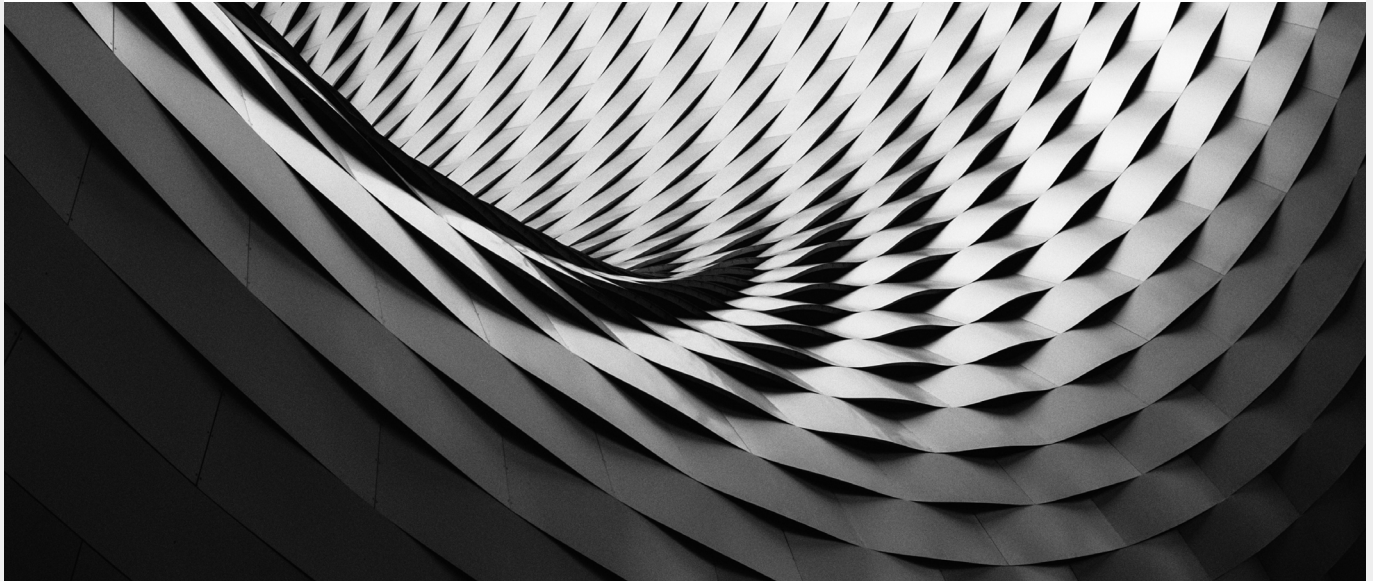


Draft Guideline on Green Debt Instruments and Green Lease Certificates

December 2021



Dear Clients, Colleagues and Friends,

Draft guideline on Green Debt Instruments and Green Lease Certificates (Sukuk) ("**Draft Guideline**") was published for public consultation on 3 November 2021. The Draft Guideline is based on the Green Bond Principles of the International Capital Markets Association.

In the related press release, the Capital Markets Board ("**CMB**") emphasized the need for the long-term financings to finance the investments required for the transition to a low-carbon economy and the importance of capital markets as a potential contributor through different financial instruments.

The Draft Guideline sets forth the required qualifications and obligations of issuers as well as the minimum elements and criteria for domestic and international issuances in accordance with the international standards. Pursuant to the Draft Guideline, not only the green instruments but also other capital markets instruments such as "Blue Debt Instruments" may be considered as green capital markets instruments provided that they meet the criteria under the Draft Guideline.

The main principles and components under the Draft Guideline are as follows:

General Principles

The main conditions to qualify an instrument as a green debt instrument/green lease certificates are as follows: (i) issuers must confirm under the framework document that the issuance will comply with the principles set out under the Draft Guideline, (ii) issuance proceeds, or a fund equivalent to such amount should be used exclusively to finance or refinance, in whole or in part, new and/or existing green projects that meet the definition of green project of the Draft Guideline, (iii) the compliance of the green instruments with the Draft Guideline must be certified by an external audit service provider.

"Framework Document" in this regard is defined as the document adopted by the board of directors of issuers, conforming (i) the issuer's green debt instrument/green lease certificate being in compliance with the main components specified under the Draft Guideline, (ii) the use of proceeds and (iii) the strategy and processes of the respective green debt instrument/lease certificate. Furthermore, sustainability strategy of the project should also be explained under the framework documents.

Moreover, pursuant to the sample of the framework document under the Draft Guideline, issuers should explain the relationship between its environmental goals and/or strategies and the international commitments such as the United Nations Sustainable Development Goals and Paris Climate Agreement.

Main Components

- **Use of proceeds**

The use of proceeds details need to be disclosed within the framework documents and submission of a self-assessment in terms of environmental benefits is required. Although not limited to the list, suitable green project types to be financed through the issuance are listed under the Draft Guideline such as renewable energy, energy efficiency, climate change adaptation, green buildings, protection of bio diversity and environmental sustainability projects.

- **Project evaluation and selection**

The issuer is expected to explain (i) the environmental sustainability goals, (ii) eligible projects determined within the scope of the green project types defined under the Draft Guideline, and (iii) processes applied to identify and to manage potential environmental and social risks associated with such green projects.

- **Management of funds**

The net issuance proceeds or an amount equal to it should be monitored by opening a separate and special account to ensure the safe tracking of all records. It is also possible to manage multiple funds with a portfolio approach by the same issuer within the scope of different issuances.

- **Reporting/Disclosure**

Issuers should disclose up-to-date information on the use of issuance proceeds on the Public Disclosure Platform once a year from the date of issuance and on the maturity date if shorter than one year. Such reporting should include issuance proceeds of green instruments, a list of projects to which this fund is allocated, a brief description of the projects, the amount used for the projects, and the estimated impact of the projects on the environment.

- **External Audit**

External audit is required to ensure the compliance of the main components of the issuance with the Draft Guideline and to verify the allocation of issuance proceeds. The external audit services set out under the Draft Guideline are second party opinion, verification, certification and rating.



Ömer Çollak

Partner

ocollak@paksoy.av.tr



Sera Somay

Partner

ssomay@paksoy.av.tr



Merve Kurdak

Senior Associate

mkurdak@paksoy.av.tr

This briefing is for information purposes; it is not legal advice. If you have questions, please call us.
All rights are reserved.

Paksoy is an independent full-service law firm in Istanbul, Turkey focused on helping clients in a wide range of legal areas including cross-border investments, acquisitions, international business transactions, banking and finance, projects, infrastructure, investigations, compliance, disputes, litigation and arbitration.