

# Turkey

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What are the key statutory environmental, social, and governance disclosure obligations in your jurisdiction?

### Capital Markets Board (CMB) Regulations

- CMB's Corporate Governance Principles outline general principles and best practices for corporate governance in Türkiye. Pursuant to Article 1/5 of the Communiqué No. II-17.1 on Corporate Governance, companies whose shares are publicly offered or deemed to be publicly offered are subject to sustainability principles, and these companies are required to report their compliance with corporate governance principles within the scope of the sustainability principles compliance framework. The companies that are not considered as residents in Türkiye in accordance with the Decree No. 32 on the Protection of the Value of Turkish Currency, are excluded from this obligation.
- The CMB has prepared the Sustainability Principles Compliance Framework ("Sustainability Principles") with reference to the Communiqué on Corporate Governance. Although the implementation of the Sustainability Principles is voluntary, it is mandatory to report the implementation of the Sustainability Principles on a comply or explain basis. Pursuant to the decision of the CMB dated 23.06.2022 and numbered 34/977, the companies whose shares are traded on the Main Market, Stars Market and Sub-Market of the Stock Exchange shall fulfill their disclosure obligation within the scope of the Sustainability Principles via the Public Disclosure Platform (KAP) annually within the reporting period for the financial reports and in any case at least 3 weeks before the date of the general assembly meeting. The CMB has also published a template to be used in the disclosures. Some of the important issues that are required to be disclosed to the public under the Sustainability Principles are as follows:
  - (i). ESG policies established by the Company's board of directors,
  - (ii). Committees responsible for the implementation of ESG policies,

- (iii). ESG key performance indicators,
  - (iv). Activities to improve sustainability performance of business processes or products and services,
  - (v). Information on which of the United Nations (UN) 2030 Sustainable Development Goals their activities are related to,
  - (vi). Important lawsuits filed in terms of the ESG,
  - (vii). Sustainability performance measurements verified by an independent third party,
  - (viii). With regard to environment; policies and practices for environmental management including ISO 140001 standard, incentives offered on environmental issues, collaborations such as association memberships, energy consumption data and the ratio of renewable energy in total consumption, energy efficiency projects and the amount of energy consumption and emission reduction through these projects,
  - (ix). With regards to human rights and employee rights; corporate human rights and employee rights policies, occupational health and safety policies, data security policies, ethics policies, in which full compliance with the Universal Declaration of Human Rights, ILO Conventions and relevant legislation is committed, and persons responsible for the implementation of them,
  - (x). Adopted international reporting standards (Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD), etc.),
  - (xi). International organizations or principles of which the company is a signatory or member (Equator Principles, United Nations Environment Programme Finance Initiative (UNEP-FI), United Nations Global Compact (UNGC), United Nations Principles for Responsible Investment (UNPRI), etc.), international principles adopted (such as International Capital Market Association (ICMA) Green/Sustainable Bond Principles).
- The CMB published the Guidelines on Green Debt Instruments, Sustainable Debt Instruments, Green Lease Certificates and Sustainable Lease Certificates with the resolution dated 24/02/2022 and numbered 10/296. The Guidelines are based on the International Capital Markets Association (ICMA) Green Bond Principles. The Guidelines set out the basic principles to be followed in the financing of green projects and the minimum elements of the framework document to be prepared under the Guidelines. If the capital market instrument issued in Türkiye does not comply with the requirements set out in the Guidelines, the terms “green debt instrument”, “sustainable debt instrument”, “green lease certificate”, “sustainable lease certificate” or equivalent terms cannot be used for such capital market instruments. Pursuant to the Guidelines, issuers that are members of the Public Disclosure Platform (KAP) shall disclose (i) the framework document, (ii) the second party opinion assessing whether the framework document is in compliance with the Guidelines, (iii) the issue document or prospectus regarding the issue ceiling, (iv) up-to-date information on the use of funds and significant developments, if any, within the fund utilization report once a year from the date of issuance and in any case after the full amount of the funds obtained from the issuance has been utilized, (v) the estimated and/or actual environmental impacts within the impact report once a year from the date of issuance and after the full amount of the funds obtained from the issuance has been utilized.

Borsa Istanbul A.Ş. Ethical Principles Directive

Borsa Ostanbul A.^. Ethical Principles Directive regulates the principles and rules to be followed by Borsa Ostanbul A.^, the main stock exchange in Türkiye, (“Borsa Istanbul”) while conducting its activities; the ethical principles to be followed by the members of the board of directors and employees of Borsa Istanbul; the procedures and principles regarding the measures to be taken to prevent possible conflicts of interest between Borsa Istanbul, market operators, shareholders and/or other stakeholders and to combat bribery and corruption. In case there are allegations that the ethical principles are violated by Borsa Istanbul’s board members, employees or business partners who assume responsibility towards Borsa Istanbul in the execution of a business, the activities carried out with regard to the allegations and the results reached are shared with the public by the Borsa Istanbul on its website. Information on the notification of ethical principles and rules and the implementation of ethical principles training is disclosed to the public.

#### Turkish Commercial Code (TCC)

Certain types of companies are required to prepare and disclose annual reports, which may include information on environmental, social, and governance matters. In addition, the annual report should cover financial statements, management reports, and disclosures about risks and opportunities related to the company's business, including ESG factors.

Are there any important voluntary environmental, social, and governance disclosures in your jurisdiction, beyond those required by law or regulation?

#### BIST Sustainability Index

Borsa Istanbul has established an index (“BIST Sustainability Index”) that includes companies with high corporate sustainability performance. The BIST Sustainability Index aims to increase the understanding, knowledge, and practices on sustainability among Borsa Istanbul companies.

Within the framework of the BIST Sustainability Index Ground Rules, Borsa Istanbul companies are evaluated by EIRIS (Ethical Investment Research Services Limited). International sustainability criteria are considered in the assessment and only publicly available information is used. Reports prepared by third parties such as annual financial reports, sustainability and corporate governance reports, websites, CDP (Carbon Disclosure Project) are among the information to be taken into consideration within the scope of publicly available information.

#### Sustainability Guidelines for the Banking Sector

The Sustainability Guidelines for the Banking Sector, which was prepared by the Banks Association of Türkiye as a good practice guide in 2014, was updated on March 23, 2021. One of the ten principles in the Sustainability Guidelines for the Banking Sector is the “Monitoring and Reporting” principle. The Guidelines state that banks should regularly and periodically share their sustainability activities with their internal and external stakeholders. The Guidelines also emphasize that the frequency of reporting, the standards under which the report will be prepared and shared should be clearly determined and announced. Reporting can be done within the Annual Report, or it can be done using a separate self-consistent format created by the relevant bank. In the reporting content, it is recommended to include activities on ESG issues, principles and policies prepared, initiatives supported and projects carried out, data on environmental impacts such as carbon emissions, resource use, especially energy and water, and the amount of waste and recycling generated during the organization’s own activities, detailed current status of the Environmental and Social Management System implemented in credit processes, the impact of sustainability approach on procurement activities and supply chain communication, and information about the organization’s human resources, especially employee satisfaction and rights. The Guidelines also state that the data used in the report may

be submitted to independent third parties in order to confirm its reliability.

### Possible Effects of the European Union Border Carbon Adjustment Mechanism on the Turkish Banking Sector's Credit Portfolio

Furthermore, a study titled "Possible Effects of the European Union Border Carbon Adjustment Mechanism on the Turkish Banking Sector's Credit Portfolio" has been published by BRSA. The impact analysis study primarily focuses on estimating the effect of the carbon tax on the repayment capacity of customers operating in the five sectors primarily affected by the tax and exporting to the EU, and the evaluation results indicate that the initial implementation of EU's Carbon Border Adjustment Mechanism is expected to have a limited impact, however, considering the rapid expansion of EU's Carbon Border Adjustment Mechanism, it is evaluated that these effects may significantly increase in the medium and long term.

What are the frequently used frameworks for ESG disclosures in your jurisdiction (e.g., GRI, SASB, TCFD recommendations, etc.)?

Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD) are recommended both in the Sustainability Principles and the Sustainability Guidelines for the Banking Sector.

With the amendment to the TCC dated June 2022, the Public Oversight, Accounting and Auditing Standards Authority ("Public Oversight Authority") has become authorized to set new Turkish Sustainability Reporting Standards. However, these standards have not yet been published.

What are the key statutory environmental, social, and governance obligations requiring action other than disclosure in your jurisdiction?

Türkiye does not have specific regulations or mandatory reporting frameworks dedicated solely to ESG matters. However, some of the requirements set forth in different legal arrangements are listed below:

- The Corporate Governance Principles foresees that a target ratio of not less than 25% shall be set for the proportion of female members in the company's board of directors, a policy shall be established to achieve these targets, and the progress achieved in this regard shall be evaluated annually. Corporate Governance Principles also include principles on establishing human resources and ethics policies, determining criteria for recruitment of employees, and promoting employee rights. Although it is not compulsory to comply with this principle, the companies are required to include in their annual reports explanations on whether the principle is applied or not, and if not, a justified explanation for non-compliance, and explanations on conflicts of interest arising from non-compliance.
- Turkish Labor Law and related secondary legislations include provisions on working conditions, minimum wage, working hours, safety, and labor rights. Occupational Health and Safety Law aims to regulate the responsibilities of employers and employees in order to ensure occupational health and safety in workplaces.
- Turkish Constitution includes anti-discriminatory and equality provisions stating that everyone is equal before the law without distinction as to language, race, color, sex, political opinion, philosophical belief, religion or any such grounds and the State's obligation to ensure that this equality exists in practice.
- The Environmental Impact Assessment Regulation issued by the Ministry of Environment, Urbanization and Climate Change regulates activities to be carried out in determining the potential positive and negative impacts on the environment of planned projects, preventing, or minimizing the adverse effects to the environment, selecting location and

	<p>technology alternatives, evaluating them, and monitoring and controlling the implementation of projects.</p> <ul style="list-style-type: none"> <li>• Waste Management Regulation and its related secondary legislations issued by the Ministry of Environment, Urbanization and Climate Change aim to ensure the management of waste from its generation to disposal without causing harm to the environment and human health by setting criteria, basic requirements, and characteristics for the production of products within the scope of this regulation, as well as market surveillance and control from the perspective of environmental and human health.</li> <li>• Water Pollution Control Regulation and Air Quality Assessment and Management Regulation issued by the Ministry of Environment together with their secondary legislation, Urbanization and Climate Change, provide for necessary measures to prevent air pollution and water pollution throughout the country.</li> </ul>
<p>Do ESG rules in your jurisdiction have extraterritorial effect?</p>	<p>In principle, Turkish legislation applies only in Türkiye. However, there are a number of ESG-related rules that have extraterritorial effect.</p> <p>Guidelines on Green Debt Instruments, Sustainable Debt Instruments, Green Lease Certificates and Sustainable Lease Certificates stipulate several obligations for international issuances. Accordingly, the issuers that apply for issuance of green debt instruments abroad shall submit the framework document and the second-party opinion to CMB and publish them on their website and in the Public Disclosure Platform (KAP). After the issuance, the issuer shall also publish the Turkish translation of fund allocation reports in the said platforms within three months following the date of preparation.</p>
<p>Are there any specific regulations in your jurisdiction regarding advertising with ESG claims?</p>	<p>Article 61 of the Law No. 6502 on the Protection of Consumers regulates the general principle that commercial advertisements cannot be deceptive or exploit consumers' lack of experience and knowledge. Accordingly, the requirements to be satisfied related to environmental statements in advertisements are regulated in the Regulation on Commercial Advertisements and Unfair Commercial Practices and the Guideline on Advertisements Containing Environmental Statements adopted by the Advertising Board at its meeting dated 13.12.2022 and numbered 328 with its resolution numbered 2022/2.</p> <p>In the Guidelines, an environmental statement is defined as a statement or visual indicating that a good or service provides environmental benefits or does not have a negative impact on the environment in relation to its composition, production, placing on the market, use or disposal process within the scope of commercial advertising or commercial practice. The Guidelines stipulate that environmental signs, symbols and certifications cannot be used in a consumer deceptive manner. Generic terms such as "green", "sustainable", "eco", "eco-friendly", "nature-friendly", "eco-friendly", "environmentally friendly", "green slogans", "zero waste", "recyclable", "environmentally safe", "energy efficient", "recyclable", "carbon neutral", "renewable", "green energy" cannot be used in advertisements without explanation or in a way that causes uncertainty for consumers regarding the environmental impact of the goods or services or production processes. Furthermore, environmental statements regarding the standards that a good or service or the advertiser must meet in accordance with the relevant legislation cannot be used in a way that creates the perception that the goods or services, processes or companies are different or superior to their competitors and counterparts.</p>
<p>Is it required in your jurisdiction to impose special ESG rights and/or obligations on suppliers (e.g.,</p>	<p>There is no specific regulation imposing special ESG rights and/or obligations on suppliers in Türkiye, but there are various regulations related to this matter.</p>

contractual clauses pursuant to UK Modern Slavery Act)?

In addition to the CMB's legislation explained within this guide, there are also various laws and regulations that replace the role of specific ESG legislation for now. For instance, the Environmental Law numbered 2872 is applicable to all matters concerning the environment. Additionally, there are also separate laws on employment, data protection, consumers, and anti-money laundering which all together cover ESG matters. Another regulation specifically concerning the suppliers is Law No. 7223 on Product Safety and Technical Regulations ("Law"). The Law introduces the obligations related to the environment and product safety. The purpose of the Law is to ensure that products are safe and in compliance with the relevant technical regulations; to set out the principles of market supervision and inspection, the duties of authorized bodies and the obligations of business enterprises and compliance assessment organizations.

Can shareholders/investors hold a company/entity or its corporate bodies/representatives liable when positive ESG efforts of such company (e.g., initiatives to achieve net zero) cause loss to the company and/or them?

According to Turkish corporate law, if the corporate bodies (i.e. board members or managers) / representatives breach their obligations arising from the law and the articles of association and cause damage to the company and this damage is caused by their fault, it is possible for the shareholders to claim such damage within the framework of Article 553 of the TCC. The TCC does not differentiate between any positive efforts or negative acts, but rather seeks the fault of such corporate bodies/representatives.

On the other hand, if the board of directors takes a management decision by gathering and reviewing the necessary and appropriate information to evaluate the subject matter, and if it can reasonably be argued that this decision is in the best interest of the company, the board of directors shall be deemed to have acted in compliance with its duty of care and shall not be liable for the damages incurred, even if the company suffers damages (business judgement rule).

Can shareholders/investors hold a company/entity or its corporate bodies/representatives liable when non-compliance with ESG rules causes loss to the company and/or them?

In Türkiye, there is no specific liability regulation on ESG legislation except for CMB's rules that are only applied to public companies. However, there are various mechanisms in Turkish law to hold company management accountable.

Any act or transaction that directly damages the assets of the company also affects the shareholders. For instance, the decrease in the assets of the company due to the actions of the members of the board of directors affects the value of the shares belonging to the shareholders. Accordingly, in order to protect the interests of the shareholders of the company, Article 553 of the TCC (as explained above) stipulates that the board members and managers are liable for the damages incurred by the company, the shareholders, and creditors as a result of the breach of their obligations arising from the law or the articles of association.

Thus, liability may arise in the event of non-compliance with the provisions of the legislation we have explained under Question 7 and Question 11 or ESG rules stipulated in the company's articles of association, if any.

The lawsuit that may be filed by the shareholders for damages arising from such causes is regulated under Article 555 of the TCC as follows: "The company and each shareholder may request indemnification for the damages which the company has incurred. The shareholders may only request the compensation to be paid to the company."

Lastly, the provisions on unfair competition regulated in TCC shall be considered as well. Article 55/1/a/2 of TCC stipulates that providing incorrect or misleading information about themselves, their business, their business name, their goods, works or activities, their prices, their volume in stock, the nature of the sales campaigns or about their business relationships or benefit third parties in competition through such conduct con-

	stitutes unfair competition. Therefore, any person who incurs damage due to unfair competition (e.g., greenwashing) may file a lawsuit.
Can customers, creditors, or other affected parties hold a company/entity or its corporate bodies/representatives liable when non-compliance with ESG rules causes loss to them?	<p>In Türkiye, there is no specific liability regulation on ESG. However, there are mechanisms in Turkish law to hold company management accountable.</p> <p>In terms of holding corporate bodies / representatives liable, in order to protect the interests of creditors of the company, the TCC provides the right to file a lawsuit for the creditors of the company suffering from the damages incurred by the company as a result of the board members' breach of their obligations arising from the law or the articles of association. However, the burden of proof in such a case is on the creditors, who must prove that the breach of duty caused damage or loss.</p> <p>In terms of holding the company liable, if the purchasers of goods and services from the company within the scope of a contractual relationship have suffered damages as a result of the company's failure to comply with the ESG rules that the company undertakes to comply with within the scope of the contract, it is considered that such damages may be subject to a lawsuit for performance on the grounds of breach of contract.</p> <p>Even if there is no contractual relationship, if the failure to comply with ESG rules has caused damage to third parties, compensation for the damage may be claimed within the framework of liability law. However, in these cases, the burden of proving the damage and the responsible party lies on the party claiming compensation.</p>
If there are no ESG rules in your jurisdiction, is there any analogous regulation or regulatory initiative?	<p>There is no specific regulation directly regulating ESG rules, but similar regulations and related regulatory initiatives are summarized as follows: (please also see our assessments under Question 1, 2 and 7)</p> <ul style="list-style-type: none"> <li>• The corporate governance principles are regulated by the "Corporate Governance Communiqué No. III-17.1" for public companies.</li> <li>• The Sustainability Principles Compliance Framework dated 02.10.2020 published by the CMB covers the basic principles that publicly traded companies are expected to disclose while conducting their Environmental, Social and Corporate Governance (ESG) activities. Although the implementation of these principles is voluntary, it is mandatory to report whether they are implemented or not on the "Comply or Disclose" principle.</li> <li>• The Guideline on Green Debt Instruments, Sustainable Debt Instruments, Green Lease Certificates, Sustainable Lease Certificates dated 24.02.2022 and numbered 10/296 published by the CMB regulates the principles and principles to be followed in the issuance of green debt instruments, sustainable debt instruments and green lease certificates, sustainable lease certificates and the domestic and some foreign issuances of these instruments.</li> <li>• According to the Regulation on Environmental Impact Assessment published in the Official Gazette dated 29.07.2022 and numbered 31907, an Environmental Impact Assessment Report is mandatory for certain planned investments. The Ministry of Environment, Urbanization and Climate Change is authorized to issue "EIA Positive", "EIA Negative", "EIA Required" or "EIA Not Required" decisions on projects subject to the Regulation.</li> <li>• The Directive on Borsa İstanbul A.Ş. Ethical Principles dated 01.11.2017 published by Borsa İstanbul A.Ş. sets out the principles and rules to be followed while conducting the activities of the Stock Market; the ethical principles to be followed by managers and employees; the procedures and principles regarding the measures to be taken to prevent possible con-</li> </ul>

flicts of interest between the Stock Market, market operators, shareholders and/or other stakeholders and to fight against bribery and corruption.

- BIST Sustainability and BIST Sustainability 25 indices, which cover the shares of companies traded on Borsa Istanbul with high corporate sustainability performance, were established. Companies traded on the Stars Market, Main Market and Sub-Market are included in the Sustainability Assessment on a voluntary basis.

- The “Guidelines on Credit Allocation and Monitoring Processes” dated 29.06.2021 published by the Banking Regulation and Supervision Agency (“BRSA”) explains the best practices expected from banks regarding the management of credit risk.

Under the Guidelines “Environmentally sustainable loans” refers to loans used to finance environmentally sustainable economic activities. These loans are considered as part of “sustainable financing”, which is a more comprehensive concept that refers to any financial instrument or investment, including shares, securities, guarantees or a risk management instrument, issued in exchange for the fulfillment of financing activities that meet the criteria of being environmentally sustainable.

- In 2015, the Paris Agreement was adopted at the 21st Conference of the Parties to the UNFCCC in Paris. Türkiye signed the Paris Agreement on April 22, 2016. Accordingly, Türkiye’s 2053 carbon-neutral target has been announced.

- In October 2021, with the Presidential Decree, the name of the Ministry of Environment and Urbanisation was changed to the “Ministry of Environment, Urbanisation and Climate Change”. Simultaneously; (i) the General Directorate of Combating Desertification and Erosion, (ii) General Directorate of Meteorology, and (iii) the Presidency of Climate Change were established within this Ministry. Among the aims of this Ministry lies prevention of environmental pollution and to ensure the protection of our environment and nature and to combat the effects of climate change, inter alia.

- Ministry of Commerce’s has published its Green Deal Action Plan in 2021 (“Green Deal Action Plan”). In order to contribute to Türkiye’s transition to a sustainable and resource-efficient economy, and to ensure Türkiye’s alignment with comprehensive changes envisaged by the European Green Deal while maintaining and further advancing integration under the Türkiye-EU Customs Union, the Action Plan outlines actions to achieve the goals identified under nine main headings: (1) border carbon regulations, (2) green and circular economy, (3) green finance, (4) clean, economical, and secure energy supply, (5) sustainable agriculture, (6) sustainable smart transportation, (7) climate change mitigation, (8) diplomacy, and (9) European Green Deal information and awareness activities. The Green Deal Action Plan identifies the relevant institutions and stakeholders who will work in collaboration with the main coordinating institution responsible for implementing the actions. It also includes a timeline for the implementation of the actions. The progress and developments related to the actions are intended to be monitored by the coordinating institution on a quarterly basis and reported to the Working Group.

Has your jurisdiction reviewed its statutory framework to identify any prohibitions or restrictions that would prevent a company/entity from pursuing ESG initiatives?

Most significant and horizontal legislative approach by the Turkish legislator were the corporate governance principles and sustainability principles, where the latter fall within the general framework of the former. Both corporate governance and sustainability principles do focus to realize aims under general ESG trends, however, only the public companies are subject to such principles, mostly on “comply or explain” basis. Whereas the legislation for private companies remains primitive.



	<p>One of the most focused steps taken for ESG initiatives regarding private companies is the authorisation granted to the Public Oversight Authority in 2022. With the added paragraph to Article 88 of the Turkish Commercial Code, the Authority is authorised to determine and publish Turkish Sustainability Reporting Standards in line with international standards, to be applicable for the companies who fulfills the thresholds. The purpose of this regulation is stated by the legislator as ensuring unity in practice alongside with the international validity of sustainability reporting. The proposal for this recent amendment explicitly refers to standards published by the International Sustainability Standards Board (ISSB). In December 2022, the Authority translated the draft standards published by the ISSB to Turkish and made it available to companies and all stakeholders in order to inform all interested parties in Türkiye about the ISSB's draft standards and to raise awareness on sustainability reporting. However, secondary legislation and Turkish standards are yet to be published by the Authority.</p>
<p>What statutory sustainable finance and investment frameworks are followed in your jurisdiction regarding ESG indicators (i.e., how a company operates) and impact indicators (i.e., what a company achieves with its products and services)?</p>	<p>Further to the explanations provided under 1, 2 and 11, guide on green debt instruments touches certain ESG indicators and impact indicators, as the financial good that is mostly related to sustainable finance and investment in capital markets. The main pillars of a Green Debt Instrument are utilisation of the funds obtained from issuance, project evaluation and selection process, management of the funds obtained from issuance and, finally, reporting. It is obligatory to utilise the funds obtained from the issuance of green debt instruments for green projects and such requirement is reinstated through procedures for evaluation and selection and reporting. The guide exemplifies or hints certain impact indicators for the projects to be qualified as green investments, and further refers to confirmation of such indicators by the expert on compliance of publicly disclosed information and the project itself. Therefore, through such financial instrument, the relevant investors may monitor the ESG indicator and impact indicator of the project.</p>
<p>What voluntary sustainable finance and investment frameworks are followed in your jurisdiction regarding ESG indicators (i.e., how a company operates) and impact indicators (i.e., what a company achieves with its products and services)?</p>	<p>Since the Public Oversight Authority has yet to be publish secondary legislation and Turkish standards, this area for private companies remains voluntary and lack of legal certainty. The Authority's prospective legal choice between financial materiality approach as sought by the ISSB or double approach (including non-financial materiality) as sought by EU countries will shape the framework regarding ESG.</p>
<p>Are financial institutions, investment advisors, and/or pension institutions in your jurisdiction required to consider ESG factors when making investment decisions or recommendations?</p>	<p>As explained above, BRSA explains the best practices expected from banks regarding the management of credit risk under its Guideline on Credit Allocation and Monitoring Processes, dated 29.06.2021.</p> <p>In the Guideline, Banks are recommended to include ESG factors and related risks in their credit risk appetite and risk management policies, credit risk policies and procedures by adopting a holistic approach. In this context, it is stated that climate change risks to the financial performance of borrowers may mainly be physical risks, such as risks to the borrower arising from the physical impacts of climate change, including liability risks in the event of causing climate change, or transition risks (such as risks to the borrower arising from the transition to a low-carbon and climate-resilient economy). However, this guideline remains as a voluntary framework rather than a legislative requirement for the banks.</p>
<p>Are there any tax or other benefits available in your jurisdiction to encourage financial institutions and/or pension institutions to integrate ESG factors into their investment decisions?</p>	<p>In Türkiye, there are regulations that aim to promote ESG principles in renewable energy and capital markets. While there are special incentive mechanisms in the world for the integration of ESG principles in the field of renewable energy, there is no tax incentive mechanism that specifically and exclusively supports renewable energy generation in Turkey. In addition to the general investment support in Türkiye, there are government</p>

	<p>purchase guarantees for renewable energy and discounts from certain fees in the Electricity Market Law. It is observed that higher prices are set for electricity generation from renewable energy, for which the state provides a purchase guarantee, in order to encourage more investment in renewable energy sources. In addition, recycling and disposal facilities have been included in the scope of priority investments in Türkiye and their investment criteria have been improved.</p>
<p>Have the regulators (including financial market supervisory authorities) in your jurisdiction adopted special measures against “greenwashing”? What are the consequences of non-compliance with such measures?</p>	<p>Similar to our general explanations for ESG rules in Türkiye, the Turkish legal framework relating to measures against greenwashing is also piecemeal. As the “greenwashing” concept can appear in various forms such as using misleading product labels, misrepresentation and making deceitful claims to consumers, each piece of legislation carries its own measure against the consequences of greenwashing and outlines various penalties.</p> <p>Under Law No. 6502 on Protection of Consumers (“Consumer Protection Law”), consumers are entitled to claim damages and other remedies against the seller for defective goods, which are defined as goods that do not conform to the sample or model agreed by the parties or do not have the objectively necessary qualities. The Consumer Protection Law also imposes an administrative fine in case of false and misleading commercial advertisements. The Regulation on Commercial Advertisement and Unfair Commercial Practices (“Commercial Advertisement Regulation”) also has similar provisions prohibiting such advertisements.</p> <p>As per Article 55 of TCC, commercial advertisements that are contrary to good faith (such as but not limited to making false and misleading statements relating to a certain product) are also considered as an unfair competition practice, which can result in indemnification for pecuniary and non-pecuniary damages as well as penal sanctions that can result in imprisonment of individuals or executives of legal entities committing unfair competition, judicial fines and security measures.</p>
<p>Have there been any recent enforcement action or case law pertaining to “greenwashing” in the financial market in your jurisdiction?</p>	<p>While consciousness towards greenwashing in the financial market increases, there are no publicly available enforcement actions or case law pertaining to greenwashing in the financial market as of this date. However, the Board of Advertisement, which is established under the Ministry of Commerce, determines the principles of commercial advertisement outlined under the Consumer Protection Law and Commercial Advertisement Regulation and evaluates practices that may fall into the scope of greenwashing, accordingly.</p>
<p>What legislative and regulatory developments are likely to emerge in connection with ESG obligations in your jurisdiction?</p>	<p>As a G20 country, Türkiye took promising steps towards reducing its dependence on fossil fuels and promoting sustainability. This trend will likely continue as compliance with the EU’s Carbon Border Adjustment Mechanism carries a crucial role for Turkish economy and legislative and regulatory developments are likely to emerge in this field as well. The Green Deal Action Plan acknowledges that in order to enhance the green transformation of Türkiye’s industry, there is a need to develop the regulatory infrastructure both vertically and horizontally across sectors. In this regard, it is aimed to align Türkiye with the legal framework to be implemented by the EU under its sustainable product policy, which aims to improve the sustainability of products, including their durability, reusability, material and resource efficiency, recycling, and energy efficiency. The necessary legislative work is planned to be carried out to achieve this goal. The Green Deal Action Plan also suggests that some sectors such as textile sector, where water consumption is high, the clean production regulations will be updated, and for the leather sector, clean production regulations will be established and training programs on clean production practices will be organized for specific sectors.</p>

What legislative and regulatory developments are likely to emerge in connection with the consideration of ESG factors in sustainable finance in your jurisdiction?

Türkiye has taken significant steps towards aligning itself with the principles of EU's Green Deal since 2021. As outlined in the Green Deal Action Plan, further legislative and regulatory developments are expected in the field of sustainable finance, especially in terms of aligning Turkish legislation with the EU sustainable finance taxonomy. In order to enhance the financing of the green transformation Green Deal Action Plan has some objectives. Some of those objectives are listed below:

- The national incentive system will be reviewed, considering the identification of needs and the incentives provided by the EU to support the green transformation.
- The development of the National Energy Efficiency Financing Mechanism will be evaluated.
- Efforts will be made to strengthen the ecosystem that will facilitate the development of green financing in Türkiye. In this regard, legislation will be prepared aiming to determine the sustainability of investments, considering the taxonomy regulations of the EU and international organizations.
- Preparations for the completion of the Sustainable Bond Framework Document are targeted, which may include the issuance of a green or sustainable bond in the international capital markets by the Ministry of Treasury and Finance.
- Green Bond Guide and Green Sukuk Guide will be prepared.
- Activities in the field of Green Sukuk will be carried out.

What legislative and regulatory developments are likely to emerge in connection with the consideration of ESG factors in M&A in your jurisdiction?

There are currently no publicly available legislative and regulatory developments that are likely to emerge in connection with the consideration of ESG factors in M&A transactions directly. That being stated, there is a growing trend in conducting ESG due diligence to assess the target company's environmental and social impact and imposing ESG warranties in the SPA, especially in deals that involve International Financial Institutions.