D-13: Reporting Guidelines for the Main Users in Türkiye

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

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AGENCE FRANÇAISE DE DÉVELOPPEMENT

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Acronym	Definition
AFD	Agence Française de Développement
ABM	Association of Banks of Mexico
AMAFORE	Mexican Association of Retirement Savings Fund Administrators
AMAI	Mexican Association of Investment Advisors
AMIB	Mexican Association of Stock Market Institutions
AMIS	Mexican Association of Insurance Institutions
ASEAN	Association of Southeast Asian Nations
ASISA	The Association for Saving and Investment South Africa
AuM	Asset under Management
BASA	The Banking Association of South Africa
BEIS	Department for Business, Energy and Industrial Strategy
BPS	Badan Pusat Statistik-Statistics Indonesia
BTAR	Banking Book Taxonomy Alignment Ratio
BUSA	Business Unity South Africa
CapEx	Capital expenditures
CBD	Convention on Biodiversity
CBI	Climate Bonds Initiative
CBRC	China Banking Regulatory Commission
CCA	Climate Change Adaptation.
CCM	Climate Change Mitigation
CDP	Carbon Disclosure Project
CDSB	Climate Disclosure Standards Board
CEAT	Corporate Environmental Action Tracker
CESF	Council for the Stability of the Financial System
CET	Technical Evaluation Criteria
CFO	Chief Financial Officer
CMFS	Mexican Council of Sustainable Finance
CNBV	Mexico- National Banking and Securities Commission
CNSF	Mexico - National Insurance and Bonding Commission
CONSAR	National Commission of the Retirement Savings System
COP26	UN Climate Change Conference in Glasgow
CRR	Capital Requirements Regulation
CSRC	Chinese Securities Regulatory Commission
CSRD	Corporate Sustainability Reporting Directive
DEA	Department of Environment Affairs
DFFE	South Africa’s Department of Forestry, Fisheries and the Environment

DNSH	Do no significant harm
DoCC	Directorate of Climate Change
DPME	Department of Monitoring and Evaluation
EBA	The European Banking Authority
EFRAG	European Financial Reporting Advisory Group
EIOPA	Occupational Pensions Authority
ESDM	Indonesia - Ministry of Energy and Mineral Resources
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
EU	European Union
FA	Financial Advisors
FCDO	Foreign, Commonwealth and Development Office
FDI	Foreign Direct Investment
FMP	Financial Market Participant
FSB	Financial Stability Board
FSCA	Financial Sector Conduct Authority
FSI	Financial Services Industry
FSS	Financial Sector Surveillance
G20	Group of 20
GAAP	General Accepted Accounting Principles
GAR	Green Asset Ratio
GBP	Green Bond Principles
GDP	Gross Domestic Product
GHG	Greenhouse gas
GKKT	Integrate Financial Services Sector Policy Group
GRI	Global Reporting Initiative
GTT	Mexico - The Sustainable Taxonomy Working Group
HfT	High-frequency trading
HLEG	High-Level Expert Group
IEA	International Energy Agency
IFC	International Finance Corporation
IFRS S1	International Financial Reporting Standards- Standard 1
IFRS S2	International Financial Reporting Standards- Standard 2
IIRC	International Integrated Reporting Council
IOSCO	Financial Stability Board and the International Organization of Securities Commissions
IPAB	Mexico - Institute for the Protection of Bank Savings
IPCC	Intergovernmental Panel on Climate Change
IPSF	International Platform on Sustainable Finance
IR	International Integrated Reporting Framework
ISIC	International Standard Industrial Classification

ISSB	International Sustainability Standards Board ·
JSE	The Johannesburg Stock Exchange
KKP	Indonesia - Ministry of Marine Affairs and Fisheries
KLHK	Indonesia - Ministry of Environment and Forestry
KPI	Key Performance Indicator
NACE	Nomenclature des Activités Économiques dans la Communauté Européenne
NAFMII	National Association of Financial Market Institutional Investors
NBFI	Non-Bank Financial Industry
NBI	National Business Initiative
NDC	Nationally Determined Contributions
NDRC	National Development and Reform Commission
NFRD	The Non-Financial Reporting Directive
OECD	Organisation for Economic Co-operation and Development
OJK	Indonesian Financial Services Authority
OPEX	Operating Expenditure
PA	Prudential Authority
PBOC	People's Bank of China
PRB	Principles for Responsible Banking
PUPR	Indonesia - Ministry of Public Works and Housing
SA GFT	South Africa's Green Finance Taxonomy
SAIA	The South African Insurance Association
SASB	Sustainability Accounting Standards Board
SCIAN	North American Industrial Classification System
SDG	Sustainable Development Goals
SECO	Swiss State Secretariat for Economic Affairs
SFC	Sustainable Finance Committee
SFDR	The Sustainable Finance Disclosure Regulation
SHCP	Mexico - The Ministry of Finance and Public Credit
SIDA	Swedish International Development Cooperation Agency
TCFD	Task Force on Climate-Related Financial Disclosures
TEG	Technical Expert Group
TNFD	Taskforce on Nature-related Financial Disclosures
UN	United Nations
UN PRI	UN Principles for Responsible Investment
UNCCD	United Nations Convention to Combat Desertification
UNDP	United Nations Development Program
UNEPFI	United Nations Environment Programme Finance Initiative
UNFCCC	United Nations Framework Convention on Climate Change
UNGC	United Nations Global Compact
VRF	Value Reporting Foundation

1. Project Background

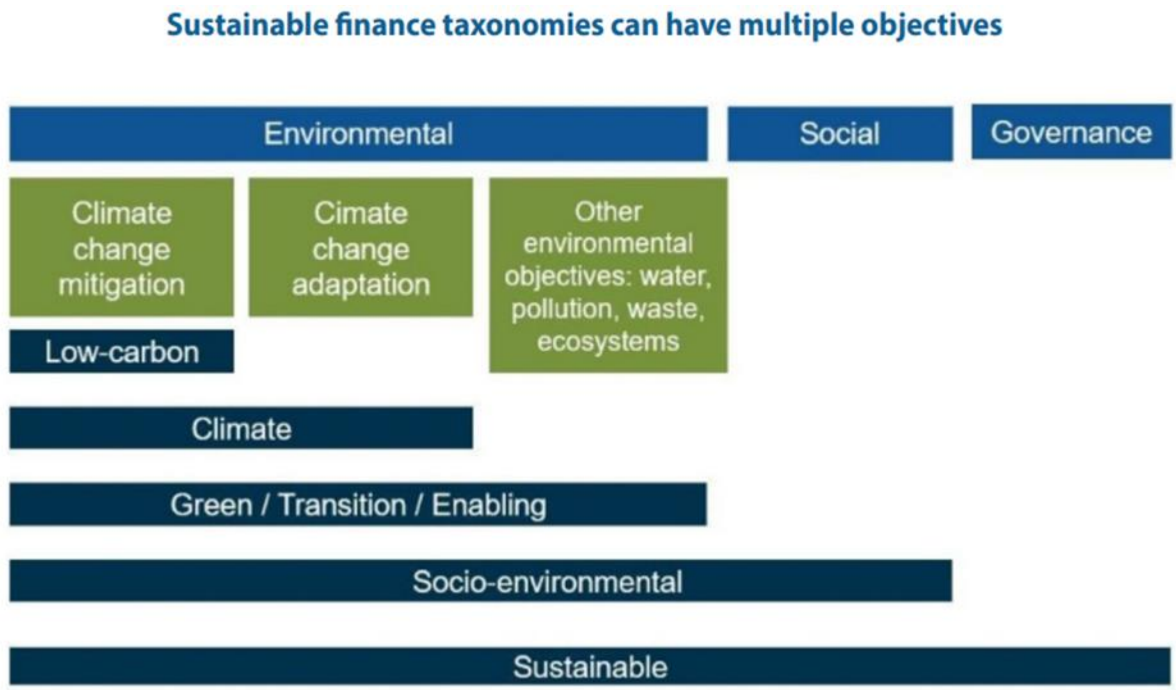
In Türkiye, Directorate of Climate Change will coordinate the national green taxonomy. As an effort to support Türkiye during this process, AFD (Agence Française de Développement) accompanies the Directorate of Climate Change in achieving the preparation of a national green taxonomy. “Preparation of Guidelines for Reporting and Identification of Users and Beneficiaries of Green Taxonomy in Türkiye” project was kicked off in February, 2023. The project, with an anticipated duration of 8 months, is aimed at enhancing the technical capacity of both public and private institutions in Türkiye to establish green taxonomy schemes. Green taxonomy project is financially supported by AFD (Agence Française de Développement) and executed by Frankfurt School of Finance and Management Turcasia Regional Office in collaboration with the Directorate of Climate Change as the beneficiary.

Within the scope this project, the specific objectives are 1) to provide an analysis of **the global examples** where successful green/sustainable taxonomy has been developed; 2) to carry out **analysis and identification of the potential users** of the green taxonomy in the financial system, as well as the expected benefits of it in each relevant market; 3) to develop a proposal for **reporting guidelines for the green taxonomy**; 4) to develop a proposal for **the institutional set-up of the technical expert group**. The ultimate goal of the project is to propose a taxonomy guideline that will enable the assessment of whether an economic activity qualifies as "green." Establishing the national green taxonomy is expected to play a substantial role in Türkiye's transition towards a low-carbon economy.

To facilitate the transition to a low-carbon economy and align with the EU's climate change standards and policies, Türkiye adopted the 'European Green Deal Action Plan' in 2021. This comprehensive plan outlines various policy actions aimed at mobilizing climate finance from both national and international sources to support sustainable investments within Türkiye. Part of this effort involves the development and implementation of a green taxonomy—a classification system that plays a crucial role in directing climate finance towards initiatives that combat climate change.

A green taxonomy establishes clear principles and criteria for investment areas and activities related to climate change mitigation, thereby providing guidance for economic and financial activities. A green taxonomy also serves as a framework that categorizes economic activities and investments based on their contributions to environmental and social objectives. On the other hand, a sustainable taxonomy takes a more comprehensive approach by considering a wide range of criteria to evaluate the sustainability of economic activities. It extends beyond environmental considerations to encompass a broader spectrum of sustainability factors (Please see Figure 1).

Figure 1 Sustainable Finance Taxonomy Objectives - [Developing Sustainable Finance Definitions and Taxonomies](#) by OECD, 2020



The overview of the project tasks with respective activities and deliverables is listed in the figure below.

This report is part of TASK - 5 and comprises the 11th,12th and 13th deliverables of the project.

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

The report contains the following main sections:

- An overview of **the scope of a taxonomy guideline** as a key enabler for disclosing successful sustainability-related information.
- **A methodological proposal** for the development of reporting guidelines for the green taxonomy in Türkiye, including the review of reporting guidelines for financial flows that currently operate for potential users of the taxonomy.
- **An executive analysis of financial flow reporting guidelines** used for green taxonomies in the selected jurisdictions namely; the EU, China, South Africa, Indonesia, South Korea, and Mexico.
- **Reflections and Recommendations** on Reporting Guidelines
- Finally, introduction of **proposed reporting guidelines for potential users of the taxonomy** including a validation protocol and a manual.

2. What is a Taxonomy Reporting Guideline

As Analysis of Reporting and Disclosure Standards for the Application of Taxonomies Report under Task-4 of this project has covered extensively, one of the functions of green taxonomies is to allow users – regulators, entities in both financial institutions and non-finance corporates – to disclose and monitor the volumes of green finance flows on economic activities and projects as defined by the taxonomy of the jurisdiction. Private sector entities use taxonomy reporting to share information with their internal and external stakeholders. Government agencies may use it to monitor green finance volumes that are directed or re-channeled to green activities as designated by the taxonomy itself.

Taxonomy reporting requirements often apply with a progressive scope of coverage in terms of both the size of the entities that are required to report and the content of reporting requirements. While private sector entities need to comply with the taxonomy reporting requirements, certain designated government agencies would be responsible for its enforcement. **For the taxonomies to achieve their policy objectives, it is important that taxonomy-related reporting is introduced with the objective that it will be mandatory as part of the binding regulatory environment.**

It is a formal channel through which all stakeholders (consumers, investors, supply-chain partners, shareholders, employees, and regulators) have access to a corporate's activities in relation to what the taxonomy defines as "green" in a given jurisdiction. Taxonomy reporting contributes to the objective of re-directing capital towards sustainable investment areas, while also better management of financial risks that arise from climate change and other environmental challenges. Public authorities need to monitor, evaluate, record, and share information in relation to their international commitments and goals of sustainable development, including the transition to becoming a net-zero economy. Systematic disclosure of sustainability-related information by financial and non-financial entities is a critical component of how governments measure performance, and evaluate the effectiveness of their policy initiatives.

The success of the green taxonomy initiatives depends to a large extent on entities disclosing adequate sustainability-related information. Without the availability of detailed, reliable, and comparable data and information from investee companies – namely corporates operating in non-financial industries – actors in the financial sector cannot efficiently direct capital to investments that drive solutions to sustainability. Hence, policymakers cannot effectively measure and provide incentives to move markets in the right direction.[1]

The quantity, quality and comparability of disclosures and reports are key to addressing the needs of all stakeholders, including investors, consumers, and regulators. Hence it is important that users of the taxonomy are provided with clear guidance as to how government agencies implement the taxonomy, how banks and corporates comply with its reporting requirements, and how investors, and consumers interpret taxonomy alignment of an entity.

- **Taxonomy guidelines are user-friendly manuals that provide simplified information - to the general public and specific target audiences - about various uses and requirements of a taxonomy**. Their main functionality is to help users understand the taxonomy in a way to allow its effective and consistent utilization.

[1] https://ec.europa.eu/finance/docs/policy/190618-climate-related-information-reporting-guidelines_en.pdf

- It is important to note that a taxonomy guideline would normally represent an actual taxonomy that is officially ready to be implemented. The guideline would explain various components of the taxonomy, with its specific content and technical requirements that its users understand it in simple terms. **Since Türkiye's taxonomy is still in the phase of early development, it is difficult to produce a specific guideline.** Hence the scope of this report is limited to setting out a methodological approach to developing a guideline, including important principles and components. **An actual user guideline needs to be developed that would cover the specificities of the Türkiye's taxonomy when its officially and publicly ready.**

In this context, this guideline provides guidance as to how a specific taxonomy guideline could be developed by Türkiye. It describes guidelines in other jurisdictions, with a main focus on the EU taxonomy, offers a methodological approach, including general and specific objectives of a guideline with certain important principles that it needs to follow. It also proposes a format and platform that would allow for a public-private sector interaction of users. It develops a validation protocol and a manual. It offers general reflections and recommendations that address critical issues in relation to the processes of designing, implementing and updating a guideline.

3. Methodological Proposal for the Reporting Guidelines

The objective of this section is to develop a methodological proposal for reporting guidelines of the sustainable taxonomy of Türkiye so that it contributes to an efficient and systematic reporting of **financial flows to its green taxonomy-related activities.**

3.1. General and Specific Objectives of the Reporting Guideline

Development of a reporting framework is an important task as part of the taxonomy development process. A reporting framework, with report templates that are designed for the users of the taxonomy, are used to standardize and to systematize the flow of information from reporting entities. Reporting should set the foundation for a consistent flow of sustainability information through the financial value chain and for all interested and relevant stakeholders that wish to better hold companies to account for their social and environmental impacts.

A taxonomy reporting framework serves as a pivotal instrument within a country's broader sustainability agenda, aimed at fostering transparent and sustainable economic growth. The reporting framework fosters a vital step to meet the challenges of much needed reliable sustainability related data by placing sustainability statements on an equal footing with financial statements in terms of quality. The specific objectives of a reporting framework are twofold. Firstly, it endeavors to provide a standardized and consistent framework for companies and financial institutions to assess and communicate the environmental sustainability of their activities. By establishing clear criteria for environmentally sustainable economic activities across various sectors, a taxonomy enables stakeholders to better comprehend the environmental impact of their investments, thereby fostering informed – including impact on environment - decision-making and responsible allocation of resources. This objective aligns with global commitments to channeling investments towards sustainable endeavors, driving the transition to a greener economy.

Secondly, a taxonomy reporting framework strives to enhance comparability and reliability in sustainable finance reporting. By setting out a comprehensive list of environmental objectives, performance thresholds, and technical screening criteria, the framework ensures that reported information is both meaningful and consistent. This bolsters investors' confidence in the accuracy of the sustainability claims made by companies and financial institutions. Additionally, the framework spurs companies to adopt sustainable practices by providing them with a clear roadmap for aligning their operations with environmental goals. Overall, a taxonomy reporting framework serves as a cornerstone for advancing sustainable finance, empowering stakeholders to contribute to a more environmentally conscious and economically viable future. More specifically, the guidelines serve the following purposes:

- **Standardization and Consistency:** The reporting guidelines establish a standardized framework for companies, financial institutions, and other stakeholders to assess and report the environmental sustainability of their activities. By providing clear definitions, criteria, and methodologies for determining the environmental performance of economic activities, the guidelines ensure consistency in reporting practices across various sectors and industries.

- **Enhancing Transparency:** The guidelines facilitate greater transparency by requiring companies and financial institutions to disclose detailed information about their alignment with the EU Taxonomy criteria. This transparency enables investors, regulators, and the public to gain insights into the environmental impact of different economic activities. It fosters a deeper understanding of how businesses are contributing to or detracting from sustainability goals.
- **Informed Decision-Making:** By offering a structured reporting framework, the guidelines empower investors, lenders, and other financial stakeholders to make informed decisions. They can assess the environmental performance of potential investments, loans, and financial products more accurately, considering their alignment with the EU Taxonomy's environmentally sustainable activities. This, in turn, encourages the redirection of financial resources toward activities that have a positive impact on the environment.
- **Accountability and Compliance:** The reporting guidelines establish a framework for companies and financial institutions to demonstrate their commitment to sustainability and compliance with the EU Taxonomy Regulation. Reporting in accordance with these guidelines allows organizations to communicate their progress in aligning with the taxonomy criteria, showcasing their efforts to contribute to a greener and more sustainable economy.
- **Driving Sustainable Practices:** The reporting guidelines motivate companies to adopt environmentally sustainable practices by providing a roadmap for understanding and meeting the EU Taxonomy criteria. As organizations strive to meet these criteria and report their efforts, they are incentivized to improve their environmental performance, reduce negative impacts, and innovate towards more sustainable operations.

3.2. Principles of the Reporting Guideline

Türkiye's taxonomy reporting guidelines include some general principles that aim to set high standards for the functionalities of the reporting exercise for both users and regulators. The quality of the reporting framework would determine its effectiveness in terms of providing transparency and information, its efficiency in terms of compliance, monitoring and enforcement, and its credibility in terms of the perception of the users.

The following principles may be applied in instituting the framework and its guidelines:

- **Relevance:** The reporting framework should present the information in a manner that is timely, suitable, and convenient for the purpose of recognizing and describing the sustainable financing flows that arise from the application of the taxonomy.
- **Comparability:** The reporting framework should enable a comprehensive view of the information gathered from various taxonomy users, highlighting their similarities and differences based on the diverse actors involved. This allows for an analysis of the status of financing towards sustainable activities at a specific point in time and its progression over time.
- **Simplicity:** The reporting framework should clearly represent information related to financing sustainable activities, ensuring that it is straightforward and uncomplicated for both the entity providing the information and the one collecting it for analysis.

- **Standardization:** The reporting framework should be established as the reference to which the characteristics of the way of reporting of each user of the taxonomy can be adjusted or adapted, as part of the established processes.

Additionally, we consider it advisable that in the process of implementing the taxonomy and its reporting scheme, the principles of the qualitative characteristics of financial information are also taken into account in all that is relevant and which include:

- **Accuracy:** For financial information to be accurate, it must reflect transactions, internal transformations and other events that have actually occurred. The veracity accredits the trust and credibility of the user in the financial information.
- **Representativeness:** There must be a concordance between its content and the transactions, internal transformations and events that have affected the entity economically.
- **Objectivity:** Financial information must be presented in an unbiased manner. The financial statements must be free from bias, that is, they must not be influenced by judgments that produce a predetermined result; otherwise, the information loses reliability.
- **Verifiability:** It must be able to be verified and validated. The internal control system helps financial information to be subject to verification by any interested party.
- **Sufficient information:** This characteristic refers to the incorporation in the financial statements of information that influences decision-making and that is necessary to judge the financial situation, addressing that the amount of information provided does not result in important aspects being missed by the general user.

3.3. Identification and Analysis of the Information Available for Development of Guidelines

An executive proposal of information that would be desirable to generate or collect in the Türkiye's financial system to guarantee the efficient operation of the taxonomy reporting system;

We recommend a green taxonomy reporting framework which would identify the information needed for entities for their disclosures. The green taxonomy reporting framework would need to mirror the scope, objectives and principles of the green taxonomy itself. Since the fundamental objective of green taxonomies is to promote financial flows and investment to green activities, the taxonomy reports would primarily provide information about to what extent entities direct capital and investment to business activities designated by the taxonomy. Hence the key indicators for reporting purposes are about financial flows. For non-financial entities the key indicators are turnover generated from green activities, operational expenditures made towards green activities, and capital investments made towards green activities

In line with the EU's green taxonomy reporting requirements, our proposal specifies the content and presentation of information to be disclosed by undertakings concerning environmentally sustainable economic activities. It provides detailed description of key performance indicators (KPIs) to be reported by different entity categories:

A. Non-financial undertakings
B. Financial undertakings (banks)

3.3.1. KPIs for Non-financial Undertakings

The key set of information for non-financial undertakings is about their turnovers, capital investment and operational expenditures. They analyze their financial accounts to identify revenue lines (for Turnover), expenditure lines (for OPEX), and investment lines (for CAPEX) which are aligned with to the activities listed in the taxonomy. The information that will be internally compiled on four variables will set the foundation for taxonomy reporting.

In addition to the KPIs used in the EU, we also propose one additional KPIs which could be added to reporting requirements that may allow for harmonization of domestic regulation on sustainable finance and monitoring of the source of green finance flows.

i. Turnover (turnover KPI)
ii. Capital Expenditure (CapEx-KPI)
iii. Operating Expenditure (OpEx-KPI)
iv. Source of finance (SoF-KPI)

3.3.1.1. KPI Related to Turnover (turnover KPI)

The proportion of turnover will be calculated as the part of the net turnover derived from products or services, including intangibles, associated with taxonomy-listed economic activities (numerator), divided by the net turnover (denominator).

3.3.1.2. KPI Related to Capital Expenditure (CapEx-KPI)

The proportion of CapEx will be calculated as part of the capital expenditure related to assets or processes that are associated with taxonomy-listed economic activities, which may also include the purchase of output from Taxonomy-aligned economic activities. This amount will be divided by the total investments on tangible and intangible assets during the reporting period (e.g., year).

3.3.1.3. KPI Related to Operating Expenditure (OpEx-KPI)

The proportion of OpEx will include amounts of expenditures incurred on products, processes, services, associated with Taxonomy-listed economic activities, including training and other human resources adaptation needs, and direct non-capitalized costs that represent research and development. The **denominator** will cover all non-capitalized costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.

3.3.1.4. KPI Related to Source of Finance:

Since the measurement of the flow of funds for taxonomy-aligned activities is of interest to policy makers, it might be worthwhile to consider more granular tracking, in the case of corporates, as to how green projects/activities were funded by sources and instruments. Funding green projects involves seeking financial resources from various sources (public, private, multilateral, domestic, international, internal, external, etc.) that recognize and prioritize projects aligned with sustainable and environmental objectives and through various instruments. Taxonomy-aligned projects can be funded in many ways, and often rely on a combination of several sources and instruments. Tracking the sources/instruments of funding for different types of projects might be useful in developing policy incentives to further leverage particular instruments, identify barriers and allow for the development of clear action points to close any gaps.

Some of the sources of sustainable finance that corporates may report would include green bonds, impact investments, multilateral development banks etc.

Green Sustainability-linked Bonds and Debt Instruments: Green bonds and other sustainable debt instruments are financial products designed to raise capital specifically for environmentally friendly projects. These instruments are often issued by governments, municipalities, corporations, and financial institutions. Investors who prioritize sustainability may be more inclined to invest in these bonds, providing a source of funding for taxonomy-aligned projects.

Sustainability/green Impact Investors: Sustainable investment funds and impact investors focus on financing projects that deliver positive environmental and social outcomes. By targeting such investors, project developers can attract funding from those who are aligned with the project's objectives and taxonomy criteria.

Green Venture Capital and Private Equity: Venture capital and private equity firms increasingly consider sustainability and environmental impact when evaluating investment opportunities. Projects aligned with taxonomies can attract funding from these sources if they demonstrate a strong potential for both financial returns and positive environmental outcomes.

Sustainability-linked Corporate Funding and Partnerships: Larger corporations often have sustainability goals and may be interested in investing in or partnering with projects that align with their values and business objectives. Such partnerships can provide financial resources, expertise, and market access.

Government Grants and Subsidies for Sustainability Purposes: Many governments offer grants, subsidies, and incentives for projects that contribute to environmental sustainability and align with taxonomies. Research available funding programs that support initiatives related to your project's taxonomy alignment.

Multilateral Organizations and Development Banks: International organizations and development banks, such as the World Bank, the United Nations Development Programme (UNDP), and regional development banks, often provide funding for projects that align with their sustainable development goals and priorities.

Angel Investors and High Net Worth Individuals: Angel investors and high net worth individuals who are passionate about sustainability may be interested in supporting taxonomy-aligned projects that align with their values.

Green Innovation and Research Grants: Some organizations and institutions provide grants to fund innovative research and projects that contribute to sustainable development and align with taxonomies.

Carbon Offsetting and Environmental Markets: Projects that contribute to carbon reduction or environmental preservation might generate revenue through carbon offset programs or participation in environmental markets.

Green Tax Credits: Tax Credits are a type of financial incentive offered by governments to promote certain behaviors or activities that align with public policy goals. They can be used to fund projects indirectly by reducing the tax liability of individuals or businesses engaged in these qualifying activities. Tax credits have a monetary value that's determined either as a percentage of the project's qualifying expenses or as a fixed amount. For instance, a solar energy project might receive a tax credit equal to a certain percentage of the total project cost.

It's important to note that funding options can vary depending on the region, industry, and specific taxonomy alignment of the project.

- By requiring corporates report the source of finance for their taxonomy-related activities, an important source of information can be collected which would allow policymakers to prioritize or promote certain source of finance for taxonomy aligned activities in Türkiye.

3.3.2. KPIs for Financial Undertakings (Banks)

Since the primary role of financial undertakings is to allocate capital to green activities (rather than their operational expenditures), financial undertakings need to generate information only on the taxonomy alignment of their products and services in relation to for example loans, debt securities and equity instruments. [2]

> - *Türkiye may consider the European Banking Authority's requirements on reporting on the entire banking book. The EBA provides templates for users that are required to report on their "Banking Book Taxonomy Alignment Ratio (BTAR)" (see the section below on proposed templates.)*

3.3.2.1. European Banking Authority (EBA) Reporting for Financial Institutions (Banks)

The European Banking Authority (EBA) has been at the forefront of creating KPI's and how banks should report their green portfolios. The EBA has been working on developing guidelines for disclosing the more comprehensive environmental, social, and governance (ESG) risks in the context of the Capital Requirements Directive (CRD) IV. These guidelines now include recommendations on how banks should assess, manage, and report ESG risks, including those related to green assets and green taxonomy alignment KPIs.[3]

Banks are already accustomed to considering regulatory metrics, such as capital, leverage and liquidity ratios, and on this underpinning, the EBA has issued its report defining two ratios based KPI's which will

[2] For asset management companies, if they are required to report against the taxonomy, they would need to report on the weighted average of the value of investments in Taxonomy-aligned economic activities of their investee companies. The weighted average of the value of investments would be based on the proportion of taxonomy- aligned economic activities of investee companies.

[3] https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Draft%20Technical%20Standards/2022/1026171/EBA%20draft%20ITS%20on%20Pillar%203%20disclosures%20on%20ESG%20risks.pdf

measure the extent to which a bank's activities are environmentally sustainable according to the EU Taxonomy (but these can actually be applied to any green taxonomy). The KPI's are the Green Asset Ratio (GAR) and the Banking Book Taxonomy Alignment Ratio (BTAR). Both ratios are Paris-aligned and can be used to identify whether banks are financing sustainable activities, such as those consistent with the Paris agreement goals. The GAR could similarly become a galvanizing measure, in particular in terms of the extent to which banks – and by extension the economy – are becoming more sustainable. The objective of bank regulator should be to provide easy-to-understand KPIs that stakeholders - including customers, investors, and supervisors - can then use readily to assess, measure and compare the Taxonomy alignment of banks' portfolios as at a point in time.

The GAR (the primary KPI) shows the proportion of assets that are environmentally sustainable and contribute substantially to the objectives of climate change mitigation or climate change adaptation or that enable other activities to contribute. The initial scope of the GAR/BTAR cover loans and advances, debt securities, and equity instruments, but not trading instruments or derivatives. The GAR mirrors the disclosure that institutions will have to provide under Article 8 of the EU Taxonomy Regulation (note: Article 8 does not specify any KPIs to be used by financial undertakings). This main indicator is based on the bank's stock of existing loans. Alongside that, banks will be required to report the GAR for their "flow" of new loans. "Flow" GARs are likely to improve at a faster rate than "stock" GARs – as part of any additional disclosures, banks could highlight this as evidence that they are engaging with stakeholders and taking action to improve the sustainability of their overall portfolio. The BTAR provides additional information on the taxonomy alignment of exposures towards non-financial corporates not subject to EU's NFRD disclosure obligations. Both ratios are important in setting strategies as even a bank with a low value of these KPIs can identify how it wants to change its financing activities over time to meet the Paris agreement objectives and measure and monitor that strategy. It's important to note that given its limitations, the GAR/BTAR only provides one (and a potentially narrow) view of the bank's greenness, and needs to be read in the context of other climate and ESG disclosures made by a bank.

Most large EU banks will be required by the EBA to publish the GAR as part of wider Pillar 3 disclosures on ESG risks from January 2023.[4]

The general instructions for banks on how to report their GAR are the following:

1. The bank will need to determine the greenness of its activities: We have referenced the EBA's report which provides a methodology and template for determining the greenness of a bank's activities, including loans and advances, equity holdings, and retail exposures.

2. The bank will calculate the GAR and BTAR: The GAR and BTAR are calculated as the ratio of green assets to total assets. Detailed instructions on how to calculate the GAR and BTAR for different types of exposures are provided by the EBA.

3. The banks will report GAR/BTAR: Banks should report their GAR and BTAR in accordance with the guidelines provided by their bank regulator. The regulator should also provide a timeline for the disclosure of KPIs related to exposures or services to corporates subject to disclosure obligations.

[4] EUR-Lex - 32022R2453 - EN - EUR-Lex (europa.eu)

Calculation of the GAR will require banks to gather data from their counterparties and customers, for example, to inform the mapping of exposures to the taxonomy. The data need to be collected in a format, and using a data infrastructure, that can ideally be accessed for different purposes across the bank and viewed through different lenses. Thus, the introduction of the Green Asset Ratio poses operational challenges for banks, and also gives them a number of strategic questions to consider. The simplicity of the metric belies the overall data intensity of doing the GAR calculation; the challenges of making certain assumptions and categorizing exposures in order to calculate it, the challenges to interpreting it, the risks inherent in misreporting it, and its potential importance for how banks run their businesses over the next decade and beyond as they respond to climate change.

Given the data limitations and the limitations on the scope of the GAR calculation, banks will need to consider carefully how they frame their GAR disclosures and how these compare to other jurisdictions i.e. how they help investors and the general public understand the full picture of their "greenness" – especially in light of any assumptions that they have made due to incomplete data.

There are many factors that lie outside the control of banks that will contribute to lower ratios in the first few reporting years. For example, limitations in the scope of Turkeys Taxonomy (certain sectors, well defined technical screen criteria, environmental objectives, and transition finance might not yet be included in the scope of the Taxonomy); and the structure and coverage of the GAR itself (derivatives exposures, exposures to SME or non-domestic corporate counterparties that are not required to disclose, and sectors not yet covered by the Taxonomy are excluded from the numerator but not the denominator). Another consideration is that limited data availability and the difficulty of mapping exposures to Turkey's Taxonomy, especially in those early years of implementation, will impair banks' ability to assess the Taxonomy alignment of their exposures and necessitate judgement calls, estimations, interpretations, and assumptions. This may in turn add to unevenness between different banks' disclosures, making peer comparison, not only within the country, more difficult. Banks will need to be wary to "greenwashing" and liability risks that could arise if their disclosed GAR subsequently proves to be inaccurate, even if the cause is poor quality external data.

The GAR adds to an ever-growing list of initiatives which require banks to gather climate-related counterparty and customer data. Banks should consider the data requirements for the GAR in the wider strategic setting of all sustainability-related requirements and frameworks, such as TCFD, IFRS, GRI disclosures etc, and avoid addressing these requirements in silos. Instead, banks should aim to have a holistic view of the data that they are collecting.

3.3.2.2. Reporting Templates

As mentioned, in principle the GAR is a simple ratio of Taxonomy-eligible or Taxonomy-aligned assets as a percentage of total assets. The EBA has prepared GAR/BTAR reporting worksheets as part of the more comprehensive ESG reporting template. We recommend that Turkey begin with the EBA recommendation as a starting point.

Furthermore, we recommend that, for the first few years of implementation, Turkey adopt only a portion of the EBA reporting requirements in order to simplify the Taxonomy reporting. Thus, the KPI will be the **gross value of the Green Assets**. It will not be a ratio and not consider the denominator which is needed to calculate the EBA ratio. This is due to more complex exclusions used in calculating the denominator.

This approach will also avoid the direct comparison of performance between EU and Turkish banks. As the Turkish banks solidify their methodologies for determining the green assets (numerator), as Turkey's taxonomy evolves and matures, and as the EBA reporting requirements become more settled with more precise interpretations, it will be easy for Turkish banks to transition into the full EBA compliant reporting.

We present the current basic instructions below in the manual section. The actual manual that will be published when Türkiye launched its official taxonomy, would need to refer to very specific legislation or directives.

- ***Our proposed template (please see the Section 6) is based on EBA's more extended template. Our recommendations would require careful consideration by BDDK and other relevant stakeholders in the regulators. In October 2023, BDDK announced a draft directive ("tebliğ") on green asset ratio which is in line with EBA's template (and hence our recommendations). The final instructions should include references to specific Turkish banking laws and regulations.***

3.3.2.2.1. Other Reporting Considerations

Banks will also need to consider whether it will be necessary or prudent to publish supporting information alongside the GAR/BTAR. This additional context is important for stakeholders and helps to support peer comparability of disclosures. A bank's structural features may affect the value of green asset ratio. For example, different business models or geographical footprints of the banks may likely drive divergence between the bank's GAR and the ratios of banks that would otherwise be considered peers. Banks may also want to explain why certain key business lines, counterparties and asset classes may or may not (or not yet) be included in their calculation of GAR or disclosure of taxonomy aligned loan portfolios and other assets.

Banks should also communicate and be transparent regarding their progress on collecting the relevant data for the GAR, and any assumptions and methodologies made and any limitations that they have come up against, e.g. on data quality especially from clients. After the first disclosures, banks should describe the main trends in relation to year-to-year changes to their GAR, and the extent to which the changing scope of the Taxonomy and availability of data are relevant factors which contribute to changes.

New mandates will require banks to incorporate the wider ESG factors in all parts of the loan origination process. And there are still uncertainties around client demand and how the market (changes in supply and demand) for green products will develop, however, it seems likely that green loan products will become more prominent. The GAR potentially has implications for both balance sheet, product and pricing strategy, particularly if it becomes material to banks' cost of funding and credit ratings. The implementation of the GAR creates an additional incentive for banks to increase their lending to

Taxonomy-aligned activities but the indicator will also pose significant strategic challenges for banks, on top of the operational challenges in collecting the data to determine the Taxonomy-alignment of their exposures.

On reporting requirements for the banking sector, the Banking Regulation and Supervision Agency **(BDDK)** has been an active institution. It is in the process of launching a "green asset ratio" regulation on sustainability reporting for banks under its mandate. After the regulation enters into force, the BDDK will receive reports from the banks on the proportion of their green assets. **It is important that the BDDK's definition of list of green assets informs Türkiye's green taxonomy.**

As part of its efforts to gather information about banks' activities in the realm of sustainability – including their climate strategies, commitments, governance structures, climate risk management procedures, green financing activities and performances – the BDDK also collects information from banks through questionnaires.[5] Occasionally, BDDK also collects specific environmental data, such as scope 1 data on banks' customers, for its own studies and analyses.[6]

The **Capital Markets Board (CMB**) is another active stakeholder in the field of sustainability reporting. Some listed corporates have published sustainability reports according to the Sustainability Compliance required by the **Capital Markets Board (CMB**) with the amended Corporate Governance Communiqué. 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.[7] They have developed a reporting framework which has four components:[8]

- General Principles
- Environmental Principles
- Social Principles
- Corporate Governance Principles

The reporting framework is designed for general ESG reporting purposes for corporates. By its own objective and design, green taxonomy related variables and KPIs are not part of the framework.

Table 1 The ESG Reporting Framework of the Capital Markets Board (CMB), 2022

	STATUS OF COMPLIANCE				
	YES	**NO**	**PARTIALLY**	**IRRELEVANT**	**EXPLANATION**
A. General Principles					
A1. Strategy, Policy and Goals					
A2. Implementation/Monitoring					
A3. Reporting					
A4. Verification					

[5] https://www.bddk.org.tr/KurumHakkinda/EkGetir/18?ekId=130

[6] https://www.bddk.org.tr/KurumHakkinda/EkGetir/19?ekId=121

[7] https://cmb.gov.tr/data/62816f571b41c617eced1005/c1fad28f78a657e385ba3d2d94b2eee6.pdf

[8] https://spk.gov.tr/surdurulebilirlik

B. Environmental Principles					
C. Social Principles					
C1. Human Rights and Employee Rights					
C2. Stakeholders, International Standards and Initiatives					
D. Corporate Governance Principles					

Note: Extended version of the reporting framework is in Annex-1.

As for sustainability reporting standards in general, Turkish Public Oversight Accounting and Auditing Standards Authority – “KGK (Kamu Gözetim Kurumu)” –engages with international standard setting bodies. In June 2023 the International Sustainability Standards Board (ISSB) issued its two IFRS Sustainability Disclosure Standards, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures which may be adopted in Türkiye. At the same time, a commission has been established with the participation of regulatory bodies to identify companies that will fall within the scope of reporting obligations for both Standards. The commission is discussing the size of assets, turnover and number of employees should be taken into account in determining the companies that will be included in the scope. [9]

It is important to note that these reporting standards and requirements are relevant beyond the context of green taxonomies. They may potentially inform the technical screening criteria of the green taxonomy for certain activities (e.g., climate mitigation). They may become part of the regulatory landscape if and when they are required to be part of the mandatory accounting reports in Türkiye.

[9] Surdurulebilirlik_26_05_2023.pdf (kgk.gov.tr)

4. Reporting Guidelines in the Selected Jurisdictions

4.1. EU Taxonomy

The EU offers a comprehensive information for the users of its taxonomy. Simple and practical guide for its users is provided through a dedicated webpage.[10] The "EU Taxonomy Navigator" which is a user-friendly information hub that offers a series of online tools to help users better understand the EU Taxonomy in a simple and practical manner. It provides up-to-date information about the implementation of the taxonomy, while supporting entities towards their reporting obligations.

The EU Taxonomy Navigator offers four tools to help users navigate the EU Taxonomy:

1. The EU Taxonomy Compass:

The EU Taxonomy Compass offers a visual aid for the content that EU Taxonomy includes. It is designed to simplify the understanding and accessibility of the EU Taxonomy for a diverse range of users. It allows users to identify which activities are recognized by the EU Taxonomy (Taxonomy-eligible activities), which objectives they substantially contribute, and determine the criteria required for these activities to be considered in alignment with the Taxonomy. The platform continues to evolve, as it incorporates new delegated acts that outline technical screening criteria for additional economic activities that come under the scope of the taxonomy.

2. The EU Taxonomy Calculator

The EU Taxonomy Calculator is an interactive tool designed to help users comprehend and fulfill the reporting obligations outlined in the Disclosures Delegated Act under Article 8 of the Taxonomy Regulation.

The Disclosures Delegated Act defines key performance indicators (KPIs) related to turnover, capital expenditure (CapEx), and operational expenditure (OpEx) that these enterprises must disclose. The EU Taxonomy Calculator guides users through the steps a non-financial entity would need to complete to identify their Taxonomy-eligibility and alignment, and calculate their KPIs. Currently, the calculator is only available for calculating the turnover, CapEx, and OpEx KPIs for the objective of Climate Change Mitigation. It is also important to note that the EU Taxonomy Calculator does not substitute the companies' reporting according to the Disclosures Delegated Act.

3. FAQs repository

The FAQs repository is designed to assist users in finding answers to questions about the EU Taxonomy, its reporting obligations, and the technical screening criteria outlined in the Taxonomy delegated acts. It consolidates all Frequently Asked Questions documents published by the European Commission on the EU Taxonomy into a single location.

4. The EU Taxonomy User Guide

The EU Taxonomy User Guide serves as a guide for those who are not experts in the field. It explains what the EU Taxonomy is and its role within the broader regulatory framework of sustainable finance.

[10] https://ec.europa.eu/sustainable-finance-taxonomy/

Additionally, it offers a detailed guide to evaluating Taxonomy-alignment, illustrated through 12 practical use cases. These use cases help users navigate the primary implementation challenges they might encounter.

In sum, the EU's efforts to provide information for the users of its taxonomy through its guidelines are comprehensive. The "EU Taxonomy Navigator" offer a useful hub that offer useful information and tools. **However, there are many channels through which the EU provides information about its green taxonomy**. **The fragmentation of the sources of information and the complications of its taxonomy at the technical level are an important source of confusion among the users and public at large. Hence while Türkiye may benefit from the EU experience in term of developing its own guidelines and related information venues, it is advisable that it focuses its efforts to a coherent and concentrated channel where users are able to obtain clear information and guidelines.**

4.2. South Africa Taxonomy

South Africa has released three documents which provide guidance on reporting sustainable activities – the first two for listed companies provided by the Johannesburg Stock Exchange (JSE) - with more specific taxonomy disclosure instructions in a User Guide drafted by the National Business Initiative (NBI) and Carbon Trust.

1. **JSE Sustainability Disclosure Guidance June 2022**

JSE's Sustainability Disclosure Guidance[11] aims to improve the quality and availability of information both about the sustainability-related risks and opportunities that affect the organisation's financial performance, as well as information about the organisation's impacts on people, the environment, and economy. The guidance is harmonized with and takes inspiration from leading worldwide initiatives centered on disclosing sustainability and climate change-related information. These encompass the GRI Sustainability Reporting Standards, the recommendations outlined by the Taskforce on Climate-related Financial Disclosures (TCFD), and the International Integrated Reporting Council's (IIRC) International <IR> Framework. Moreover, the guidance draws from an extensive array of other frameworks and standards, along with the Sustainability and ESG guidance offered by various peer exchanges. Importantly, this Disclosure Guidance does not aim to replace any of these global initiatives; rather, its purpose is to assist companies in navigating the intricate realm of reporting standards while providing explicit support for the unique context of South Africa.

As stated in the document: The Disclosure Guidance aims to enable more useful, consistent, and comparable sustainability disclosure to inform better decision-making and action. To achieve this, the Guidance seeks to:

- help issuers navigate the rapidly evolving landscape of sustainability disclosure and support the convergence of global reporting standards

[11] https://www.jse.co.za/sites/default/files/media/documents/JSE%20Sustainability%20Disclosure%20Guidance%20June%202022.pdf

- outline the business case for disclosing the organisation's sustainability governance and management practices and their performance on relevant ESG metrics
- stimulate interest in the innovation opportunities in sustainability challenges; and
- assist in contributing to the achievement of national and international sustainable development commitments and priorities, such as the National Development Plan and UN SDGs.

In the case of the taxonomy alignment reporting, the guidance metric states that a company should report the "*Percentage of revenue from products and services designed to deliver specific social or environmental benefits or to address specific sustainability challenges; if the company applies a taxonomy or benchmark to label their activities as sustainable, they should report on the benchmark used and how they meet the criteria of the benchmark."*

2. **Climate Change Disclosure Guidance June 2022**[12]

The intention behind this guidance is to bring clarity to prevailing global benchmarks in disclosing climate-related information. It furnishes a systematic, step-by-step roadmap to initiate issuers into this transformative process. Serving as an initial compass, this guidance aids those who are embarking on the inclusion of climate-related details in their reports for the first time. Simultaneously, it offers supplementary resources that cater to the needs of those who seek to delve further into advanced climate-related disclosure practices such as Transition Readiness, assessment of material impacts, risk and opportunities, and data verification and assurance. The guidance was prepared recognizing the universal requirement for lucid, uniform, and actionable information from issuers pertaining to climate-related matters. It stands as a means to facilitate our market's comprehension of this demand and endeavors to foster uniformity within the South African market regarding the methodologies for reporting climate-related information.

3. **Applying the Green Finance Taxonomy User Guidance to the Draft Green Finance Taxonomy June 2021 (Working Draft)**[13]

Although one of the guidance documents identified by the JSE on their website, the draft user guide offers step-by-step guidance concerning how to use the green taxonomy, offering evaluation and disclosure recommendations, to determine taxonomic-alignment as well as guidance to determine financial metrics and related impact metrics. The guide includes in the appendix a **Taxonomy Disclosure Template**.

4.3. The China Catalogue

China has several green and sustainable guidelines, guidelines and classification systems: guidelines for green credits, the Catalogue of projects guaranteed for bonds green (considered the "Chinese Taxonomy") and the financial taxonomy of the SDGs. Reporting requirements focus on information on the use of funds for green /sustainable projects. They are **NOT** entity-level reporting requirements, like the EU's reporting requirements. Therefore, it does not have taxonomy reporting guidelines at the entity level.

4.4. Indonesia Green Taxonomy

[12] https://www.jse.co.za/sites/default/files/media/documents//JSE%20Climate%20Disclosure%20Guidance_June%202022.pdf
[13] https://sustainablefinanceinitiative.org.za/wp-content/uploads/2021/06/Draft-Green-Finance-Taxonomy-User-Guidance.pdf

Indonesia's green taxonomy does not yet have specific reporting requirements, as it is voluntary for companies to follow. Its green taxonomy is seen essential as it provides financial services industry with a better understanding on classification of green activities. By classifying green activities of a financial product and/or service, the green taxonomy is expected to facilitate the reporting and periodic monitoring needs in implementing credit or finance allocation into green sector.

As part of its current focus areas, Financial Services Authority (OJK) engages in several areas of activities related to Sustainable Finance Roadmap Phase II, which includes, among others, developing the **financial services reporting system including green financing/instruments in accordance with Green Taxonomy.** It is expected that the guideline document will be developed after reporting requirements and standards are defined.

4.5. Mexico Green Taxonomy

Mexico's taxonomy provides guidelines and definitions for green investments with environmental and social goals. It covers priority sectors (agriculture, energy, water supply, construction, manufacturing, transportation, waste management). It also includes social objectives such as social inclusions, gender equality, and sustainable cities (see Task 1 report). Mexico's green taxonomy does not yet have specific reporting requirements - as it is voluntary for companies to follow. As the taxonomy was launched in March 2023, it is expected that reporting requirements and related guidelines are still in the process of development.

4.6. South Korea K-Taxonomy

The K-Taxonomy it has environmental objectives, in line with EU Taxonomy (see Task 1 Report). It also applies do no significant harm and minimum social safeguards criteria into the assessment of green activities. Its pilot use case and implementation, so far, primarily applies to bonds on a voluntary basis. It does not require corporates to report against the green taxonomy**. Reporting requirements and standards may be developed at later stages.**

5. Reflections and Recommendations on Reporting Guidelines

In light of the analyses above, we recommend the following:

Harmonize domestic reporting requirements: We recommend that Türkiye adopts a **single sustainability reporting** approach (see Task 4 Report)**.** Türkiye may choose to develop a single reporting framework and format to cover the landscape of reporting requirements. A single taxonomy reporting that would apply across sectors would be effective and efficient. While it would ease regulatory compliance for reporting entities, it would also allow for efficient regulatory oversight by government agencies. It would constitute a single point of report to inform all relevant stakeholders. The scope and content requirement of a single reporting framework would need to be developed together with all relevant government agencies (as covered above).

Official taxonomy gateway: We recommend that Türkiye develops an online green taxonomy gateway which could be used as a single official information portal to provide and gather information about all aspects of its taxonomy. It would be used to share reporting guidelines, standards, deadlines. It could be used as **report-depository** for users. The online system may be used to request corporates to submit taxonomy reports, while allowing for the process of external audits. It could also be used for live monitoring of financial trends in relation to the taxonomy. All relevant stakeholders may have access to the public segments of the platform which would function as the source of reliable, credible and comparable information.

Expertise needed to follow international reporting frameworks: There is a need for experts in public agencies to follow taxonomy reporting requirements and standards at the international level. In particular, the need for alignment with the EU Taxonomy requires an institutional capacity development. **Given the importance of the EU markets in terms of investment and trade flows, the scoping of interoperability with the EU green taxonomy reporting requirements will be critical for Türkiye's green taxonomy.** Since EU's taxonomy regulation and related reporting requirements are rapidly evolving and deepening, public sector experts who follow EU's reporting requirements and coordinate Türkiye's in taxonomy reporting requirements would be needed.

Data management: For effective reporting, data quality and availability are key factors. Public sector–driven data capabilities would be needed to consolidate, standardize, monitor and report **sustainability data, which may be compiled and distributed under the online platform (as described above**). Regulation and oversight of ESG data providers would also be needed. A **Taxonomy Data Steering Committee** may be developed to bring stakeholders to advise on the creation and design of an open-data public platform that will collect, aggregate, and standardize data based on private sector taxonomy reporting.

Regulatory oversight: Türkiye would need to develop institutional capacity to monitor, implement and enforce (when reporting is mandatory) green taxonomy reporting. Sectoral and thematic expertise would be needed to monitor and standardize the appropriate use of technical screening criteria and safeguards. Experts would also be needed to analyze green taxonomy related financial trends and inform policy discussions.

Accreditation for auditors: Türkiye may want to define accreditation standards for auditors in relation to green taxonomy reporting. Mandatory audit requirements could be part of reporting mandates for corporates and financial market participants. Mandatory third-party audits would improve the consistency of reporting.

6. Proposed Reporting Guidelines for Potential Users of The Taxonomy

6.1. Reporting format

We recommend that Türkiye would invest in an online reporting portal, single taxonomy reporting portal and report depository. In built templates would ease the process of reporting for the entities, while allowing for live monitoring of KPIs by public authorities. Certain components of the information can be made publicly available too so that all stakeholders may use the portal as a source of accurate information.

For non-financial entities, we propose a reporting template based on the EU template, **with an optional additional KPI on the source of finance (SoF)** (see Attached excel sheet Annex A).

For financial entities, we propose a reporting template which is simpler version of the European Banking Authority's template (see Attached excel sheet Annex B).

- **We strongly recommend that Türkiye use the similar format with the EU as it would make easier for Turkish corporates operating in the EU and EU-domiciled companies operating in Turkiye. In the long run, using a similar reporting template from the inception of the Turkiye taxonomy would make inter-operability and mutual-recognition easy to implement for all users of the corresponding taxonomies.**
- **While using a similar template, Türkiye may still consider adding/removing objectives, or guiding principles to its own reporting template as it formalizes its taxonomy. The core structure of the template may resemble the EU's while other components, as needed, could reflect Türkiye's own considerations.**
- We recommend that Türkiye may consider providing, as part of its online taxonomy portal, an **online taxonomy calculator** which allows users to go through different steps that they would need to go through to fill out the templates that would be readily available online. The portal might have a calculator as a test version to train the entities before they fill out the official submission version. The tool would guide users with a logical flow which would allow them to calculate and submit their taxonomy-eligibility and alignment in relation to the designated KPIs.

The format follows a simple and consistent approach across the four KPIs we propose. For each KPI, entities report on one of the sheets of the template.

We include a basic manual (see section below) which may also include the **validation protocol** (see section below). It will allow for internal and or external auditors to verify the content and the process of taxonomy reporting at the entity level. The validation protocol is self-explanatory. It could be extended/adjusted to reflect considerations of Türkiye's official taxonomy when its launched.

The manual would also include a clear **timeline** that would show the scope and deadlines of reporting requirements for all categories of entities according to the official timeline of the taxonomy implementation process planned by the Directory of Climate Change.).

6.2. Manual

Reporting entities would benefit from having a simple and user-friendly manual that provides guidance in relation to their taxonomy-related responsibilities.

Step by step reporting:

- Follow the step-by-step procedure with to identify whether your activities are taxonomy-eligible and aligned.
- Apply the technical screening criteria and check compliance with the minimum safeguards (see figures below).
- If your activities comply with the technical screening criteria and the minimum safeguards, calculate the monetary values for each KPI for reporting purposes.

Figure 2 Steps for Identification of Taxonomy-eligible and aligned Activities, FS Project Team, 2023

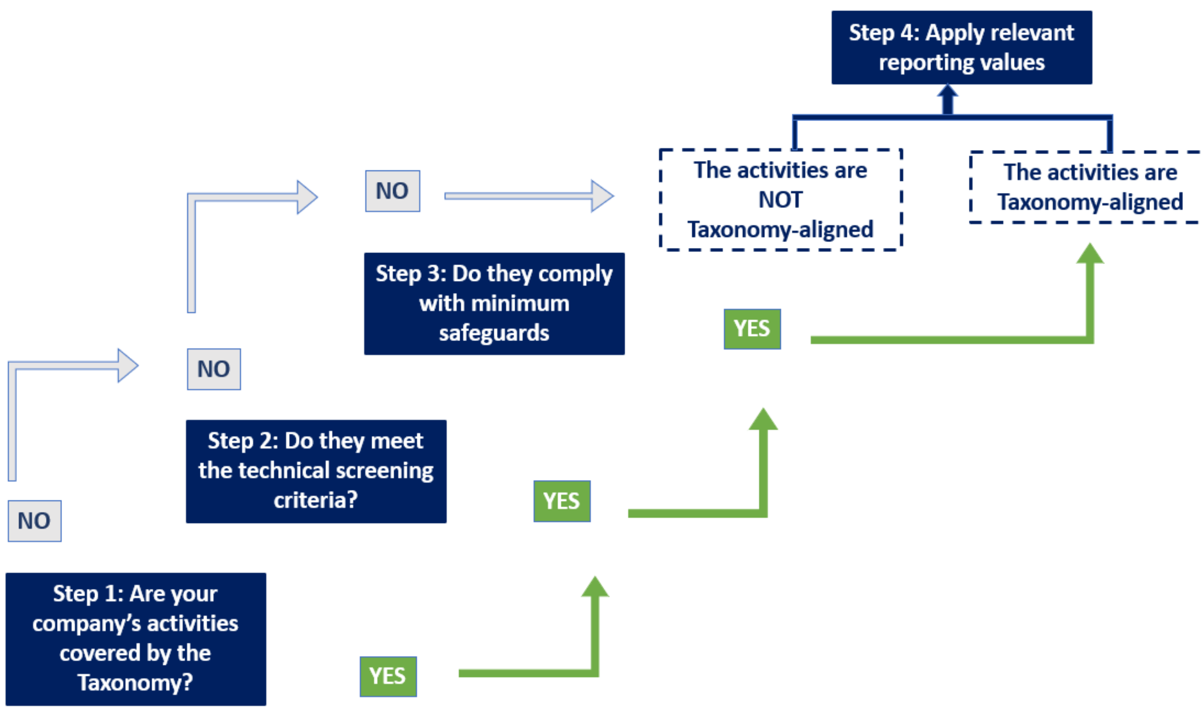
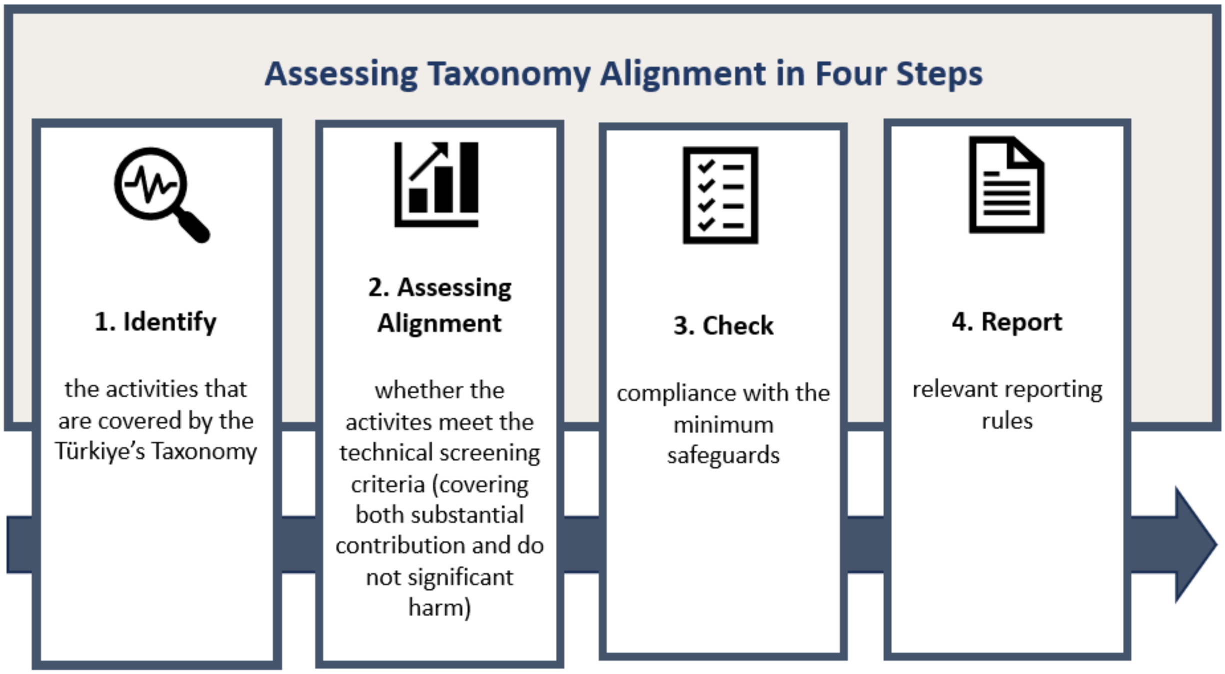


Figure 3 Steps of Taxonomy Disclosure- FS Project Team, 2023



6.3. Manual for Non-financial Entities

We recommend that Türkiye use the similar format with the EU as it would make easier for Turkish corporates operating in the EU and EU-domiciled companies operating in Türkiye. In the long run, using a similar reporting template from the inception of the Türkiye taxonomy would make inter-operability and mutual-recognition easy to implement for all users of the corresponding taxonomies.

Use the template attached for your entity's reporting purposes:

1) Use Column 1 to list the economic activities (as defined by the taxonomy) that are applicable for your entity (see Figure below)
2) Use Column 2 to enter the NACE codes (if applicable) of the corresponding activities listed on Column 1
3) Use Column 3 and 4 to enter the financial numbers for the corresponding KPIs relating to the activities listed on the first column. For the Turnover KPI, enter revenue associated with the listed activity; for the Capex KPI, the corresponding capital expenditure, and for the Opex KPI the corresponding operating expenses. The template will automatically calculate the percentage values in the next column.
4) Use the columns next to the financial values to indicate whether and to what extent the activity would make substantial contribution to the objectives of the taxonomy

Note: The current template lists six objectives (as is the case in most taxonomies covered in this project) but additional objectives could be added based on how Türkiye defines its own taxonomies (corresponding column colored orange).

5) Use the columns next to the objectives to mark whether the principles of the taxonomy (in the case of the EU "Do no significant harm") are fulfilled (Yes/No)

Note: The current template lists six objectives (as is the case in most taxonomies covered in this project) but additional objectives could be added based on how Türkiye defines its own taxonomies (corresponding column colored orange).

6) Use the column on the right-hand side of the last column on principles to indicate whether the minimum safeguards are observed (Yes/No)

Figure 4 List of economic activities, substantial contribution, principles of taxonomy on a reporting template, Based on EU guidelines with adjustment of the FS Project Team, 2023

						Substantial Contribution Criteria						TR	DNSH criteria ('Does Not Significantly Harm')						TR	
Economic Activities (1)	**Code (2)**	**Absolute CapEx (3)**	**Source of finance - Drop down botton (Domestic, international - second line credit, loans, bond, equity finance etc)**	**Source of finance by the largest designated category of source**	**Proportion of the largest source (%)**	**Climate Change Mitigation (5)***	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular Economy (9)**	**Biodiversity and ecosystems (10)**	**Add other objectives as formalised in Türkiye taxonomy**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular Economy (15)**	**Biodiversity (16)**	**Add other principles as formalised Türkiye taxonomy**	**Minimum Safeguards (17)**
Examples (for illusration purposes only)		*Millions (for illusration purposes only)*	*List source above 50% of the capex*	*Millions (for illusration purposes only)*	*%*	*%*	*%*	*%*	*%*	*%*	*%*		*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*		*Y/N*
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. CapEx of environmentally sustainable activities (Taxonomy-aligned)																				
Acquisition and ownership of buildings		2.000.000,00	Domestic loan	1.500.000,00	75%									Y	Y	Y	Y	Y		Y
Cogeneration of heat/cool and power from bioenergy		2.000.000,00	International loan	1.780.000,00	89%									Y	Y	Y	Y	Y		Y
Electricity generation from renewable non-fossil gaseous and liquid fuels (CapEx B)		1.000.000,00	Green Bond	590.000,00	59%									Y	Y	Y	Y	Y		Y
Installation and operation of electric heat pumps		1.000.000,00	Sustainability-linked Bond	550.000,00	55%									Y	Y	Y	Y	Y		Y
Manufacture of batteries		10.000,00	Own Finance	7.800,00	78%									Y	Y	Y	Y	Y		Y
Production of heat/cool from solar thermal heating		800.000,00	Governmen grants	712.000,00	89%									Y	Y	Y	Y	Y		Y
Renovation of existing buildings		12.000,00	Environmental markets (ETS, carbon offsets etc)	11.400,00	95%									Y	Y	Y	Y	Y		Y
CapEx of environmentally sustainable activities		**6.822.000,00**											Y	Y	Y	Y	Y	Y		Y
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned)																				
Acquisition and ownership of buildings		180.000,00	Own Finance	127.800,00	71%															
Cogeneration of heat/cool and power from bioenergy		180.000,00	International	140.400,00	78%															
Construction of new buildings		200.000,00	Own Finance	110.000,00	55%															
Electricity generation from renewable non-fossil gaseous and liquid fuels (CapEx A)		200.000,00	Equity	130.000,00	65%															
Installation and operation of electric heat pumps		200.000,00	Domestic loan	178.000,00	89%															
Manufacture of batteries		190.000,00	Own Finance	186.200,00	98%															
Production of heat/cool from solar thermal heating		190.000,00	Equity	144.400,00	76%															
Renovation of existing buildings		188.000,00	Domestic loan	103.400,00	55%															

Source of Finance	**Taxonomy-aligned**		**Taxonomy-Eligible**	
Own Finance	7.800,00	0,2%	424.000,00	38%
Domestic loan	1.500.000,00	29%	281.400,00	25%
International	1.780.000,00	35%	140.400,00	13%
Equity	0,00	0%	274.400,00	24%
Green Bond	590.000,00	11%	0,00	0%
Sustainability-linked Bond	550.000,00	11%	0,00	0%
Governmen grants	712.000,00	14%	0,00	0%
Environmental markets (ETS, carbon offsets etc)	11.400,00	0,2%	0,00	0%
Total	5.151.200,00	100%	1.120.200,00	100%

* For the purposes of this illustrative template, this figure shows the: the breakdown of the sources of Taxonomy-aligned Capex / Taxonomy eligible capex of the activity.

For the Turnover, Opex and Capex KPIs, rows are divided into three categories (see Figure 7, 8 and 9 below). Companies that fall under the scope of taxonomy reporting would have to report in their annual reports to what extent their activities are covered by the taxonomy (taxonomy-eligibility) - economic activities listed in the taxonomy (not necessarily fulfilling the technical screening criteria) - and specifically comply with the technical criteria (Taxonomy-alignment) 1)Taxonomy aligned activities (activities that fulfill the screening criteria) 2)Taxonomy eligible activities (activities that are listed on the taxonomy but do not fulfill the criteria) 3)Total Turnover, Capex, or the Opex of the entity to indicate the proportion of aligned and eligible activities

Figure 5 Turnover KPI template, EU Reporting Guidelines, activities and figures are illustration purposes only, 2023, Based on EU guidelines with adjustment of the FS Project Team, 2023

Economic Activities (1)	Code (2)	Absolute turnover (3)	Proportion of Turnover (4)
Examples (for illusration purposes only)		Millions (for illusration purposes only)	%
A. TAXONOMY-ELIGIBLE ACTIVITIES			**64%**
A.1. Environmentally sustainable activities (Taxonomy-aligned)			
Acquisition and ownership of building	NACE	4'200'000.00	4.7%
Cogeneration of heat/cool and power f	NACE	2'200'000.00	2.5%
Installation and operation of electric h	NACE	1'230'000.00	1.4%
Production of heat/cool from solar the	NACE	200'000.00	0.2%
Renovation of existing buildings	NACE	1'220'000.00	1.4%
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**9'050'000.00**	**10.2%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activitie			
Acquisition and ownership of buildings		4'850'000.00	5%
Cogeneration of heat/cool and power from bioener		9'800'000.00	11%
Construction of new buildings		12'000'000.00	14%
Electricity generation from renewable non-fossil ga		7'000'000.00	8%
Installation and operation of electric heat pumps		970'000.00	1%
Manufacture of batteries		5'000'000.00	6%
Manufacture of cement		2'000'000.00	2%
Production of heat/cool from solar thermal heatin		4'800'000.00	5%
Renovation of existing buildings		980'000.00	1%
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**47'400'000.00**	**54%**
Total (A.1+A.2)		**56'450'000.00**	**64%**
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES			
Turnover of Taxonomy-non-eligible activities		**32'000'000.00**	**36%**
Total (A+B)		**88'450'000.00**	**100%**

Figure 6 Capex KPI Template, EU Reporting Guidelines, activities and figures are illustration purposes only, 2023, Based on EU guidelines with adjustment of the FS Project Team, 2023

Economic Activities (1)	Code (2)	Absolute CapEx (3)	Proportion of CapEx (4)
Examples (for illusration purposes only)		Millions (for illusration purposes only)	%
A. TAXONOMY-ELIGIBLE ACTIVITIES			**64%**
A.1. CapEx of environmentally sustainable activities (Taxonomy-aligned)			
Acquisition and ownership of buildings		2'000'000.00	15.44%
Cogeneration of heat/cool and power from bioener		2'000'000.00	15.44%
Electricity generation from renewable non-fossil ga		1'000'000.00	7.72%
Installation and operation of electric heat pumps (		1'000'000.00	7.72%
Manufacture of batteries (CapEx A)		10'000.00	0.08%
Production of heat/cool from solar thermal heatin		800'000.00	6.18%
Renovation of existing buildings (CapEx A)		12'000.00	0.09%
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**6'822'000.00**	**52.7%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligne			
Acquisition and ownership of buildings		180'000.00	1%
Cogeneration of heat/cool and power from bioener		180'000.00	1%
Construction of new buildings		200'000.00	2%
Electricity generation from renewable non-fossil ga		200'000.00	2%
Installation and operation of electric heat pumps (		200'000.00	2%
Manufacture of batteries		190'000.00	1%
Production of heat/cool from solar thermal heatin		190'000.00	1%
Renovation of existing buildings		188'000.00	1%
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**1'528'000.00**	**12%**
Total (A.1+A.2)		**8'350'000.00**	**64%**
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES			
Capex of Taxonomy-non-eligible activities		**4'600'000.00**	**36%**
Total (A+B)		**12'950'000.00**	**100%**

Figure 7 OpEx KPI Template, EU Reporting Guidelines, activities and figures are illustration purposes only, 2023, Based on EU guidelines with adjustment of the FS Project Team, 2023

Economic Activities (1)	Code (2)	Absolute OpEx (3)	Proportion of OpEx (4)
Examples (for illusration purposes only)		Millions (for illusration purposes only)	%
A. TAXONOMY-ELIGIBLE ACTIVITIES			**9%**
A.1. Environmentally sustainable activities (Taxonomy-aligned)			
Acquisition and ownership of buildings		9'000.00	0.0%
Cogeneration of heat/cool and power from bioener		9'000.00	0.0%
Construction of new buildings		9'000.00	0.0%
Electricity generation from renewable non-fossil ga		9'000.00	0.0%
Electricity generation from renewable non-fossil ga		3'000.00	0.0%
Installation and operation of electric heat pumps		12'000.00	0.0%
Manufacture of batteries (OpEx A)		15'000.00	0.1%
Production of heat/cool from solar thermal heatin		12'000.00	0.0%
Renovation of existing buildings		9'000.00	0.0%
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**87'000.00**	**0.4%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-alignec			
Acquisition and ownership of buildings		291'000.00	1%
Cogeneration of heat/cool and power from bioener		300'000.00	1%
Electricity generation from renewable non-fossil ga		291'000.00	1%
Installation and operation of electric heat pumps (		288'000.00	1%
Manufacture of batteries		285'000.00	1%
Production of heat/cool from solar thermal heatin		288'000.00	1%
Renovation of existing buildings		291'000.00	1%
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**2'034'000.00**	**8%**
Total (A.1+A.2)		**2'121'000.00**	**9%**
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES			
OpEx of Taxonomy-non-eligible activities		**21'900'000.00**	**91%**
Total (A+B)		**24'021'000.00**	**100%**

For the optional Source of Finance KPI, four levels of information will be reported (see Figure 9 below):

- Source of finance - Domestic, international loans, green bond, equity finance etc
- Source of finance by the largest designated category of source (corresponding to a figure above 50%)
- Proportion of the largest source (%)
- The share of each category of source in total finance by taxonomy eligibility and alignment

Figure 8 Source of Finance KPI Source: FS Project Team, 2023

Economic Activities (1)	Code (2)	Absolute CapEx (3)	Source of finance - Drop down botton (Domestic, international - second line credit, loans, bond, equity finance etc)	Source of finance by the largest designated category of source	Proportion of the largest source (%)
Examples (for illusration purposes only)		*Millions (for illusration purposes only)*	*List source above 50% of the capex*	*Millions (for illusration purposes only)*	*%*
A. TAXONOMY-ELIGIBLE ACTIVITIES					
A.1. CapEx of environmentally sustainable activities (Taxonomy-aligned)					
Acquisition and ownership of buildings		2'000'000.00	Domestic loan	1'500'000.00	75%
Cogeneration of heat/cool and power from bioenergy		2'000'000.00	International loan	1'780'000.00	89%
Electricity generation from renewable non-fossil gaseous and liquid fuels (		1'000'000.00	Green Bond	590'000.00	59%
Installation and operation of electric heat pumps		1'000'000.00	Sustainability-linked Bond	550'000.00	55%
Manufacture of batteries		10'000.00	Own Finance	7'800.00	78%
Production of heat/cool from solar thermal heating		800'000.00	Governmen grants	712'000.00	89%
Renovation of existing buildings		12'000.00	Environmental markets (ETS,	11'400.00	95%
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**6'822'000.00**			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned)					
Acquisition and ownership of buildings		180'000.00	Own Finance	127'800.00	71%
Cogeneration of heat/cool and power from bioenergy		180'000.00	International	140'400.00	78%
Construction of new buildings		200'000.00	Own Finance	110'000.00	55%
Electricity generation from renewable non-fossil gaseous and liquid fuels (		200'000.00	Equity	130'000.00	65%
Installation and operation of electric heat pumps		200'000.00	Domestic loan	178'000.00	89%
Manufacture of batteries		190'000.00	Own Finance	186'200.00	98%
Production of heat/cool from solar thermal heating		190'000.00	Equity	144'400.00	76%
Renovation of existing buildings		188'000.00	Domestic loan	103'400.00	55%

Source of Finance	Taxonomy-aligned		Taxonomy-Eligible	
Own Finance	7'800.00	0.2%	424'000.00	38%
Domestic loan	1'500'000.00	29%	281'400.00	25%
International	1'780'000.00	35%	140'400.00	13%
Equity	0.00	0%	274'400.00	24%
Green Bond	590'000.00	11%	0.00	0%
Sustainability-linked Bond	550'000.00	11%	0.00	0%
Governmen grants	712'000.00	14%	0.00	0%
Environmental markets (ETS, carbon offsets etc)	11'400.00	0.2%	0.00	0%
Total	5'151'200.00	100%	1'120'200.00	100%

6.4. Manual for Financial Institutions (Banks)

Banks shall disclose the financing of taxonomy eligible and aligned activities by following the instructions provided below:

1. Provide in template an overview of the KPIs calculated on the basis of the templates including the green asset ratio (GAR)
2. Disclose the GAR based only on the turnover alignment of the counterparty

Figure 9 GAR Template, Adopted from the European Banking Authority (EBA) Reporting for Financial Institutions, FS Project Team,2023

Climate Change: Assets for the calculation of GAR

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Million EUR	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling
	GAR - Covered assets in both numerator and denominator															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation															
2	**Financial corporations**															
3	Credit institutions															
4	Loans and advances															
5	Debt securities, including UoP															
6	Equity instruments															
7	Other financial corporations															
8	of which investment firms															
9	Loans and advances															
10	Debt securities, including UoP															
11	Equity instruments															
12	of which management companies															
13	Loans and advances															
14	Debt securities, including UoP															
15	Equity instruments															
16	of which insurance undertakings															
17	Loans and advances															
18	Debt securities, including UoP															
19	Equity instruments															
20	**Non-financial corporations (subject to disclosure obligations)**															
21	Loans and advances															
22	Debt securities, including UoP															
23	Equity instruments															
24	**Households**															
25	of which loans collateralised by residential immovable property															
26	of which building renovation loans															
27	of which motor vehicle loans															
28	**Local governments financing**															
29	Housing financing															
30	Other local governments financing															
31	Collateral obtained by taking possession: residential and commercial immovable properties															
32	**TOTAL GAR ASSETS**															
	Assets excluded from the numerator for GAR calculation (covered in the denominator)															
33	**Domestic Non-financial corporations (not subject to disclosure obligations)**															
34	Loans and advances															
35	Debt securities															
36	Equity instruments															
37	**Foreign Non-financial corporations(not subject to disclosure obligations)**															
38	Loans and advances															
39	Debt securities															
40	Equity instruments															
41	Derivatives															
42	On demand interbank loans															
43	Cash and cash-related assets															
44	Other assets (e.g. Goodwill, commodities etc.)															
45	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**															
	Other assets excluded from both the numerator and denominator for GAR calculation															
46	Sovereigns															
47	Central banks exposure															
48	Trading book															
49	**TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR**															
50	**TOTAL ASSETS**															

Table 2 Instructions for Reporting Template for Financial Institutions, Adopted from the European Banking Authority (EBA) Reporting for Financial Institutions, Source: FS Project Team, 2023

Columns	Instructions
a	**Proportion of assets funding taxonomy relevant sectors** The proportion of the stock of assets funding taxonomy-relevant activities (i.e., eligible assets) in total stock of covered assets. The item shall be expressed as a percentage. The numerator of the KPI shall be the gross carrying amount of eligible assets funding taxonomy relevant sectors for the objective of climate change mitigation. The denominator of the KPI shall be the gross carrying amount of covered assets as defined officially (by the banking regulator, for example)
b	**Of which: environmentally sustainable** The proportion of the stock of assets funding environmentally sustainable activities (i.e., aligned assets) in the stock of eligible assets. The item shall be expressed as a percentage. The numerator of the KPI shall be the gross carrying amount of eligible assets funding environmentally sustainable activities for the objective of climate change mitigation The denominator of the KPI shall be the gross carrying amount of covered exposures
c	**Of which: specialized lending** The proportion of the stock of assets categorized as specialized lending funding environmentally sustainable activities for the objective of climate change mitigation in the stock of assets funding environmentally sustainable activities. The item shall be expressed as a percentage.
d	**Of which: transitional** The proportion of the stock of assets related to transitional activities for the objective of climate change mitigation in the stock of assets funding environmentally sustainable activities. The item shall be expressed as a percentage.
e	**Of which: enabling** The proportion of the stock of assets related to enabling activities for the objective of climate change mitigation in the stock of assets funding environmentally sustainable activities. The item shall be expressed as a percentage.
f	**Proportion of assets funding taxonomy relevant sectors** The proportion of the stock of assets funding taxonomy-relevant activities (i.e., eligible assets) in total stock of covered assets. The item shall be expressed as a percentage.
g	**Of which: environmentally sustainable**

Columns	Instructions
	The proportion of the stock of assets funding environmentally sustainable activities (i.e., aligned assets) in the stock of eligible assets. The item shall be expressed as a percentage.
h	**<u>Of which: specialized lending</u>** The proportion of the stock of assets categorized as specialized lending funding environmentally sustainable activities for the objective of climate change adaptation in the stock of assets funding environmentally sustainable activities. The item shall be expressed as a percentage.
ı	**<u>Of which: adaptation</u>** The proportion of the stock of assets related to adaptation activities for the objective of climate change adaptation in the stock of assets funding environmentally sustainable activities. The item shall be expressed as a percentage.
j	**<u>Of which: enabling</u>** The proportion of the stock of assets related to enabling activities for the objective of climate change adaptation in the stock of assets funding environmentally sustainable activities. The item shall be expressed as a percentage.
k	**<u>Proportion of assets funding taxonomy relevant sectors</u>** The proportion of the stock of assets funding taxonomy-relevant activities (i.e., eligible assets) for the objectives of climate change mitigation and climate change adaptation, compared to the total stock of covered assets. The item shall be expressed as a percentage.
l	**<u>Of which: environmentally sustainable</u>** The proportion of the stock of assets funding environmentally sustainable activities for the objectives of climate change mitigation and adaptation in the stock of eligible assets. The item shall be expressed as a percentage.
m	**<u>Of which: specialized lending</u>** The proportion of the stock of assets categorized as specialized lending funding environmentally sustainable activities for the objectives of climate change mitigation and adaptation in the stock of assets funding environmentally sustainable activities. The item shall be expressed as a percentage.
n	**<u>Of which: transitional/adaptation</u>** The percentage shall correspond to column (d) and column (i).
o	**<u>Of which: enabling</u>** The percentage shall correspond to column (e) and column (j).

6.5. Validation Protocol

Taxonomy reporting with its technical assessments processes, standards and requirements would require an internal and external verification processes. Internal verification would assure reporting entities that the information that they provide under the taxonomy regulation is validated and accurate.

We also recommend that an external verification process should be required for entities that are mandated to report. The information contained in taxonomy reports must be audited by qualified professionals, ideally accredit by national and/or international public agencies.

We provide a model questionnaire below that will help facilitate to detect errors or omissions in the information provided in the report. The content of the validation model would need to be adjusted according to the scope, screening criteria, and principles that will be decided upon by Turkish government authorities. The validation protocol must be signed by legal representatives of the entity, and it must be part of the final reporting form to be submitted to the public authority which is responsible to collect and process taxonomy reports.

We recommend an online submission and depository tool for taxonomy reporting. The tool may also be developed with inbuilt functionalities that would allow for the efficient process of the validation. The system would be designed to allow assigning internal and external auditors. An inbuilt process flow may also be developed to authorisation of approvals and submissions. It would also allow public authorities to monitor and control efficiently various states of the validation process.

Table 3 Model Validation Protocol

CRITERIA	VALIDATION REQUIREMENTS	CRITERION ASSESSMENT	Check points		
			REPORT ADMIN *(REQUIRED)*	INTERNAL AUDITOR *(OPTIONAL)*	EXTERNAL AUDITOR *(OPTIONAL)*
ORGANIZATIONAL BOUNDARY					
Entities should submit taxonomy alignment and eligibility at the parentor group level, not the subsidiary level. Parent entities must include the KPIs of all subsidiaries in their submission.	All subsidiaries must be reported and included within the parent entity	**Criterion met if:** The entity reports for all relevant in target boundary of the taxonomy regulation **Criterion not met if:** The entity does not report relevant subsidiaries and fails to include them in target boundary	**Criterion met (Y/N)**	**Criterion met (Y/N)**	**Criterion met (Y/N)**

		target boundary of the taxonomy regulation			
		IDENTIFICATION			
Entities within the scope of taxonomy reporting requirements must identify their business activities covered by the green taxonomy Türkiye	Proportion of taxonomy eligible business activities in the form of all three KPIs (Turnover, OPEX, and CAPEX) must be calculated	**Criterion met if:** The entity reports for all relevant KPIs of the taxonomy regulation **Criterion not met if:** The entity does not report on one or more KPIs	**Criterion met (Y/N)**	**Criterion met (Y/N)**	**Criterion met (Y/N)**
		ASSESSMENT			
Entities within the scope of taxonomy reporting requirements must assess if their business activities meet the technical screening criteria of the green taxonomy Türkiye	Proportion of taxonomy aligned business activities based on the technical screening criteria in the form of all three KPIs (Turnover, OPEX, and CAPEX) must be calculated	**Criterion met if:** The entity reports for all relevant KPIs of the taxonomy regulation **Criterion not met if:** The entity does not report on one or more KPIs	**Criterion met (Y/N)**	**Criterion met (Y/N)**	**Criterion met (Y/N)**
		CHECK			
Entities within the scope of taxonomy reporting requirements must check if their business activities comply with “Do no significant harm” criteria	The compliance with the criteria for substantial contribution to the objectives of the taxonomy (e.g., mitigation) must comply with DNSH criteria.	**Criterion met if:** The entity applies all DNSH **Criterion not met if:** The entity does not apply one or more DNSH	**Criterion met (Y/N)**	**Criterion met (Y/N)**	**Criterion met (Y/N)**

Entities within the scope of taxonomy reporting requirements must check if their business activities comply with the minimum safeguards of the green taxonomy Türkiye	Minimum safeguards included in the taxonomy (e.g. Human rights, including workers' rights, Bribery/corruption, Taxation, Fair competition) must be complied with	**Criterion met if:** The entity complies with all minimum safeguards **Criterion not met if:** The entity does not comply with one or more minimum safeguards	**Criterion met (Y/N)**	**Criterion met (Y/N)**	**Criterion met (Y/N)**
REPORT					
Entities within the scope of taxonomy reporting requirements must check if their taxonomy report complies with the official format requirements	Official format requirements as defined by public authorities must be observed	**Criterion met if:** The entity complies with the official reporting format **Criterion not met if:** The entity does not comply with the official reporting format	**Criterion met (Y/N)**	**Criterion met (Y/N)**	**Criterion met (Y/N)**

7. List of Annexes

1. Annex-1: ESG reporting format of the Capital Markets Board (CMB) of Türkiye

		STATUS OF COMPLIANCE					
	If the compliance with the principles is determined as "Yes" or "Partially", the report information/link regarding the information disclosed to the public should be included. ***Explanations on compliance with the principles are included in the "Explanation" column.*** ***The extent to which the requested information is presented as consolidated or solo should be stated in the "Explanation" column.***	**YES**	**NO**	**PARTIALLY**	**IRRELEVANT**	**EXPLANATION**	**REPORT INFORMATION ON PUBLICLY DISCLOSED INFORMATION (Page number should also be indicated)/LINK**
	A. General Principles						
	A1. Strategy, Policy and Goals						
A1.1	Priority environmental, social and corporate governance (ESG) issues, risks and opportunities have been determined by the partnership's board of directors.						
	ESG policies (eg Environmental Policy, Energy Policy, Human Rights and Employee Policy etc.) have been created and disclosed to the public by the board of directors of the partnership.						
A1.2	Short and long-term targets set within the scope of ESG policies were disclosed to the public.						
	A2. Implementation/Monitoring						
A2.1	The committees and/or units responsible for the implementation of ESG policies and the highest level officials in the partnership related to ESG issues and their duties have been identified and disclosed to the public.						
	Activities carried out within the scope of policies by the responsible committee and/or unit were reported to the board of directors at least once a year.						
A2.2	In line with the ESG targets, implementation and action plans were created and disclosed to the public.						
A2.3	The ESG Key Performance Indicators (KPI) and the level of reaching these indicators on a yearly basis were disclosed to the public.						
A2.4	Activities to improve the sustainability performance of business processes or products and services have been disclosed to the public.						
	A3. Reporting						
A3.1	In the annual reports, information regarding the sustainability performance, targets and actions of the partnership is given in an understandable, accurate and sufficient manner.						
A3.2	Information on which of its activities are related to the United Nations (UN) 2030 Sustainable Development Goals has been disclosed to the public by the partnership.						
A3.3	Lawsuits filed and/or concluded against ESG issues, which are important in terms of ESG policies and/or will significantly affect activities, have been disclosed to the public.						
	A4. Verification						
A4.1	The Partnership's ESG Key Performance metrics have been verified and publicly disclosed by an independent third party.						
	B. Environmental Principles						
B1	The partnership has made public its policies and practices, action plans, environmental management systems (known by the ISO						

	If the compliance with the principles is determined as "Yes" or "Partially", the report information/link regarding the information disclosed to the public should be included. *Explanations on compliance with the principles are included in the "Explanation" column.* *The extent to which the requested information is presented as consolidated or solo should be stated in the "Explanation" column.*	**STATUS OF COMPLIANCE**					
		YES	**NO**	**PARTIALLY**	**IRRELEVANT**	**EXPLANATION**	**REPORT INFORMATION ON PUBLICLY DISCLOSED INFORMATION (Page number should also be indicated)/LINK**
	14001 standard) and programs in the field of environmental management.						
B2	The scope of the report, the reporting period, the reporting date, and the limitations regarding the reporting conditions were disclosed to the public regarding the environmental reports prepared in providing information on environmental management.						
B3	It is given in A2.1.						
B 4	Environmental targets included in the rewarding criteria within the scope of performance incentive systems on the basis of stakeholders (such as members of the Board of Directors, managers and employees) have been disclosed to the public.						
B5	How the priority environmental issues are integrated into business objectives and strategies has been disclosed to the public.						
B6	It is given in A2.4.						
B7	It has been publicly disclosed how environmental issues are managed and integrated into business objectives and strategies throughout the partnership value chain, including the operational process, including suppliers and customers.						
B8	Whether relevant organizations and non-governmental organizations on the environment are involved in the policy-making processes and the collaborations with these institutions and organizations were disclosed to the public.						
B9	Environmental indicators (Greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity impacts) Information about the impacts of the company is disclosed to the public on a comparable basis periodically.						
B10	Details of the standard, protocol, methodology, and base year used to collect and calculate data have been made public.						
B11	Compared to previous years, the increase or decrease of environmental indicators for the report year has been disclosed to the public.						
B12	Short and long-term targets have been determined to reduce their environmental impacts, and the progress of these targets and the targets determined in previous years has been disclosed to the public.						
B13	A strategy to combat the climate crisis has been created and the planned actions have been publicly announced.						
B14	Programs or procedures have been established and disclosed to the public in order to prevent or minimize the potential negative impact of products and/or services on the environment.						
	Actions have been taken to reduce greenhouse gas emissions of third parties (eg suppliers, subcontractors, dealers, etc.) and these actions have been disclosed to the public.						
B15	The environmental benefits/benefits and cost savings of initiatives and projects aimed at reducing environmental impacts have been disclosed to the public.						

	If the compliance with the principles is determined as "Yes" or "Partially", the report information/link regarding the information disclosed to the public should be included. *Explanations on compliance with the principles are included in the "Explanation" column.* *The extent to which the requested information is presented as consolidated or solo should be stated in the "Explanation" column.*	**STATUS OF COMPLIANCE**					**REPORT INFORMATION ON PUBLICLY DISCLOSED INFORMATION (Page number should also be indicated)/LINK**
		YES	**NO**	**PARTIALLY**	**IRRELEVANT**	**EXPLANATION**	
B16	Energy consumption (natural gas, diesel, gasoline, LPG, coal, electricity, heating, cooling, etc.) data are publicly disclosed as Scope-1 and Scope-2.						
B17	Public disclosure was made about the electricity, heat, steam and cooling produced in the reporting year.						
B18	Studies on increasing the use of renewable energy and the transition to zero or low carbon electricity have been made and publicly announced.						
B19	Renewable energy production and usage data is publicly disclosed.						
B20	Energy efficiency projects have been carried out and the amount of energy consumption and emission reduction achieved through energy efficiency projects has been disclosed to the public.						
B21	Water consumption, if any, amounts of water drawn, recycled and discharged from underground or above ground, its sources and procedures have been disclosed to the public.						
B22	It has been publicly disclosed whether its operations or activities are included in any carbon pricing system (Emissions Trading System, Cap & Trade or Carbon Tax).						
B23	Information on carbon credits accumulated or purchased during the reporting period has been disclosed to the public.						
B2 4	If carbon pricing is applied within the partnership, the details are disclosed to the public.						
B25	The platforms where the partnership discloses its environmental information are publicly disclosed.						
	C. Social Principles						
	C1. Human Rights and Employee Rights						
C1.1	The Institutional Human Rights and Employee Rights Policy has been established in a way to cover the Universal Declaration of Human Rights, ILO Conventions ratified by Turkey and other relevant legislation, those responsible for the implementation of the policy have been determined and the policy and those responsible have been disclosed to the public.						
C1.2	Considering the effects of supply and value chain, fair workforce, improvement of labor standards, women's employment and inclusion issues (gender, race, religion, language, marital status, ethnic identity, sexual orientation, gender identity, family responsibilities, union activities, political opinion, disability, social and cultural differences, etc., such as non-discrimination) are included in its policy on employee rights.						
C1.3	Measures taken along the value chain regarding the observance of certain economic, environmental, social factors (low-income groups, women, etc.) or minority rights/equality of opportunity have been publicly disclosed.						
C1.4	Developments regarding preventive and corrective practices against discrimination, inequality, human rights violations, forced and child labor were disclosed to the public.						
C1.5	Investment in employees (education, development policies), compensation, fringe benefits, right to unionize, work/life balance						

	If the compliance with the principles is determined as "Yes" or "Partially", the report information/link regarding the information disclosed to the public should be included. ***Explanations on compliance with the principles are included in the "Explanation" column.*** ***The extent to which the requested information is presented as consolidated or solo should be stated in the "Explanation" column.***	**STATUS OF COMPLIANCE** **YES**	**NO**	**PARTIALLY**	**IRRELEVANT**	**EXPLANATION**	**REPORT INFORMATION ON PUBLICLY DISCLOSED INFORMATION (Page number should also be indicated)/LINK**
	solutions and talent management are included in the employee rights policy.						
	Dispute resolution processes have been determined by establishing mechanisms for employee complaints and resolution of disputes.						
	Activities carried out within the reported period to ensure employee satisfaction were disclosed to the public.						
C1.6	Occupational health and safety policies have been established and disclosed to the public.						
	Measures taken to prevent occupational accidents and protect health and accident statistics have been disclosed to the public.						
C1.7	Personal data protection and data security policies have been established and disclosed to the public.						
C1.8	Ethics policy is established and disclosed to the public						
C1.9							
C1.10	Information meetings and training programs were organized for employees on ESG policies and practices.						
	C2. Stakeholders, International Standards and Initiatives						
C2.1	The customer satisfaction policy regarding the management and resolution of customer complaints has been prepared and disclosed to the public.						
C2.2	Information about the communication with stakeholders (which stakeholder, subject and frequency) is publicly disclosed.						
C2.3	International reporting standards adopted in reporting are explained.						
C2.4	Principles adopted, signatory or member international organizations, committees and principles regarding sustainability have been disclosed to the public.						
C2.5	Improvements were made and studies were carried out in order to be included in the sustainability indexes of Borsa Istanbul and/or international index providers.						
	D. Corporate Governance Principles						
D1	Opinions of stakeholders were sought in the determination of measures and strategies in the field of sustainability.						
D2	Social responsibility projects, awareness activities and trainings have been carried out to raise awareness about the issue of sustainability and its importance.						

2. Annex-A: Proposed Template for Non-Financial Entities Taxonomy Reporting Template - 4 KPIs

3. Annex-B: Proposed Templates for Financial Institutions - Based on EBA