

D -5: ANALYSIS AND IDENTIFICATION OF POTENTIAL USERS

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



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Table of Abbreviations and Acronyms

Acronym	Definition
AFD	Agence Française de Développement
AIIB	Asian Infrastructure Investment Bank
BAT	Banks Association of Türkiye
BCBS	Basel Committee on Banking Supervision
BIST	Borsa İstanbul - Istanbul Stock Exchange
BRSA	Banking Regulation and Supervision Agency
CBD	Convention on Biodiversity
CBRT	Central Bank of the Republic of Türkiye
CDP	Carbon Disclosure Project
CMB	Capital Markets Board of Türkiye
CSRD	Corporate Sustainability Reporting Directive
DoCC	Directorate of Climate Change
EBRD	European Bank for Reconstruction and Development
EFRAG	European Financial Reporting Advisory Group
EIB	European Investment Bank
ESG	Environmental, Social, and Governance
FA	Financial Advisors
FMP	Financial Market Participants
GEFF	Green Economy Financing Facility
GRI	Global Reporting Initiative
IASB	International Accounting Standards Board
IASCF	International Accounting Standards Committee Foundation
IBRD	International Bank for Reconstruction and Development
ICMA	International Capital Market Association
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
ISO	International Organization for Standardization
ISSB	International Sustainability Standards Board
JBIC	Japan Bank for International Cooperation
KfW	Kreditanstalt für Wiederaufbau
KGK	Kamu Gözetimi Kurumu- Public Oversight, Accounting and Auditing Standards Authority
LMA	Loan Market Association
LME	Large and Medium-Sized Enterprises
LtV	Loan to Value
MDB	Multilateral Development Banks
Ministry	Ministry of Environment, Urbanization and Climate Change
MTP	Medium Term Programs
NDC	Nationally Determined Contributions
NFRD	Non-Financial Reporting Directive
NGFS	The Network of Central Banks and Supervisors for Greening the Financial System
PDP	Public Disclosure Platform



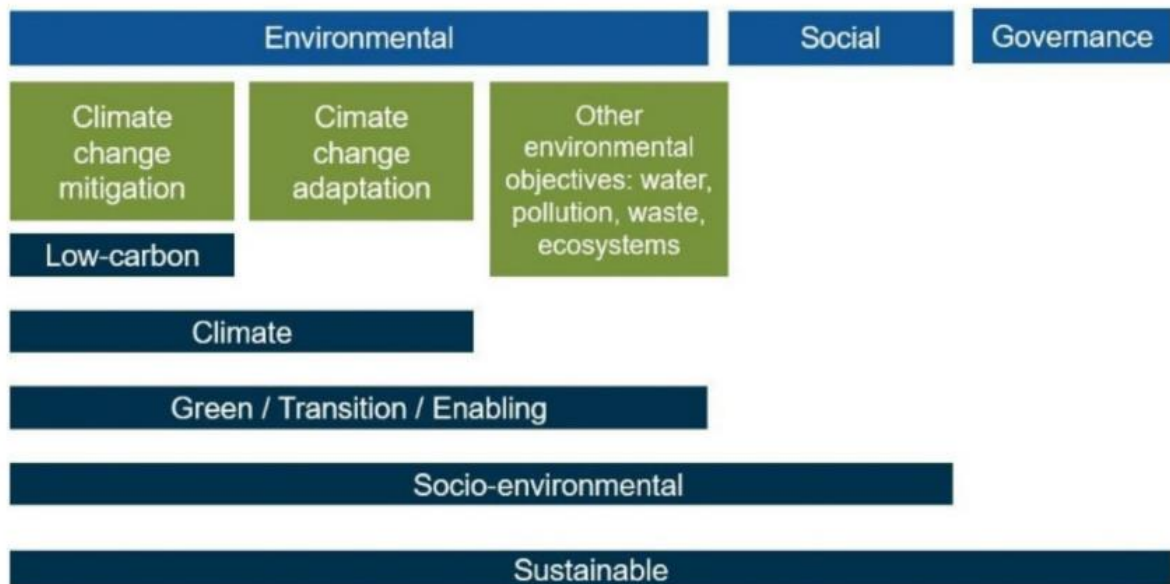
PROPARCO	Company of Promotion and Participation for the Economic Cooperation
SBFN	Sustainable Banking and Finance Network
SDG	Sustainable Development Goals
SFDR	Sustainable Finance Disclosure Regulation
TAS	Turkish Accounting Standards
TBB	Türkiye Bankalar Birliği - The Banks Association of Türkiye
TCFD	Task Force on Climate-related Financial Disclosures
TCFR	Task Force on Climate-Related Financial Risks
TEG	Technical Expert Group
TKBB	Türkiye Katılım Bankaları Birliği - Participation Banks Association of Türkiye
TOBB	Türkiye Odalar ve Borsalar Birliği - Union of Chambers and Commodity Exchanges of Türkiye
TSKB	Türkiye Sınai Kalkınma Bankası - Industrial Development Bank of Türkiye
TÜSİAD	Türk Sanayicileri ve İş İnsanları Derneği - Turkish Industry and Business Association
UNCCD	The United Nations Convention to Combat Desertification
UNEP	UN Environment Programme
UNEPFI	United Nations Environment Programme Finance Initiative
UNFCCC	United Nations Framework Convention on Climate Change

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 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**.

Figure 2 List of Project Activities and Deliverables



The overview of project tasks with respective activities and deliverables is listed in the figure below. This report is part of **TASK - 2** and comprises the fifth deliverable of the project.

The report contains the following main sections:

- Analysis of the **national context** which summarizes the current state of sustainable finance in Türkiye including an **overview of government and non-governmental actions** and **key factors that prevent the development of sustainable finance** in the country.
- **The identification and characterization of stakeholders** section outlines the **main user groups** of the taxonomy as well as describes the **methodological tool** developed by the consultant team which aims to map the stakeholders based on their characteristics in relation to the taxonomy.
- The recommendation for the **formation of a technical expert group** section summarizes the recommendation based on the analysis of working groups in the EU and other emerging market taxonomies.
- The potential for **approval and standardization of accounting rules in sustainable finance**.

1 Analysis of National Context

Sustainable finance plays a key role in the transition to a green, resource-efficient, inclusive, and resilient economy. Having access to new finance channels for green investments is particularly critical for developing countries to achieve **sustainable development goals (SDGs)** and their other domestic targets and international commitments, including **Nationally Determined Contribution (NDC)** under the United Nations Framework Convention on Climate Change (UNFCCC), Convention to Combat Desertification (UNCCD), Convention on Biodiversity (CBD). **Public sector finance is often insufficient to trigger and sustain this transition.** A recent study by the UNDP estimates a funding gap of \$2.5 trillion faced by developing countries annually in SDG investments.¹ Hence countries aim to mobilize private sector finance to fill their funding gap by developing an enabling policy environment for the private sector to generate sustainable finance for a green transition.

Sustainable finance markets have grown considerably over the last decade, offering ample financing opportunities for developing countries². According to Bloomberg, environmental, social, and governance (ESG) assets surpassed \$35 trillion in 2020, amounting to one-third of total global assets. ESG assets are expected to reach \$50 trillion by 2025. Similarly, ESG debt markets, including green/sustainable bonds issued by corporates and governments, reached \$4 trillion (Bloomberg, 2023). **According to Refinitiv, London based financial markets data provider, in 2021, Europe was the largest region for sustainable finance bonds with 54% market share, followed by 22% by the Americas and 18% Asia-Pacific.**³ . In April 2023, with an important step, Türkiye issued its inaugural sovereign green bond and joined the list of countries that are active in global green bond markets.

1.1 Government Action for Sustainable Finance in Türkiye

Sustainability has become a priority theme in Türkiye's overall national development plans, strategies and programs announced in recent years. Recently published policy documents set targets and actions focusing on sustainability, climate change and green transition at an accelerating pace. Actions for sustainable development and green finance, as well as policies and measures for climate change mitigation and adaptation, are also included in policy documents such as **the Eleventh Development Plan, Medium Term Programs (MTP) (2022-2024) and (2023-2025).** **In the latter MTP, the actions for the green transition were covered more comprehensively; for example, the 2053 net zero target and the commitment to develop a national action plan on climate change, the preparation of a national green taxonomy in line with international taxonomies, and the revision of the national carbon taxation system.**

Executive branches of the government have identified priority areas and opportunities for green growth, including climate mitigation and adaptation activities across sectors, and have published national strategy documents for sustainability topics under their mandates. Under the Presidency of Strategy and Budget, **the National Sustainable Development Coordination Board** was established in 2022 to improve coordination among public institutions with the implementation of the SDGs at the national level.

¹<https://www.undp.org/turkiye/publications/sdg-investor-map-Turkiye>

² *Sustainability/green economy is defined as 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).

³ <https://www.refinitiv.com/perspectives/market-insights/sustainable-finance-continues-surge-in-2021/>

Türkiye ratified the **Paris Agreement** in October 2021. This provides incentives for increased demand for sustainable finance and an instrumental role in climate action mitigation and adaptation for the private sector. **The draft Climate Change Law** prepared by the Ministry of Environment, Urbanization and Climate Change (the Ministry) will determine the procedures and principles for reducing greenhouse gas emissions (GHGs) and developing resilience against the negative impacts of climate change while instituting a policy framework for the country's adaptation efforts.

Türkiye's first Climate Council, which is one of the critical steps in combating climate change, was held in February 2022 organised by the DoCC. As an outcome of the Council, a new roadmap was determined in 7 different areas⁴ and 217 new decisions were taken in line with the 2053 net zero emission and green development targets.

In 13th of April 2023, the Republic of Türkiye submitted its updated Nationally Determined Contribution (NDC) to the Secretariat of the United Nations Framework Convention on Climate Change. In the updated statement, Türkiye confirms that it will reduce its greenhouse gas (GHG) emissions by 41% through 2030 compared to the Business as Usual (BAU) scenario given in Türkiye's first NDC, which takes 2012 as the base year. Accordingly, Türkiye's emissions in 2030 will be 695 million tons of carbon dioxide-equivalent (Mt CO₂e). The declaration states that Türkiye's greenhouse gas emissions will peak in 2038. The longer-term mitigation target is to achieve a net zero target by 2053.

The European Green Deal, which was launched in 2019, was a policy milestone in relation to sustainability and climate change actions in Europe, with policy implications for non-EU countries as well. As an important step, the Ministry of Trade coordinated and published the **Green Deal Action Plan**⁵, a roadmap to guide Türkiye's alignment with the European Green Deal. It includes initiatives aiming to support green transformation in several policy areas. In this regard, the **Green Deal Working Group** was created to monitor the implementation of the Action Plan, to direct the studies by considering the global policy needs, and to carry out studies to improve the scope of the Action Plan and increase its effectiveness. The **Green Deal Action Plan 2022 Annual Report**⁶ regarding the developments within the scope of the action plan was published in April 2023.

As part of a regulatory framework designed for the financial system to accelerate the flow of sustainable finance, there have been several recent initiatives. The **"Sustainable Banking Strategic Plan (2022-2025)"**⁷ was published by the Banking Regulation and Supervision Agency in December 2021. It provides a roadmap for the development of sustainable banking. The document focuses on building a sustainable banking infrastructure and includes the methods and principles applicable for the sustainability efforts of the banks in line with international standards and practice. In November 2021, the Ministry of Treasury and Finance announced the **"Sustainable Finance Framework"**⁸ which forms the basis for government borrowing transactions that can be carried out domestically as well as internationally green and sustainable bond markets. Green bond issuance is important in terms of financing the country's medium and long-term development goals and supporting sustainable economic growth. In April 2023, the Ministry of Treasury and Finance issued a green bond with a nominal amount of US\$ 2,50 billion and maturity of 7 years. This green bond is the first ESG bond issuance by the Ministry of Treasury and Finance in international capital markets.

⁴ Science and Technology, Local Governments, Adaptation to Climate Change, Greenhouse Gas Reduction 1 and 2, Green Financing and Carbon Pricing, Migration, Fair Transition and Other Social Policies

⁵ <https://ticaret.gov.tr/data/60f1200013b876eb28421b23/MUTABAKAT%20YE%C5%9E%C4%B0L.pdf>

⁶ <https://ticaret.gov.tr/data/643ffd6a13b8767b208ca8e4/YMEP%202022%20Faaliyet%20Raporu.pdf>

⁷ <https://www.bddk.org.tr/KurumHakkinda/EkGetir/19?ekId=71>

⁸ <https://ms.hmb.gov.tr/uploads/2021/11/Republic-of-Türkiye-Sustainable-Finance-Framework.pdf>

In 2021, the Central Bank of the Republic of Türkiye (CBRT) established the Green Economy and Climate Change Division, main duties of which include carrying out studies to help determine CBRT's policies and conducting analytical studies on green economy and climate change areas. To contain climate-related and other environmental risks, the CBRT decided to support sustainable finance practices as a long-term policy without prejudice to the main objectives of monetary policy. The CBRT also became a member of Network for Greening the Financial System (NGFS) and started to actively take part in international climate work.

In 2020, the Sustainability Principles Compliance Framework was published by the Capital Market Board (CMB). The “comply or explain” basis introduced by this regulation, requires companies to disclose their compliance to ESG principles in their annual reports. In February 2022, the Capital Markets Board published the **"Green Debt Instrument, Sustainable Debt Instrument, Green Lease Certificate, Sustainable Lease Certificate Guide"**, which regulates the principles to be followed in the issuance of green and sustainable debt instruments. The guide is an important piece of document for the integrity and stability of Turkish financial markets - as it clarifies the regulatory framework of bond issuance processes and to inform investors within the scope of public disclosure obligations and fund environmental projects.

Türkiye's Public Oversight, Accounting and Auditing Standards Authority (KGK) published **IFRS S1 General Provisions on Disclosure of Sustainability-Related Financial Information** and **IFRS S2 Climate Related Disclosures** draft documents in 2022. It sets out requirements for identifying, measuring, and disclosing climate-related risks and opportunities. Globally, in the context of rising climate-related risks, including physical and transition risks, insufficient information about them can lead to the mispricing of assets and misallocation of capital, which may potentially give rise to concerns about financial stability in every country. Hence sustainability reporting is important in guiding market participants to understand how climate-related risks and opportunities are likely to impact an organization's future financial position as reflected in its income statement, cash flow statement, and balance sheet.

Please refer to Annex 1 for the summary table of the key steps taken by the Government toward sustainability in chronological order.

1.2 Sectoral Associations, Multilateral Institutions and Private sector Action for Sustainable Finance in Türkiye

Sectoral Associations

In addition to governmental institutions and public regulatory authorities, several non-governmental organizations, multilateral institutions and private sector actors promote sustainable finance in Türkiye. The Banks Association of Türkiye (TBB) and the Participation Banks Association of Türkiye (TKBB) are the institutions that mainly contribute and make suggestions to the design of policies for the development of the financial system. In 2014, the **"Sustainability Guide for the Banking Sector"** was published by the TBB and was updated in March 2021. Furthermore, in April 2023 "Sustainability in the Banking Sector: Sector Outlook Report" was published by TBB in order to present the developments, future targets and examples of good practice followed by the banking sector in Türkiye. Other sectoral associations such as the **Istanbul Chamber of Industry (ISO)** and the **Turkish Industrialists' and Businessmen's Association (TÜSiAD)** contribute significantly to the **policy agenda of sustainability in Türkiye**, while also raising awareness among their own members.

Stock Exchange

Borsa İstanbul plays a role in sustainable finance in Türkiye. **Sustainability Guide for Companies** was first published in 2014 and was updated in 2020. The guide provides companies a roadmap on ESG issues. Borsa İstanbul launched BIST Sustainability Index in 2014 and the calculation methodology has been revised in cooperation with data company Refinitiv in 2021, the ESG ratings are now being used to calculate the index.

Multilateral Development Banks

Multilateral development banks (MDBs) and bilateral financial institutions including EBRD, IBRD, IFC, EIB, AFD and PROPARCO from AFD group and KfW are also active in Türkiye to leverage financing for sustainability objectives. A Memorandum of Understanding (Climate MoU) was signed between Türkiye, IBRD, France (via AFD Group), Germany (via KfW), UN and EBRD to support Türkiye's climate action after Türkiye ratified the Paris Climate Agreement in October 2021 and committed to achieving net zero carbon emissions by 2053. The MoU provides a framework for the World Bank Group and other signatories to provide technical assistance and additional development financing of minimum \$3.2 billion and to help mobilize private finance for projects supporting Türkiye's enhanced nationally determined contributions (NDCs) and Long-Term Strategy (LTS) towards achieving carbon neutrality by 2053. Table below summarizes IFIs support to Türkiye to promote sustainable finance.

Table 1 Overview of IFIs support to Türkiye to Promote Sustainable Economy

International Financial Institution	Target User/Sector	Description
The European Investment Bank (EIB)	<ul style="list-style-type: none"> Local partners in Türkiye for key transport and urban infrastructure, environmental and agricultural projects, as well as enhancing access to finance to small businesses. 	EIB has been supporting the country's development since the mid-1960s. Total EIB financing in Türkiye (since the start of operations) is EUR 30.5 billion for 262 projects. ⁹
The World Bank	<ul style="list-style-type: none"> Strengthen the institutional capacity of public institutions to support transition to more resilient green economy. 	IBRD and IDA's total lending at project level to Türkiye is nearly USD 11 billion ¹⁰ from 2014 to 2023. ¹¹ The World Bank supports green transition in Turkey to help combat the effects of climate change and invest in a green economy. In 2022, the World Bank extended a USD 341.27 million loan to Türkiye to support a more sustainable and competitive agricultural sector and promote the use of climate-smart technologies and practices in several provinces in the country ¹² In 2021, the WB provided a USD 265 million loan to Türkiye to bolster the strength of public buildings against the threat of earthquakes, while also improving their energy efficiency. ¹³
The Agence Française de Développement (AFD) Group	<ul style="list-style-type: none"> Provide policy-based loans and grants to public and private financial institutions through projects aiming at promoting more inclusive and sustainable growth, as well as the transition to a lower carbon economy. 	Committed EUR 3.8 billion in Türkiye since 2004. ¹⁴ AFD has been supporting public institutions since 2012 to improve forest management in Türkiye via a public policy loan (EUR 600 million) and a technical assistance grant (EUR 1.2 million). ¹⁵ AFD provided TSKB with a loan of EUR 80 million for circular economy projects in 2022, and the total financing provided to TSKB reached EUR 475 million ¹⁶ . AFD invested EUR 100 million in TKYB's first sustainable bond issuance in 2022. ¹⁷ In 2020, AFD ¹² provided VakıfBank with a loan of EUR 200 million within the scope of the 'Green Housing Project' aiming to increase the number of energy efficient buildings in Türkiye. ¹⁸ In March 2023, Proparco provided USD 50 million senior loan to Akbank to support SMEs for green projects (renewable energy and energy efficiency) and woman entrepreneurship. ¹⁹ In June 2023, Proparco provides Denizbank with a senior debt up to USD 70 million, as part of a \$610 million equivalent Diversified Payment Rights (DPR) issuance. The bank will thus be able to participate in the reconstruction of the regions affected by the earthquake of February 2023 and contribute to energy transition projects. ²⁰
The Asian Infrastructure Investment Bank (AIIB)	<ul style="list-style-type: none"> Provide a sovereign-backed multi-sector facility through a development bank to contribute to the Türkiye's climate mitigation and adaptation goals 	Provided more than USD 3.8 billion funds to Türkiye ²¹ since 2018. The AIIB and the Industrial Development Bank of Türkiye (TSKB) have signed a USD 200 million on-lending facility to contribute to the Republic of Türkiye's climate mitigation and adaptation goals in line with the Paris Agreement. The facility is backed by a guarantee from the Government of Türkiye
International Finance Corporation (IFC)	<ul style="list-style-type: none"> Provide financing to private sector investments, works with financial institutions to introduce ESG 	IFC's total investment to Türkiye is nearly USD 7 billion ²² from 2014 to 2023 ²³ . IFC provided a USD 50 million loan to Akbank in 2021 for crucial financing to small enterprises in more than 20 of Türkiye's least-developed provinces. ²⁴ Also, IFC supported promotion of gender equality practices in companies TSKB obtained US\$100 million from IFC (WBG) in 2022. ²⁵ To fight against climate change, IFC signed its first global sustainability-linked loan in the infrastructure

⁹ <https://www.eib.org/en/projects/regions/enlargement/Turkiye/index.htm>

¹⁰ As of 30 April 2023.

¹¹ <https://financesapp.worldbank.org/summaries/ibrd-ida/#ibrd-len/countries=TR/>

¹² <https://www.worldbank.org/en/news/press-release/2022/03/30/world-bank-provides-341-million-boost-to-advance-green-and-competitive-growth-of-Turkiye-s-agricultural-sector>

¹³ <https://www.worldbank.org/en/news/press-release/2021/06/09/world-bank-provides-265-million-boost-to-improve-earthquake-resilience-and-energy-efficiency-of-public-buildings-in-turk>

¹⁴ <https://www.afd.fr/en/page-region-pays/Turkiye>

¹⁵ <https://www.afd.fr/en/actualites/communiqué-de-presse/numerous-and-promising-results-sustainable-management-forests-franco-turkish-cooperation>

¹⁶ <https://www.tskb.com.tr/en/about-us/about-us/news/eur-80-million-loan-from-afd-to-tskb-for-supporting-circular-economy>

¹⁷ [https://www.afd.fr/en/carte-des-projets/kyb-first-sustainable-bond-issue?origin=/en/carte-des-projets?view=list&page=all&filter\[0\]=type_k=page_afd_project&filter\[1\]=type_k=page_ong_project&filter\[2\]=type_k=page_research_project&filter\[3\]=source_k=afd&query=%2A&size=10000&from=0&sort=year_k%2Casc&facetOptions\[0\]=funding_program_k,size,200&facetOptions\[1\]=funding_type_k,size,200&facetOptions\[2\]=thematic_k,size,200&facetOptions\[3\]=country_k,size,200&facetOptions\[4\]=program_family_k,size,200&facetOptions\[5\]=year_k,size,200](https://www.afd.fr/en/carte-des-projets/kyb-first-sustainable-bond-issue?origin=/en/carte-des-projets?view=list&page=all&filter[0]=type_k=page_afd_project&filter[1]=type_k=page_ong_project&filter[2]=type_k=page_research_project&filter[3]=source_k=afd&query=%2A&size=10000&from=0&sort=year_k%2Casc&facetOptions[0]=funding_program_k,size,200&facetOptions[1]=funding_type_k,size,200&facetOptions[2]=thematic_k,size,200&facetOptions[3]=country_k,size,200&facetOptions[4]=program_family_k,size,200&facetOptions[5]=year_k,size,200)

¹⁸ https://www.vakifbank.com.tr/documents/inv_pres/EUR%20200%20million%20loan%20from%20AFD%20to%20Vak%C4%B1fBank.pdf

¹⁹ <https://www.proparco.fr/en/actualites/proparco-support-smes-turkey-akbank-fostering-green-projects-and-woman-entrepreneurship>

²⁰ <https://www.proparco.fr/en/actualites/turkiye-denizbank-committed-climate-and-earthquake-victims-support-proparco>

²¹ https://www.aiib.org/en/projects/list/year/All/member/T%C3%BCrkiye/sector/All/financing_type/All/status/All

²² As of 7 June 2023.

²³ <https://financesapp.worldbank.org/summaries/ifc/#ifc-isp/countries=TR/>

²⁴ <https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=26704>

²⁵ <https://www.tskb.com.tr/en/about-us/about-us/news/tskb-signs-usd-100-million-women-employment-loan-agreement-with-ifc>

	standards; support economic activity, spur job creation, increase women's access to financing. • Municipalities	space with Izmir Water and Sewerage Administration (IZSU), in October 2021, worth up to US\$30 million. ²⁶ Assan Aluminyum San. ve Tic. A.S. will modernize its operations, reduce carbon footprint, and expand processing capacity. IFC will be partially financing this program with a senior loan of US\$90 million that potentially will be structured as a Green Loan (the IFC Loan). The loan was approved in March 2023 ²⁷ .
The European Bank for Reconstruction and Development (EBRD)	<ul style="list-style-type: none"> Private sector projects that focused on green financing, energy sector, transformation, decarbonisation and infrastructure to accelerate its shift to a greener, low-carbon, resilient economy. For TSKB to finance green transformation-oriented technologies and services throughout Türkiye, including energy efficiency and renewable energy 	EBRD invested EUR 1.63 billion in Türkiye in 2022, the highest volume of annual investment in all the economies where the Bank operates. EBRD's efforts supported expanding green financing in the country, with the announcement of a EUR 500 million Green Economy Financing Facility (GEFF) in 2022. Within the framework of the GEFF a total of EUR 53.5 million was provided to TSKB by EBRD. ²⁸ The EUR 500 million allocated to Türkiye within the scope of GEFF was approved on 24 November 2012 to help finance the country's move towards a green, low-carbon and sustainable economy ²⁹ . GEFF Türkiye builds on the track record of SEFF programmes (MidSEFF, TurSEFF and TuREEFF) implemented in Türkiye. Since 2010, more than 8,000 sustainable energy and resource efficiency projects have been financed with over EUR 2 billion within the scope of these three facilities ³⁰ .
Japan Bank for International Cooperation (JBIC)	<ul style="list-style-type: none"> Provide local development banks a credit line for renewable energy and energy efficiency projects under JBIC's Green Operations 	Provided a total amount of USD 220 million loan at TSKB in 2022. ³¹ Under this loan, TSKB will finance renewable energy and energy efficiency investments intended for reducing greenhouse gas emissions in Türkiye. JBIC has extended a credit line of US\$ 170 million as part of JBIC's green operations to provide funding through TKYB for renewable energy projects and energy efficiency projects in Türkiye in March 2021. ³² This is the third green loan provided to TKYB, following loans in March 2013 and March 2015.
KfW Development Bank	<ul style="list-style-type: none"> Strengthen the institutional capacity of public institutions to support transition to more resilient green economy Provide credit lines for climate change mitigation projects through private banks; TSKB and TKYB. 	On behalf of the German Federal Government, KfW is financing sustainable economic development, training, and employment (vocational training) and refugees and migration in Türkiye. KfW is also supporting climate projects in Türkiye with additional financing of EUR 200 million for climate change mitigation and adaptation measures. KfW has been supporting climate action and the energy sector transformation in Türkiye for more than 10 years. Credit lines to Turkish development banks in particular contribute to expanding the use of renewable energy sources and improving energy efficiency, thereby promoting a more progressive climate policy in the country. Credit lines of more than EUR 500 million have been extended to the TSKB in recent years for expanding the use of renewable energy sources and improving energy efficiency purpose, and development loans of around EUR 130 million to the state-owned TKYB. ³³

²⁶ https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/tapping-sustainable-finance-to-tackle-climate-change

²⁷ <https://disclosures.ifc.org/project-detail/SII/47493/assan-aluminyum-san-ve-tic-a-s>

²⁸ <https://www.ebrd.com/news/2023/ebrd-invested-163-billion-in-trkiye-in-2022.html>

²⁹ <https://www.ebrd.com/news/2022/new-500-million-facility-to-green-turkiyes-financial-system.html>

³⁰ <https://ebrdgeff.com/tr/the-programme/about-geff/>

³¹ <https://www.tskb.com.tr/en/about-us/about-us/news/tskb-signs-a-usd-220-million-loan-agreement-with-ibic>

³² <https://kalkinma.com.tr/bizden-haberler/ilkceyrek>

³³ <https://www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/Local-presence/Europe/Turkiye/>

Private Sector

Turkish banks stand out as key players undertaking industry-led voluntary initiatives and incorporating ESG impact through the financing of investments and other financial products and services. Many Turkish banks joined global initiatives such as **Principles for Responsible Banking**³⁴, **Net-Zero Banking Alliance**³⁵. As an example, eight commercial banks from Türkiye³⁶ became the founding signatories of the '**Principles for Responsible Banking**' developed by the United Nations Environment Programme Finance Initiative (UNEP FI). These principles set up the role and responsibilities of the banking sector in shaping a sustainable future, in alignment with the objectives of the UN SDG and the 2015 Paris Climate Agreement.

Four Turkish commercial banks³⁷ have become signatories of the industry-led and UN-convened **Net-Zero Banking Alliance** and have committed to align their loan and investment portfolio with zero-emission targets by 2050 and will support their business partners and customers in reducing carbon emissions. In terms of reporting, **banks not only disclose their financial statements but also disclose on voluntary-based their sustainability, integrated, Carbon Disclosure Project (CDP) and impact reports as well.** TSKB, TKYB and several large commercial banks, such as Garanti BBVA, Isbank, Yapı Kredi, and Akbank are the leaders of the sector offering sustainable finance products.

Commercial banks are also active in green debt markets. Since an inaugural green bond issuance by TSKB in 2016, **the total volume of green/sustainable bond issuance of the banking sector reached nearly USD 5 billion**³⁸. The largest ticket size was USD 750 million sustainable eurobond by Vakifbank, and, EUR100 million finance provided for the first sustainable bond issuance of TKYB by AFD so far, 10 different banks have been active in the green/sustainable bond market.

Turkish banks have been the main source of finance for energy efficiency and renewables projects in Türkiye, which constitute a large proportion of the country's initial green finance initiatives. Although the volume is currently minimal, banks have also started issuing green/sustainable bonds.

The uptake of the instrument by the non-financial sector has been slow yet growing. Since 2016, a total of 10 corporates have issued green and sustainability bonds, amounting to a total of nearly **USD 2 billion (see table below)**. The composition of companies that issued bonds represented several sectors, including manufacturing, building, energy, health, and food & beverages.

³⁴ Through the Principles, banks take action to align their core strategy, decision-making, lending and investment with the UN Sustainable Development Goals. The framework consists of 6 Principles; Alignment, Impact & Target Setting, Client & Customers, Stakeholders, Governance & Culture, Transparency & Accountability.

³⁵ NZBA is the flagship climate initiative under the [Principles for Responsible Banking](#) to accelerate science-based climate target setting and develop common practices. The Alliance reinforces, accelerates, and supports the implementation of decarbonization strategies

³⁶ Akbank, Garanti BBVA, Şekerbank, İşbank, TKYB, TSKB, YKB, ING Bank

³⁷ TSKB, İşbank, Halkbank and Garanti BBVA

³⁸ Bank Announcements and Public Disclosure Platform



Table 2. Corporate Bond Issuances

Corporate Bond Issuances					
Issue Date	Amount (Million)	Currency	Maturity	Type	Issuer
07.12.2016	288	EURO	20 years	Green Bond	Rönesans Sağlık Yatırım
17.08.2017	400	TL	4 years 3 months	Green Bond	YDA İnşaat
05.05.2020	50	TL	1 year	Sustainable lease certificate	Zorlu enerji
17.08.2020	100,5	TL	2 years	Green Bond	Vestel
10.05.2021	350	EURO	5 years	Green Bond	Arçelik
27.08.2021	750	USD	5,5 years	Green Bond	Aydem Yenilebilir Enerji
15.11.2021	250	TL	2 years	“Transition to a Low-Carbon Economy” themed	Palen Enerji
17.12.2021	133,5	TL	1 year	Sustainable lease certificate	YEDAŞ
21.01.2022	500	USD	7 years	Sustainability- index bond	Coca Cola
21.10.2022	1500	TL	728 days	Green Bond	Enerjisa

Some corporates in non-financial sectors are also active in sustainability-related initiatives. They have commitments to reduce their emissions. The Science Based Targets initiative (SBTi) is a global platform that companies join to set science-based emissions reduction targets.

According to the SBTi database, a total of 52 companies from Türkiye have commitments and targets declared and/or approved by the SBTi.

Commitments demonstrate an organisation’s intention to develop targets and submit these for validation within 24 months. These organisations do not yet have validated science-based targets. From Türkiye a total of 39 of the 52 companies have submitted their commitments to the SBTi.

There are 13 companies from Türkiye with targets validated by the SBTi (See Table 2 below). These targets are clearly-defined, science-based pathways for companies and financial institutions to reduce greenhouse gas (GHG) emissions, which have been reviewed and validated by the SBTi.



Table 3. List of companies with climate targets approved by the Science Based Targets Initiative

Abdi Ibrahim Pharmaceuticals	Targets Set	1.5°C	2030	No	No	Pharmaceuticals, Biotechnology and Life
Airties Group S.A.S.	Targets Set	1.5°C	2030	No	No	Telecommunication Services
ARÇELİK A.Ş.	Targets Set	Well-below 2°C	2030	Yes	Yes	Consumer Durables, Household and Personal Products
As Çelik Döküm İşleme San. ve Tic. A.S.	Targets Set	1.5°C	2030	No	No	Mining - Iron, Aluminum, Other Metals
ASKON DEMİR ÇELİK SANAYİ TİCARET AŞ	Targets Set	1.5°C	2030	No	No	Construction Materials
BİRİKİM MÜHENDİSLİK VE ENDÜSTRİYEL YÜKLENİM LTD ŞTİ	Targets Set	1.5°C	2030	No	No	Construction and Engineering
BRISA BRIDGESTONE SABANCI TYRE MANUFACTURING AND TRADING INC.	Targets Set	1.5°C	2030	No	No	Tires
Gulermak Steel Construction Ind. & Trade Co. Inc.	Targets Set	1.5°C	2030	No	No	Construction and Engineering
Kalkancı Pres Döküm ve Kalıp San. Tic. A.Ş.	Targets Set	1.5°C	2030	No	No	Automobiles and Components
Kayahan Makine Hidrolik A.Ş.	Targets Set	1.5°C	2030	No	No	Electrical Equipment and Machinery
KAYSERİ ULAŞIM A.Ş.	Targets Set	Well-below 2°C	2028	No	No	Ground Transportation - Railroads Transportation
Mavi Giyim Sanayi ve Ticaret A.Ş.	Targets Set	1.5°C	FY2030	No	No	Retailing
VLS ENDUSTRIYEL SATIS LTD STI	Targets Set	Well-below 2°C	2030	No	No	Electrical Equipment and Machinery

The list of companies with SBTi commitments/targets from Türkiye covers several sectors, such as, Pharmaceuticals, Biotechnology and Life, Telecommunication Services, Construction Materials, Mining - Iron, Aluminum, Other Metals, Automobiles and Components, Banks, Diverse Financials, Insurance, Textiles, Apparel, Footwear and Luxury Goods, Automobiles and Components, Consumer Durables, Household and Personal Products (see Annex 2 for the full list of companies).

There have been positive developments in the domestic equity markets too. The BIST Sustainability Index was launched in 2014. It is a platform that guides companies in the process of policy making regarding environmental, social, and corporate governance risks and conveys information about companies' sustainability policies to responsible investors. While the BIST Sustainability Index was composed of only 15 companies when it was first formed, the number of companies included in the index has reached 72, as of 2023. Among these companies, 15 are in the financial services industry, and the other 57 operate in non-financial sectors.

In addition, BIST Sustainability 25 Index, which consists of large and liquid companies with high sustainability performance, was launched in November 2022. The criteria determined to be included in this index are more stringent than the BIST Sustainability Index.

The Sustainability Indices generated by the BIST are useful in terms of the development of non-financial reporting in Türkiye. It also increases the awareness, knowledge, and practice on sustainability with entities trading in Borsa İstanbul.

Large scale corporates, particularly export-oriented companies and companies that are integrated in global supply chain, disclose their sustainability reports voluntarily. In sustainability reports, companies disclose their sustainability strategy, goals and progress in environmental, social and governance (ESG) areas along with their financial performance. Moreover, most of these companies (such as Arçelik, Kordsa Teknik Tekstil, Tekfen Holding, Eti Soda) disclose their climate change and water security impacts voluntarily within the scope of the Carbon Disclosure Project (CDP). The CDP as a private platform incentivizes companies to measure and disclose their environmental information by leveraging market forces including shareholders, customers, and governments.

1.3 Factors that Hinder the Development of Sustainable Finance

Despite recent efforts of regulations and guidance initiatives by public authorities, sustainable finance still has room for development in Türkiye. Improving several structural and cyclical factors will support the development of sustainable finance.

Table 4. Key Factors Hindering the development of Sustainable Finance in Türkiye

Factors that Hindering the Development of Sustainable Finance
<p>Macroeconomic factors: global macroeconomic uncertainties and geopolitical risk have increased the perceived riskiness of assets and entities in Türkiye. Chronic problem of low national savings and a short-term funding structure in the banking sector restricts banks' access to long-term funds.</p>
<p>Microeconomic factors: There is a limited supply of "bankable" green project development by the private sector, except for renewables. In certain sectors, such as buildings and transportation infrastructure, the high upfront cost of large-scale green infrastructure projects and low-ticket size and high transaction costs in agriculture for small-scale farms present challenges.</p>
<p>Data and Information: The lack of official classification, standardization, and labelling of green investments and activities constrains the private sector's design of financial products, portfolios, and services. The limited availability of reliable environmental data to make comprehensive assessments and the low uptake of voluntary corporate reporting on carbon emissions and other sustainability issues further hinder sustainable finance development in the country.</p>
<p>Market Awareness: Limited awareness about upcoming requirements for firms to adopt the Green Deal Action Plan. To a large extent, sustainability-related actions are carried out in line with mainly demands of IFIs that provide financing. Since legal regulations guiding companies on sustainability have not sufficiently matured, corporates tend to avoid sustainability reporting.</p>
<p>Institutional Development: While many governmental agencies and regulators have been recently engaged in sustainable finance-related initiatives and regulatory developments, the institutional foundation of sustainable finance is still at an early stage of development (see the report prepared under Task 1). Enabling structures in the form of guidelines, binding regulations, incentive policies and due diligence mechanisms are being developed. Green taxonomy as a core regulation will be a major step towards maturing the policy framework for sustainable finance.</p>

In this context, **Türkiye's green taxonomy** will play a key role in generating and redirecting sustainable finance for a green transition. It will establish a **critical pillar of the national regulatory framework which will categorise and classify green activities and investment** areas in relation to the country's domestic sustainability priorities, international targets and commitments. In line with global practices, it will guide and regulate the financial services industry to develop and label sustainable finance instruments, products and services. **Facilitating sustainability reporting and disclosure** guidelines for financial and nonfinancial entities will also improve market transparency and signalling. This will help efforts to monitor and verify corporate actions and avoid "**greenwashing**". Türkiye's green taxonomy will help advance the development of capital markets for sustainable finance by broadening and deepening the investor base, which will increase the **availability of long-term finance** for the green growth and transition of Türkiye's economy.

Taxonomies are effective if they are part of a broader ecosystem of green finance. Concerted and harmonized efforts by policymakers and regulators to incentivize sustainable finance initiatives across policy areas (finance, trade, investment) and across sectors are needed. For it to play an important role as a policy leverage, a green taxonomy would also need to identify specific stakeholder groups - entities that will use the taxonomy for monitoring, reporting, target-setting purposes. The participation of relevant public, private and non-governmental organisations in the development process is key to the successful deployment and implementation of a taxonomy, which are covered in the next section.

2 Identification and Characterization of Stakeholders of the Taxonomy

In the process of developing a green taxonomy, the identification of stakeholders and their attributes and profiles is an important step. Relying on a genuine, wide-ranging and continuous consultation of stakeholders will ensure *transparency* which is the central element of green taxonomy development and would ease future uptake of the taxonomy. It is equally important to clearly define stakeholders who will use the taxonomy or be affected by it at the outset of the green taxonomy development process.

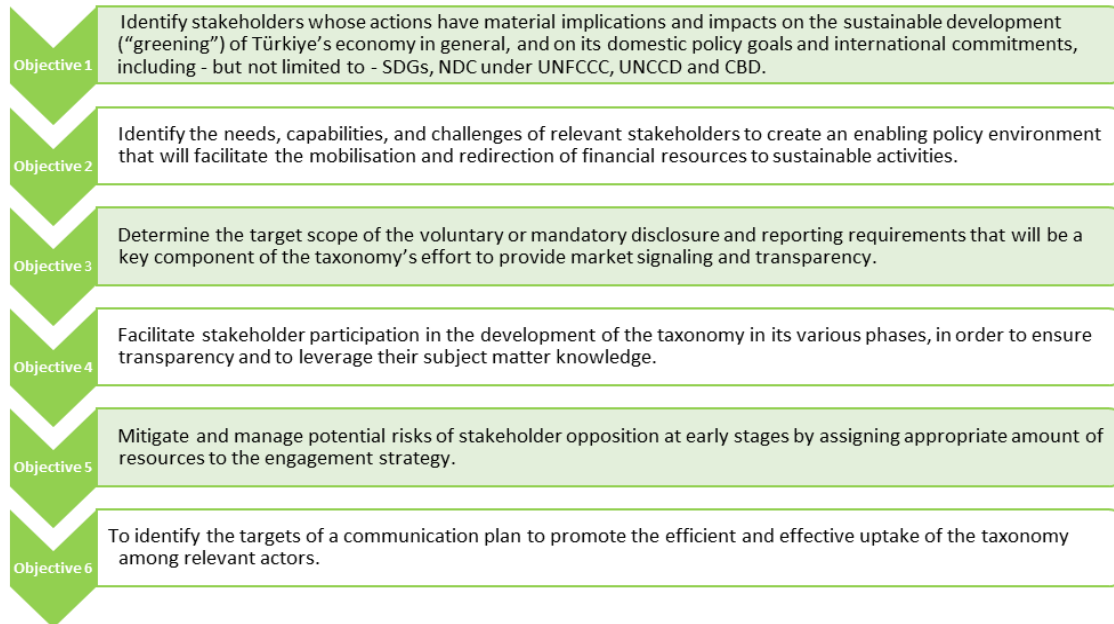
Under this chapter, the objectives of the **stakeholder identification, selection, and scoping process** are clarified, and **stakeholder groups** are defined based on the analysis and practices of taxonomies developed in the other countries under Deliverable-4 of this project. A list of objectives and use cases in relation to the taxonomy is summarized.

Based on the long list prepared, a **methodological Excel tool** (please see Annex 5) has been developed to clearly identify and scope stakeholders further for specific engagement purposes and provide a framework for understanding the diverse range of stakeholders and their respective needs, allowing for more targeted and effective communication and engagement strategies. *This comprehensive matrix not only helps identification of the specific users of the taxonomy but also will be a guideline for Directorate of Climate Change (DoCC) for mapping and analysis of each individual stakeholder, to ensure a more effective engagement strategy, risk, and data management.*

Objective of Stakeholder Selection and Scoping Process

The main objectives of the stakeholder ecosystem establishment procedure for the green taxonomy in Türkiye is outlined below.

Figure 3 The Objective of Stakeholder Selection and Scoping Process



Most taxonomies, studied under TASK 1 of this project, have not performed systematic analysis of stakeholders. They often list target stakeholder groups which are commonly identified across taxonomies (e.g., financial institutions, regulators etc). We follow a more nuanced approach including a characterization, and mapping of potential users and organizations that are affected by, can influence the outcome, or have an impact on the taxonomy.

Proposed Stakeholder/User Groups of the Green Taxonomy Türkiye

The table below summarizes the key proposed stakeholder groups of the Green Taxonomy of Türkiye and their potential key roles in relation to the taxonomy based on the consultant teams' examination of taxonomies and literature in the EU and other emerging markets and national context analysis of Türkiye.

The users of a green taxonomy can vary depending on its purpose and implementation. In general, the users of the taxonomy fall into the following categories (see Table below for details):

Financial Institutions: Banks, asset managers, and other financial institutions may use a green taxonomy to assess the environmental sustainability of investments, determine the alignment of their portfolios with sustainability goals, and disclose relevant information to stakeholders.



Companies and Corporations: Businesses may refer to a green taxonomy to evaluate the environmental impact of their operations, products, and supply chains. It can help them identify and prioritize sustainable practices, set environmental targets, and report their sustainability performance to stakeholders. A good alignment with the Taxonomy could improve companies’ reputation and therefore access to finance, making them more attractive to banks and investors.

Investors: Institutional and individual investors may utilize a green taxonomy to make informed investment decisions based on the environmental credentials of companies, sectors, or projects. It can assist them in identifying sustainable investment opportunities and managing environmental risks.

Regulators and Policymakers: Government bodies, regulatory agencies, and policymakers may develop and employ a green taxonomy to create standardized frameworks and guidelines for sustainable finance and responsible investment. It can support the development of regulations, incentives, and reporting requirements related to environmental sustainability.

Non-Governmental Organizations (NGOs) and Advocacy Groups: Environmental organizations and advocacy groups may utilize a green taxonomy to assess and advocate for sustainable practices, monitor the environmental impact of various industries, and hold companies accountable for their sustainability commitments.

Researchers and Academics: Scholars and researchers in the fields of finance, economics, environmental studies, and sustainability may study and analyse a green taxonomy to understand its implications, assess its effectiveness, and contribute to the development of knowledge in this area.

It's important to note that the specific users of a green taxonomy can vary based on regional contexts, regulatory frameworks, and the extent of adoption within different industries and countries.

Table 5. Proposed Stakeholder Groups and their key roles in relation to the Taxonomy

Stakeholder/User Groups	Objectives and Potential Uses
<p>Government Institutions, Policymakers and Regulators</p>	<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, and 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.



	<ul style="list-style-type: none"> • 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. Aligning 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.
<p>Financial Institutions</p>	<ul style="list-style-type: none"> • Offer financial instruments and products 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.

Prioritization of users to implement the taxonomy

Once the main users of the taxonomy have been identified, both in the financial system and in the public and private sectors, it is subsequently important to define for each group of these users the relevance and priority of the application of the taxonomy and its associated reporting scheme.

For this, we propose to apply, for each of the main users identified, the following criteria:

1. Impact of its operations on the aims of the taxonomy:

Users that have significant contribution/impact in relation to the aims of the taxonomy (e.g., more climate-friendly or green investments).

Possible indicators: Number of financed sectors directly related to the aims of the taxonomy, volume of their assets related to them, or other aspects that should be considered.

2. Volume and relevance of its operation for the financial system:

Possible indicators: participation in internal financing for the private sector and asset management of the financial system (in the case of providers of financial products); amount of income from sales (in the case of companies).

3. Ability to implement the taxonomy:

Possible indicators: quantity of human resources (number of employees, assets under management, revenues etc.); existence of a prudential reporting system to the stock market.

This allows the main users of the taxonomy to be classified into two groups according to their priority level for the implementation of the reporting guidelines

- **Group 1:** users to be included in the application scheme and reporting in a first stage.
- **Group 2:** users to be considered in a second stage based on the learning and experience incorporated by the regulator in the previous stage.

Although the thresholds of the indicators for the categorization of users based on each of these criteria must be defined by the WG within the framework of its governance at the time of the implementation of the taxonomy, we propose the following preliminary grouping to establish priorities in the stages of implementation of the taxonomy (the reporting requirements and grouping may be elaborated under Task 4):

Table 6 Main Users of the Green Taxonomy

Main Users of the Green Taxonomy	
Group 1	<ul style="list-style-type: none"> • Listed companies and large companies (above certain threshold of number of employees, volume of revenues) • Large commercial banks (above certain threshold of financial service volume under management) • Development banks (above certain threshold of financial service volume under management)



Main Users of the Green Taxonomy	
	<ul style="list-style-type: none"> • Fund managers and institutional investors (above certain threshold of asset volume under management) • Government entities issuing securities above certain threshold (if applicable)
Group 2	<ul style="list-style-type: none"> • Smaller scale entities in the non-financial sector (below certain threshold of number of employees, volume of revenues) • Smaller scale entities in the finance sector (below certain threshold of financial service volume under management)

List of Stakeholders

Identification of all major institutions and representatives of potential users/interested parties of the taxonomy at the beginning of the development procedure is highly important. The consultant team has identified, based on and internal roundtable and market knowledge of entities active in the sustainability space, **nearly 500 stakeholders** in Türkiye which is an integral part of the stakeholder matrix described below. The list serves as an opening and is by no means an exhaustive list but a proposed starting point of stakeholders and any missing relevant stakeholders can be added to the list if deemed necessary by the DoCC, Steering Committee and Working Group members. The list should be regularly reviewed and updated.

Methodological Tool for Comprehensive Stakeholder Analysis, Characterization and Mapping

Within the framework of the project, the consultant team took the additional step and has developed assessment criteria related to a range of relevant traits and characteristics, such as their **perceived importance, interest, influence, and knowledge** in relation to the taxonomy. The attributes are based on industry best practices in Stakeholder Management.

Stakeholder analysis, characterization, and mapping of potential users are a set of useful tools for understanding the relationships and interests of various individuals, groups, community and business leaders, and organizations that are affected by, can influence the outcome, or have an impact on the taxonomy.

The objective of the proposed tool is not only limited simply to the identification of the specific stakeholders but also covers many aspects that are highly important for the engagement of and communication with respective stakeholders at the early development stages.

Table 7. Main Objectives of the Proposed Methodological Tool

Main Objectives	Description
Stakeholder identification	The spreadsheet will initially be used to identify the most significant potential stakeholders for the Taxonomy Development process. This helps ensure that all relevant parties are considered in the planning and execution of the Taxonomy development
Stakeholder Analysis and Mapping	Stakeholder mapping is part of the stakeholder analysis process. It involves assigning attributes or ratings to each stakeholder based on their characteristics in relation to the project. Various stakeholder mapping models can use charts to visualize all their stakeholder attributes in one place, understand where one stakeholder sits compared to others, identify trends, or organize stakeholders into groups based on shared attributes. At this stage we propose the simple and commonly used mapping based on the Power/Influence attributes (described in more detail in section below).
Prioritization	Once all stakeholders have been identified, the spreadsheet too can be used to prioritize them based on their level of influence and interest or other selected attributes. This helps determine which stakeholders require the most attention and resources. In addition, other attributes or data points may be used to characterize each stakeholder and group them along similar traits. This will allow the DoCC and TEG to better understand all impacted stakeholders and their needs, which in turn can help build stronger relationships with them.
Communication Planning and Management	The spreadsheet tool can also be used to develop a communication strategy or plan for each stakeholder group. By understanding their level of interest and influence, communication strategies can be tailored to effectively engage each group. The tool can be used to track and manage interactions with each stakeholder.
Risk Management	The tool can also help identify potential risks associated with each stakeholder group. Stakeholders with high levels of influence but low interest or resistant to change, for example, may pose a risk if they become disengaged or oppose the project.
Data Management	Our stakeholder management tool can help the DoCC and Expert Teams better manage their stakeholder data, including contact information, contact history, and preferences. It creates an accessible point of reference. This single repository can be efficiently shared between all relevant team members, the spreadsheet tool will also serve as a contact registry.

Based on the characteristics of the stakeholders in relation to the taxonomy, the excel tool involves assigning attributes or levels to each stakeholder. It helps identify their importance and the degree to which their satisfaction needs to be managed. For example, one might mark up each stakeholder as being low impact, medium impact, or high impact on the drafting of a taxonomy. Once the analysis and characterization have been completed, an action plan can be developed with the necessary follow-up activities, tasks, and resources required for the right engagement.

In this manner, the following attributes and classifications were included in the tool to better understand, characterize, segment and cluster the stakeholders.



Table 8. Key attributes included to the tool

Matrix Column	Definition
Subjective Importance Assignment (Assignment Optional)	This is an optional and subjective assessment by the DoCC to identify the stakeholder of prime importance.
Key Player to Actively Engage and Manage Closely	Based on the power interest grid, the most important stakeholders are identified - those assessed as High Power/Influence and High Interest in the Taxonomy. It's recommended that these stakeholders are closely managed and actively engaged.
Sector Public/Private	Whether they represent a public or private institution
Category	Classification and Grouping Categories of different types of Stakeholders by type. Granular categories are added taking into account Table 5 as a reference
NACE	The standard NACE industry classification code for the stakeholder institution.
Reporting Priority Group 1 or Group 2	Whether the stakeholder will be required to report as part of Group 1 or Group 2. Group 1 will be required to report on taxonomy alignment first.
Main Use	How the stakeholder intends to use the Taxonomy
High Emission Industry or Sector	Check box if the industry or sector has been determined as significantly contributing to GHG emissions
Required to Report Taxonomy	Whether the entity will be required to report on alignment with the Green Taxonomy (to be qualified based on the mandate of the taxonomy on reporting requirements)
TWG Member Applicant	Submitted Application to participate in a Technical Working Group
Technical Working Group Member	Whether the entity is a member of the Technical Working Group
Sub-Group Member	Whether the entity is a member of any expert or sub-group
External Expert	Whether the institution or individual will participate in the capacity of an expert.
Main Environmental Topic Interest	Six key environmental topics that are common in the other taxonomies are included to the list. DoCC may use only climate mitigation and adaptation at this stage. For future uses the consultant team highly recommends keeping six key environmental issues even if they are not used by the DoCC at the current stage.
Number of Members/ Employees/Social Media Followers/Annual Budget (Public Institutions)	This information can be used as an indicator for the power or potential influence of the stakeholder
Power / Influence / Impact	Used to assess the power or potential influence the stakeholder may exert on the development or implementation of the Taxonomy. For example, through funding, legislation, protests, etc.



Stakeholders Interest³⁹ or involvement in the Development of the Taxonomy	<p>This refers to the degree of interest/concern and involvement that a person, group, or institution has in climate finance and the taxonomy. Stakeholders are generally said to have an interest in an effort based on whether they can affect or be affected by it. The more they stand to benefit or lose by it, the stronger their interest is likely to be. The more heavily involved they are in the effort, the stronger their interest as well. Some individuals and groups may not be affected by or involved in an effort, but may nonetheless care enough about it that they are willing to work to influence its outcome.</p> <p>At the initial stage gauging the interest might be challenging but it will be quite useful in the upcoming period of the Taxonomy Development</p>
Knowledge	<p>The level of knowledge the stakeholder has about sustainability, sustainable finance, environmental issues, ESG, and the eco-system surrounding a Green Taxonomy and ESG reporting.</p>
Attitude	<p>Whether the stakeholder is for or against the implementation of a Green Taxonomy. Against, Neutral, Supportive, Leading.</p>
Communication Strategy for Engaging with the Stakeholder	<p>The recommended communication and engagement strategy as determined by the Power/Interest assessments - 4 options (for further detail please see the following page).</p>

By analyzing and mapping stakeholder interest, we can prioritize their engagement efforts and tailor communication strategies to better address stakeholder concerns and expectations. This can help build stronger relationships with stakeholders, improve project outcomes. A stakeholder mapping model may be used to visualize several key stakeholder attributes in one place, to better understand **where one stakeholder is positioned compared to others**, report on interactions, or organize stakeholders into groups based on shared attributes/characteristics. To visualize and map the stakeholders' different sets of attributes, various maps can be used based on the preference of the DoCC.

For example, the type of **communication strategy or plan** for each stakeholder can be identified through a mapping tool. A stakeholder communication plan can be a brief document that outlines the frequency and medium, how you will communicate - email or phone (direct outreach), website (indirect or passive) - with the people who have an interest or influence on the taxonomy. It is important to spend a lot of strategic effort thinking about where the real power is held and knowing how to keep key stakeholders engaged. In relation to keeping them engaged, it is important to ensure that the stakeholders are communicated through the right channels, content, and frequency.

Based on a stakeholder’s **level of interest** and **power to influence the development and implementation of the Taxonomy**, the optimal and effective communication strategy can be adopted. This type of mapping

³⁹ Stakeholder interest refers to the level of concern or investment that stakeholders have in a particular project, organization, or issue. When performing a stakeholder analysis and mapping, understanding stakeholder interest is essential because it helps identify the stakeholders who are most important to engage and involve in decision-making processes.

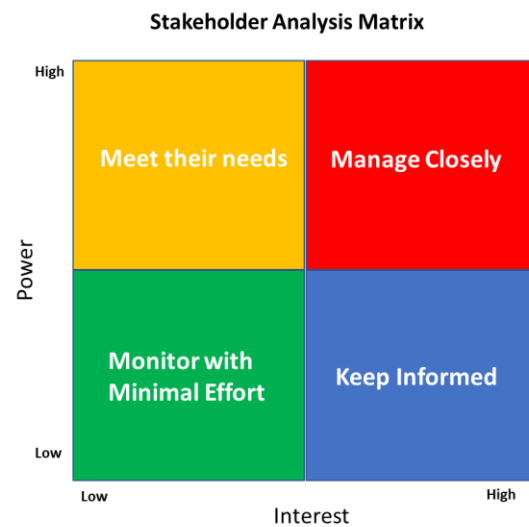
Stakeholder interest can vary depending on the stakeholder's level of influence, their perceived benefits or risks associated with the effort, and their personal values and beliefs. For example, a stakeholder with a high level of interest may be someone who stands to gain or lose a lot from the taxonomy and reporting requirements. Conversely, a stakeholder with a low level of interest may be someone who is only indirectly affected by the taxonomy or has limited knowledge of its potential impact.

matrix (see diagram below) is often represented as a two-dimensional grid, with one axis representing the level of interest or involvement of the stakeholder, and the other axis representing the level of power or influence the stakeholder holds. Using the attribute assignments made in the stakeholder management spreadsheet, each stakeholder can be mapped to one of the four quadrants.

By tailoring communication strategies to each stakeholder group's power and interest, the government agency can build support and consensus for the green taxonomy, increase its effectiveness and adoption, and promote sustainable economic development.

- **Red - High power / high interest** – These are the priority decision makers who can have the biggest impact on the project success and hence their expectations must be closely managed.

Figure 4 Stakeholder Analysis Matrix



Communication strategy: It is recommended to engage in two-way communication with this group, such as workshops, focus groups, training sessions, to collect their insights and input and understand their needs and preferences for a green taxonomy. Provide regular updates on the development process and seek feedback on draft versions of the taxonomy. Demonstrate the benefits of a green taxonomy to investors and financial institutions, such as increased transparency and clarity on sustainable investments.

- **Yellow - High power / low interest** – This group mainly includes industry associations that represent companies in sectors that may be affected by the green taxonomy. These are the stakeholders needed to be kept in loop, these stakeholders need to be kept satisfied even though they aren't interested because they yield power.
- **Communication strategy:** Build relationships with these associations and involve them in the development process through targeted outreach and consultations. Provide regular updates on the development process and seek feedback on draft versions of the taxonomy. Address concerns and provide guidance on how companies can comply with the taxonomy's requirements. For cooperation and coordination with other agencies, share regular updates on the taxonomy development progress and ensure compliance with practices set by government agencies. Provide technical reports, briefings, and other relevant information to the agencies or organizations to demonstrate adherence to regulations or government practices.
- **Green - Low power / low interest** – This group includes the general public and other stakeholders who may have limited knowledge or interest in the green taxonomy.
- **Communication strategy:** Minimum Effort and do not bore them with excessive communication. Monitor and passively provide information or as requested. Provide regular updates on the development process and the benefits of a green taxonomy through social media, newsletters, and other channels. Use clear and accessible language to explain the purpose and benefits of a green taxonomy and how it can contribute to sustainable economic development.

- **Blue - Low power / high interest** – This group includes environmental groups and NGOs that are interested in promoting sustainable economic activities and ensuring the taxonomy's accuracy and effectiveness.

Communication Strategy: Keep these people adequately informed, and talk to them to ensure that no major issues are arising. These people can often be very helpful with the detail of your project. Keep informed and maintain interest. Engage with this group through targeted outreach and partnerships, such as inviting them to participate in consultations and workshops. Address their concerns and recommendations in the development process and demonstrate the benefits of a green taxonomy for promoting sustainable economic activities.

The model suggests that depending on where each stakeholder is positioned, the DoCC or the Working Group may want to engage with them more or less frequently, with more or less intensity. *This model presents a simple way to classify stakeholders and helps prioritize stakeholders and tailor an engagement strategy.* Stakeholders falling into the **red quadrant require the most attention**, should be considered high priority, and will need to be managed closely through regular communication. Carefully selected communication and engagement strategy with stakeholders in the early stages of taxonomy planning and development helps to minimize risks and ensures successful green taxonomy development procedure.⁴⁰

It is also worth highlighting that the significant difference between users is also evident in those who will be required to report data on their taxonomy eligible and aligned investments. Although it is too early for a public decision on reporting requirements in the absence of a completed taxonomy, it is safe to assume that the introduction of taxonomy may place new taxonomy linked disclosure requirements on companies and on financial market participants, it would be useful to label the clusters of users based on who are likely to be affected by reporting requirements.

3 Recommendation for Formation of a Technical Expert Group

To guide the technical and legislative development and implementation of Türkiye's green taxonomy, setting up a **Technical Expert Group (TEG)** is highly important. In order to ensure smooth taxonomy development, designation process and procedures of the TEG should be clearly set and centrally regulated by DoCC.

Establishing a **clear mandate, a transparent process, merit-oriented selection procedures, engagement of a wide range of expert stakeholders** will provide a foundation for efficiency and legitimacy for the critical work of the TEG. Based on the analysis of working group examples in the development of the other taxonomies especially the EU which exemplify an effective institutionalisation of a TEG, seven action points are recommended for the formation of a TEG for Türkiye.

Please refer to Annex 4 for the summary of the TEG experience in EU.

⁴⁰ The disadvantage of this particular tool is that unless one really knows the stakeholders well, they can be placed incorrectly on the grid. A common mistake is putting a stakeholder where we want them to be not where they really should be. That's why it is important to know who they are, meet them, interview them, and understand their values, positions, concerns, and beliefs. This knowledge will help place them in the correct position on the grid and will really give a clearer picture of who to focus on.

Table 9. Recommendations for formation of a technical expert group

No	Recommendations for formation of a technical expert group
1	Define the mandate of the expert group clearly, with specific tasks, objectives and timelines
2	Define the scope of the composition of the group and sub-groups
3	Define the duration of the appointment
4	Define the application process and criteria
5	Identify the selection criteria
6	Develop a commission of reviewers to objectively review the applications received.

Recommendation 1: Define the mandate of the expert group clearly, with specific tasks, objectives and timelines.

Defining the objective and mandate of the expert groups clearly is highly important initial step for successful taxonomy development. Recommendations for the overall role of the TEG is summarized in the table below:

Table 10. Role of the Technical Expert Groups

Role of the TEG
Technical development of the green taxonomy, including the development of the technical screening criteria
Development of methodology for the determination of green taxonomy benchmarks (depending on the selection of environmental targets – e.g. climate change mitigation/adaptation, circular-economy, biodiversity, pollution etc. setting up of a sub-technical group might be necessary)
Advise on development of guidelines for taxonomy-related disclosure for corporates and other entities that may be required /recommended to disclose taxonomy alignment (depending on the selection of environmental targets – e.g. climate change mitigation/adaptation, circular-economy, biodiversity, pollution etc. setting up of a sub-technical group might be necessary)
Identification and designation of areas of cross-policy convergence, including fiscal, agricultural, trade and investment polices (requires sub-technical group)
Identification cross-border green taxonomy harmonization areas (requires sub-technical group)

Timeline for these objectives may differ yet setting a time limit for each activity at between 18-24 months would be appropriate.

Recommendation 2: Define the scope of the composition of the group and sub-groups.

Based on the best market practices, it is recommended to designate the main expert group with up to 15 representatives, on the other hand, five members for sub-technical groups could be considered relevant. Engagement of the additional experts to the main expert groups would be important where specific expertise is required. According to the EU experience, the TEG also engaged with over 200 additional experts in the first half of 2019 to develop technical screening criteria for the second round of climate change mitigation and adaptation activities⁴¹.

The consultant team recommends including participants from all target groups identified in this report:

⁴¹ https://finance.ec.europa.eu/publications/technical-expert-group-sustainable-finance-teg_en



- a) Government agencies and regulators: executive branches of the government, central bank and financial market regulators, development agencies.
- b) Financial Institutions: insurance companies, pension funds, asset managers banks, stock exchanges. Given the important role that multilateral development banks play in Türkiye, they may be invited to contribute to the work of the expert groups.
- c) Civil Society, including professional associations: representative of those which play an active role in contributing to public and policy debate on shaping the sustainability in general, sustainable finance in particular.
- d) Corporates and SMEs (non-financial sector): representative of the private sector, who play an active role in contributing to the private sector debate on sustainability; and those that are likely be target users (reporting) of the taxonomy.
- e) Academic institutions which are engaged in research and analysis in sustainability and/or green finance.

Recommendation 3: Define the duration of the appointment.

Members may be appointed for 18-24 months, in line with the objectives set out for the expert groups. Timebound and key objective driven processes would result in effective outcomes. Once the objective is achieved a new technical expert group (sub-groups) could be designated with a new objective.

Recommendation 4: Define the application process and criteria

To guide the institutions for nominating the experts, the application criteria should be clearly defined by the DoCC. Based on the analysis of the other working groups, three main types of experts could be appointed in the expert group.

- **Group A Members:** These members are selected to represent certain interest that are common to group of stakeholders.
- **Group B Members:** These members are appointed to solely represent their own institutions.
- **Group C Members:** These members are appointed based on their own professional expertise, if they exhibit proven knowledge and experience in relation to the objectives of the group

Recommendation 5: Identify the selection criteria.

Identification of a precise selection criteria is highly important to ease the selection procedure of the technical expert group members and to ensure high technical quality. The consultant team recommends focusing on the following key point while identification of the list of objective and measurable criteria for candidates:

- Proven knowledge and expertise for one of the subtasks.
- Knowledge on the intersection between finance and sustainability in the context of Türkiye and/or internationally.
- Balanced representation of relevant expertise and areas of interest, gender distribution, sectoral knowledge.



Recommendation 6: Develop a commission of reviewers to objectively review the applications received.

To ensure a transparent selection procedure, setting up a commission from different institutions' members is necessary for objective review of the received applications. In this regard, the consultant team recommends designating a team of approximately 10 reviewers from the Ministry, and other relevant executive and regulatory bodies. Each applicant should be reviewed by a minimum of two reviewers to oversight of the application criteria. It is important to consider a balanced representation of relevant expertise and areas of interest, regional distribution (in light of Türkiye's regional development goals) gender distribution, and a sufficiently wide variety in the representation of financial and real economic actors and sectors during the selection and review procedure. Reviewers from the following institutions could be invited for the review process.

Table 11. List of Suggested Institutions as a Commission Member

List of Suggested Institutions as a Commission Member
Ministry of Environment, Urbanization and Climate Change
Ministry of Energy and Natural Resources
Ministry of Treasury and Finance
Ministry of Agriculture and Forestry
Ministry of Industry and Technology
Presidency of Strategy and Budget
Directorate of Climate Change
Capital Markets Board of Türkiye
Banking Regulation and Supervision Agency
Central Bank of the Republic of Türkiye
Banks Association of Türkiye
Borsa İstanbul
TOBB - The Union of Chambers and Commodity
TÜSİAD - Turkish Industry and Business Association

4 Potential for approval and standardization of accounting rules in sustainable finance

Türkiye has made significant progress in recent years in following international efforts to harmonize financial reporting standards and promoting sustainability reporting. Companies operating in Türkiye are increasingly recognizing the importance of integrating sustainability considerations, activities, and non-financial disclosure into their business strategies and operations.

All public interest entities are required to apply the **Turkish Accounting Standards (TAS)** when preparing their separate and consolidated financial statements. TAS is in full compliance with IFRS. (Please see Annex 5 for List of Entities required to use IFRS Standard in Türkiye). **The Turkish Accounting Standards Board⁴² (TASB)** is responsible for issuing accounting standards and guidelines for companies operating in Türkiye.

⁴² Turkish Accounting Standards Board (TASB) has been formed on 18 December 1999. The Board effective from 07 March 2002, has taken the responsibility to comply with international accounting standards. With this intention, Turkish Accounting Standards (TAS) and Turkish Financial Reporting Standards (TFRS) has started to be published.

TASB first published the **Turkish Accounting Standards, and then, Turkish Financial Reporting Standards**, by directly translating the complete set of International Financial Reporting Standards (IFRS)⁴³ developed by the International Accounting Standards Board (IASB). TASB decided to align with the IFRS for the sake of integration with contemporary world practices and to maintain harmonization with the EU regulations.⁴⁴ In accordance with this purpose and to ensure that the Turkish Accounting Standards are aligned with IFRS, copyright and license agreements were concluded with IASCF (part of IASB).

The Uniform Accounting System and Uniform Chart of Accounts, Turkish Financial Reporting Standards (TFRS), and Financial Reporting Standards (FRS) for Large- and Medium-Sized Enterprises (LMEs), including accounting reporting standards related to sustainability reporting are simultaneously applied⁴⁵. As mentioned, the TFRS are a direct translation of the International Financial Reporting Standards (IFRS). Enterprises that are subject to independent audit apply TFRS. FRS for LMEs is a financial reporting framework that is subject to independent audit and is valid for financial statements presented to general assemblies of enterprises that do not apply the TFRS.

The Capital Markets Board of Türkiye (CMB), which is the main regulator of the Turkish capital markets, has issued regulations related to **sustainability reporting**⁴⁶. Publicly held (listed) companies and capital markets institutions are required to file financial statements electronically through the Public Disclosure Platform (PDP)⁴⁷. In 2018, the CMB issued a regulation requiring **companies listed on the Borsa Istanbul Stock Exchange to disclose ESG information** in their annual reports.⁴⁸ The regulation is based on the recommendations of the **Task Force on Climate-related Financial Disclosures (TCFD) and the Global Reporting Initiative (GRI)**.

The Ministry of Environment, Urbanisation and Climate Change has also implemented regulations to monitor GHG emissions at national level, to enhance transparency in reporting by contributing sustainable reporting. With the regulation on the Monitoring of Greenhouse Gas Emissions that came into force in 2014, the procedures and principles regarding the monitoring, reporting and verification of greenhouse gas emissions arising from various activities are regulated. Pursuant to this regulation, the procedures and principles regarding the monitoring and reporting of greenhouse gas emissions and related activity data of companies are regulated by the Communiqué on Monitoring and Reporting of Greenhouse Gas Emissions. With the Communiqué published in 2017, the procedures and principles regarding the verification of greenhouse gas emission reports and the accreditation of verifiers within the scope of the Regulation on the Monitoring of Greenhouse Gas Emissions were determined.

The regulation on Environmental Impact Assessment basically includes the studies to be carried out in determining the positive and negative effects of the planned projects on the environment, in determining and evaluating the measures to be taken to prevent or minimize the negative effects so as not to harm

⁴³ <https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/view-jurisdiction/Türkiye/>. IFRS Standards adopted as Turkish Accounting Standards are required for listed companies, financial institutions, and other public interest entities.

⁴⁴ There is a worldwide tendency towards a single global set-in accounting. The convergence of ac//ooo

⁴⁵ Turkish banks and firms which have registered on the İstanbul Stock Exchange have prepared their financial statements according to IFRS since 2005

⁴⁶ <https://cmb.gov.tr//data/6281521a1b41c617eced0ee8/ab21a9093d112e6f9dea44abbd3c4341.pdf>

⁴⁷ "Sustainability Principles Compliance Outline" contains fundamental principles expected to be declared by publicly-held corporations in the course of performance of their Environmental, Social and Corporate Governance (ESG) activities. Though it is optional to implement these principles, it is mandatory to report whether they are implemented or not under the "Comply or Explain" principle.

⁴⁸ <https://www.mkk.com.tr/en/corporate-governance-services/pdp-public-disclosure-platform>. Public Disclosure Platform (KAP) is an electronic system through which electronically signed notifications required by the capital markets and Borsa İstanbul regulations are publicly disclosed. Within the framework of Capital Markets Board of Türkiye's (CMB) 'Communiqué on the Public Disclosure Platform', all the information and documents that are required to be publicly disclosed must be sent to the KAP. The system is operated and managed by Merkezi Kayıt Kuruluşu A.Ş. (MKK) on a 7/24 basis. The system covers over 740 companies, over 1.050 funds and 3.000 users all over Türkiye.

⁴⁸ See also Sustainability Guide for Companies issued by the Borsa İstanbul: https://borsaistanbul.com/files/Surdurulebilirlik_Rehberi_2020.pdf

the environment, in determining and evaluating the chosen location and technology alternatives, and in monitoring and control of the implementation of the projects. It also includes inspections to determine whether the project is carried out in line with the conditions that form the basis for the decision regarding the pre-construction, construction, operative, and postoperative periods. This regulation, which has been in force in Türkiye since 1993, has been revised several times. The final regulation in effect was published in July 2022. The annex of the regulation includes the list of projects to be subjected to environmental impact assessment. This list includes many sectors such as refineries, metal industry plants, cement plants, waste plants, and production of chemicals.

In addition, the Regulation on Strategic Environmental Assessment prepared within the framework of harmonization with the EU legislation, for the preparation of plans/programs that are expected to have significant impacts on the environment and integrating environmental elements into the approval process, in line with the principle of sustainable development in order to ensure the protection of the environment, entered into force in 2017.

In addition, the **Turkish Industrialists' and Businessmen's Association (TÜSİAD)** and the **Corporate Governance Association of Türkiye (TKYD)** have developed a joint **sustainability reporting framework**, which is based on international best practices and is designed to help companies improve their sustainability reporting practices.

2022 witnessed a tremendous and massive movement towards sustainability. This movement is accompanied by the emergence of new regulations and standards. With these standards, **ESG (Environment, Social, Governance) reporting becomes more and more regulated. Among these standards there are the ESRS (European Sustainability Reporting Standards) and the IFRS S1 & S2.**

The European Union (EU) Directive on **Corporate Sustainability Reporting (CSRD)** was proposed by the European Commission in April 2021 to replace the existing Non-Financial Reporting Directive (NFRD)⁴⁹. The first talks about CSRD in 2021 led to the preparation of the new ESRS (European Sustainability Reporting Standard) by **EFRAG** (European Financial Reporting Advisory Group). The CSRD, which takes into account the EU Taxonomy Climate Act, is expected to expand the scope of non-financial reporting requirements and to introduce mandatory sustainability reporting for more companies. It extends the reporting requirements to all large companies and all companies listed on the regulated markets including the ones with more than 250 employees (before 500). The companies affected by the CSRD must include among others the EU Taxonomy-aligned share of their turnover, capital expenditures (CapEx), and operating expenditures (OpEx) generated by their economic activities in their CSRD report. Thus, the key figures and information based on the EU Taxonomy will be integrated into the CSRD reports. CSRD and EU Green Taxonomy alignment can be achieved through reporting that is consistent with the Taxonomy. This means that companies should disclose information about their activities that align with the Taxonomy's criteria for environmentally sustainable economic activities.

⁴⁹ While the NFRD did not directly apply to companies in Türkiye, companies in Türkiye may have voluntarily followed the NFRD reporting requirements as a way to align their reporting with global standards. The NFRD is a European Union (EU) directive that requires certain large companies to disclose non-financial information in their annual reports. As Türkiye is not a member of the EU, the NFRD did not apply to companies in Türkiye, and therefore was not a requirement under the Turkish Uniform Financial Reporting Standards (UFRS).

However, UFRS is largely based on International Financial Reporting Standards (IFRS), which are developed by the International Accounting Standards Board (IASB). While the IASB has not issued a specific standard for sustainability reporting, it has provided guidance on sustainability reporting in the form of the IFRS Practice Statement 1: Management Commentary. The IFRS Practice Statement 1 provides guidance on how companies can report on their business model, strategy, and performance, including sustainability performance. The guidance encourages companies to provide a balanced and comprehensive view of their performance, including both financial and non-financial information.



Simultaneously, **Sustainable Finance Disclosure Regulation (SFDR)** came into effect in March 2021. It is a regulatory framework established by the European Union (EU) to promote transparency and consistency in sustainable finance and environmental, social, and governance (ESG) disclosures. SFDR aims to address the growing demand for sustainable investments and ensure that investors receive accurate and comparable information about the sustainability characteristics and impacts of financial products. SFDR introduces disclosure requirements for financial market participants, including asset managers, investment advisors, and insurance companies, as well as financial products, such as funds and portfolios. It is applicable to entities operating within the EU or offering their products and services to EU clients.

Key aspects of SFDR include:

Disclosure Obligations: Financial market participants must disclose information about how they integrate sustainability risks into their investment decision-making processes and the potential impacts of sustainability factors on investment performance. They are also required to provide information on their remuneration policies and their alignment with sustainability objectives.

Principle of "Do No Significant Harm" (DNSH): SFDR introduces the DNSH principle, which requires financial products that claim to have environmental or social sustainability characteristics to meet specific criteria and avoid causing significant harm to those objectives.

Taxonomy Regulation: SFDR is closely linked to the EU Taxonomy Regulation, which establishes a framework for classifying environmentally sustainable economic activities. Financial market participants are required to disclose the extent to which their products align with the taxonomy.

Periodic Reporting: Financial market participants must provide regular reports on how they integrate sustainability risks and consider adverse sustainability impacts in their investment processes.

SFDR is part of the EU's broader Sustainable Finance Action Plan, which aims to mobilize private capital towards sustainable investments and contribute to the EU's environmental and climate objectives.

It's important to note that SFDR has specific requirements and classifications, and its full scope and implementation have evolved since its introduction in 2019. Financial market participants are advised to consult the official regulations and seek legal and regulatory guidance to ensure compliance with SFDR requirements.

Financial companies affected by the SFDR must also publish taxonomy-based metrics and disclosures for ESG financial products. This applies to financial products that have the full or partial objective of making "sustainable investments". Thus, in order to comply with SFDR reporting requirements, financial companies must report the proportion of their respective financial products that are invested in taxonomy-aligned activities. This applies, for example, to information on the greenhouse gas emissions of the investments that underlie the financial products. In order to determine the required taxonomy figures, financial companies will in turn need information from the CSRD reports of the companies in which they invest. The CSRD is therefore also relevant for the SFDR, as it provides part of the information to be disclosed for the SFDR report.

In the meantime, on an international level, the IFRS (International Financial Reporting Standards) has established the ISSB (International Sustainability Standards Board) to develop the new **IFRS sustainability standards** for ESG reporting, namely IFRS-S1 and IFRS-S2.⁵⁰ The IFRS Foundation, with the creation of the

⁵⁰ Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information would require disclosures about a company's exposure to general sustainability-related risks and opportunities and the governance and management strategies. Companies stand to benefit from enhancing SASB reporting experience focusing on the financial impacts of sustainability.

ISSB to act as a global standard-setter working with the IASB, has developed a model for comprehensive and homogenous disclosures allowing interoperability among the different jurisdictions, unlike the previous and current and numerous sustainability standards. Both IFRS sustainability standards and the CSCR⁵¹ drafts had been made public for feedback and comments before issuing the final versions in 2023.

The ISSB is currently finalizing general requirements for an entity to disclose sustainability-related financial information⁵². In March 2022 the ISSB published Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, proposing overall requirements for an entity to disclose sustainability-related financial information about its sustainability-related risks and opportunities. The Exposure Draft also proposed that an entity provide the market with a complete set of sustainability-related financial disclosures. The ISSB redeliberated the proposals after considering the feedback on the Exposure Draft, and expects to issue an IFRS Sustainability Disclosure Standard around the end of Q2 2023.⁵³ The IFRS standards do not directly reference or require the disclosure of a Green Taxonomy alignment.

A key question, and one that may remain outstanding for some time, is whether the EU, and consequently Türkiye, will determine that the reporting standards currently being produced by the ISSB of the IFRS are “equivalent” to the CSRD. An important point of difference is that all IFRS data points are based on a materiality assessment, whilst CSRD have a list of mandatory data points, irrespective of the materiality assessment. CSRD requires additional disclosure (such as reference to alignment with limiting global warming to 1.5 degrees), and CSRD does not allow the use of carbon credits or offsets to achieve GHG-emission targets.

The Turkish government has not made any official announcements regarding the adoption of the CSRD. However, Türkiye has shown a commitment to sustainability reporting in recent years and **has taken steps to align its regulations with global reporting standards such as the IFRS.** For example, as mentioned earlier, the Capital Markets Board of Türkiye (CMB) has already implemented regulations on sustainability reporting for companies listed on the Borsa Istanbul Stock Exchange. The IFRS Foundation has made it clear that the disclosure standards developed will not be a one-fits-all. The decision-makers and regulators in the countries can decide whether it would be applicable in totality or with certain exemptions or additionalities depending on national circumstances.

The Relationship between the EU Taxonomy, CSRD, and SFDR

ESG reporting and taxonomy alignment reporting are two distinct but related concepts within the realm of sustainable finance and corporate sustainability. Here's an overview of their differences:

The second Exposure Draft, IFRS S2 Climate-related Disclosures, includes requirements consistent with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations on the climate-related risks and opportunities (distinction is made to physical and transition risks), the governance, strategy and risk management of a business, and monitoring and management approaches to climate-related risks and opportunities. Disclosure of all Scope 1, 2, and 3 emissions based on GHG Protocol methodology is required, reflecting the importance of reporting impacts along the value chain.

⁵¹ EFRAG’s work takes into consideration the already existing EU regulations and directives, such as the Sustainable Finance Disclosure Regulation (SFDR) (regarding the financial market), the EU Taxonomy, the Corporate Sustainability Due Diligence, and others. Moreover, EFRAG’s team took into account the existing international reporting standards and frameworks to align the requirements and include the best practices such as the NFRD, GRI, TCFD (Task Force on Climate-Related Financial Disclosures).

⁵² The ISSB was created in 2021 to develop and consolidate an extensive global standard of high-quality sustainability standards to answer investors’ information needs. By June 2022, the consolidation of the Climate Disclosure Standards Board (CDSB) and the Value Reporting Foundation (VRF) has been completed by the IFRS Foundation. The VRF was formed by the merger of the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB). The ISSB confirmed that industry-specific disclosures are required and, in the absence of specific IFRS Sustainability Disclosure Standards, companies must consider the SASB Standards to identify sustainability-related risks, opportunities and appropriate metrics.

⁵³ <https://www.ifrs.org/projects/work-plan/general-sustainability-related-disclosures/>

ESG Reporting: ESG (Environmental, Social, and Governance) reporting refers to the disclosure of a company's performance and practices related to environmental, social, and governance factors. It involves providing transparent and standardized information about various sustainability metrics, initiatives, and risks that are relevant to a company's operations and stakeholders. ESG reporting typically includes a wide range of metrics and indicators that assess factors such as carbon emissions, energy consumption, employee diversity, executive compensation, board structure, supply chain practices, and more. The purpose of ESG reporting is to provide stakeholders with information to evaluate a company's sustainability performance, its impact on society and the environment, and its overall governance practices.

Taxonomy Alignment Reporting: Taxonomy alignment reporting specifically focuses on assessing and disclosing the degree to which a company's activities align with a specific taxonomy or classification system. A taxonomy, in this context, refers to a framework or set of criteria that defines what economic activities are considered environmentally sustainable. For example, the European Union has developed the EU Taxonomy, which provides a classification system for determining which economic activities contribute to environmental objectives such as climate change mitigation and adaptation. Taxonomy alignment reporting involves evaluating a company's operations, products, or projects against the criteria outlined in the taxonomy and reporting the extent to which they align with the taxonomy's definitions of environmental sustainability. The purpose of taxonomy alignment reporting is to provide transparency and comparability regarding a company's sustainable activities, helping investors and stakeholders assess the environmental impact and sustainability of investments or business practices.

In summary, ESG reporting provides a broader view of a company's overall sustainability performance, covering a range of environmental, social, and governance factors. On the other hand, taxonomy alignment reporting focuses specifically on assessing how a company's activities align with a specific taxonomy or classification system's criteria for environmental sustainability. While ESG reporting may cover a wider array of metrics and indicators, taxonomy alignment reporting offers a more focused analysis of alignment with defined sustainability criteria.

EU Taxonomy, CSRD, and SFDR are the three main EU regulatory frameworks anchored in the EU Sustainable Finance Framework. The three regulations are closely linked and interrelated. The EU Taxonomy provides classification system that provides a framework for determining whether an economic activity is environmentally sustainable. It's classification system for sustainable economic activities that is applied within the CSRD and SFRD. The Taxonomy Regulation requires companies falling within the scope of the CSRD to disclose the extent to which their economic activities are sustainable within the meaning of the taxonomy. Although the indicators or technical screening criteria for this are defined in separate delegated acts, they must nevertheless be disclosed alongside the other sustainability data defined in the CSRD and specified by the ESRS.

Companies can use the Taxonomy to assess whether their activities are environmentally sustainable and to identify areas where they need to improve. They can then disclose information about their activities in their sustainability reports, using the Taxonomy as a framework for their reporting. This can help investors and other stakeholders to understand a company's sustainability performance and to compare it with other companies in the same industry.

In summary, the publication of the EU Taxonomy metrics is part of the reporting obligation of companies covered by the CSRD. Companies affected by the SFDR in turn need the EU Taxonomy metrics from the

CSRD report of their investment objects in order to fulfil their reporting obligation. The reporting obligations of the three EU regulations are thus interlinked and overlap in terms of content.⁵⁴

It is unclear when or if Türkiye will adopt the CSRD, this depends on the taxonomy model Türkiye will choose, it has taken steps towards sustainability reporting in line with IFRS reporting standards.⁵⁵ The existence of multiple frameworks and standards has added to the problem for the investor's decision-making process. Taxonomies capture the definition of individual reporting accounting concepts as well as the relationships between various concepts. A taxonomy for sustainable finance is a set of criteria that provide the basis for an evaluation of whether and to what extent a financial asset will support given sustainability goals. The aim of both taxonomy and accounting is to increase transparency of reporting and should be viewed as essential company governance tools for making informed decisions on the operating environment and risks. The companies that fall within the disclosure framework will be required to report on the taxonomy.

⁵⁴ <https://envoria.com/insights-news/eu-sustainable-finance-framework-how-are-the-eu-taxonomy-csrd-and-sfdr-related>

⁵⁵ Both of the IFRS Sustainability Disclosure Standard 1 and 2 have been translated into Turkish and published on the KGK website.

ANNEX 1

Steps Taken by Government Towards a Sustainable Finance

Name of the Policy	Issue Date	Description
Republic of Türkiye Climate Change Strategy 2010 -2023	2010	Türkiye has developed the “National Climate Change Strategy” in order to contribute to global efforts to mitigate the impacts of climate change, taking into account its own special circumstances and capacity. The strategy includes a set of objectives to be implemented over a short, medium, and long-term time horizon. https://webdosya.csb.gov.tr/db/iklim/editordosya/iklim_degisikligi_stratejisi_EN(2).pdf
Republic of Türkiye Climate Change Action Plan 2011-2023	2011	Climate Change Action Plan disclosed the actions to be taken for 7 sectors (energy, buildings, industry, transportation, waste, agriculture, land use and forestry) in line with country’s national climate change strategy. https://webdosya.csb.gov.tr/db/iklim/editordosya/file/eylem%20planlari/iklim_degisikligi_eylem_plani_EN_2014.pdf
Türkiye’s National Climate Change Adaptation Strategy and Action Plan 2011-2023	2011	National Climate Change Adaptation Strategy and Action Plan have focused on five important fields (Water Resources Management, Agricultural Sector and Food Security, Ecosystem Services, Biodiversity and Forestry, Natural Disaster Risk Management, Public Health) and disclosed action plans for those areas. https://webdosya.csb.gov.tr/db/iklim/editordosya/file/eylem%20planlari/uyum_stratejisi_eylem_plani_EN_Final.pdf
Borsa İstanbul (BIST) started to publish the BIST Sustainability Index.	2014	BIST Sustainability Index has been launched with the aim of guiding companies in the process of policy making considering the risks related to environmental, social and governance issues besides informing the investors about the sustainability policies of the companies. https://www.borsaistanbul.com/en/sayfa/2227/sustainability-indices
BAT published " Sustainability Guide for the Banking Sector"	2014	This advisory guide was updated in March 2021. It has been prepared to enable banks to conduct and manage their activities by taking environmental and social factors into account. https://www.tbb.org.tr/sustainability/index.html

<p>BRSA became the member of the Sustainable Banking and Finance Network (SBFN)</p>	<p>2015</p>	<p>SBFN is a voluntary community of financial sector regulators, central banks, ministries of finance, ministries of environment, and industry associations from emerging markets committed to advancing sustainable finance for national development priorities, financial market deepening, and stability. Regarding the latest report published in March 2022, Türkiye has moved up to the “Advancing” sub-stage of the “Implementation” stage from the “Developing” sub-stage of the “Implementation” stage. https://www.sbfnetwork.org/membership/</p>
<p>The Eleventh Development Plan (2019-2023)</p>	<p>2019</p>	<p>The plan consists of policies and actions for combating and adapting to climate change. Besides, it includes better management of risks and opportunities arising from climate change, supporting the transition to low-carbon production and investment, and contributing to sustainable growth. https://www.sbb.gov.tr/wp-content/uploads/2022/07/Eleventh_Development_Plan_2019-2023.pdf</p>
<p>BRSA has made amendement in the Regulation on Credit Transactions.</p>	<p>2019</p>	<p>With the amendment made in the Regulation, the ratio of the loan amount to the value(LtV) of the housing received as collateral in the loans to be extended to consumers for the purpose of purchasing housing was determined higher for houses with high energy performance that have an Energy Performance Certificate, thus promoting energy efficiency in houses. https://www.bddk.org.tr/Mevzuat/DokumanGetir/983</p>
<p>Türkiye's 2nd National Review Report on Sustainable Development Goals was published by the Strategy and Budget Presidency.</p>	<p>2019</p>	<p>The Presidency of Strategy and Budget coordinates the Voluntary National Review (VNR) on the implementation of the SDGs. The Sustainable Development Goals Türkiye's 2nd National Review Report prepared and was published in 2019, accordingly. https://www.sbb.gov.tr/wp-content/uploads/2020/03/Susta%C4%B1nable-Development-Goals-Türkiyes-2nd-Vnr_EN-WEB.pdf</p>
<p>An amendment made in the Corporate Governance Communiqué by the Capital Markets Board (CMB)</p>	<p>2020-10</p>	<p>The "Sustainability Principles Compliance Framework" has been established and it has been made compulsory for publicly-listed companies to report whether they comply with this voluntary framework based on the principle of "comply or explain". https://cmb.gov.tr/data/62816f571b41c617eced1005/c1fad28f78a657e385ba3d2d94b2eee6.pdf https://www.borsaistanbul.com/en/duyuru/3177/cmb-has-announced-the-sustainability-principles-compliance-framework</p>

BRSA became a member of the Basel Committee on Banking Supervision “Task Force on Climate-Related Financial Risks” (TCFR)	2020	Basel Committee on Banking Supervision (BCBS) carries out analytical studies on the transmission channels of climate-related financial risks to the banking sector and the measurement methods of climate risks. BRSA has become a member of the Task Force on Climate-related Risks to follow international progress. https://www.bddk.org.tr/KurumHakkinda/EkGetir/19?ekId=71
BRSA has made amendment on “Guidance on Loan Origination and Monitoring Process ”	2021-06	It sets out the expectations for banks while developing policies regarding ESG factors and associated risks, and environmentally sustainable lending. Under a holistic approach it is expected from banks to include ESG factors and related risks in their credit risk appetite and risk management policies, credit risk policies and procedures. https://www.bddk.org.tr/Mevzuat/DokumanGetir/1068
The Green Action Plan was published by the Ministry of Commerce in July 2021.	2021-07	The overall strategy and main steps of green transformation in Türkiye were determined through the “Green Deal Action Plan” in July 2021. https://ticaret.gov.tr/data/640f220d13b8761b449ccb42/YESIL%20MUTABAKAT%20Eylem%20Plan%C4%B1.pdf https://www.eesc.europa.eu/sites/default/files/files/green_deal_action_plan_of_Turkiye.pdf
BRSA became a member of the “Financial System Greening Network” (NGFS).	2021	The Network’s purpose is to help strengthen the global response required to meet the goals of the Paris agreement and to enhance the role of the financial system to manage risks and to mobilize capital for green and low-carbon investments in the broader context of environmentally sustainable development. https://www.ngfs.net/en/about-us/membership
Medium-Term Program (2022-2024)	2021-09	Policies and measures regarding green transformation are included under the heading of macroeconomic targets and policies. To comply with the EU Green Deal, guides will be prepared in the fields of strategy formulation, corporate structuring, and risk management, reporting and public disclosure for the development of green banking practices. https://www.sbb.gov.tr/wp-content/uploads/2021/10/Medium_Term_Programme_2022-2024.pdf

Ratification of the Paris Climate Agreement	2021-10	<p>The Paris Agreement aims to strengthen the global socio-economic resilience against the threat of climate change in the post-2020 period. The long-term goal of the Paris Agreement is to keep the global temperature rise as low as 2°C (1.5°C if possible) compared to the pre-industrial era. This target requires a gradual reduction in the use of fossil fuels (oil, coal) and a focus on renewable energy. In 2021, Türkiye ratified the Paris Climate Agreement and committed to net zero by 2053.</p> <p>https://iklim.gov.tr/en/paris-agreement-i-117</p>
Ministry of Treasury and Finance announced the "Sustainable Finance Framework" and "Second Party Opinion"	2021-11	<p>Türkiye intends to use this Framework as the basis to issue Green, Social or Sustainability Bonds, Sukuks, Loans and other debt instruments ("Sustainable Financing Instruments"). It will form the basis for borrowing transactions that can be carried out in the international "Environmental, Social and Governance" (ESG) bond market.</p> <p>Türkiye has appointed Sustainalytics to assess this Sustainable Finance Framework and its alignment with the ICMA's Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and the LMA's Green Loan Principles and Social Loan Principles and issue a Second Party Opinion accordingly.</p> <p>https://ms.hmb.gov.tr/uploads/sites/2/2021/11/Republic-of-Türkiye-Sustainable-Finance-Framework.pdf</p> <p>https://ms.hmb.gov.tr/uploads/sites/2/2021/11/Republic-of-Türkiye-Sustainable-Finance-Framework-Second-Party-Opinion.pdf</p>
The Green Economy and Climate Change Division was established within the CBRT	2021-11	<p>CBRT continued to monitor the developments concerning climate change as well as their impact on the economy and the financial system, and to collaborate with national and international stakeholders on this issue. The link below refers to 2022 activities of CBRT Green Economy and Climate Change Division.</p> <p>https://www3.tcmb.gov.tr/yillikrapor/2022/tr/m-2-9.html</p>
Sustainable Banking Strategy Plan (2022-2025)	2021-12	<p>The document focuses on building a sustainable banking infrastructure and includes the methods and principles applicable for the sustainability efforts of the banks in line with international standards and practices. The Plan includes 3 main strategic objectives: (1) effectively managing and monitoring climate-related risks, (2) improving the financing needed for the transition to a sustainable economy, and (3) improving cooperation between interested parties in order to ensure that the banking sector achieves the necessary adaptation before 2026, an important transition date for Türkiye's economic and financial system,</p>

		<p>when the carbon border adjustment mechanism will begin to create financial burden in accordance with the “EU Green Deal” and the “Fit for 55 Package”.</p> <p>https://www.bddk.org.tr/KurumHakkinda/EkGetir/19?ekId=71</p>
CBRT became a member of “The Network for Greening the Financial System” (NGFS).	2021-12	<p>CBRT became a member of the NGFS on December 14, 2021, in order to follow the developments regarding climate change and green finance practices in the international arena.</p> <p>https://www.ngfs.net/en/about-us/membership</p>
The Green Debt Instrument, Sustainable Borrowing Instrument, Green Lease Certificate, Sustainable Lease Certificate Guide was published by the CMB.	2022-02	<p>The guide regulates the principles to be followed in the issuance of green and sustainable debt instruments and lease certificates, in line with the action of "Preparing the Green Bond Guide and Green Sukuk Guide". It is important for the integrity and stability of Turkish financial markets to clarify the regulatory framework of bond issuance processes and to inform investors within the scope of public disclosure obligations and fund environmental projects.</p> <p>https://www.cmb.gov.tr/announcements/guidelines-on-green-debt-instruments-sustainable-debt-instruments-green-lease-certificates-and-sustainable-lease-certificates</p> <p>https://cmb.gov.tr/data/628164d41b41c617eced0ff0/c271c36f7bbd4a9429b0d503626c43d1.pdf</p>
Türkiye's first Climate Council	2022-02	<p>Türkiye's first Climate Council, which is one of the critical steps in combating climate change, was held in February 2022 by the Ministry of Environment, Urbanization and Climate Change. A new roadmap was determined in 7 different areas and 217 new decisions were taken in line with the 2053 net zero emission and green development targets, which are critical in the fight against climate change.</p> <p>https://iklimsurasi.gov.tr/public/images/sonucbildirgesi.pdf</p>
The National Sustainable Development Coordination Board was established under the Presidency of Strategy and Budget	2022-07	<p>Under the Presidency of Strategy and Budget, to monitor and coordinate the implementation of the Sustainable Development Goals (SDGs) at the national level; the National Sustainable Development Coordination Board was established. The members of the Board consist of the relevant deputy ministers of all ministries, the heads of the Turkish Cooperation and Coordination Agency, the Turkish Human Rights and Equality Institution and the Turkish Statistical Institute.</p> <p>https://www.mevzuat.gov.tr/MevzuatMetin/CumhurbaskanligiGenelgesi/20220719-12.pdf</p>

Medium-Term Program (2023-2025)	2022-09	<p>Under the program, the necessary steps will continue to be taken towards green transformation in all areas and sectors of the economy in line with Türkiye's 2053 net zero emission target.</p> <ul style="list-style-type: none"> • A science-based National Green Taxonomy legislation will be prepared in line with an international common classification system and taking into account the unique needs of the country as well. • To comply with the EU Green Deal, guides will be prepared in the fields of strategy formation, corporate structuring, and risk management, reporting and public disclosure for the development of green banking practices. • Strategy development and regulation studies will be carried out to update sustainability reporting principles in line with international developments, to regulate corporate investors and companies providing sustainability consultancy with responsible investment approaches, and to identify climate risks and integrate them into surveillance practices. <p>https://www.sbb.gov.tr/wp-content/uploads/2022/09/Orta-Vadeli-Program-2023-2025.pdf</p>
Participation Finance Strategy Document published by the Finance Office.	2022-10	<p>Green finance practices are considered one of the primary contribution areas of participation finance to the financing of sustainability. The Participation Finance Strategy Document will be a guide for the important steps planned to be taken in the field of participation finance.</p> <p>https://www.cbfo.gov.tr/sites/default/files/2022-11/participation-finance-strategy-document-2022-2025-holistic-transformation.pdf</p>
The Public Oversight Authority (KGK) published IFRS S1 General Provisions on Disclosure of Sustainability-Related Financial Information and IFRS S2 Climate Related Disclosures draft documents.	2022-12	<p>The proposals in the draft documents set out the requirements for identifying, measuring, and disclosing climate-related risks and opportunities.</p> <p>https://kgk.gov.tr/ContentAssignmentDetail/4873/UFRS-S2-1%CC%87klimle-1%CC%87lgili-Ac%CC%A7%C4%B1klamalar-Taslak-Metin https://www.kgk.gov.tr/Portalv2Uploads/files/Duyurular/v2/Surduruleb-ilirlik/S2%2030_11_2022%20EN.pdf https://www.kgk.gov.tr/Portalv2Uploads/files/Duyurular/v2/Surduruleb-ilirlik/S1%2030_11_2022%20EN.pdf</p>
Banks Association of Türkiye published "Sustainability in the Banking Sector": Sector Outlook Report	2023-04	<p>With this report, the Banks Association of Türkiye aims to set the direction for the activities of banks, to manage the risks and opportunities arising from climate change more effectively, to support the transition to a low carbon economy and to provide information to the sector for a sustainable future.</p> <p>https://www.tbb.org.tr/Content/Upload/Dokuman/8929/Bankacilik_Se</p>



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Republic of Türkiye submitted NDCs to of
the United Nations Framework Convention
on Climate Change

2023-04

Türkiye confirms that it will reduce its greenhouse gas (GHG) emissions by 41% through 2030 compared to the Business as Usual (BAU) scenario given in Türkiye's first NDC, which takes 2012 as the base year. The new mitigation target is to achieve a net zero target by 2053.

https://unfccc.int/sites/default/files/NDC/2023-04/T%C3%9CRK%C4%B0YE_UPDATED%201st%20NDC_EN.pdf



ANNEX 2

List of companies with climate commitments and targets by Science Based Targets Initiative

Company Name	Near term - Target Status	Near term - Target Classification	Near term - Target Year	Net-Zero Committed	BA1.5	Sector
Abdi Ibrahim Pharmaceuticals	Targets Set	1.5°C	2030	No	No	Pharmaceuticals, Biotechnology and Life
Airties Group S.A.S.	Targets Set	1.5°C	2030	No	No	Telecommunication Services
Akçansa Çimento Sanayi ve Ticaret A. Ş.	Committed	-	-	No	No	Construction Materials
AKDAŞ DÖKÜM A.Ş.	Committed	-	-	Yes	Yes	Mining - Iron, Aluminum, Other Metals
Akplas	Committed	-	-	Yes	Yes	Automobiles and Components
Albaraka Türk Participation Bank	Committed	-	-	No	No	Banks, Diverse Financials, Insurance
Alpin Çorap San. Ve Tic. A. Ş	Committed	-	-	No	No	Textiles, Apparel, Footwear and Luxury Goods
ANADOLU ISUZU OTOMOTİV SAN. VE TİC. A.Ş.	Committed	-	-	No	No	Automobiles and Components
ARÇELİK A.Ş.	Targets Set	Well-below 2°C	2030	Yes	Yes	Consumer Durables, Household and Personal Products
As Çelik Döküm İşleme San. ve Tic. A.S.	Targets Set	1.5°C	2030	No	No	Mining - Iron, Aluminum, Other Metals



ASKON DEMİR ÇELİK SANAYİ TİCARET AŞ	Targets Set	1.5°C	2030	No	No	Construction Materials
AYDEM YENİLENEBİLİR ENERJİ A.Ş.	Committed	-	-	Yes	Yes	Electric Utilities and Independent Power Producers and Energy Traders
AYYILDIZ DOKUMA KUMAS PAZ. SAN VE TİC. A.Ş.	Committed	-	-	Yes	Yes	Textiles, Apparel, Footwear and Luxury Goods
Bilecik Demir Çelik	Committed	-	-	Yes	Yes	Mining - Iron, Aluminum, Other Metals
BİRİKİM MÜHENDİSLİK VE ENDÜSTRİYEL YÜKLENİM LTD ŞTİ	Targets Set	1.5°C	2030	No	No	Construction and Engineering
BRISA BRIDGESTONE SABANCI TYRE MANUFACTURING AND TRADING INC.	Targets Set	1.5°C	2030	No	No	Tires
Çimsa Çimento Sanayi ve Ticaret A.Ş.	Committed	-	-	No	No	Building Products
EAE AYDINLATMA A.Ş.	Committed	-	-	No	No	Electrical Equipment and Machinery
Ekoten Tekstil Sanayi ve Ticaret A.Ş.	Committed	-	-	No	No	Textiles, Apparel, Footwear and Luxury Goods
Fiba Yenilenebilir Enerji Holding A.Ş.	Committed	-	-	Yes	Yes	Electric Utilities and Independent Power Producers and Energy Traders
Ford Otomotiv Sanayi A.Ş (Ford Otosan)	Committed	-	-	Yes	Yes	Automobiles and Components



Gelal Socks Company- Cankiri Facility	Committed	-	-	Yes	Yes	Textiles, Apparel, Footwear and Luxury Goods
Gulermak Steel Construction Ind. & Trade Co. Inc.	Targets Set	1.5°C	2030	No	No	Construction and Engineering
ISKO Denim	Committed	-	-	No	Yes	Textiles, Apparel, Footwear and Luxury Goods
Kalkancı Pres Döküm ve Kalıp San. Tic. A.Ş.	Targets Set	1.5°C	2030	No	No	Automobiles and Components
Kayahan Makine Hidrolik A.Ş.	Targets Set	1.5°C	2030	No	No	Electrical Equipment and Machinery
KAYSERİ ULAŞIM A.Ş.	Targets Set	Well-below 2°C	2028	No	No	Ground Transportation - Railroads Transportation
Kizilay İçecek	Committed	-	-	Yes	Yes	Food and Beverage Processing
Klimasan AŞ	Committed	-	-	No	No	Consumer Durables, Household and Personal Products
Kordsa Teknik Tekstil A.Ş	Committed	-	-	Yes	Yes	Textiles, Apparel, Footwear and Luxury Goods
Mavi Giyim Sanayi ve Ticaret A.Ş.	Targets Set	1.5°C	FY2030	No	No	Retailing
Migros Ticaret A.Ş.	Committed	-	-	Yes	Yes	Retailing
OYAK Cement	Committed	-	-	Yes	Yes	Construction Materials
Sasa Polyester Sanayi A.S.	Committed	-	-	No	No	Chemicals
Şekerbank T.A.Ş.	Committed	-	-	No	No	Banks, Diverse Financials, Insurance



SIK MAKAS GIYIM SAN VE TIC A. S	Committed	-	-	No	No	Textiles, Apparel, Footwear and Luxury Goods
T. GARANTİ BANKASI A.Ş.	Committed	-	-	No	No	Banks, Diverse Financials, Insurance
Temsa Skoda Sabancı Ulaşım Araçları A.Ş.	Committed	-	-	Yes	Yes	Automobiles and Components
Tofaş A. Ş	Committed	-	-	Yes	Yes	Automobiles and Components
TSKB	Committed	-	-	No	No	Banks, Diverse Financials, Insurance
Türk Traktör ve Ziraat Makineleri A.S.	Committed	-	-	Yes	Yes	Electrical Equipment and Machinery
Turkcell İletişim Hizmetleri A. Ş.	Committed	-	-	No	No	Telecommunication Services
Türkiye Halk Bankası A.Ş.	Committed	-	-	Yes	Yes	Banks, Diverse Financials, Insurance
Türkiye İş Bankası	Committed	-	-	No	No	Banks, Diverse Financials, Insurance
Ugur Cooling Inc. Co.	Committed	-	-	No	Yes	Consumer Durables, Household and Personal Products
Vakifbank	Committed	-	-	No	No	Banks, Diverse Financials, Insurance
Vestel Beyaz Eşya Sanayi ve Ticaret A.S.	Committed	-	-	No	No	Consumer Durables, Household and Personal Products



Vestel Elektronik Sanayi ve Ticaret A.S.	Committed	-	-	No	No	Consumer Durables, Household and Personal Products
VLS ENDUSTRIYEL SATIS LTD STI	Targets Set	Well-below 2°C	2030	No	No	Electrical Equipment and Machinery
Yapı ve Kredi Bankası A.Ş.	Committed	-	-	No	Yes	Banks, Diverse Financials, Insurance
Yorglass Cam Sanayi ve Ticaret	Committed	-	-	No	No	Consumer Durables, Household and Personal Products
Zorlu Enerji	Committed	-	-	Yes	Yes	Electric Utilities and Independent Power Producers and Energy Traders

ANNEX 3

EU High-level Group and Technical Expert Group on Sustainable Finance

High-level Group of Experts on Sustainable Finance

In 2016, the European Commission first set up a high-level group of experts on sustainable finance. The group's tasks shall be to help develop an overarching and comprehensive EU strategy on sustainable finance to integrate sustainability in EU financial policy.

The mandate of the group is to submit its view on a comprehensive policy road-map for the EU financial policy reforms that responds to the above objectives. The work of the group set against the back-drop of fast-developing European (and international) markets for some types of green financial assets and financial products related to climate risks.

Composition: The group consists of up to 20 members.

- a) NGOs representing civil society and which play a leading role in contributing to public and policy debate on shaping the sustainable finance market framework
- b) insurance companies, pension funds, asset managers banks, stock exchanges and other marketplaces and other categories of financial institution active in intermediating investments in sustainable or sustainable finance or in managing risks linked to sustainable development;
- c) institutions/organisations providing analysis, data or methodologies that facilitate sustainable or green finance.

It was required that members of the group did not represent an individual stakeholder, but a policy orientation common to different stakeholder organisations. Members were appointed for 12 months.

Selection Criteria

A. Criteria relating to the individual her/himself:

- Proven professional experience in a senior role with projects, activities and organisations having a clear sustainable finance dimension;
- Strong track-record in contributing to policy debate and commentary on the links between sustainability/ environmental issues and the financial system;
- Demonstrable expertise and understanding of the financial system and EU financial regulatory framework, and of how sustainability/ environmental factors interact with the financial system and regulatory framework;
- Willingness and capability to commit to the HLEG's work over the foreseen period (up to a maximum of 16 months), and to present/communicate the work of the expert group;

B. Criteria relating to the common interest of stakeholder organisation(s) which the individual represents:

- Representativeness and significance of the stakeholder organisation which has nominated the applicant in terms of contribution to the sustainable finance agenda;
- Capacity of the stakeholder organisation to provide informed and researched input, on behalf of the common interest of stakeholders represented, to the group discussions on sustainable finance including on impact of actions on the financial system.

Selection process

The composition of the group has been defined by consideration of a high level of expertise, a geographical and a gender balance, as well as a balanced representation of relevant know how and areas of interest, while taking into account the specific tasks of the group, the type of expertise required, as well as the relevance of the applications received.

Organisations or public entities were granted an observer status. Organisations or public entities appointed as observers nominated their representatives. Observers and their representatives may be permitted by the Chair to take part in the discussions of the group and provide expertise. However, they shall not have voting rights and shall not participate in the formulation of recommendations or advice of the group. Chairperson had to role to coordinate the efforts and to invite experts with specific expertise with respect to a subject matter on the agenda to take part in the work of the group on an ad hoc basis.

Meeting intervals: the group was set out to meet up to 8 times per year.

Technical expert group on sustainable finance (TEG)

After the mandate of the high-level group was completed, the European Commission set up a Technical expert group on sustainable finance (TEG) to assist it in developing, in line with the Commission's legislative proposals of 2018.

- EU taxonomy and technical screening criteria for environmentally sustainable economic activities under the EU taxonomy
- EU Green Bond Standard
- methodologies for EU climate benchmarks and disclosures for benchmarks
- guidance to improve corporate disclosure of climate-related information.

The TEG commenced its work in July 2018.

Its 35 members 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.

- The group consists of 32 organizations including companies, sector associations, NGOs, trade unions, universities and research institutes (Type C members);
- Two individuals appointed in their personal capacity – i.e. experts with proven knowledge and experience in their areas of expertise, acting independently and in the public interest (Type A members);
- One individual appointed to represent a common interest shared by stakeholders in a particular policy area (Type B member).

Commission received 185 applications from 62 individuals and 123 organizations. Some organizations proposed several individuals, leading to roughly 240 individuals that needed to be reviewed.

Selection Process

The Commission applied a robust methodology in reviewing the candidates. A team of 15 reviewers from DG CLIMA, DG ENV and DG FISMA⁵⁶ reviewed all applications. Each applicant was reviewed by a minimum of two reviewers. The most important selection criteria in the review process were:

- Proven knowledge and expertise for one of the subtasks
- Knowledge on the intersection between finance and the environment.
- The Commission has also taken into account the need for a balanced representation of relevant expertise and areas of interest, geographical distribution, gender distribution, and a sufficiently wide variety in the representation of financial and real economic actors and sectors.

This selection process has resulted in a group of individuals with 17 different nationalities from organizations representing 16 different nationalities. Among the members, 15 out of 35 were women.

⁵⁶ **DG CLIMA:** The Directorate-General for Climate Action leads the European Commission's efforts to fight climate change at EU and international level. Its key mission is to formulate and implement EU climate policies and strategies, so that the EU can turn into the first climate-neutral and climate-resilient continent by 2050. DG CLIMA plays a leading role in developing and facilitating the implementation of cost-efficient policies and legislation to deliver the European Green Deal.

DG ENV: The Directorate-General for Environment develops and carries out the Commission's policies on environment. It proposes and implements policies that ensure a high level of environmental protection and preserve the quality of life of EU citizens.

DG FISMA: The Directorate-General for Financial Stability, Financial Services and Capital Markets Union is the Commission department responsible for EU policy on financial services. **DG FISMA develops and carries out the Commission's policies on financial services (Regulation and supervision, capital markets union and financial markets, banking and banking union, insurance and pension funds, sustainable finance, digital finance, consumer finance and payments, financial crime, EU and the world).**



ANNEX 4

List of Entities required to use IFRS Standard in Türkiye

The IFRS Foundation is a not-for-profit, public interest organization established to develop globally accepted accounting and sustainability disclosure standards. They are developed by two standard-setting boards, the International Accounting Standards Board (IASB) and International Sustainability Standards Board (ISSB). The ISSB has international collaborations on its work to develop sustainability disclosure standards. Most notably, ISSB and the EFRAG (European Financial Reporting Advisory Group) collaborate on ensure greater comparability between EU companies and the companies outside EU which will be adopting the international standards. EFRAG provides the European Commission with technical expertise and advice on accounting matters. Under the Corporate Sustainability Reporting Directive (CSRD), EFRAG has been appointed technical adviser to the European Commission developing draft European Sustainability Reporting Standards (ESRS).

In this context, for its green taxonomy reporting requirements, it is recommended that Türkiye closely follow the developments in sustainability reporting standards and adopt EU compatible and internationally accepted standards. The following entities are required to use IFRS Standards in Türkiye:

Companies whose securities are traded in a regulated market
Intermediary institutions
Portfolio management companies
Banks
Financial lease companies
Factoring companies
Financing companies
Insurance companies
Reinsurance companies
Pension companies
Asset management companies
Pension funds
Investment firms
Collective investment schemes
Credit rating agencies
Mortgage finance institutions
Housing finance and asset finance funds
Asset leasing companies
Central clearing institutions
Central depository institutions
Trade repositories
Financial holding companies
Payment institutions
Electronic money institutions
Currency offices, precious metals brokerage houses and precious metals producing and marketing companies that are member of Borsa Istanbul.