

Capital Markets Board Green Debt Instruments and Green Lease Certificate Guidelines¹

November 2021

A. Purpose and Scope

The Green Debt Instruments and Green Lease Certificate Guidelines (Guidelines) regulate the core elements of and the principles² that must be followed in the domestic issue of green debt instruments and green lease certificates, and also in foreign issue, limited to section (F) of the Guidebook.

The Guidelines aim to ensure the issue of green debt instruments occurs in compliance with the best practices and standards¹ in international financial markets, to protect investors, in the context of financing green projects which can contribute to environmental sustainability,³ and to increase transparency, honesty, consistency and comparability. For this purpose, the basic principles to be followed in the financing process of green projects and the minimum elements of the Green Debt Instrument/Green Lease Certificate Framework Document (the Framework Document) are established.

Green debt instruments and green lease certificates or equivalent expressions shall not be used for domestic issues of capital market instruments that are not issued within the scope of these Guidelines.

Capital market instruments such as asset and mortgage-covered securities, asset and mortgage backed securities, project bonds, real estate certificates and blue debt instruments (Blue Bonds) can be qualified as green-themed capital market instruments provided that they meet the qualifications set forth in these Guidelines and fulfil the obligations on the issuers set forth in the Guidelines,

The general basis, principles and obligations specified for green debt instruments within the scope of the Guidelines also apply to the green lease certificates. Obligations determined for the issuers in the Guidelines shall be fulfilled by the asset leasing company and/or fund user in green lease certificate issues.

B. Definitions

These Guidelines define:

¹ This Draft Guidelines is published for consultation purposes and should not be referenced as a legal document.

² These Guidelines have been prepared on the basis of the Green Bond Principles of the International Capital Markets Association (ICMA, Green Bond Principles).

³ Projects included in the green project classification that contribute to environmental objectives, such as climate change mitigation, climate change adaptation, protecting natural resources, protecting biodiversity, and preventing and controlling pollution, are considered suitable as green projects.

- a) Debt instruments: Capital market instruments defined in subparagraph (c) of the first paragraph of Article 3 of the Communiqué on Debt Instruments numbered VII- 128.8,
- b) Institutions providing external review services: Institutions included in the list of internationally recognised institutions that have announced an external reviewers list, such as the International Capital Markets Association and the Climate Bonds Initiative,⁴
- c) Lease certificate: Security defined in subparagraph (h) of paragraph 1 of article 3 of the Communiqué on Lease Certificates numbered III-61.1,
- d) Blue debt instruments: Debt instruments issued to finance projects that provide positive environmental, economic and climate benefits in aquatic habitats, such as the sea and ocean,
- e) 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 new and/or existing green projects in accordance with the eligible green project definition,
- f) Green lease certificate: Any listed or non-listed lease certificate, framed by the four core components of the Guidelines, whose proceeds will be used exclusively in the partial or total financing or refinancing of new and/or existing green projects in accordance with the definition of eligible green projects.
- g) Green debt instrument/Green lease certificate framework document (Framework Document): A document approved by the board of directors that contains a statement that the issuer's green debt instrument/green lease certificate complies with the core components specified in these Guidelines, the uses of the proceeds obtained from the issue, the strategy and the processes of the green debt instrument/lease certificate,
- h) Green project: a project as specified in the Section of Use of Proceeds of this Guidelines, and that contribute to environmental objectives such as climate change mitigation, adaptation to climate change, protection of natural resources, protection of biodiversity and control and prevention of pollution

Some green projects can also generate social co-benefits. Sustainability-themed issues based on such green projects are also considered within the scope of these Guidelines.

⁴<https://www.icmagroup.org/sustainable-finance/external-reviews/>
<https://www.climatebonds.net/certification/approved-verifiers>

C. General principles regarding the green debt instrument

The following conditions shall be met for the issue of green debt instruments.

- 1- The issuer must confirm in the framework document that the issue will be carried out in accordance with the principles set out in the Guidelines.
- 2- Proceeds from the issue, or a fund equivalent to this amount, should be used exclusively to finance or refinance, partially or wholly, new and/or existing green projects that meet the definition of green projects in the relevant section of these Guidelines, as specified in the framework document.
- 3- The compliance of the green debt instrument with the Guidelines must be verified by an institution providing external review services.

If these above mentioned conditions are met, the issuer will be able to use the term ‘green debt instrument’ / ‘green lease certificate’ for the debt instrument to be issued.

Relevant information within the scope of the issuer's sustainability strategy and policy on climate change mitigation, climate change adaptation, conservation of natural resources, biodiversity protection, and pollution prevention and control shall be summarised in the Green Debt Instrument Framework Document (Annex 1).

Issuers should publicly disclose their taxonomy, green standard or certificates, if any, used in the selection of green projects in the Green Bond Framework Document.

Issuers shall disclose their external reviewer’s opinion that states the Green Debt Instrument Framework Document and the green debt instrument are compatible with the four core components of the Guidelines, together with the issue document or prospectus. In addition, they shall convey the Green Debt Instrument Framework Document and external reviewer’s opinion to the Board (Capital Markets Board of Turkey), along with other information and documents regarding green debt instruments, simultaneously with the issue document or prospectus approval application.

Also, issuers shall publicly disclose their external reviewer’s opinion on the internal monitoring method of the proceeds obtained from issuing green debt instruments and the verification of their allocation to the project areas of use, within the framework of the Board's regulations on public disclosure of material events.

D. Core Components of the Green Debt Instrument

The Guidelines have four core components:

1. Use of proceeds obtained from the issue
2. Project evaluation and selection process
3. Management of proceeds obtained from the issue
4. Reporting

1. Use of Proceeds Obtained From the Issue

Funds obtained from the issue of green debt instruments must be used for green projects, and information about this must be included in the information and documents related to the green debt instruments framework document. All eligible green projects identified in the framework document should be evaluated by the issuer for their clear environmental benefits and, where possible, presented in a measurable way.

If all or some of the funds obtained from the issue of green debt instruments will be or are likely to be used for refinancing, an estimation of the distribution of funds between financing and refinancing of projects should be made; and, if possible, the investments or portfolios of projects that could be refinanced should be explained in the green debt instruments framework.

A green project may be associated with one or more types and/or environmental objectives, and may include research and development and other associated supporting expenditures.

In order for research and development and other related supporting expenditure on eligible refinanced green projects to be financed under a green project, the date of this expenditure (estimated retrospective period) must be disclosed in the Green Debt Instrument Framework Document.

Eligible green project types are as follows, but not limited to this list:

- **Renewable energy** (including generation, transmission, devices and products),
- **Energy efficiency** (such as new and renovated buildings, energy storage, central heating, smart grids, appliances and products),
- **Pollution prevention and control** (including reduction of atmospheric emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste-to-energy conversion),
- **Environmentally sustainable management of living natural resources and land use** (including environmentally sustainable agriculture, environmentally sustainable livestock, biological plant protection or climate-related smart farm inputs such as drip irrigation,

environmentally sustainable fisheries and aquaculture, and environmentally sustainable forestry, conservation or restoration of natural landscapes),

- **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),
- **Sustainable water and wastewater management** (including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river reclamation, and other forms of flood reduction),
- **Climate change adaptation** (including information support systems such as climate monitoring and early warning systems),
- **Eco-efficient and/or adapted products, production technologies and processes** (such as eco-labels or environmental certification, resource-efficient packaging and distribution, and the development and promotion of environmentally sustainable products),
- **Green buildings** that meet the requirements of regional, national or internationally recognised standards or certificates.

In addition to the above, issuers may use other internationally accepted taxonomies, especially the European Union taxonomy, for the determination of green projects.

2. Project Evaluation and Selection Process

The green debt instrument issuer should disclose the following to investors through a Green Debt Instrument Framework Document:

- Environmental sustainability objectives of eligible green projects,
- Information on how the issuer has determined that eligible projects fall within the scope of the green project types defined above, and which types they are,
- Information of the processes implemented to identify and manage potential environmental and social risks associated with green projects.

In addition to the above mentioned issues, it is recommended that issuers include the following elements in the Framework Document:

- The place of the eligible green project within the framework of the issuer's overarching objectives, strategy, policy and/or processes related to environmental sustainability,
- Information on the label, certificate, taxonomy, standard, compliance and exclusion criteria, if any, on which the project selection is based.

Issuers are advised to identify practices to mitigate significant risks, if any, known to result from potential negative social and/or environmental impacts of green projects.

These practices include following up on risks, ... potential risks are found significant with a cost benefit analysis

3. Management of Proceeds Obtained From the Issue

The net funds obtained from the green debt instrument issue, or an amount equal to these net funds, should be monitored by opening separate and special ledger accounts and ensuring the secure follow-up of any records made.

Funds from the issue of green debt instruments can be managed on a per-issue basis or aggregated for more than one green bond (portfolio approach).

As long as the green debt instrument is in circulation, the net fund balance tracked in the special account should be periodically distributed to be used for the finance of re-finance of green projects in the relevant period. The issuer should publicly disclose the places where it intends to deploy the unused net fund balance temporarily, within the framework of the Board's regulations on public disclosure of special events.

4. Reporting

Issuers should disclose up-to-date information on the use of funds once a year as of the issue date, or on maturity for the issues with a maturity of less than one year, within the framework of the Board's regulations on public disclosure of material events. Reporting should be carried out until the entire fund is used up. In addition, when important developments occur, they should be publicly disclosed in the same way.

Reporting should include 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. Information may be presented in general terms, or in an aggregate manner/ form (representation of funds allocated to specific project types in percentage terms) if reasons such as confidentiality agreements, competition considerations, or a large number of subprojects limit the detail that can be shared.

To ensure transparency, it is recommended that the estimated and/or actual impact of projects should be described 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.), and explaining the basic methodology and/or assumptions used in the quantification. Issuers can use the templates recommended by international standards⁵ for impact reporting on projects.

To ensure that market participants are properly informed, the issuers may, when deemed necessary, disclose a summary report showing the basic characteristics of the green debt instrument and its compliance with the four main components of the Guidelines, in accordance with the Summary Report template presented in the annex to the Guidelines (Annex 2).

E. External Review

Before the issue or during the issuing green debt instruments, issuers should arrange for an external assessment service to certify that the debt instrument complies with the four core components of the Guidelines.

Post issuance, the issuer should receive services from an external reviewer to verify the internal tracking and allocation of funds from the green debt instruments to eligible Green Projects. x

There are various ways issuers outsource the green debt instrument issue process, and there are various types of external review. Organisations providing external review services may provide a single service type or more than one, separately or together.

External reviews are grouped into four main types below.

1. Second-party opinion: An independent organisation specialising in environmental issues can provide a second-party opinion. This organisation should be independent of the organisation from which the issuer receives consultancy services on the green debt instrument framework document. However, the second-party opinion can also be given by the institution that provides consultancy for the preparation of the framework document, provided that necessary measures are taken, such as preventing the transfer of information between units in a way that will ensure the independence of the second-party opinion.

The second-party opinion includes assessments of whether the issue is in line with the Guidelines, the key objectives, strategies, policies and types of project for which the proceeds is anticipated to be used, the project's targeted benefits and impacts, and environmental risks, if any.

⁵Harmonised Framework for Impact Reporting, [Handbook-Harmonised-Framework-for-Impact-Reporting-June-2021-100621.pdf](https://www.icmagroup.org/handbook-harmonised-framework-for-impact-reporting-june-2021-100621.pdf) ([icmagroup.org](https://www.icmagroup.org))

2. Verification: The issuer may use an independent verification service that meets the specified conditions for business processes, environmental criteria, key performance indicators and/or sustainability performance targets. Verification examines whether the issue complies with the Guidelines and, if applicable, the international standards deemed appropriate by the issuer. The assurance or acknowledgment on the internal tracking method of the issuer's use of the proceeds, the use of proceeds obtained from the green debt instrument, the environmental impact statement or compliance of the reporting regarding the Guidelines, are also accepted as verification.

3. Certification: The issuer may certify 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 is in compliance with the Guidelines and, if any, an accepted, foreign green standard or label deemed appropriate by the issuer. In the certification service, compliance with the criteria set in these standards or labels is tested and verified by qualified and listed third parties.⁶

4. Green debt instrument scoring/rating: The issuers may receive scoring service 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 claim/realisation level of the sustainability performance targets, from the qualified third parties, such as research service providers or rating agencies. Such scoring(s) are different from credit ratings that reflect significant environmental risks.

Organisations providing external review services are required to explain their competence, relevant areas of expertise and the scope of their examination in the reports or documents they prepare.

F. Issue abroad

In applications for issue of green debt instruments abroad, the Framework Document, prepared in accordance with the foreign green bond/green green sukuk standards (standards) to which the issue is subject to and approved by the Board of Directors and the external review regarding its compliance with the foreign standards shall be submitted to the Board. If the issuer is a member of the Public Disclosure Platform (PDP), The Framework Document shall be disclosed on the PDP and the issuer's website. Post issue, allocation reports complying foreign standards shall be submitted to the Board within a maximum of one month following their preparation.

⁶<https://www.icmagroup.org/sustainable-finance/external-reviews/>
<https://www.climatebonds.net/certification/approved-verifiers>

Annex 1

Example of CMB green debt instrument framework document

Date:

Issuer name:

Green debt instrument framework document name:

Name of organisation providing external review services:

1. Strategy and Rationale

1.1. Announcement of the issuer's environmental objectives within the scope of its sustainability strategy and the reason for issuing green debt instruments.

(Include online links of relevant publicly disclosed information, if any, regarding the issuer's sustainability strategies and policies)

1.2. Description of what environmental goals the green projects contribute to. Select all that apply.

- Mitigation of climate change
- Climate change adaptation
- Conservation of natural resources
- Sustainable use and conservation of water and sea resources
- Transition to circular economy
- Pollution prevention and control
- Conservation and restoration of biodiversity and ecosystems
- Clean transport
- Green buildings
- Renewable energy and energy efficiency

1.3. Description of how the issuers' environmental goals and/or strategies relate to international commitments such as the United Nations Sustainable Development Goals or Paris Climate Agreement.

1.4. Other considerations:

2. Use Of Proceeds Obtained From the Issue

Explanation of the elements in section D.1 of the Guidelines (Use of Funds from the Issue) within the scope of the issue of green debt instruments.

2.1. Explain the projects/project types financed with the funds obtained from the issue, the relevant economic activity and the NACE code, if any.

2.2. Explain whether the green projects directly contribute significantly to the following topics, or whether the green project affects other environmental objectives:

Climate change mitigation

low carbon transition activation

Climate change adaptation

harmony activation

2.3. Other considerations:

3. Project Evaluation and Selection Process

Explanation of the elements in section D.2 of the Guidelines (Project Evaluation and Selection Process) within the scope of the issue.

4. Management of Funds Obtained From the Issue

Explanation of the elements in section D.3 of the Guidelines (Management of Funds Obtained from Issues) within the scope of the issue.

5. Reporting

Explanation of the elements in section D.4 of the Guidelines (Reporting) within the scope of issue.

5.1. Name of report, place of publication, and explanation of reporting period.

5.2. Public disclosure of information on places of use of the fund, once a year from the issue date:

Until all the funds obtained from the issue of the relevant green debt instrument are allocated,

Until the maturity of the relevant green debt instrument.

5.3. Publication date and frequency of impact reports.

5.4. Explanation of the qualitative and quantitative impact criteria to be used to show the material contribution made by each project to the environmental objectives related to the selection of green projects.

5.5. Disclosure of the estimated impacts of projects financed by issue funds.

5.6. Other considerations:

Annex 1

Example of CMB green lease certificate framework document

Date:

Issuer (asset lease company and/or fund user) name:

Green lease certificate framework document name:

Title of organisation providing external review services:

1. Strategy and Rationale

1.1. Announcement of the issuer's environmental objectives within the scope of its sustainability strategy, and the reason for issuing green lease certificates.

(Include online links of relevant publicly disclosed information, if any, regarding the issuer's sustainability strategies and policies)

1.2. Description of the environmental goals that the green projects contribute to. Select all that apply.

- Climate change mitigation
- Climate change adaptation
- Conservation of natural resources
- Sustainable use and conservation of water and sea resources
- Transition to circular economy
- Pollution prevention and control
- Conservation and restoration of biodiversity and ecosystems
- Clean transport
- Green buildings
- Renewable energy and energy efficiency

1.3. Description of how the issuers' environmental goals and/or strategies relate to international commitments such as the United Nations Sustainable Development Goals or Paris Climate Agreement.

1.4. Other considerations:

2. Use of Proceeds Obtained From the Issue

Explanation of the elements in section D.1 of the Guidelines (Use of Funds from the Issue) within the scope of the issue of a green lease certificate.

2.1. Explain the projects/project types financed with the funds obtained from the issue, the relevant economic activity and the NACE code, if any.

2.2. Explain whether the green projects directly contribute significantly to the following topics, or whether the green project affects other environmental objectives:

Climate change mitigation

low carbon transition activation

Climate change adaptation

harmony activation

2.3. Other considerations:

3. Project Evaluation and Selection Process

Explanation of the elements in section entitled D.2 of the Guidelines (Project Evaluation and Selection Process) within the scope of the issue.

4. Management of Proceeds Obtained From the Issue

Explanation of the elements in section D.3 of the Guidelines (Management of Funds Obtained from Issues) within the scope of the issue.

5. Reporting

Explanation of the elements in section D.4 of the Guidelines (Reporting) within the scope of the issue.

5.1. Name of report, place of publication and explanation of reporting period.

5.2. Public disclosure of information on places of use of the funds, once a year from the issue date:

- Until all funds from the respective green lease certificate issue are allocated,
- Until the maturity of the relevant green lease certificate.

5.3. Publication date and frequency of impact reports.

5.4. Explanation of the qualitative and quantitative impact criteria to be used to show the material contribution made by each project to the environmental objectives related to the selection of green projects.

5.5. Disclosure of the estimated impacts of projects financed by issue funds.

5.6. Other considerations:

Annex 2

Green debt instrument summary report

Issuer name:

Date:⁷

1. Use of Proceeds obtained from the issue

Statement on the compatibility of the use of the funds obtained from the issue with the Guidelines.

Include online links to relevant publicly available information, if available.

2. Project evaluation and selection process

Explanation of the compatibility of the project evaluation and selection process with the Guidelines.

Include online links to relevant publicly available information, if available.

3. Management of funds obtained from the issue

Statement on the compliance of the fund management with the Guidelines.

Include online links to relevant publicly available information, if available.

4. Reporting

Statement on the compliance of the reporting with the Guidelines.

Include online links to relevant publicly available information, if available.

5. External evaluation

Statement that the green debt instrument complies with the Guidelines.

Include online links to relevant publicly available information, if available.

6. Other information

Other matters to be disclosed regarding the green debt instrument.

⁷ Write the date of the last update or the date of completion of this report.

Annex 2

Green lease certificate summary report

Issuer (asset lease company and/or fund user) name:

Date:⁸

1. Use of Proceeds obtained from the issue

Statement on the compatibility of the use of the funds obtained from the issue with the Guidelines.

Include online links to relevant publicly available information, if available.

2. Project evaluation and selection process

Explanation of the compatibility of the project evaluation and selection process with the Guidelines.

Include online links to relevant publicly available information, if available.

3. Management of funds obtained from the issue

Statement on the compliance of the fund management with the Guidelines.

Include online links to relevant publicly available information, if available.

4. Reporting

Statement on the compliance of the reporting with the Guidelines.

Include online links to relevant publicly available information, if available.

5. External evaluation

Statement that the green lease certificate complies with the Guidelines.

Include online links to relevant publicly available information, if available.

6. Other Information

Other matters to be disclosed regarding the green lease certificate.

⁸ Write the date of the last update or the date of completion of this report.