

CMB Guidelines on Green Debt Instruments, Sustainable Debt Instruments, Green Lease Certificates and Sustainable Lease Certificates



Dr. Müge ÇETİN
Deputy Head
Corporate Finance Department
Capital Markets Board of Türkiye

Which issuances are accepted as green?

Green project: A project that contributes to environmental objectives such as mitigation of effects of climate change, adaptation to climate change, protection of natural resources, protection of biodiversity and control and prevention of pollution

Green debt instruments: Any listed or non-listed debt instruments, framed by the four core components of the Guidelines, whose proceeds will be used exclusively for partial or total financing or refinancing of new and/or existing green projects in conformity with the eligible green project definition

Sustainable debt instruments/Sustainable lease certificates: Any listed or non-listed debt instruments/lease certificates whose proceeds will be used exclusively for partial or total financing or refinancing of projects in which environmental and social positive impact co-exist

Which issuances are accepted as green?

- 1- The issuer shall confirm in the **framework document** that the issues covered by the framework document will be conducted **in accordance with the principles set out in the Guidelines**.
- 2- Proceeds from the issue as specified in the framework document shall be used exclusively to **finance or refinance, partially or wholly, new and/or existing green projects that meet the definition of green projects** given in the relevant section of this Guidelines.
- 3- The compliance of the green debt instrument framework document with the Guidelines shall be reviewed and evaluated by a second party opinion.

Core components of the Guidelines

1. Use of Proceeds Obtained from the Issue
2. Project Evaluation and Selection Process
3. Management of Proceeds Obtained from the Issue
4. Reporting

Use of Proceeds Obtained from the Issue

- Funds shall be used for green projects as soon as possible, and the period predicted for use of said funds must be stated in the framework document
- All eligible green projects identified in the framework document should be evaluated by the issuer for their **environmental benefits** and, such environmental benefits must be presented in a measurable way



Project Evaluation and Selection

Process

- Renewable energy, Energy efficiency, Prevention and control of pollution, Conservation of terrestrial and aquatic biodiversity (including protection of coastal, marine and basin environments), Clean transport (such as electric, hybrid, public, rail, non-motorised, multi-modal transport, infrastructure for clean energy vehicles, and reduction of harmful emissions)
- **Internationally accepted taxonomies**, especially the European Union Taxonomy, for the determination of eligibility of green projects
- **Paris Climate Deal**, they can make use of ICMA Climate Transition Finance Handbook in terms of public disclosure principles and climate transition strategies



Management of Proceeds Obtained from the Issue

- Can be managed on a per-issue basis (i.e. for a single green debt instrument) or be aggregated for more than one green debt instrument (portfolio approach)
- Monitoring by opening a separate account solely for each issue of green debt instruments or by opening a separate group (bulk) account



Reporting

- At least once a year starting from the date of issue and in any case, after allocation of the full amount of proceeds obtained from the issue
- Fund allocation reporting and impact reporting shall continue until allocation of the full amount of available proceeds

Impact Report

- The estimated and/or actual positive and/or negative impacts of projects should be described in bulk using qualitative performance indicators and, where possible, quantitative performance measures (e.g. energy capacity, electricity generation, reduced/avoided greenhouse gas emissions, number of people accessing clean energy, reduction in water use, reduction in the number of cars etc.)
- Impact report is recommended to be examined and assessed by an institution providing external review services

External Review

- **(1) Second Party Opinion:** Assessments as to whether the issue is in line with the regulatory framework and/or the foreign standards deemed fit by the issuer
- **(2) Verification:** Independent verification service as to whether the issue meets the specified conditions for business processes, environmental criteria, key performance indicators and/or sustainability performance targets



External Review

- **(3) Certification:** The issuer may certificate that the green debt instrument, relevant framework document, the terms of use of the proceeds obtained from the issue, or the key performance indicators and sustainability performance targets are in compliance with an accepted green standard or label, if any. In the certification service, compliance with the criteria set in these standards or labels is tested and verified by qualified and listed third parties.
- **(4) Green Debt Instrument Scoring/Rating:** The issuer may receive scoring/rating services from specialized and qualified third parties using scoring/rating methodology, such as research service providers or rating agencies, for the basic parts of the issue, such as the green debt instrument, the relevant framework document, the terms of use of the proceeds of the issue, the selection of key performance indicators or the measurement of the level of ambition of sustainability performance targets. Such scoring(s)/rating(s) are different from credit ratings that reflect significant environmental risks.

Domestic Issuances

- The institutions providing external review services may provide one or more service types.
- External review services cannot be received from an institution which provides consultancy services in the course of preparation of framework document.



International Issuances

- The framework document, the second-party opinion confirming the compliance of said document with the relied upon foreign standards are required to be submitted to the Board, and to be published, together with the issue document, in the issuer's internet site, and if the issuer is a member of Public Disclosure Platform (PDP), in PDP.
- Post issuance Turkish translation of fund allocation reports complying with the relevant international standards is required to be published in the issuer's internet site, and/or if the issuer is a member of Public Disclosure Platform (PDP), in PDP, within three months following the date of preparation.


Sustainability Principles Compliance Framework

- Amendment to Communique on Corporate Governance in 2020
- The basic principles that public companies are expected to disclose while carrying out their Environmental, Social and Corporate Governance activities are shared with stakeholders
- In their annual reports, partnerships must disclose, among other things, information on whether sustainability principles are implemented, if not, a justified explanation thereof, and what the effects are in environmental and social risk management due to failure to fully comply with these principles


Draft Guidelines

Draft Guidelines prepared for Green, Sustainable and Social Capital Market Instruments in order to support the financing of projects that are sustainable and socially strong in our country and create greater social benefits and/or by including, but not limited to, projects that aim to achieve positive social results for a certain audience.

A separate Sustainability-Related Capital Market Instruments Guide Draft prepared based on the ICMA Sustainability-Related Bond Principles, in order to integrate the developments in international financial markets into our country's capital markets and to diversify sustainability-themed issuances.



Green/Sustainable Debt Instruments (TL)	2022	2023	2024
Domestic	1.500.000.000	2.500.000.000	4.500.000.000
International	2.544.000.000	98.524.000.000	235.409.000.000
TOTAL	4.044.000.000	101.024.000.000	239.909.000.000



Green /Sustainable Lease Certificates (TL)	2022	2023	2024
Domestic	550.000.000	625.000.000	1.033.000.000
International	-	-	-
TOTAL	550.000.000	625.000.000	1.033.000.000



Thank you!
muge.cetin@spk.gov.tr