



Turkey's Capital Markets Board Submitted Draft Green Debt Instruments and Green Lease Certificate Guidelines to Public Opinion

Many economies, particularly those in the European Union ["EU"], are now centered on the environment-oriented and sustainable economy model known as "Green Transformation," which aims to mitigate the negative environmental consequences of human-induced parameters on the ecosystem. Turkey, also, had signaled that it would not stay out of this shift by ratifying the Paris Climate Agreement in October 2021 [\[click here for our related article\]](#).

In this context, the Capital Markets Board of Turkey [the "CMB"] prepared and presented the draft of "Green Debt Instrument and Green Lease Certificate Guide" [the "Draft Guide"] to support "green projects" that contribute to environmental objectives, particularly in fight against climate crisis, efficient use of resources, and development of environmentally friendly technologies. Accordingly, only the debt instruments issued in compliance with the Draft Guide can be referred to as "green" debt instruments. In other words, those who want to issue green debt instruments must comply with the requirements of the Draft Guide in addition to the existing rules on issuance of debt instruments.

The Draft Guide is grounded on the Green Bond Principles endorsed by the International Capital Markets Association ["ICMA"], which have also been adopted by the EU countries with the European Green Deal, according to the release on the CMB's official website. Green debt instruments and green lease certificates, as well as the concepts and principles that must be followed in their domestic and international issues, are regulated in the Draft Guide.

I. Core Components

Under the heading "Core Components of the Green Debt Instrument", the Draft Guide regulates four key topics. These topics are as follows:

- 1. Use of proceeds obtained from the issue:** Proceeds obtained from the issue will only be used for green projects.

- 2. Project evaluation and selection process:** Issuers will disclose details about the environmental sustainability objectives of eligible green projects, what type of green project the project falls under, possible environmental and social risks arising from the project, and their management process.
- 3. Management of proceeds obtained from the issue:** All types of data will be tracked in a secure manner, and proceeds obtained from the issue of green debt instruments will be held in separate and special ledger accounts.
- 4. Reporting:** Significant developments and up-to-date information on the use of proceeds will be disclosed to the public once a year as of the issue date, or on maturity for the issues with a maturity of less than a year, including funding from the issue of green debt instruments, a list of projects to which this fund has been allocated, a brief description of the projects, the amount used for the projects, and the estimated impacts of the projects.

Within this framework, **green debt instruments** can be defined as any debt instruments that are used to partially or totally finance or refinance new and/or existing green projects.

It should be noted that the general concepts, principles, and obligations defined in the Draft Guide for green debt instruments also apply to green lease certificates. In terms of green lease certificates, the obligations regarding the issuers will be fulfilled by the asset leasing company and/or fund user in green lease certificate issues.

II. Conditions that must be met for issuance of green debt instruments:

To issue a green debt instrument, the board of directors of the issuer must initially prepare a **framework document**, which is a document that demonstrates the compliance of the instrument with the definitions and principles in the Draft Guide and introduces sustainability strategies and policies. [A copy of this document is provided in the annex to the Draft Guide.] Furthermore, an institution providing **external review** services must verify the green debt instrument's compliance with the Draft Guide. Organizations that provide external review services [ICMA, Climate Bonds Initiative, etc.] are required to explain their competency, relevant areas of expertise and the scope of their review in the reports or documents they prepare as there are four types of external review—these are: second-party opinion, verification, certification, and green debt instrument scoring/rating.

In this context, the conditions that must be met for the issuance of green debt instruments can be summarized as follows:

1. The issuer must affirm in the framework document that the issuance will follow the principles given in the Draft Guide.
2. As indicated in the framework agreement, proceeds obtained from issue or an amount equal to these should be utilized to partially or fully finance or refinance green projects.
3. The compliance of the green debt instrument with the Draft Guide should be verified by an institution providing external review services [External review 1].
4. The issuer should consult an external reviewer for inspection of the internal monitoring methods and allocation of proceeds from the green debt instruments to eligible Green Projects [External review 2].
5. The issuer should publicly disclose the framework document and the prospectus or issuance documents approved by the CMB containing external review 1, as well as the external review 2, and green bond framework documents containing taxonomy, green standards or certificates, if any, used in the selection of green projects.

III. Issuance of Green Debt Instruments Abroad

The framework document, prepared in accordance with the foreign green bond standards to which the issue is subject, and the external review regarding its compliance with the foreign standards, must be submitted to the board of directors in applications for the issue of green debt instruments abroad. The framework document must also be made publicly available on the issuer's website and on the Public Disclosure Platform [the so-called "KAP"] if the issuer is a member of the KAP. Proceeds allocation reports prepared in accordance with foreign standards must be submitted to the CMB within one month as of their preparation.

The full text of the Draft Guide can be read [here](#).

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