

Turkish Sustainability Reporting Era has begun!

January 2024



Dear Clients, Colleagues and Friends,

With an amendment to Article 88 of the Turkish Commercial Code in 2022, the Public Oversight, Accounting and Auditing Standards Authority (the “**POA**”) was assigned to determine the Turkish Sustainability Reporting Standards (TSRS) in accordance with international practices. Following the relevant amendment, the Board Decision of the POA on the Scope of Implementation of TSRS was published in the Official Gazette dated 27 December 2023 and numbered 32414, and entered into force on 1 January 2024. The sustainability reporting was made mandatory for the following institutions, organisations and businesses which fall within the scope of the decision.

Entities within the Scope

- Other than the banks under control of the Savings Deposit Insurance Fund, the banks are subject to the reporting requirement without being subject to any threshold.
- In addition, the following entities are subject to the reporting requirement if they exceed at least two of the following thresholds in two consecutive reporting periods: (i) to have total assets above TL 500 million, (ii) to have annual net sales revenue above TL 1 billion, or (iii) to have number of employees above 250.
 - » **Amongst the Companies subject to the regulation and supervision of the Capital Markets Board (“CMB”):**
 - Investment institutions;
 - Collective investment institutions;
 - Portfolio management companies;

- Mortgage finance institutions;
 - Central clearing and settlement institutions;
 - Central securities depository institutions;
 - Data storage institutions;
 - Joint stock companies whose capital market instruments are traded on a stock exchange or organized markets or which have prospectus or issuance certificate with a remaining validity period approved by CMB.
 - joint stock companies which issued capital market instruments other than shares without public offering (until the end of the fiscal period in which the capital market instruments issued are redeemed) or which have an issuance certificate with a validity period approved by CMB for this purpose, though not being traded on a stock exchange or other organized markets.
- » **Among the companies subject to the regulation and supervision of the Banking Regulation and Supervision Agency (“BRSA”):**
- Rating agencies;
 - Financial holding companies;
 - Financial leasing companies;
 - Factoring companies;
 - Financing companies;
 - Asset management companies;
 - Companies which directly or indirectly hold ten per cent or more of the capital share or voting rights of financial holding companies and banks, or which hold shares that give them the privilege to appoint members to their boards of directors;
 - Savings finance companies;
- » Insurance, reinsurance and pension companies operating under the Insurance Law and the Individual Pension Savings and Investment System Law.
- » Authorized institutions, precious metals brokerage organisations, companies engaged with the production or trade of precious metals that are permitted to operate in Borsa Istanbul Markets.

The chart prepared by POA regarding the scope can be accessed on [this link](#).

If an entity falls below the thresholds for at least two of the three criteria in two consecutive financial periods or falls twenty per cent or more below the thresholds for at least two of these criteria in a financial period, it falls out of the scope of the reporting obligation as of the following fiscal period.

Reporting Time and Transition Period Practices

For the reporting period beginning on or after 1 January 2024, sustainability and climate related financial statements will, as a rule, be prepared at the same time as the financial reports and as part of such annual and financial reports. Sustainability and climate related disclosures shall cover the same reporting period as the relevant financial statements. However, the administration, CMB, stock exchanges and regulatory accounting institutions may request interim reporting from entities whose debt or equity securities are publicly traded. The transitional provisions of the Board Decision allow entities to publish their sustainability reports after the publication of their financial reports in the first annual reporting period, provided that the timing specified in transitional provisions and TSRS 1 is respected.

Content of Reports and Disclosure Exemption

Entities within the scope are required to disclose significant information on climate and sustainability that can reasonably be expected to affect their future financial adequacy under the sections of Governance, Strategy, Risk Management and Metrics and Targets. In addition, enterprises should also disclose comparative data on the current and prior periods after the first financial year of reporting. However, the Board Decision does not require the disclosure of comparative information in the first reporting period that TSRS are applied.

In relation to the disclosure of greenhouse gas emissions, an exemption has been introduced for the first two reporting periods of TSRS. Accordingly, entities are not required to disclose Scope 3 greenhouse gas emissions for these periods.

Please do not hesitate to contact us for any further information on this briefing at any time.

Kind regards,

Contact Us



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