the technical screening criteria for the EU taxonomy and to monitor capital flows into sustainable investments. Three subgroups operate to prepare the technical work. The Platform consists of 35 members and 14 observers and plays a key role in enabling such cooperation by bringing together the best expertise on sustainability from the corporate and public sector, from industry as well as academia, civil society, and the financial industry.

Table 1. Summary of relevant points regarding EU Taxonomy

	<i>Description</i>
<i>Overarching objective</i>	<ul style="list-style-type: none"> ▪ To improve the flow of capital towards sustainable activities across the European Union. ▪ To enable investors to re-orient investments towards more sustainable technologies and businesses to help Europe become climate neutral by 2050. ▪ To improve the environmental performance of companies, project developers, and issuers through the enhanced flows of green finance.
<i>Environmental Objectives</i>	<p>There are six environmental objectives:</p> <ul style="list-style-type: none"> ▪ Climate change mitigation. ▪ Climate change adaptation. ▪ The sustainable use and protection of water and marine resources. ▪ The transition to a circular economy, waste prevention and recycling. ▪ Pollution prevention and control. ▪ The protection and restoration of biodiversity and ecosystems.

¹ https://finance.ec.europa.eu/system/files/2020-03/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf

² [EUR-Lex - 32020R0852 - EN - EUR-Lex \(europa.eu\)](#)

³ [EU taxonomy for sustainable activities \(europa.eu\)](#)

	<i>Description</i>
<i>Target users</i>	<ul style="list-style-type: none"> ▪ Financial market participants offering financial products in the EU, including occupational pension providers, ▪ Large companies who are already required to provide a non-financial statement under the Non-Financial Reporting Directive, and ▪ The EU and Member States, when setting public measures, standards, or labels for green financial products or green (corporate) bonds.
<i>Principles</i>	<p>An eligible activity becomes taxonomy-aligned when it meets all the following three criteria.</p> <ol style="list-style-type: none"> 1. Substantial contribution to at least one of the six environmental objectives; meaning fulfilment with technical screening criteria. These include quantitative and qualitative criteria on activity level. 2. Do-no-significant-harm (DNSH) any of these environmental objectives. 3. Fulfil the minimum safeguards, social requirements (human rights, corruption, taxation, fair competition) on entity level. The minimum social safeguards that need to be complied with includes: <ul style="list-style-type: none"> ▪ The UN Guiding Principles on Business and Human Rights ▪ The OECD Guidelines for Multinational Enterprises ▪ The International Labour Organisation’s Declaration on Fundamental Rights and Principles at Work ▪ The International Bill of Human Rights.
<i>Classification code</i>	<ul style="list-style-type: none"> ▪ The EU taxonomy uses NACE (Nomenclature des Activités Économiques dans la Communauté Européenne) industry classification system of economic activities to define technical screening criteria.
<i>Sectoral criteria/ scope</i>	<ul style="list-style-type: none"> ▪ TEG has set technical screening criteria for economic activities within priority macro-sectors based on GHG emissions and the size of the potential reductions in emissions. ▪ TEG has developed technical screening criteria for 70 activities in 8 sectors of the economy contributing to climate change mitigation, as well as for 68 activities contributing to climate change adaptation. <p>According to the Taxonomy Regulation, economic activities are grouped into 3 categories for the climate change mitigation objective.</p> <ol style="list-style-type: none"> 1 Activities own performance that can make a substantial contribution and qualify as green (e.g. renewable energy). This is the activity itself makes the contribution directly and can do that either by improving the state of environment so it can make a direct positive improvement to that environment like improving water quality, afforestation or reducing pressure on the environment so that could be reducing the level of pollution that is coming from an activity such as building renovation therefore, having a positive and substantial contribution. 2 Enabling activities: are improving the performance of another economic activity, or activities, and does not itself risk harm to



	<i>Description</i>
<i>Screening criteria</i>	<p>environmental objectives. An economic activity should qualify as contributing substantially to one or more of the environmental objectives set out in Taxonomy Regulation where it directly enables other activities to make a substantial contribution to one or more of those objectives. Such enabling activities should not lead to a lock-in of assets that undermine long-term environmental goals, considering the economic lifetime of those assets, and should have a substantial positive environmental impact, on the basis of life-cycle considerations. (e.g. manufacturing of low carbon technologies, or installation of energy efficiency equipment in buildings) Manufacturing solar panels, for example, may enable solar power generation to contribute to climate change mitigation, but the manufacturing process itself does not directly contribute.</p> <p>3 Transitional activities: that low-carbon alternatives are not yet available and that have greenhouse gas emission levels that correspond to the best performance in the sector or industry. For example, this might include best-in-class cement manufacturing. Nevertheless, there are two conditions: (i) they should not hamper the development and deployment of low-carbon alternatives and (ii) they should not lead to a lock-in of carbon-intensive assets, considering the economic lifetime of those assets. The technical screening criteria for such transitional economic activities should ensure that those transitional activities have a credible path towards climate-neutrality, and should be adjusted accordingly at regular intervals.</p> <ul style="list-style-type: none">▪ To be eligible or to qualify as a sustainable activity, an economic activity should substantially contribute to at least one of the six environmental objectives of the Taxonomy.▪ Just because an activity qualifies as a sustainable activity does not mean that it is aligned with the EU Taxonomy Regulation because this activity could have attributes that nullify its positive contribution. To ascertain if these eligible or qualified activities are Taxonomy aligned, an activity must satisfy additional conditions. The taxonomy defines sustainability at the individual economic activity level (e.g., cement manufacturing or hydrogen storage) rather than the company level. This means that companies themselves cannot be considered eligible, but some or all of their underlying activities may be. An eligible economic activity becomes taxonomy-aligned when it is making a substantial contribution to at least one of the climate and environmental objectives, while also doing no significant harm to the remaining objectives and meeting minimum standards on human rights and labour standards. For example, when a company engages in four activities, where only three are EU Taxonomy-eligible and the percentage of total turnover associated with these activities sums to 75%, the company can be considered 75% Taxonomy eligible. If of those eligible activities, only two activities meet the technical screening criteria for making a substantial contribution, three eligible

	<i>Description</i>
<i>Application (disclosure requirement)</i>	<p>activities comply with their Technical Screening Criteria for doing no significant harm and the company as a whole complies with the minimum social safeguards, then only the initial two activities can then be considered Taxonomy aligned. The percentage of total turnover associated with these activities sums to 65%, so this company can be considered 65% EU Taxonomy aligned.</p> <p>On 6 July 2021, the European Commission adopted the Delegated Act supplementing Article 8 of the Taxonomy Regulation (“the Disclosures Delegated Act”), which requires large financial and non-financial companies to provide information to investors about the environmental performance of their assets and economic activities.</p> <p>The overall objective of the Disclosures Delegated Act is to increase transparency in the market. It will help financial market participants to design financial products and portfolios on the basis of disclosures from financial and non-financial undertakings. It specifies the content, methodology and presentation of information to be disclosed by large financial and non-financial undertakings on the share of their business, investments or lending activities that are aligned with the Taxonomy Regulation. For further detail, please refer to Report on Identification and Characterization of Stakeholders, Chapter-4 Potential for Approval and Standardization of Accounting Rules in Sustainable Finance, The Relationship between the EU Taxonomy, CSDR, and SFDR.</p>
<i>Principles for international Taxonomy Harmonization</i>	<p>The EU taxonomy is relevant for other jurisdictions in which European financial institutions have investments The EU has convened an International Platform on Sustainable Finance (IPSF), which encourages dialogue and, where appropriate, coordination on the development and harmonization of taxonomies between its members. The ultimate objective of the IPSF is to scale up the mobilisation of private capital towards environmentally sustainable investments. The IPSF therefore offers a multilateral forum of dialogue between policymakers that are in charge of developing sustainable finance regulatory measures (such as taxonomies, disclosures, standards and labels) to help investors identify and seize sustainable investment opportunities that truly contribute to climate and environmental objectives. Through the IPSF, members can exchange and disseminate information to promote best practices, compare their different initiatives and identify barriers and opportunities of sustainable finance, while respecting national and regional contexts. Where appropriate, willing members can further strive to align their initiatives and approaches. The IPSF was set up in October 2019 by the EU and relevant authorities of Argentina, Canada, Chile,</p>

	<i>Description</i>
<i>Treatment of Fossil Fuels and Nuclear</i>	<p>China, India, Kenya, and Morocco. Since then, Indonesia, Norway, Switzerland, and New Zealand have also joined the IPSF.</p> <p>In addition, China and the EU are also working on what they call a "Common Ground" taxonomy as part of the IPSF, which was published in November 2021 with the objective of promoting a commonly agreed set of green definitions that can be used by other jurisdictions in their taxonomy development process.</p> <p>The EU, after a period of controversial debate and the collusion of vested interests of the fossil fuel industry and some member states, has accepted gas-powered generation as a 'transitional' asset class in its Taxonomy. However, its original screening criteria required that a project's lifecycle carbon emissions are limited to 100g CO2 per kWh. A specification which requires gas-powered projects the use of carbon capture technology (CCS), which would make expensive and hence unlikely to be funded under the EU's taxonomy. With the revised approach, the EU defines new natural gas projects as transition provided that they receive their construction permit by 31 December 2030, and they have direct GHG emissions lower than 270gCO2 e/kWh. Projects beyond that date must have lifecycle emissions below 100gCO2 e/kWh. Existing gas plants must have plans to switch to renewable or low-carbon gases by the end of 2035.</p> <p>In the meantime, through an amended Delegated Act, the EU has included natural gas and nuclear energy activities for specific disclosure requirements. As result, disclosures under Article 8 of the Taxonomy Regulation will require large listed non-financial and financial companies to disclose the proportion of their activities linked to natural gas and nuclear energy. The policy objective here is to help investors to identify, distinctively, natural gas and nuclear related investments.</p> <p>Following scientific advice, the Commission has concluded that nuclear energy, subject to strict safety and environmental conditions (including on waste disposal) may play a role in the transition towards climate neutrality in line with the European Green Deal. However, expert opinion has been less conclusive on the environmental impacts of nuclear power and its compatibility with the DNSH criterion. The EU taxonomy regulation includes nuclear, provided that construction permits have been received by 2045, and requires plants to switch to accident-tolerant fuels by 2025 and to adhere to specific standards for the disposal of radioactive waste. Given that there are only a handful of planned nuclear plants in the EU (mainly in France), Germany has just shut down its last nuclear plants as of April 2023, EU taxonomy coverage of nuclear seems to be largely redundant.</p>

	<i>Description</i>
<p><i>Assessment of relevance/consider ations for Türkiye</i></p>	<ul style="list-style-type: none"> ▪ The EU taxonomy sets a best practice example in a range of pillars/phases of taxonomy development: defining objectives, target users, environmental objectives, scoping screening criteria, disclosure requirements and the transparency and stakeholder participation processes in place. ▪ The EU Taxonomy is the most mature taxonomy amongst the jurisdictions with green taxonomies in operation. It is a result of a long process of institutional and regulatory development, and stakeholder participation. EU Taxonomy illustrates how politic leadership and strategy in sustainable finance and international commitments on environmental goals (in particular net-zero targets) can be translated into concrete policy action that are relevant to multiple shareholder groups. The process of development has been successful in making sure that the taxonomy is perceived and adopted as the EU green taxonomy across EU member states, EU agencies, regional and national regulators, and businesses across sectors. In this context, it is important that the Ministry should aim at developing the taxonomy with similar processes and involvement in place so that the taxonomy is perceived and adopted as Türkiye’s green taxonomy and as the core of Türkiye’s sustainable finance policy and regulations. ▪ The EU green taxonomy also illustrates the deep technical nature and the related expertise-requirements of the taxonomy development process. It is important that Türkiye builds its taxonomy through the work of a core expert group. A High-Level Expert Group on sustainable finance can be constituted which would then guide the work of Technical Expert Groups. Similarly, the composition of the Technical Expert Group is going to be key in defining screening criteria, which will require substantial expertise and technical knowledge in multiple sectors and environmental themes. Türkiye should invest in developing its pool of experts and the taxonomy-specific training of existing experts, especially in the public sector. ▪ The ecosystem around the EU green taxonomy is assessed to be fragmented - as EU stakeholders are exposed to multiple initiatives, multiple regulations and reporting requirements. Türkiye should avoid introducing a set of fragmented regulation, reporting requirements and standards. Its taxonomy should be the main pillar of its sustainable finance regulation In the EU, sustainable finance regulation in relation to reporting requirements is not fully aligned with the timeline and scope of corporate sustainability disclosure requirement, which crated gaps of information and signalling in the marketplace. Türkiye could prioritize defining corporate sustainability disclosure requirements for its green taxonomy to avoid the sequencing challenges that the EU has faced. An issue of strategic importance for Türkiye in relation to the EU is the need for alignment of the Türkiye’s taxonomy with the EU taxonomy. Given the importance of the EU markets in terms of investment and trade flows, the scoping of interoperability with the EU green taxonomy will be critical for Türkiye’s green taxonomy. Please see Chapter 3- Relevance for Türkiye and Policy Recommendations of this report for the

	Description
	discussion of how the EU taxonomy may further inform different pillars/phases of Türkiye's taxonomy development.
Source	<ul style="list-style-type: none"> ▪ https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en ▪ https://finance.ec.europa.eu/system/files/2020-03/200309-sustainable-finance-teg-final-report-taxonomy_en.pdf ▪ https://finance.ec.europa.eu/system/files/2018-01/180131-sustainable-finance-final-report_en.pdf ▪ https://commission.europa.eu/system/files/2021-11/swd2021_305_en.pdf ▪ "European Commission, 2021. FAQ: What is the EU Taxonomy and how will it work in practice?" https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/sustainable-finance-taxonomy-faq_en.pdf ▪ https://finance.ec.europa.eu/sustainable-finance/international-platform-sustainable-finance_en

1.1.2 China Taxonomy

Background

The Green Bond Endorsed Projects Catalogue is generally referred to as **China Taxonomy/China Green Bond Taxonomy**⁴. However, to support green finance in China, several legislative frameworks were developed and issued in the country in the past decade. In 2012, the **China Banking Regulatory Commission (CBRC)** developed the **Green Credit Guidelines** which aimed to collect data on loans related to environmental protection and circular economic activities to monitor the environmental and social risks of banks loan. Subsequently, the **People's Bank of China (PBOC)** published the initial version the of **Green Bond Endorsed Projects Catalogue in 2015**. Main objective of the catalogue was to provide guidance on green bond issuance to ensure that funds flow to projects with environmental benefits according to the catalogue.

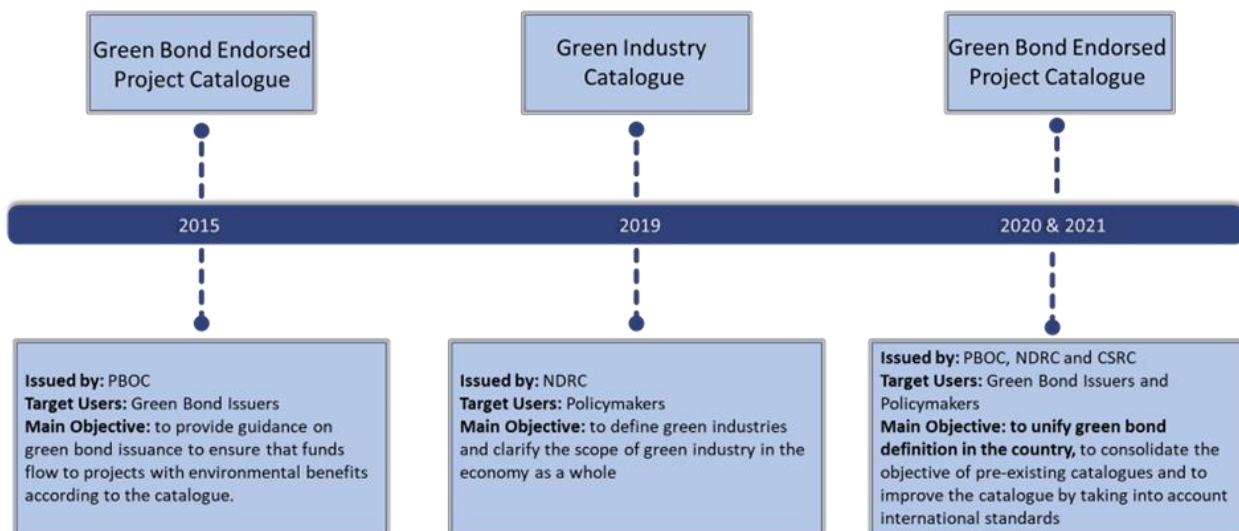
In 2019, **China's National Development and Reform Commission (NDRC)** responsible body for the overall management of investment in the country including the implementation of sustainable development strategies, published **the Green Industry Catalogue**. This catalogue aims to define green industries and clarify the scope of green industry in the economy as a whole. Green Industry Catalogue is widely used by PBOC to collect green loans data from major Chinese Banks.

To ensure effective coordination regarding green definitions among the financial regulators, the most recent update (April 21, 2021) was made to **the Green Bond Endorsed Projects Catalogue** (the catalogue) and **an amended version of the catalogue was published by PBOC in corporation with NDRC and the Chinese Securities Regulatory Commission (CSRC)**. The latest edition of the catalogue consolidates and harmonizes several pre-existing green bond catalogues and represents a clear green definition in the country. The latest version of the catalogue classifies green projects into six level-I industry categories,

⁴ The Green Bond Endorsed Projects Catalogue (2021 Edition) was jointly announced by the People's Bank of China (PBOC), the National Development and Reform Commission (NDRC) and the China Securities Regulatory Commission (CSRC) on 21 April 2021
www.pbc.gov.cn/goutongjiaoliu/113456/113469/4342400/2021091617180089879.pdf

followed by 25 level-II, 48 level-III and 204 level-IV categories.⁵ China Green Bond Principles has been published in July 2022 by China Green Bond Standard Committee under PBOC.

Figure 4 The Overview of China Catalogue and Taxonomies



Apart from this, in corporation with UNDP Sustainable Development Goals (SDG) Finance Taxonomy technical report was published in 2020 which is the first project classification system that allows investors and project developers to clearly identify SDG enabling projects.

Process

The issuance of the first green bond catalogue started in 2015 in China. Due to the different and divergent green bond standards developed in the country throughout the years, lack of clarity on definition and high costs associated with the application of taxonomy were the main challenges for the users.

PBOC, NDRC and CRBS combined their forces for issuance of the Green Bond Endorsed Projects Catalogue in 2021 which was a significant step forward in China's efforts to harmonize national green finance standards. The 2021 Catalogue incorporates three main points:

- **The criteria for defining green projects** among regulatory authorities of **green bonds is unified** for the first time, which significantly reduced the costs of green bond issuance, trading and management and boosted efficiency.
- **Cleaner use of coal and other fossil fuels is no longer supported** in the amended catalogue and DNSH principle also integrated which aim to promote international integration and domestic integration of the green bond market in China.
- Amended version offers **a steady and adaptable structure for the growth of local green bond markets**. Level-II and Level-III Categories are in the line with the widely recognized classification system of green assets., while Level-IV Categories kept consistent with the Level-III Category of the 2019 Directive Catalogue for Green Industries, to make sure that national key projects on the

⁵ pbc.gov.cn/goutongjiaoliu/113456/113469/4342400/2021091617180089879.pdf

transition to green and low-carbon development are supported to access list-based financial services.

Table 2. Summary of relevant points regarding China Taxonomy

	<i>Description</i>
<i>Overarching objective</i>	China Taxonomy provides guidance on green bond issuance. It helps companies to design green projects and guides financial institutions to identify projects considered green according to the catalogue. The overall objective of the Taxonomy is to ensure the funds flow to projects with environmental benefits based on the criteria defined in the catalogue. Along with this, by consolidating pre-existing green bond catalogues mentioned above, the latest version of the Taxonomy also aims to clearly define the “green” definition in the country.
<i>Environmental Objectives</i>	<ul style="list-style-type: none"> ▪ Environmental improvement ▪ Climate change response ▪ Efficient utilization of natural resources
<i>Target users</i>	Green Bond issuers and policymakers are the main target users of the China Taxonomy which includes financial institutions, corporations, state-owned enterprises third-party appraisal agencies, and regulatory agencies
<i>Principles</i>	<ul style="list-style-type: none"> ▪ Alignment with the Green Industry Guiding Catalogue of NDRC. ▪ Evaluating green projects that have significant and beneficial environmental impacts in areas such as climate change, circular economy, and environmental improvement. ▪ Taking mainstream international green finance taxonomy into consideration and continuously improving the internationalization level of the Catalogue.
<i>Classification code</i>	<ul style="list-style-type: none"> ▪ Industrial Classification and Codes for National Economic Activities are integrated to the Catalogue
<i>Sectoral criteria/ scope</i>	<p>The catalogue classifies green projects into 6 level-I industry categories, followed by 25 level-II, 48 level-III and 204 level-IV categories. Level 1 and 2 categories are listed below:</p> <ol style="list-style-type: none"> 1. Energy-saving and Environmental Protection Industry <ul style="list-style-type: none"> ▪ Energy-efficiency improvement ▪ Sustainable building ▪ Pollution prevention ▪ Water Conservation and Unconventional Water Resources ▪ Comprehensive utilization of resources ▪ Green transportation 2. Clean Production Industry <ul style="list-style-type: none"> ▪ Pollution prevention and treatment ▪ Green agriculture

	<i>Description</i>
<i>Screening criteria</i>	<ul style="list-style-type: none"> ▪ Comprehensive utilization of resources ▪ Water saving, and efficient use of non-conventional water resources. <p>3. Clean Energy Industry</p> <ul style="list-style-type: none"> ▪ Energy efficiency improvement ▪ Clean Energy <p>4. Ecology and Environment -related sector</p> <ul style="list-style-type: none"> ▪ Agriculture ▪ Ecological protection and construction <p>5. Sustainable Upgrade of Infrastructure</p> <ul style="list-style-type: none"> ▪ Energy efficiency improvement ▪ Sustainable buildings ▪ Pollution prevention ▪ Water Saving and Non-conventional Water Resources ▪ Ecological Protection and Construction <p>6. Green Services</p> <ul style="list-style-type: none"> ▪ Consultancy ▪ Operation Management Services ▪ Audit, Inspection and Evaluation of Projects ▪ Monitoring and Detection ▪ Promotion and Certification of Technical Products
<i>Application (Disclosure Requirement)</i>	<p>Technical thresholds based on national energy efficiency standards, emission reduction objectives, regulations on green building materials, standards on industrial solid waste, and circular economy, national standards of organic products in agriculture - as listed per activities in the Green Bond Endorsed Projects Catalogue (2021 Edition)</p> <p>One of the key requirements for green bond issuers under the Green Bond Catalogue is mandatory disclosure. Issuers must disclose information on the use of proceeds from the green bond, the environmental impact of the project or projects being funded, and the issuer's management of environmental risks.</p> <p>Beyond green bond disclosures, enterprises and financial institutions disclose environmental, social, and governance (ESG) information to minimize information imbalances, thereby decreasing the prevalence of greenwashing and expediting funding for environmentally friendly initiatives. The Ministry of Ecology and Environment (MEE) and the People's Bank of China (PBOC) play crucial roles as policy influencers in advocating for disclosure regulations among corporations and financial institutions, respectively. Additionally, local exchanges enforce compulsory disclosure criteria for companies listed on their platforms. These disclosure requirements are not linked to the green bond disclosures.</p>

	<i>Description</i>
<i>Principles for International Taxonomy Harmonization</i>	<p>China and the European Union (EU) are working together on the International Platform for Sustainable Finance (IPSF) in order to develop a Common Ground Taxonomy. This updated version of the Taxonomy was published in June 2022, following its initial publication in 2021. The development of this Taxonomy builds upon the previous collaboration between the EU and China on taxonomy, aiming to enhance comparability and interoperability among various national taxonomies. The objective is to support financial institutions and companies in adopting common or converging practices regarding green activities.</p> <p>China is engaged in international efforts to establish and shape standards for green finance. One notable initiative is the co-leadership of the G20 Sustainable Finance Working Group (SFWG) by the People's Bank of China. Additionally, China has collaborated with the United States in the area of transition finance. In 2022, both parties jointly issued the "G20 Transformational Finance Framework" to provide guidance for G20 members on formulating specific policies for transition finance. This framework includes the introduction of standards for transitional finance, requirements for information disclosure, incentive mechanisms. In addition, China has been supporting the work of the International Sustainability Standards Board (ISSB)</p>
<i>Treatment of Fossil Fuels and Nuclear</i>	<p>China's 2015 edition of the catalogue conflicted with the EU taxonomy and other internationally recognized taxonomies on many controversial activities, such as fossil fuels, clean coal, nuclear energy, etc.; the 2021 edition removed clean coal from the Catalogue and introduced the "do no significant harm" principle. It now also excludes gas and LNG activities.</p>
<i>Assessment of Relevance/Considerations for Türkiye</i>	<p>The China catalogue is focused on providing standards to green bond issuance. The way that the Catalogue defines green bonds, reducing the financing for non-green projects in the guise of green bonds, improving reputation of green bonds and regulating the development of the green bond market to provide capital to corporates, assets and projects with environmental benefits may be useful to Türkiye's green bond framework.</p> <p>China is one of the largest issuers of green and sustainability-linked bonds in the world. Hence the instrumentation of its catalogue for green bond issuance sets an example for Türkiye. Türkiye's green taxonomy and its green bond standards could be fully aligned, as part of the enabling policy environment which would help deepening the bond markets (both corporate and public).</p> <p>China may also offer an example as to how its taxonomy is used by regional authorities. As part of its regional development efforts, China</p>

	Description
Source	<p>has created pilot programmes for local governments to develop their own green finance ecosystem and to implement detailed policy/regulations based on a central policy framework. Türkiye may also utilise its green taxonomy for regional development purposes too, by enabling regional development agencies and/or municipalities develop green finance programmes.</p> <ul style="list-style-type: none"> ▪ 2021091617202747332.pdf (pbc.gov.cn) ▪ https://finance.ec.europa.eu/system/files/2021-12/211104-ipsf-common-ground-taxonomy-instruction-report-2021_en.pdf

1.1.3 South Africa Taxonomy

Background

South Africa’s Green Finance Taxonomy (SA GFT) - a 191-page framework - was released in April 2022 as a catalogue or classification system that defines a **minimum set of assets, projects, and sectors that are eligible to be defined as "green" or environmentally friendly**. It supports emerging national policy and voluntary private sector initiatives toward sustainable finance by reducing costs and uncertainty in classifying a core set of green activities. It takes account of the model adopted by the EU, given its comprehensive technical foundation and to ensure interoperability in global reporting. In particular, the taxonomy focuses on the performance level of activities that make a substantial contribution to a set of **six environmental objectives** while doing **no significant harm** to any of those objectives and meeting minimum social safeguards.

Following a two-year consultation and development process, SA GFT was launched by the Taxonomy Working Group, as part of South Africa’s Sustainable Finance Initiative, chaired by National Treasury. The Taxonomy is designed for investors, issuers, lenders and other financial sector participants to track, monitor, and demonstrate the credentials of their green activities in a more confident and efficient way. It should be also mentioned that a vast amount of conceptual and technical effort was initiated by the Ministry of Forestry, Fisheries and the Environment which laid the groundwork for the development of the taxonomy.

Process

The Taxonomy development process lasted nearly 6 years if the first 2016 roundtable, mentioned below is included, while the taxonomy itself took around two years to draft.

The process began in June 2016 with a roundtable event involving around 50 stakeholders from National Treasury, the Reserve Bank, FSB (now FSCA), Department of Environmental Affairs (now DEFF), the JSE, and industry associations from banking, pensions, asset management, and insurance to assess current voluntary sustainable finance practices in South Africa. From the beginning, the process was very transparent, iterative, integrated, and cooperative. A dedicated website⁶ was launched to communicate

⁶ <https://sustainablefinanceinitiative.org.za/>

and share the progress with stakeholders. The website included taxonomy tools, templates, reference documents, reports, stakeholder presentations and comments, etc.

In January 2017, National Treasury convened a Working Group of financial sector regulatory agencies and industry associations to develop a framework document on sustainable finance. The Initiative aimed to:

- Define sustainable finance for a South African context.
- Incorporate perspectives from all parts of the financial sector, including banking, pension funds, insurance, asset management, and capital markets.
- Describe the global and national drivers for sustainable finance, as well as existing industry initiatives.
- Map supply and demand for, as well as barriers to, sustainable finance; and
- Provide recommendations on a national strategic approach and the role of regulatory agencies and industry stakeholders.

The working group referred to as the Climate Risk Forum/ Steering Committee mandated a further 5 sub-working groups to take forward the key recommendations. These sub-working groups were:

- Sustainable finance
- Taxonomy
- Disclosures (TCFD)
- Climate Risk Benchmark and Scenario
- Capacity and competencies

On 15 May 2020, drawing on the Working Group's inputs, National Treasury published a Technical Paper for public comment on "Financing a Sustainable Economy". The draft paper encouraged voluntary sustainable finance initiatives and further stakeholder engagement to strengthen sustainable finance in South Africa. The paper was presented in various meetings, such as the Parliamentary Working Group, Intergovernmental Climate Change Committee, Treasury Urban Finance working group, National Business Initiative (NBI) Green Recovery webinar, and Business Unity South Africa (BUSA) environmental subcommittee.

The Technical Paper Working Group consisting of representatives from the following organizations:

- National Treasury (Chair)
- South African Reserve Bank
- Financial Sector Conduct Authority (FSCA)
- Prudential Authority (PA)
- Department of Environment Affairs (DEA)
- The South African Insurance Association (SAIA)
- The Banking Association of South Africa (BASA)
- The Association for Saving and Investment South Africa (ASISA)
- The Johannesburg Stock Exchange (JSE)
- Batseta – Council for Retirement Funds of South Africa

Together with the NBI, the Carbon Trust was selected to undertake a comprehensive stakeholder engagement process, conduct research on global trends in taxonomy development, and develop the draft green finance taxonomy.

The first phase of work by NBI and Carbon Trust consisted of stakeholder engagement. The objective of the consultation process was to collect viewpoints and preferences from representatives of respective organizations, networks, and communities of practice to inform the design, priorities and development of a first version of a Green Finance Taxonomy for South Africa. The effort received support from the IFC, in partnership with SECO (Swiss State Secretariat for Economic Affairs) and Sida (Swedish International Development Cooperation Agency).

6 workshops were delivered in Oct 2020 are as follows:

- Workshop 1: Focusing on Policy Makers and Government Agencies as a critical user group.
- Workshop 2: Focusing on Financial Market Practitioners as a critical user group.
- Workshop 3: Focusing on Companies and Project Developers as a critical user group.
- Workshop 4: Focusing on the Land-Use, Ecosystems and Biodiversity Sector as a critical user group.
- Workshop 5: Focusing on realizing cooperation/collaboration opportunities with programs and policy development activities with which this project could align.
- Workshop 6: Focusing on Multilateral Development Institutions as a critical user group.

The second phase of work has focused on embedding the South African Green Finance Taxonomy through direct support to users, awareness raising, and the development of case studies. This was supported by the programme jointly governed and funded by the UK Government's Foreign, Commonwealth and Development Office (FCDO) and the Department for Business, Energy and Industrial Strategy (BEIS) through the UK's International Climate Finance.

From November 2021 to June 2022, the Carbon Trust and NBI undertook detailed pilot projects with 6 volunteer participants. The participants were from various backgrounds, reflecting a sample of key stakeholders in the South African investment landscape.

In 2022, a series of webinars was held to share insights from a diverse set of speakers and panellists on national sustainability and financial reporting and launch a set of knowledge products and tools on how to deepen SA GFT implementation and integration at a macro-scale.

The Sustainable Finance Initiative is now hosted by Banking Association South Africa under the Climate Risk Steering Group, and continues to be chaired by National Treasury.

Taxonomy Working Group chaired by National Treasury and including representatives from:

- South Africa's Department of Forestry, Fisheries and the Environment (DFFE)
- Department of Monitoring and Evaluation (DPME)
- The Financial Sector Conduct Authority (FSCA)
- The Prudential Authority (PA)
- The Johannesburg Stock Exchange (JSE)
- The Banking Association South Africa (BASA)
- Batseta (Council of Retirement Funds for South Africa)
- The Association for Savings and Investment South Africa (ASISA)
- Representatives from banks and retirement funds.

Several reports and briefings have been developed to provide additional context to the development, purpose and situation of the taxonomy, including:

- A project briefing report that introduces the project and describes the need and basis for a green finance taxonomy for South Africa, in the context of international and national green finance frameworks.
- A briefing paper on the relevance and extent of alignment between South Africa’s Green Finance Taxonomy and the foundational EU Taxonomy.
- A briefing paper documenting the insights from and development process of the first South African Green Finance Taxonomy.
- A briefing paper documenting the process and result of developing a buildings entry for South Africa’s Green Finance Taxonomy.

Table 3. Summary of relevant points regarding South Africa Taxonomy

	<i>Description</i>
Overarching objective	<p>The SA GFT principal function is to govern what is recognized as “green” in a credible, consistent and dynamic way for South Africa.</p> <p>The taxonomy will be used as a coordination tool, directing and matching activities on the demand side, and the flow of necessary finance for investment in “green” activities on the supply side.</p> <p>SA GFT ensures that national priorities are reflected while remaining aligned with international trends. It takes account of the model adopted by the European Union, which identifies activities that contribute to a set of six environmental objectives and includes requirements for activities to adhere to social safeguards and “do no significant harm” to any environmental objectives. In particular, the taxonomy aims to unlock a number of benefits:</p> <ul style="list-style-type: none"> ▪ Provides clarity and certainty in selecting green investments in line with international best practices and national priorities and standards. ▪ Helps unlock large-scale capital for climate-friendly and green investment in South Africa by increasing the credibility and transparency of green activities. ▪ Reduces financial risks through enhanced management of environmental and social performance. ▪ Reduces the costs associated with labelling and issuing green financial instruments. ▪ Supports regulatory and supervision oversight of the financial sector.
Environmental Objectives	<p>SA GFT identifies the same six environmental objectives:</p> <ol style="list-style-type: none"> 1. Climate change mitigation 2. Climate change adaptation 3. Sustainable use of water and marine resources 4. Pollution prevention 5. Sustainable resources use and circularity 6. Ecosystem protection and restoration <p>It also contains minimum social safeguards and plans for social and/or transition focused extensions.</p>

	<i>Description</i>
<i>Target users</i>	<ul style="list-style-type: none"> ▪ Policy Makers and Government Agencies ▪ Financial market Participants and Regulators ▪ Asset Owners
<i>Principles</i>	The EU development principles have been intentionally applied or intrinsically adopted in the development of the SA GFT.
<i>Classification code</i>	SIC Macro Sector and Economic Activity Code
<i>Sectoral criteria/ scope</i>	<p>SA GFT recognises two distinct types of substantial contribution applicable across climate change mitigation and climate change adaptation. These different types of Substantial Contribution are reflected in the TSC as:</p> <ol style="list-style-type: none"> 1. Economic activities that make a substantial contribution based on their own performance. For example, an economic activity being performed in a way that is environmentally sustainable. 2. Enabling activities: economic activities that, by provision of their products or services, enable a substantial contribution to be made in other activities. For example, an economic activity that manufactures a component that improves the environmental performance of another activity. <p>An economic activity is considered to contribute substantially to the environmental objective of climate change mitigation where that activity substantially contributes to the stabilization of greenhouse gas concentrations in the atmosphere at a level that prevents dangerous anthropogenic interference with the climate system by avoiding or reducing greenhouse gas emissions or enhancing greenhouse gas removals.</p> <p>An economic activity is considered to contribute substantially to climate change adaptation where:</p> <p>That economic activity includes adaptation solutions that either substantially reduce the risk of adverse impact or substantially reduces the adverse impact of the current and expected future climate on that economic activity itself without increasing the risk of an adverse impact on other people, nature and assets;</p> <p>In total eight economic sectors – four of which are not yet included in taxonomy - and 45 standalone economic activities have been identified:</p> <p>Sectors:</p> <ul style="list-style-type: none"> ● Agriculture, Forestry and Fisheries ● Industry ● Energy ● Water and Waste ● Transportation ● ICT ● Construction ● Enabling Activities, System Resilience & innovation

	<i>Description</i>
<i>Screening criteria</i>	<p>SA GFT technical screening criteria include:</p> <ol style="list-style-type: none"> a. Principles: The underlying rationale for how the activity will result in a substantial contribution and/or avoidance of significant harm to the environmental objective in question. b. Metrics and Thresholds: including both metrics and thresholds: The method(s) by which the environmental performance of the economic activity will be measured, including defining the boundary for this measurement and the qualitative or quantitative conditions which must be met to enable the performance of the activity in a way that is considered environmentally sustainable.
<i>Application (disclosure requirement)</i>	<p>The intergovernmental sustainable finance working groups, which consist of regulatory authorities – including the Prudential Authority and Financial Sector Conduct Authority - are working to provide guidance on the taxonomy and disclosure requirements.</p> <p>In June 2022 the JSE published voluntary Sustainability Disclosure Guidance and Climate Disclosure Guidance documents. They will assist listed (and non-listed) companies to navigate the various and dynamic reporting standards, and provide context for South African businesses, legislative requirements, and specific socio-economic and environmental challenges. This guidance serves as a precursor to likely regulatory changes in the future, with the South African Reserve Bank and the South African Financial Sector Conduct Authority, respectively, having announced plans to bolster financial services sector regulation in this space. This will include an ESG disclosure framework for the financial services sector, as well as specific regulatory guidance on how climate risks should be integrated into supervised institutions’ risk management, governance, and reporting processes.</p> <p>A Just Transition Framework published in June 2022 - The framework does not deal with climate mitigation and adaptation policies per sector. Rather, the framework focuses on managing the social and economic consequences of those policies, while putting human development concerns at the centre of decision-making.</p>
<i>Principles for international Taxonomy harmonization</i>	<p>Harmonization was estimated at 78%⁷ aligned with EU Taxonomy. The harmonization was analysed and presented in A Comparison Between the EU Green Taxonomy and South Africa’s Green Taxonomy Report.</p> <p>According to policy makers, the different national economic, social and environmental contexts and development needs mean taxonomies must be adapted for different jurisdictions. For example, the proposed social safeguards for South Africa incorporates national laws, while the technical screening criteria has been modified to</p>

7

https://www.treasury.gov.za/comm_media/press/2022/2022111101%20Report_A%20Comparison%20Between%20the%20EU%20Green%20taxonomy%20and%20South%20Africa%E2%80%99s%20Green%20Taxonomy.pdf (page 7)

	<i>Description</i>
<i>Assessment of relevance/considerations for Türkiye</i>	<p>align South African priorities. Given the country's current reliance on fossil fuels, the Treasury is also considering the creation of a Just Transition taxonomy.</p> <ul style="list-style-type: none"> ▪ South Africa's taxonomy exemplifies a case where taxonomy developers had made a strategic decision from the outset that their taxonomy will be aligned with the EU taxonomy. The rationale of the decision stems from EU's position as the largest trade and investment partner of South Africa. Hence the EU taxonomy was used as a starting point and basis for development of the SA GFT making it compatible with the EU. It is an example which may inform Türkiye's decision as to what extent it wants to harmonise its taxonomy with the EU, for similar reasons. It must be noted that harmonization does not guarantee inter-operability – as both taxonomies need to be officially and mutually recognised as acceptable in both jurisdictions ▪ South Africa also shows a very active stakeholder engagement and consultations process was used right from the start of the process.
<i>Sources</i>	<ul style="list-style-type: none"> ▪ https://sustainablefinanceinitiative.org.za/ ▪ https://sustainablefinanceinitiative.org.za/wp-content/downloads/Briefing-Paper_South-Africas-Ambitious-Green-Finance-Taxonomy.pdf ▪ https://www.dffe.gov.za/documents/strategyframework/climatechange_greeneconomy ▪ https://www.jse.co.za/sites/default/files/media/documents//JSE%20Sustainability%20Disclosure%20Guidance%20June%202022.pdf

Table 4. List of EU Taxonomy activities not covered by the South African Taxonomy

	EU Taxonomy Activity	Sector
1	Restoration of wetlands	Environmental protection and restoration activities
2	Manufacture of equipment for the production and use of hydrogen	Manufacturing
3	Manufacture of batteries	Manufacturing
4	Electricity generation from renewable non-fossil gaseous and liquid fuels	Energy
5	Cogeneration of heat/cool and power from renewable non-fossil gaseous and liquid fuels	Energy
6	Production of heat/cooling from renewable non-fossil gaseous and liquid fuels	Energy
7	Manufacture of biogas and biofuels for use in transport and of bioliquids	Energy
8	Renewal of water collection, treatment and supply systems	Water supply, sewerage, waste management and remediation
9	Renewal of wastewater collection and treatment	Water supply, sewerage, waste management and remediation
10	Urban and suburban transport, road passenger transport	Transport
11	Operation of personal mobility devices, cycle logistics	Transport
12	Retrofitting of inland water passenger and freight transport	Transport
13	Sea and coastal freight water transport, vessels for port operations and auxiliary activities	Transport

	<i>EU Taxonomy Activity</i>	<i>Sector</i>
14	Sea and coastal passenger water transport	Transport
15	Retrofitting of sea and coastal freight and passenger water transport	Transport
16	Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	Construction and real estate
17	Close to market research, development and innovation	Professional, scientific and technical activities
18	Research, development and innovation for direct air capture of CO2	Professional, scientific and technical activities
19	Professional services related to energy performance of buildings	Professional, scientific and technical activities

1.1.4 Indonesia Taxonomy

Background

Through the Nationally Determined Contributions (NDC) document of Indonesia, the conditional GHG emission reduction target was set up to 41%, while the unconditional reduction target was set to 29 % of the business as usual scenario by 2030. To support the NDC, Government has introduced relevant targets. Achieving these targets requires the mobilization of funds. In this context, the Indonesia **Green Taxonomy Edition 1.0** has been developed by the Indonesian Financial Services Authority (OJK), through Integrate Financial Services Sector Policy Group (GKKT) - as part of Sustainable Finance Roadmap Phase II (January 2022).

Process

Indonesia Green Taxonomy Edition 1.0 is composed by the OJK, through GKKT and related work units in collaboration with eight following ministries:

- Ministry of Environment and Forestry (KLHK);
- Ministry of Industry (Kemenperin);
- Ministry of Marine Affairs and Fisheries (KKP);
- Ministry of Energy and Mineral Resources (ESDM);
- Ministry of Transportation (Kemenhub);
- Ministry of Agriculture (Kementan);
- Ministry of Tourism and Creatif Economy (Kemenparekraf); and

- Ministry of Public Works and Housing (PUPR).

Following stakeholder groups involved in providing inputs for the Indonesia Green Taxonomy:

- Related Ministries/Institutions;
- Financial Services Industry (FSI), members of the Sustainable Finance Task Force, which was established by the Financial Services Authority (OJK) by involvement of the entire financial services sector, including banking, capital markets and the non-bank financial industry. The membership of this task force consists of 47 financial service institutions.
- Academic/research and development institutions
- International institutions: International Finance Corporation (IFC); and OECD.
- Non-Governmental Organizations

Table 5. Summary of relevant points regarding Indonesia Taxonomy

	<i>Description</i>
Overarching objective	<p>The Indonesia Green Taxonomy Edition 1.0 will be used as:</p> <ul style="list-style-type: none"> ▪ The basis for the development of incentive and disincentive policy of various ministries and institutions, including the OJK ▪ Guidelines for information openness, risk management, and development of innovative sustainable finance products and/or services for FSS and issuers. <p>Furthermore, the development of Green Taxonomy is expected to provide an overview on the classification of sectors/sub-sectors that have been scientifically categorized as green, to avoid greenwashing practices.</p> <p>Strategic Objectives is summarized as follows:</p> <ul style="list-style-type: none"> ▪ Develop standard definition and green criteria from economic sector activities that support the climate change mitigation and adaptation agenda in Indonesia by implementing a science-based approach. ▪ Encouraging innovations and investments in economic activities that have positive impacts on the environment by implementing science-based approaches. ▪ Encouraging the growth of the financial sector in funding and financing the green economic activities. ▪ Providing reference for FSS, investors, and business actors (at both national and international level) to disclose information regarding financing, funding, and investment for green economic activities.
Environmental Objectives	<p>Environmental Objectives is listed as follows:</p> <ul style="list-style-type: none"> ▪ Climate change mitigation ▪ Climate change adaptation ▪ Other environmental objectives (not specified)

	Description
Target users	<p>It defines “green economy” low carbon, resource efficient and socially inclusive. In a green economy, growth in employment and income are driven by public and private investment into such economic activities, infrastructure and assets that allow reduced carbon emissions and pollution, enhanced energy and resource efficiency, and prevention of the loss of biodiversity and ecosystem services. (UN Environment-led Green Economy Initiative, 2008).</p> <ul style="list-style-type: none"> ▪ Indonesian FSS actors (Banking, Capital Market, and Non-Bank Financial Industry (NBFI)) for the purpose of expanding funding, financing, or investment. ▪ Investors (national and international investors who invest in Indonesia) that use the environmental aspect as one of criteria for their investment. ▪ Government to formulate fiscal policy and development planning, as well as to plan and oversee the delivery of Indonesia’s commitments in mitigating climate change and improving sustainable development. ▪ Financial services and monetary authorities to create policies as well as monitor and supervise the implementation of sustainable finance policies. ▪ International institutions / cooperative organizations (regional/ international) which require disclosure of information related to standard definitions issued by the Government on green economic activities.
Principles	<ul style="list-style-type: none"> ▪ Responsible Investment Principles: an approach that considers economic, social, environmental and governance factors in economic activities. ▪ Sustainable Business Strategy and Practice Principles: obligations to set and implement sustainable business strategies and practices in every decision-making. ▪ Social and Environmental Risk Management Principles: which includes precautionary prudential principles in assessing social and environmental risks through identification, measurement, mitigation, supervision, and monitoring processes. ▪ Governance Principles: enforcement of FSS governance through business management and operations which include, among others; transparency, accountability, responsibility, independence, professionalism, and fairness.
Classification code	The Green Taxonomy is structured based on Indonesia Standard Industrial Classification
Sectoral criteria/ scope	<p>For the purpose of the development of green taxonomy, 2,733 sectors and sub-sectors that have been studied, and 919 can be mapped to sub sectors/groups/business activities (KBLI Level 5) and clarified on its threshold by technical ministries.</p> <p>Among the 919 subsectors/groups/business activities, 904 are not yet able to be directly categorized as green sector (as there are prerequisites that must be met first) while the other 15 can be included directly in green category.</p> <p>For classification purposes, the criteria are divided into three categories, namely:</p>

	<i>Description</i>
Screening criteria	<ul style="list-style-type: none"> ▪ Green (do no significant harm, apply minimum safeguard, provide positive impact to the environment and align with the environmental objective of the taxonomy): Business activities that protect, restore, and improve the quality of environmental protection and management, as well as climate change mitigation and adaptation, and comply with the governance standards by government, and apply best practices at both the national and international level. ▪ Yellow (do no significant harm): Determination of business benefits for environmental protection and management must still be conducted through measurement and support of other best practices. ▪ Red (harmful activities): The business activities do not meet the yellow and/or green criteria/ threshold. <p>Green taxonomy document also notes 198 additional subsectors for further development areas that were proposed by several ministries and other stakeholders.</p>
Application (disclosure requirement)	<p>Scientific screening criteria are being developed with relevant ministries.</p> <p>It is voluntary. Green Taxonomy is also envisioned to enhance the quality of disclosure in Financial Services Sector's Sustainability Reports and to improve environmental quality through more sustainable economic and investment activities</p>
Principles for international Taxonomy Harmonization	<p>ASEAN, China, and EU taxonomies, raising awareness of the need for harmonization.</p>
Assessment of relevance/considerations for Türkiye	<ul style="list-style-type: none"> ▪ The process of green taxonomy development sets a good example in term of how the Financial Services Authority (OJK) had developed and executed the Roadmap for Sustainable Finance in two phases - Phase I (2015-2019) and Phase II (2021-2025) - as a guide to accelerate the implementation of environmental, social and governance principles in Indonesia. Türkiye may benefit from this process for creating comprehensive sustainable finance ecosystem which involves all relevant parties and encouraging the development of cooperation with other parties. ▪ The involvement of the financial and non-financial sectors by the Financial Services Authority in the establishment of sustainable finance task force is a good example of active stakeholder engagement and consultations. The task force was an effort to realize the development of a sustainable financial ecosystem, including banking, capital markets and the non-bank financial industry. ▪ Definition of activities in line with the country's own Indonesia Standard Industrial Classification is technical and provides a good foundation for

	Description
Source	<p>technical screening criteria and future harmonization efforts (with other policy instruments, such as taxes, subsidies etc.).</p> <ul style="list-style-type: none"> ▪ Traffic light approach could be considered for categorisation of activities, while noting that it is not used in the EU taxonomy. ▪ The Indonesia's taxonomy document itself is very clear about the policy objectives, target groups, potential use areas which sets good example non-climate environmental objectives are not clearly defined (e.g. land use, biodiversity, pollution etc). Türkiye would benefit from launching a clear and comprehensive master information document informing domestic and international stakeholder about its taxonomy when it is ready. <p>▪ https://www.ojk.go.id/keuanganberkelanjutan/Uploads/Content/Regulasi/Regulasi_22012011321251.pdf</p>

1.1.5 South Korea

Background

The Ministry of Environment of Korea established a national green taxonomy (**the “K-Taxonomy”**) based on the Environmental Technology and Industry Support Act, which was recently amended on April 21, 2021. On December 30, 2021, the Ministry of Environment announced the **“K-Taxonomy Guideline”** (the “Guideline”). Although the Guideline is **not legally binding**, it **provides principles and standards on what types of economic activities are considered green activities**. The Guideline serves to assist in allowing more funds to be allocated to green projects and green technologies as well as in distinguishing truly green activities from merely greenwashing activities.

Process

The Ministry of Environment has held several meetings with the working-level consultative body composed of the Financial Services Commission, the Korea Environmental Industry & Technology Institute, and participating companies.

It has also conducted a pilot project for K-Taxonomy, to apply K-Taxonomy in financial and industrial sectors. The ministry ran the pilot project from April to November 2022. Six banks and companies issued green bonds totalling KRW 640 billion – approximately EUR 460 million for various projects, such as renewable energy generation and the construction of zero-emission vehicle infrastructure. The ministry issued green bonds aligned with the K-Taxonomy together with participating companies.

The Ministry of Environment will pilot the interest subsidy for issuing green bonds to boost green finance by settling the K-taxonomy in the financial and industrial sectors early. The pilot project aims to issue green bonds worth KRW 3 trillion, providing an interest subsidy of a maximum of KRW 300 million – nearly EUR 215.000 - per company incurred from issuing bonds. The total budget for this project is about KRW 7.7 billion .

Through the pilot project, the Ministry of Environment will provide a partial interest subsidy to companies that have issued or plan to issue green bonds, considering the company's size and type of business. The Ministry will support the companies for one year from the bond issuance date. For middle-standing enterprises and SMEs eligible priorly for support, a 0.4% interest rate will be applied to the bond issue

amount. A 0.2% interest rate will be applied to the bond issue amount for large companies and public organizations. 70% of the budget will be allocated to the related sectors to boost investment in the green sectors in the K-Taxonomy Guideline, such as renewable energy, so those investments can contribute to achieving the carbon neutrality goal.

Table 6. Summary of relevant points regarding South Korea Taxonomy

	<i>Description</i>
<i>Overarching objective</i>	To tackle greenwashing and accelerate the transition to a carbon-neutral economy by helping direct capital flows to the green industry.
<i>Environmental Objectives</i>	Environmental Objectives are summarized as follows: <ul style="list-style-type: none"> ▪ Greenhouse gas reduction ▪ Adaptation to climate change ▪ Sustainable water conservation ▪ Recycling ▪ Pollution prevention ▪ Management and biodiversity
<i>Target users</i>	Target users include banks, other financial institutions and corporates.
<i>Principles</i>	<ul style="list-style-type: none"> ▪ Contribute to the achievement of one or more of the six environmental goals ▪ Not cause any serious damage to other environmental goals in the process of achieving the set environmental goal ▪ Not violate the laws and regulations related to human rights, labour, safety, anti-corruption and destruction of cultural properties.
<i>Classification code</i>	No specific industry code is available on the document in Korean.
<i>Sectoral criteria/ scope</i>	<p>K-Taxonomy is to consist of the ‘green sector’, and the “transition sector”.</p> <p>The “green sector” consists of 64 green economic activities in total, among which are activities related to industry, power generation and energy and transportation.</p> <p>The “transition sector” is classified into five economic activities: (i) greenhouse gas reduction activities at SMEs, (ii) energy production based on liquefied natural gas and mixed gas (i.e., the gas that is a mixture of two or more biogas including hydrogen, ammonia, by-product gas and liquefied natural gas), (iii) liquefied natural gas-based hydrogen (blue hydrogen) production, (iv) eco-friendly shipbuilding and (v) eco-friendly ship transportation.</p> <p>Economic activities falling under the “transition sector” include some fossil fuels, but only temporarily until 2030. For liquefied natural gas and mixed gas-based energy production, the extension of its accreditation period up to 2035 is to be determined.</p>

	Description
Screening criteria	<p>K-taxonomy's selection criteria is based on four sub-criteria:</p> <ul style="list-style-type: none"> ▪ Activity criteria ▪ Accreditation criteria ▪ Exclusion criteria ▪ Protection standards
Principles for international Taxonomy Harmonization	<p>While the designation of the taxonomy has been informed by taxonomies in other jurisdictions, to our best knowledge, K taxonomy does not exhibit a specific objective for cross country harmonization</p>
Treatment of Fossil Fuels and Nuclear	<p>South Korea designated a "transition sector" category which is classified into five economic activities: (i) greenhouse gas reduction activities at SMEs, (ii) energy production based on liquefied natural gas and mixed gas (i.e., the gas that is a mixture of two or more biogas including hydrogen, ammonia, by-product gas and liquefied natural gas), (iii) liquefied natural gas-based hydrogen (blue hydrogen) production, (iv) eco-friendly shipbuilding and (v) eco-friendly ship transportation. Economic activities falling under the "transition sector" include some fossil fuels, but only temporarily until 2030. For liquefied natural gas and mixed gas-based energy production, the extension of its accreditation period up to 2035 is to be determined. Including natural gas in the taxonomy received public criticism from a range of stakeholders.</p>
Assessment of relevance/considerations for Türkiye	<ul style="list-style-type: none"> ▪ K- Taxonomy is closely linked to green bond issuance at its inception phase. The pilot project sets an interesting experiment for other countries to follow. The government worked with 6 entities to issue green bond to see how the taxonomy could be aligned. It then announced a subsidy program for SMEs and big corporates to issue green bonds. Türkiye may consider developing an incentive program to deepen green bonds market. Closely aligning its green bond framework with its green taxonomy, the incentives could be used to encourage corporates in priority sectors to issue green bonds. ▪ The six environmental objectives are well defined and fit well with country's domestic and international policy targets. ▪ Although the Korean businesses that are targeted by the K-Taxonomy are well integrated with global markets, the documentation about the taxonomy is not easily available in English. Only after direct request from the Ministry, a technical document in Korean has been provided. Türkiye may consider adopting strong communication efforts around its taxonomy development targeting international audiences (see the recommendation on communication in chapter 3).
Source	<ul style="list-style-type: none"> ▪ https://m.me.go.kr/eng/web/board/read.do?pagerOffset=0&maxPageItems=10&maxIndexPages=10&searchKey=titleOrContent&searchValue=taxonomy+&menuId=461&orgCd=&boardId=1583480&boardMasterId=522&boardCategoryId=&decorator=

	<i>Description</i>
	<ul style="list-style-type: none"> ▪ https://m.me.go.kr/eng/web/board/read.do?pagerOffset=0&maxPageItems=10&maxIndexPages=10&searchKey=titleOrContent&searchValue=taxonomy+&menuId=461&orgCd=&boardId=1568510&boardMasterId=522&boardCategoryId=&decorator= ▪ https://www.investkorea.org/upload/kotraexpress/2022/03/images/Special_Report.pdf

1.1.6 Mexico Taxonomy

Background

Mexico unveiled its **Sustainable Taxonomy** in March 2023. The Ministry of Finance and Public Credit (SHCP), as the leading institution of the sustainable finance agenda in Mexico.

As part of the sustainable finance agenda, the SHCP has undertaken several efforts, such as the alignment of the Federation's Expenditure Budget with the SDGs, as well as the design of the SDG Sovereign Bond Framework with which Mexico became the first country to issue this type of instrument. (Since the launch of Framework of Reference for Sovereign Bonds in 2020, eight sustainable sovereign bonds have been issued in the international market, representing a total of about EUR 5 Billion)

These initiatives, together with the development of the Sustainable Taxonomy of Mexico, are part of the set of actions that make up the strategy of the Secretariat to mobilize and redirect investment flows towards sustainable actions and projects.

Mexico's international commitments on sustainability, including the Paris Agreement and the SDGs, and its national context in relation to the sustainability challenges that the country faces – climate change-related vulnerabilities, loss of biodiversity, poverty, inequality and gender gap – set the policy foundation for the Mexico Taxonomy.

Process

In 2020, the Council for the Stability of the Financial System (CESF) created the Sustainable Finance Committee (SFC), with the purpose that it would support the Council in the exercise of its functions by preparing analyses, evaluations, proposals and recommendations on sustainable finance, which contribute to the stability of the financial system and the mobilization of capital towards activities with positive environmental and social effects.

The Committee is chaired by the SHCP and is made up of the Bank of Mexico (Banxico), the National Banking and Securities Commission (CNBV), the National Insurance and Bonding Commission (CNSF), the National Commission of the Retirement Savings System (CONSAR) and the Institute for the Protection of Bank Savings (IPAB). In addition, the CFS has a permanent guest from the Coordination of the 2030 Agenda in the Government of Mexico (Ministry of Economy) and six permanent observers from private sector associations: the Association of Banks of Mexico (ABM), the Mexican Association of Insurance Institutions (AMIS), the Mexican Association of Retirement Savings Fund Administrators (AMAFORE), the Mexican Association of Stock Market Institutions (AMIB), the Mexican Association of Investment Advisors (AMAI) and the Mexican Council of Sustainable Finance (CMFS).

The CFS created four working groups that are in charge of carrying out analyses, evaluations, proposals, and recommendations, in order to develop a sustainable finance agenda for Mexico. These working groups are dedicated to four main themes: (i) taking advantage of opportunities for capital mobilization, (ii) sustainable taxonomy, (iii) measurement and assessment of environmental, social and governance (ESG) risks, and (iv) disclosure and disclosure of ESG information.

The Sustainable Taxonomy Working Group (GTT) is coordinated by the SHCP and is made up of authorities from NGOs, financial system, representatives of the private sector, international organizations and agencies, and experts in the field.

The process of designing the Sustainable Taxonomy of Mexico began with the definition of general objectives and specific environmental and social objectives. Subsequently, the sectors and economic activities that would form part of the first stage of the Taxonomy were analysed and selected. Three priority environmental and social objectives were identified with which the Taxonomy would begin its construction. Subsequently, a methodological development process followed for the creation of **Technical Evaluation Criteria (CET)**, that is, the technical elements that will allow the evaluation of economic activities and determine if they are sustainable.

These criteria have been discussed by Sectoral and Thematic Technical Groups, whose mandate is the creation of CETs. Finally, the potential users of the taxonomy were identified and characterized, and a proposal for reporting guidelines for financial institutions was designed.

Table 7. Summary of relevant points regarding Mexico Taxonomy

	<i>Description</i>
<i>Overarching objective</i>	<ul style="list-style-type: none"> ▪ Mobilize and redirect public and private financing towards economic activities with positive environmental and social impacts. ▪ Create a basis for the development of public policies on sustainable finance. ▪ Provide information to the markets and contribute to avoiding greenwashing. ▪ Generate information on sustainable financing flows.
<i>Environmental Objectives</i>	<ul style="list-style-type: none"> ▪ Climate change mitigation ▪ Adaptation to climate change ▪ Management of water and marine resources ▪ Conservation of ecosystems and biodiversity ▪ Promotion of the circular economy ▪ Prevention and control of pollution <p>Mexico’s Taxonomy has also included social objectives, recognizing the importance of addressing social gaps and vulnerabilities for developing and emerging economies.</p> <ul style="list-style-type: none"> ▪ Contribution to gender equality ▪ Access to related basic services with sustainable cities (adequate, safe, affordable and resilient housing; sustainable public transport; waste management) ▪ Health

	<i>Description</i>
<i>Target users</i>	<ul style="list-style-type: none"> ▪ Education ▪ Financial inclusion <ol style="list-style-type: none"> 1. Companies from the real sector: As the main user of the Taxonomy, companies from the real sector of the economy will be able to make use of it to mobilize efforts that allow the implementation of technologies aligned with the thresholds of the Taxonomy. The use of the Taxonomy for companies will allow them to access the sustainable financing market, through the issuance of bonds, loans and thematic credits, improving the financing conditions of companies. For this, with the objective of providing information on the use of financing to the financial sector, they may disclose their degree of alignment of their sales, capital expenses, operating expenses with the Taxonomy. 2. Credit institutions: Composed of credit institutions that will rely on the Taxonomy to attract resources and mobilize capital towards sustainable activities, not only through holding sustainable assets, but also through their credit portfolios. Among this type of users are multiple banks, development banks and non-bank credit institutions. These types of users could report the value of their credit portfolio and other assets aligned with the Taxonomy. This type of users may use the Taxonomy to design green, social or sustainable financial products and services, based on the use of the financing granted, destined for activities aligned with the Taxonomy by the borrowers. 3. Institutional investors: This type of user includes AFORES, investment funds, insurance companies, among others. Institutional investors will be able to make use of the Taxonomy to align their investments towards activities with social and environmental benefits, with reporting focused on the value of assets aligned with the Taxonomy. In this way, it is expected that this type of users will be the main agents for the demand for sustainable assets and, in this way, encourage broadcasters to generate greater commitments to sustainability and to disclose their alignment with the Taxonomy. 4. Public sector: National agencies of different levels of government may report the degree of alignment of their budgets with the objectives of the Taxonomy under the established metrics and thresholds. In the same way, the Taxonomy can serve as a guide for the preparation of reference frameworks to access sustainable financing markets, for public investment projects aligned with the Taxonomy.
<i>Principles</i>	<ul style="list-style-type: none"> ▪ Substantial contribution of an activity to sustainability (based on metrics and thresholds) ▪ Do No Significant Harm ▪ Minimum safeguards seek to cover issues related to human rights, labour and governance matters

	<i>Description</i>
<i>Classification code</i>	<p>Sectoral analysis was carried out under the 2018 North American Industrial Classification System (SCIAN) and 171 activities were identified.</p>
<i>Sectoral criteria/ scope</i>	<p>Based on the analysis of economic concentrations of activities (GDP contribution), concentration of foreign direct investment flows (FDI), sectoral contributions to GHGs, and GHGs reduction potential, female participation in work force, commercial banks' credit portfolio, market capitalization and corporate debt issuance, sectoral priorities have been identified.</p> <ol style="list-style-type: none"> 1. Agriculture, livestock and forestry 2. Generation, transmission, distribution and commercialization of electrical energy and water supply 3. Construction 4. Manufacturing industries 5. Transport 6. Waste management and remediation services
<i>Screening criteria</i>	<p>171 activities were identified by GTS experts, who also identified the relevant activities to be definitively included in the Taxonomy</p> <p>The development of the methodology for the creation of technical screen criteria recognizes previous national classification exercises, such as the ABM taxonomy (2019-2020), and takes as a reference the conceptual and methodological structure of the EU Taxonomy, as it is the main reference worldwide for its solid scientific basis. Additionally, the metrics and thresholds of the Taxonomy of Colombia were considered as a relevant reference for Latin American countries.</p> <p>The main elements of the screening criteria are the main parameter, the substantial contribution of an activity to sustainability (based on metrics and thresholds), criteria of no significant environmental damage and minimum safeguards. The design, preparation, development and establishment of these elements required the collective work of experts in Sectorial and Thematic Technical Groups, guaranteeing the scientific soundness and operability of the Taxonomy.</p>
<i>Application (disclosure requirement)</i>	<p>Implementation and disclosure of information in alignment with the Taxonomy at this stage is voluntary.</p> <p>The guidelines and reporting formats should contribute to:</p> <ul style="list-style-type: none"> ▪ Identify and characterize the sustainable financing flows in the various investment portfolios and credit portfolios. This characterization can be done in an aggregate manner, by type of instrument and economic sector or type of objective to which it contributes ▪ Allow the visualization, comparison and monitoring of the results related to the application of the taxonomy. This monitoring will be the

	<i>Description</i>
<i>Principles for international Taxonomy Harmonization</i>	<p>responsibility of the corresponding authorities, institutions and regulators.</p> <ul style="list-style-type: none"> ▪ Standardize the generation of information on financing aligned with the objectives of the taxonomy, in accordance with the guidelines established by the corresponding financial regulation.
<i>Assessment of relevance/considerations for Türkiye</i>	<p>The review of a wide spectrum of national and regional taxonomies, both from public and private initiatives, has made it possible to guarantee the solidity in the construction of the Sustainable Taxonomy for Mexico. Analysis of the taxonomies of the EU, China, Columbia is presented in the Mexico taxonomy document.</p> <ul style="list-style-type: none"> ▪ The way that Mexico framed its taxonomy could be an example for Türkiye. Mexico’s international commitments on sustainability, including the Paris Agreement and the SDGs, and its national context in relation to the sustainability challenges that the country faces – climate change-related vulnerabilities, loss of biodiversity, poverty, inequality and gender gap – set the policy foundation for the Mexico Taxonomy. Similar to this approach, Türkiye can set the foundation of its taxonomy around its international commitments, explicitly listed, and specific sustainability challenges it wants to address. ▪ Mexico’s Taxonomy has also included social objectives, recognizing the importance of addressing social gaps and vulnerabilities. ▪ Following the publication of the Sustainable Taxonomy of Mexico, the next steps for its implementation during 2023 include the development and launch of an online learning tool for users of the Taxonomy. This tool will seek to disseminate information and develop capacities for the implementation of the Taxonomy, and will have content from the point of view of users inside and outside the financial system. A similar online learning tool could be developed by Türkiye too. ▪ Mexico will a test program that will evaluate the effectiveness and use of the Taxonomy, in order to identify the opportunities and possible challenges that may be faced in the implementation. This program will be voluntary and will be directed towards institutions from different sectors of the financial system that seek a better understanding for the implementation of the Taxonomy and participation in the development of this tool. A similar test/pilot programme could be developed by Türkiye too.
<i>Source</i>	<p>https://www.sbfnetwork.org/wp-content/uploads/2023/03/1131_Mexico_Mexican_Sustainable_Taxonomy_March-2023.pdf</p>

2. Effectiveness of Green Taxonomies

Most of the taxonomies analysed in this report, in fact, around the world, have been launched over a very recent period of time. Mandatory reporting requirements are not included to most of the taxonomies all around globe. Hence it is almost impossible to assess their effectiveness and impacts. **Assessing observed impacts would require a large amount of data collected for significant period of time**, covering a host of financial instruments - including bonds, credits and insurance products - for a representative segment/sample of the economy, which then can be analysed through econometric models.

A comprehensive technical study is conducted by the European Commission to assess the EU taxonomy's *ex ante* financial impacts.⁸ It provided an overview of available estimates of additional investment, which is needed to achieve the targets associated with the low- carbon transition under various scenarios. Then it analysed a large security by-security data covering the entire European bond and equity markets to provide a picture of where European financial markets in order to assess capital flows in low-carbon transition. It estimated the volume of financial investments that are supporting Taxonomy-eligible activities.

The study's assessment yielded an output concluding that impact of the taxonomy on financial markets in relation to funding the investment gap varies across sectors and scenarios. The scenarios that were considered to identify investment needs are EUCO27, EUCO30, EUCO+33, EUCO+35, EUCO+40: A set of scenarios of increasing stringency that achieve the EU 2030 targets, with different margins and pathways. The scenarios assume a range of policies including: revised EU ETS; policies facilitating renewables energy targets in the electricity, heating & cooling and transport sectors; energy efficiency policies in the buildings sector via e.g. increasing the rate of renovation, facilitating access to capital for investment in thermal renovation of buildings; eco-design standards banning the least efficient technologies. It estimated that the (green) **bond and loan issuance would increase by around 4.9% in the energy-intensive sector and by 6.0% in the transport sector**. Although the study employs a comprehensive method and its analyses are robust, its estimates should be interpreted in light of a range of data limitations. To our knowledge, there is no systematic and credible impact study undertaken on the other taxonomies studied in this report. Türkiye may want to benefit from the EU study as an example of an analytical approach if it wants to conduct an *ex-ante* impact assessment study in the future. From the outset of its taxonomy development, it may want to invest in data collection efforts, supported by reporting requirements, which will allow the monitoring and analysis of its taxonomy's impacts.

3. Recommendations for the Relevant Steps and Pillars of the Development of Green Taxonomy

In light of the taxonomy landscape analysis, this section discusses how other taxonomies may shed light on the different pillars/phases of Türkiye's taxonomy development. Our recommendations summarized below reflect on other experiences while offering uniquely distinct characteristics for Türkiye's taxonomy to reflect the country's own priorities while potentially setting an example to other countries too. **The**

⁸ <https://publications.jrc.ec.europa.eu/repository/handle/JRC118663>

following recommendations are set to clarify some important steps of the taxonomy development processes exemplified by other countries, while also qualifying them as to how they could be performed in the light of the case study experiences.

Table 8. Recommendations for Development of Green Taxonomy for Türkiye

No	Recommendations for Development of Green Taxonomy for Türkiye
1	Define taxonomy objectives clearly and allow for policy space for progressive scoping
2	Define an overall objective for strategic positioning and harmonization interoperability
3	Define the target users systematically using objective criteria
4	Define scoping & screening criteria in line with pre-defined inter-operationality purposes
5	Define disclosure requirement at an early stage of the taxonomy development process
6	Ensure transparency and stakeholder engagement
7	Develop and execute a clear domestic and international communication plan

3.1 Define Taxonomy Objectives Clearly and Allow for Policy Space for Progressive Scoping

The landscape analysis shows that the overall objectives of taxonomy development are similar across countries, yet some examples stand out as clearer and more specific about their objectives and targets than others.

The main objective of green taxonomies is to channel financial resources, domestic and international, to areas of underinvestment to bridge the funding gap to achieve **SDGs** and other domestic targets and international commitments, including **NDC** under the United Nations Framework Convention on Climate Change (UNFCCC), Convention to Combat Desertification (UNCCD), Convention on Biodiversity (CBD).

Türkiye can set the foundation of its taxonomy explicitly around its **key sustainability targets and international commitments**. Its taxonomy document may specify the sustainability challenges that Türkiye wants to address. The way that **Mexico framed its taxonomy could be an example for Türkiye**. Mexico's taxonomy document provides background for the **country's specific climate change-related vulnerabilities, loss of biodiversity, poverty, inequality and gender gap**. It clearly sets the policy foundation for the targets and the related scope of its taxonomy.

Mexico's taxonomy has also included **social objectives, recognizing the importance of addressing social gaps and vulnerabilities** such as gender equality and sustainable cities (adequate, safe, affordable and resilient housing; sustainable public transport; waste management) Besides, environmental objectives that are important for Türkiye - **climate change mitigation and adaptation, land degradation, loss of biodiversity, protection of terrestrial and marine ecosystems, pollution, circular economy** – also social objectives, would provide a strong foundation and context for future regulation. In the future Türkiye may consider social objectives in its taxonomy. **Objectives should be set to allow adequate policy space for progressive scoping in the future.**

In light of the landscape analysis, we recommend that **the green taxonomy of Türkiye to include the following objectives:**

Table 9. Recommended Objectives for Türkiye Green Taxonomy

No	Recommended Objectives for Türkiye Green Taxonomy
1	Climate change mitigation and carbon efficiency
2	Climate change adaptation and climate resilience
3	Circular economy
4	Prevention of water, soil and air pollution
5	Sustainable use of terrestrial and marine ecosystems and the protection and the restoration of biodiversity
6	Green infrastructure (green transport, water, waste management, energy transit, telecommunication)
7	Sustainable cities (access to safe, affordable, resilient and efficient housing)

Priority sectors and activities

The sectors and activities that the green taxonomy to target can be identified based on objective criteria for each objective listed above. For example, the criteria may include variables and approaches, such as exposure to climate-related risks and vulnerabilities (objective 1), GHGs intensity of sectoral output (objective 2), material footprint of sector (objective 3), sectoral priorities of current regulations for pollution control (objective 4), ecosystem footprint/intensity of sectors (objective 5), analysis of infrastructure gaps/needs for each category (objective 6), sectoral concentrations of activities (GDP contribution) (objective 7). Some of the sectors which could be prioritized is summarized in the table below:

Table 10. Recommended List of sectors to be prioritized

1	Energy, cement, steel and glass industry
2	Agriculture, livestock and forestry
3	Transmission, distribution of energy
4	Manufacturing industry
5	Distribution of water and waste
6	Construction industry
7	Transport (maritime, road-transport, and aviation)
8	Waste management services
9	Tourism and hospitality services

3.2 Define an Overall Objective for Strategic Positioning and Harmonization with the EU Taxonomy

Countries often want to make sure that national priorities are reflected while remaining aligned with international trends. Hence striking a right balance between **interoperability** and **distinctiveness** is a challenge for new taxonomies.

While harmonization with other taxonomies may ease green investment flows between jurisdictions, it would also reduce transaction costs for users, enlarging regulatory compliance for entities operating in both jurisdictions, and reducing their reporting requirements. The more harmonized taxonomies are the more regulatory clarity they provide to their users.

Since taxonomies are designed to address specific sustainability challenges, policy priorities or specific objectives of governments in each jurisdiction, they tend to differ from each other. What defines a taxonomy distinct is also about the effectiveness of its contribution to the achievement of the objectives that it is designed to address.

Türkiye can **strategically position** its taxonomy as a **uniquely distinct taxonomy** in specific areas while seeking significant harmonization with the EU Taxonomy in other objectives:

Harmonized – Climate Change Mitigation and Carbon Efficiency: In its carbon intensive industrial sectors (cement, steel, glass), Türkiye’s major trading and investment partner is the EU. Hence Türkiye would strategically benefit from harmonizing its taxonomy with the EU in relation to climate change mitigation and the related sectors. It is likely that this would have a positive impact on capital inflows from the EU markets, while reducing transaction costs for entities that operate in both Turkey and the EU. It would also reduce the risk of exporters facing stringent EU trade regulation, in the form of a Carbon Border Adjustment Mechanism (CBAM).

Harmonized – Circular Economy: In manufacturing, Türkiye’s major trading and investment partner is the EU. Hence Türkiye would strategically benefit from harmonizing its taxonomy with the EU in relation to circular economy standards. It is likely that this would have a positive impact on capital inflows from the EU markets, while reducing transaction costs for entities that operate in both Turkey and the EU. It may also ease Türkiye’s entities’ penetration to European markets that exhibit high circularity standards and consumer preferences.

Harmonized – Biodiversity and Ecosystem Restoration: The EU technical standards on ecosystems, biodiversity and pollution area stringent, consistent and strong. Türkiye may benefit from adopting best in class standards in this area. It may also allow it to have improved access to EU funding in relation to ecosystem protection and restoration.

Distinctive – Adaptation and Resilience: Given Türkiye’s climate change-related vulnerabilities and chronic adaptation gaps which are likely to grow under the intensifying impacts of climate change, it is recommended that adaptation and resilience should be the top priorities of Türkiye’ taxonomy. This would imply that the sectors that exhibit high exposure to the impact of climate change - agriculture, livestock and forestry – could be priority sectors where the taxonomy sets out to attract large volumes of sustainable finance flows.

Distinctive – Sustainable Cities: Recent disasters have also illustrated Türkiye’s vulnerabilities in relation to the massive need for safe, resilient and efficient housing in its urban spaces. Hence sustainable cities can also be Türkiye’s taxonomy’s distinctive priority objective. Given the construction sector’s shares in GDP and employment are high, targeting this area would generate significant economic and social co-benefits while also addressing the carbon emissions of building sector as well.

Distinctive – Green Infrastructure: Green infrastructure (including green transport, water, waste management, energy transit, telecommunication) can be another area where Türkiye can set specific targets for its taxonomy. Building large stocks of green infrastructure will be key to Türkiye’s future sustainability, and will have substantial positive spill-over impacts on many sectors. Infrastructure is also a sector that can create tangible, monetizable green assets for long term investment, hence attractive to institutional impact investors. The decisions on which specific category of infrastructure investments should be particularly prioritized would need to be informed by a need gap analysis.

Türkiye would strongly benefit from having a clear approach to its selection of areas of harmonization and distinctiveness from the outset of its taxonomy development. Other taxonomy covered in this landscape analysis did not undertake such a strategic approach to balancing harmonization with distinctiveness. Türkiye’s taxonomy could set an example by **strategically positing** its *taxonomy as a uniquely distinct taxonomy in specific areas while actively harnessing harmonization in others*.

3.3 Define the Target Users Systematically Using Objective Criteria

Most taxonomies define their target users in the form of a list of obvious potential users. Türkiye may adopt a more systematic approach on the identification of target users from the outset. The clearer the objectives, sectoral priorities of the taxonomy are, the more systematic the target user identification can be.

The EU Taxonomy identifies three broad categories of users, namely financial market participants, large companies, Member States.

China taxonomy specifies only green bond issuers and policymakers.

Indonesia lists all financial sectors actors (banking, capital market, and investors, national and international); government agencies that formulate fiscal policy and development planning; financial services and monetary authorities that create policies as well as monitor and supervise the implementation of sustainable finance policies; international institutions/cooperative organizations which require disclosure of information related to standard definitions issued by the Government on green economic activities.

South Korea taxonomy’s target users include banks, other financial institutions and corporates.

Mexico lists companies from the real sector as the main users of the Taxonomy, credit institutions, institutional investors and the public sector, national agencies of different levels of government may report the degree of alignment of their budgets with the objectives of the Taxonomy.

We recommend that following list and use cases included in the taxonomy document of Türkiye. The Excel tool that was provided as part of Task 2 of this project, may also be used effectively to identify/prioritize target users in the context of Türkiye.

Table 11. Proposed Stakeholder Groups and Their Key Roles in Relation to the Taxonomy

Stakeholder Groups	Objectives and Potential Uses
Government Institutions, Policymakers and Regulators	<ul style="list-style-type: none"> • Pivot the green taxonomy with areas of underinvestment to bridge the funding gap to achieve national sustainable development commitments, such as those in the country's NDC targets and SDG. • Attract sustainable finance from domestic and international markets. • Align, coordinate, incentivize domestic and international actors to invest in and/or re-direct capital to green investment areas and activities. • Identify eligible activities that can be financed with relevant green debt instruments, such as green and sustainability-linked bonds. • Facilitate the development of a pipeline of green projects in accordance with the green taxonomy. • Develop new regulation based on the taxonomy to encourage banks to lend to eligible green companies. • Regulate market players according to benchmark criterion and standards on sustainability. • Measure and monitor financial flows toward sustainable development priorities at the asset, portfolio, institutional, and national levels. • Provision market transparency and signalling on green investment areas by facilitating sustainability reporting and disclosure guidelines for financial market actors. • Monitor and verify corporate actions and avoid "greenwashing". • Monitor and verify activities of regional and provincial public institutions. • Aligning and harmonizing public policy instruments in different domains according to the categories of the green taxonomy. Align and repurpose incentives (subsidies, tax discounts, trade facilitation etc) in line with the taxonomy. • Provide a reference for public institutions (ministries, regional development agencies, municipalities) as they develop strategies. • Develop a common platform covering all relevant regulations, guidelines of regulatory authorities on taxonomy regulation and minutes of stakeholder meetings, discussion papers etc
Financial Institutions	<ul style="list-style-type: none"> • Offer financial instruments and products (such as loans, credits, and guarantees) that are legitimately categorized as sustainable/green. • Define thematic objectives for impact investment product and services. • Lower transaction costs through faster identification and verification of eligible green assets. • Regulatory compliance and assessment of alignment with officially defined green activities in a given jurisdiction (disclose exposure to sustainable investments as required by regulators). • Develop green transition strategies and action plans for credit and investment portfolios. • Inform clients and customers in relation to sustainable finance products, portfolios, and activities. • Design investment policies aligned with the preferences of clients and beneficiaries. • Reduce uncertainty and reputational risk

<p>Corporates and SMEs (non-financial sector)</p>	<ul style="list-style-type: none"> • Attract sustainable finance (capital for green/sustainable activities and/or projects/assets and operations). • Develop corporate transition strategies. • Inform internal stakeholders (employees, shareholders, etc) and external stakeholder (consumers, investors, suppliers etc) about its green activities and plans. • Regulatory compliance and assessment of alignment with officially defined green activities in a given jurisdiction.
<p>Civil Society, including professional associations</p>	<ul style="list-style-type: none"> • Professional associations in specific industries may use a green taxonomy to develop industry-specific sustainability standards and guidelines. • Industry associations, such as energy, buildings, agriculture, could be required to report on their sustainability practices and the environmental impact of their members. • Non-governmental and/or voluntary standard-setting bodies that develop sustainability standards or certifications can align or position their sustainability standards with the taxonomy. • NGOs can monitor corporate actions on green activities and monitor policy actions on green activities. • Inform public on the commitments of public and private actors in relation to sustainable activities. • Contribute to transparency efforts to keep relevant stakeholder accountable.

3.4 Define Scoping & Screening Criteria in line with Pre-defined Inter-Operationality Purposes

The work of EU's TEG is to set technical screening criteria for economic activities within priority macro-sectors can set an example for Türkiye.

For example, TEG has developed technical screening criteria for 70 activities in 8 sectors of the economy contributing to climate change mitigation, as well as for 68 activities contributing to climate change adaptation.

According to the Taxonomy Regulation, economic activities are grouped into 3 categories for the climate change mitigation objective.

1. Activities own performance that can make a **substantial contribution** and qualify as green.
2. **Enabling activities:** directly enable others to make a substantial contribution to an environmental objective.
3. **Transitional activities:** that low-carbon alternatives are not yet available and that have greenhouse gas emission levels that correspond to the best performance in the sector or industry.

The EU is in the process of developing its standards for other objectives of its taxonomy, namely biodiversity, circular economy, pollution control.

Indonesia's green taxonomy is also detailed about the screening criteria. It examined more than 2500 sectors and sub-sectors and mapped out 919 sub sectors/groups/business activities. Among the 919 subsectors/groups/business activities, 904 are not yet able to be directly categorized as green sector (as there are prerequisites that must be met first) while the other 15 are included directly in green category.

For classification purposes, the criteria are divided into three categories, namely:

1. **Green** (do no significant harm, apply minimum safeguard, provide positive Impact to the environment and align with the environmental objective of the taxonomy) - Business activities that protect, restore, and improve the quality of environmental protection and management, as well as climate change mitigation and adaptation, and comply with the governance standards by government, and apply best practices at both the national and international level.
2. **Yellow** (do no significant harm) - Determination of business benefits for environmental protection and management must still be conducted through measurement and support of other best practices
3. **Red** (harmful activities) - The business activities do not meet the yellow and/or green criteria/threshold.

South Korea's K-Taxonomy is to consist of the 'green sector', and the "transition sector".

The "green sector" consists of 64 green economic activities in total, among which are activities related to industry, power generation and energy and transportation.

The "transition sector" is classified into five economic activities: (i) greenhouse gas reduction activities at SMEs, (ii) energy production based on liquefied natural gas and mixed gas (i.e., the gas that is a mixture of two or more biogas including hydrogen, ammonia, by-product gas and liquefied natural gas), (iii) liquefied natural gas-based hydrogen (blue hydrogen) production, (iv) eco-friendly shipbuilding and (v) eco-friendly ship transportation.

South Africa's taxonomy recognizes two distinct types of substantial contribution applicable across climate change mitigation and climate change adaptation. These different types of Substantial Contribution are reflected in the TSC as:

1. Economic activities that make a substantial contribution based on their own performance. For example, an economic activity being performed in a way that is environmentally sustainable.
2. Enabling activities: economic activities that, by provision of their products or services, enable a substantial contribution to be made in other activities. For example, an economic activity that manufactures a component that improves the environmental performance of another activity.

An economic activity is considered to contribute substantially to the environmental objective of climate change mitigation where that activity substantially contributes to the stabilization of greenhouse gas concentrations in the atmosphere at a level that prevents dangerous anthropogenic interference with the climate system by avoiding or reducing greenhouse gas emissions or enhancing greenhouse gas removals.

An economic activity is considered to contribute substantially to climate change adaptation where that economic activity includes adaptation solutions that either substantially reduce the risk of adverse impact or substantially reduces the adverse impact of the current and expected future climate on that economic activity itself without increasing the risk of an adverse impact on other people, nature and assets.

Synthesis Approach for Türkiye

Proposed Scoping and Screening Criteria		
All Categories	EU Harmonized Categories	Distinctive Categories
Substantial Contribution Activities	Substantial Contribution Activities	Substantial Contribution Activities
Enabling Activities	Enabling Activities	Enabling Activities
	Transitional Activities	Harmful Activities

For Türkiye, it can be decided on the categorization of activities based on common denominator of most taxonomies in the form of having:

- **Substantial contribution activities**
- **Enabling activities**

For areas that it seeks harmonization with the EU (*Recommendation 2*), **Transitional Activities** can be introduced.

To ensure regulatory clarity and maximize the impact of the taxonomy in discouraging harmful activities, it may be worth considering the introduction of an additional "**red**" category specifically designated for such activities. (*Please see table below*)

Table 12 Proposed Scoping and Screening Criteria for Regulatory Clarity

3.5 Define Disclosure Requirements at an Early Stage of the Taxonomy Development Process

Sustainability disclosure requirements for non-financial and financial entities are important part of the taxonomy development and implementation. The purpose of reporting, is to create greater transparency and accountability and to allow for better informed and more robust decision-making process for all stakeholders, including regulators, policy makers, consumers, investors, employees and shareholders etc. In this sense green taxonomy reporting represents a mechanism to generate data and measure progress as to how a country makes progress in investment and activity flows towards sustainable development.

The EU has the largest scope of disclosure requirements separately designated for financial services industry and non-financial entities. *Corporate Sustainability Reporting Directive (CSRD)* which applies to all large companies that meet the following requirements:

- Have more than 250 employees and/or
- More than EUR 40 million turnover and/or
- More than EUR 20 million in total assets.

The reporting requirements include information about the entity's turnover, capital expenditures (CapEx), and operating expenditures (OpEx), that is aligned or eligible with the taxonomy. The CSRD aligns with the reporting required by other sustainable finance framework standards.

SFDR is a regulation introduced to improve transparency in the market for sustainable investment products, to prevent greenwashing and to increase transparency around sustainability claims made by financial market participants. SFDR regulation applies to all financial market participants (FMPs) and financial advisors (FAs) in the EU, FMPs with EU shareholders, and those marketing themselves in the EU, setting out clear disclosure requirements when it comes to ESG consideration.⁹ It creates a reporting framework for financial products and financial institutions. The SFDR distinguishes disclosure requirements for- financial products depending on their characteristics and level of sustainability.

Pilot and phased approach for Türkiye:

For the taxonomy to have tangible impact on capital flows and investment decisions, mandatory disclosure requirements for entities are crucial. As entities disclose their alignment to the taxonomy, monitoring tools can be placed, data can be collected, KPIs (by the internal stakeholders of entities and/or regulators) could be set, and entities have incentive to internalize sustainability.

Hence, Türkiye may consider an approach which may include a **pilot phase**, similar to South Korea's bond issuance, followed by limited scope reporting phase, then a specific timeline for both an enlarged scope that will cover larger number of entities and larger categories of standards (see illustrative example below). Türkiye may also consider developing an overlapping coverage for financial and non-financial entities. It is also possible to link/align reporting requirements with mandatory auditing requirements for financial and non-financial entities. In defining the scope of reporting requirements, the profile of entities in term of their importance for public (requires official definition), whether they are listed on stock exchange, their size in term of revenue, assets and number of employees are considered. Please see below the table for an example of timeline and scoping.

Disclosure has to take place on two levels. Disclosure by financial institutions and disclosure by non-financial companies. As of 2022 reports (on financial year 2021), EU companies are required to publish indicators measuring the scope of their activities/investments eligible for the Taxonomy and then, subsequently, aligned with the Taxonomy (meet the requirements of technical screening criteria). For the first year, the obligations are lighter and concern only the eligibility of activities for the Taxonomy (i.e., whether they are included in the classification of the Taxonomy without considering sustainability criteria). In 2023, non-financial companies will have to publish full reporting on alignment, while financial companies will continue to report on eligibility for an extra year, publishing their alignment indicators in 2024.

We recommend a similar approach in Türkiye

As an immediate step and since it is expected that Türkiye's Taxonomy will be quite comparable and interoperable with the EU's, a pilot may be started immediately with a small group of selected corporates, investment funds, and banks, using the EU Taxonomy as the reference and the current CSRD, SFDR and

⁹ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R2088&from=EN>

MiFID II disclosure requirements and guidelines. This small group of pilot participants would consider themselves as entities within the EU reporting jurisdiction and apply all the EU mandated disclosure and reporting requirements.

The Ministry may consider forming a Piloting sub-group to oversee the pilot and gather and document valuable feedback during this process. The exercise will prove invaluable in terms of information sharing and knowledge building in an open and transparent manner. The exercise will greatly enhance the capacity and capability of the Technical Expert group actually working on Türkiye's taxonomy. It will jump start the building of capacity and developing a common understanding of the principles and challenges of disclosure across the financial sector and non-financial sector, with the intention of more focused discussions on minimum disclosure expectations. Templates can be built during this time.

This piloting exercise could very well serve to identify challenges such as:

Misalignment – Identify any Misalignment between the sustainable finance reporting requirements, environmental regulations, and national and international regulatory frameworks, including differing definitions

Ecosystem Needs – Required skills, training, systems, and service providers which are part of the sustainability eco-system

Verification - What information disclosed as a part of Taxonomy reporting is subject to external verification and/or assurance. The roles and responsibilities of different parties with regard to the verification or assurance of information used within Taxonomy reporting.

Sequencing and timeline issues across the reporting frameworks - Ensure that the data is available to financial institutions in order to satisfy their own reporting obligations

Regulatory overload, ensuring that the regulatory reporting requirements are evenly distributed and proportional and that regulators have the capacity to implement and enforce requirements

Interpretive issues - Ensure reporting requirements are clearly and uniformly defined and understood by all user groups (what needs to be reported, how and by when)

Regulatory gaps and overlaps – Identify and fill any regulatory gaps or addressing any regulatory hurdles or overlaps that might hinder or perplex the use of the Taxonomy

Data gaps- Foster the availability and accessibility of data including data providers. data more widely available and comparable for all market stakeholders. Enable companies to be custodians of their own data, provide framework-neutral Taxonomy information in real-time, and promote transparency through digital platforms.

There have been several studies and initial feedback on the application of the EU Taxonomy by banks and companies. The summaries and findings are extensive and beyond the scope of this project nevertheless may serve the Technical Working Group as an important resource.

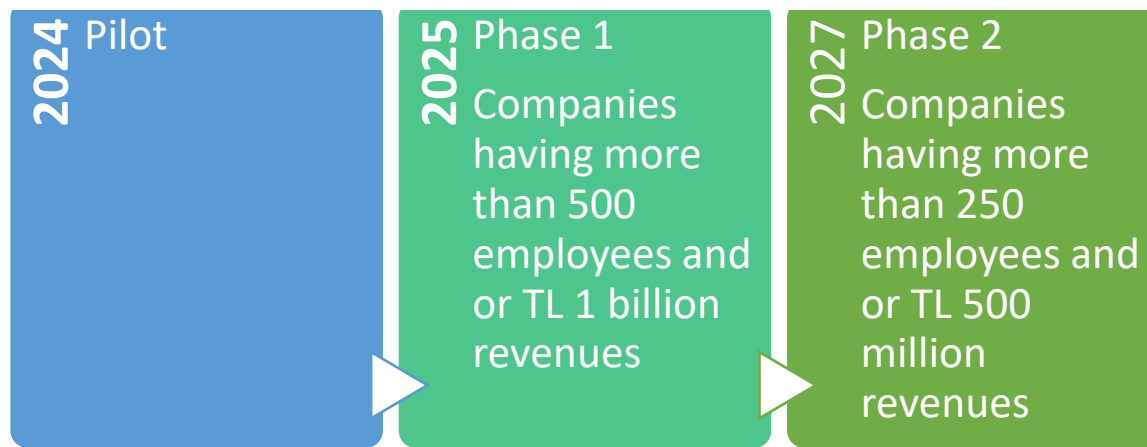
Testing the application of the EU Taxonomy to core banking products: High level recommendations January 2021: The European Banking Federation, together with the United Nations Environment

Programme Finance Initiative (UNEP FI), on 26 January 2021 launched a report that for the first time assesses how the EU Taxonomy can be applied to core banking products. The report is based on case studies analysing transactions and existing client relationships across a large spectrum of sectors, economic activities and geographical locations.

Platform usability report platform recommendations on data and usability as part of taxonomy reporting 12 October 2022. The report covers 1) proposed changes to Level 1 or 2 legal guidance on Taxonomy reporting, to support both the 2024 review period (within the Article 8 Delegated Act¹⁰) and consider key usability challenges with the current proposals around sustainable finance disclosures; 2) Recommendations for supplementary guidance from the European Commission to user groups; 3) Recommendations for supervisory guidance from the European Supervisory Authorities (ESAs) to user groups; 4) Proposed recommendations on policy consistency across the sustainable finance framework; and 5) Proposed recommendations on Taxonomy usability.

Implementing The EU Taxonomy an update to The Pri's 'Testing the Taxonomy' Report - Explores how investors are implementing the EU taxonomy. A follow up to the PRI's original Testing the Taxonomy report, published in September 2020. It featured more than 35 case studies produced by members of the PRI Taxonomy Practitioners Group (TPG)

Figure 5 Pilot and Phased Disclosure Approach for Türkiye



AMF Sustainable Finance – Insights into the first taxonomy reporting by listed companies November 2022. A study devoted to an analysis of the publications of a sample of 27 companies in the context of the first application of these new Taxonomy reporting obligations including "illustrations" and "case studies" presenting a closer look into the understanding of the legislation and methodological aspects on the basis of the information published by the companies.

3.6 Ensure Transparency and Stakeholder Engagement

Developing a genuine, wide-ranging and continuous engagement with stakeholders will ensure *transparency* which is the central element of green taxonomy development and would ease future uptake of the taxonomy. The **EU, South Africa, and Mexico** have demonstrated good examples of taxonomy design and development, by engaging stakeholder and embracing transparent mechanisms. As we

illustrated in the case assessments above, countries systematically document the entire process of taxonomy development, while pro-actively collecting feedback through dedicated websites and communication platforms. Thus, it is highly recommended to use a stakeholder engagement platform for Türkiye's taxonomy development.

3.7 Develop and Execute a Clear Domestic and International Communication Plan

With clearly defined communication plans all market participants could be informed through the green taxonomies regarding the direction in which governments intend for sustainable economic activities to progress. Considering the large scope and potential number of target users, and other stakeholders (as described under Task 2) having an effective communication plan around the taxonomy is key to achieve its objectives recommended under 3.1. The communication plan should have two main components:

- **Domestic communication by phases:** the plan should involve a roadmap reflecting the phases of the green taxonomy Türkiye and set specific target audiences accordingly. In the early phases of the development, stakeholders whose actions have material impacts in relation to the priority sectors/activities should be targeted. The communication activities should inform and engage them. As the taxonomy development moves into more advanced phases, the target audience should be enlarged to include progressively other stakeholders that are relevant. Before the launch of the taxonomy, a communication campaign should promote the taxonomy to a wider public, highlighting the importance of it for the sustainable development of the country.
- **International communication promoting Green Türkiye:** Many country examples studied in this report lack purpose-led communication efforts at the international level, except for the EU Taxonomy. A country, as integrated with global financial markets as Türkiye, needs to inform international stakeholders – international financial institutions, public/private investors, global corporates – about its green taxonomy. The promotion of Türkiye as a destination for green investment is key to attracting sustainable finance in the form of both short- and long-term investments (including FDIs) and green international trade. Hence a range of activities including investment campaigns, high visibility events (e.g., COPs) could be envisaged. It is also important to publish and make all taxonomy related documents and regulations available and accessible in English for international stakeholders.

List of Annexes

1. List of Members of the Commission Technical Expert Group on Sustainable Finance published in 2020.
2. List of Members and Observers of the Platform on Sustainable Finance published in 2023.