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Assessment of the Regulation on the Türkiye Green Taxonomy

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The Regulation on the Türkiye Green Taxonomy (the “**Regulation**”) was published in Official Gazette No. 33380 on 24 September 2026 and entered into force on the same date. Issued pursuant to Article 8(1)(c) of Climate Law No. 7552 (the “**Climate Law**”) and Article 792/D of Presidential Decree No. 4, the Regulation introduces the Türkiye Green Taxonomy (the “**Taxonomy**”), a framework intended to channel capital towards activities that support the fight against climate change. By setting out a common set of principles and criteria against which economic activities can be assessed, the Taxonomy seeks to create greater clarity around what may be regarded as environmentally sustainable and thereby facilitate the mobilisation of climate finance. Oversight of the Taxonomy has been entrusted to the Directorate of Climate Change (the “**Directorate**”).

The reporting regime established by the Regulation reflects a gradual approach to implementation. Institutions, organisations and enterprises carrying out at least one of the “eligible economic activities” listed in Annex 1 may choose to report on a voluntary basis under Article 13(1) of the Regulation, while the financial institutions identified in Article 13(2) of the Regulation are ultimately expected to comply with mandatory reporting requirements. That said, the obligation imposed on such financial institutions has been deferred until 1 January 2029 pursuant to Provisional Article 1 of the Regulation. Although reporting remains voluntary for entities falling within Article 13(1), the Regulation nonetheless creates an indirect pathway through which its influence may extend beyond the financial sector. Financial institutions that are themselves subject to mandatory reporting may request information from such entities in respect of activities and transactions that could form part of their own disclosures. In practice, this means that the Taxonomy is likely to shape not only reporting practices but also the flow of information between financiers and

market participants, allowing its effects to be felt across the real economy through financing relationships even before mandatory reporting obligations fully take hold.

Activities Covered by the Taxonomy and Conditions for Alignment

Economic activities listed in Annex 1 to the Regulation are “eligible economic activities” under the Regulation. However, an activity’s inclusion in Annex 1 is not, by itself, sufficient for it to qualify as an “aligned economic activity”. Under Article 6 of the Regulation, an eligible economic activity must satisfy all three of the following conditions to qualify as an aligned economic activity:

Condition	Description
Substantial contribution	The activity must meet the criteria for substantial contribution set out in the relevant technical screening criteria in respect of at least one environmental objective.
Do no significant harm	The activity must not cause significant harm to any of the other environmental objectives and must meet the applicable do no significant harm criteria set out in the relevant technical screening criteria.
Minimum social safeguards	Procedures must be implemented to ensure compliance with the principles referred to in the ten fundamental conventions of the International Labour Organization, the rights set out in the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and national labour and social security legislation.

Article 7 of the Regulation identifies six environmental objectives: the reduction of greenhouse gas emissions; climate change adaptation; the sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and control; and the protection and restoration of biodiversity and ecosystems. These objectives broadly correspond to those under the EU Taxonomy.

Technical Screening Criteria

The technical screening criteria used to assess whether an economic activity is aligned with the Taxonomy are notably absent from the annexes to the Regulation. Rather than prescribing these criteria in the Regulation itself, the framework leaves their development to the Directorate, which is tasked with determining and publishing them on its official website. In doing so, the Regulation establishes a system that is capable of evolving over time, allowing the substantive requirements of Taxonomy alignment to be refined and updated without the need for formal legislative amendment. One clear indication of

the policy direction underpinning this approach is the Regulation's express statement that, in accordance with the technical screening criteria to be established by the Directorate, production activities relying on solid fossil fuels will not qualify as environmentally sustainable economic activities.

This dynamic structure is reinforced by the Directorate's obligation to review the technical screening criteria on a regular basis. Any revisions must be published on the Directorate's official website by 15 December of the relevant year and will become effective in the following year. As a result, Taxonomy alignment is not a static concept but one that may evolve as the underlying criteria develop. This has practical implications for long term financing arrangements that include covenants linked to Taxonomy alignment. In such cases, parties should carefully consider whether compliance is to be assessed against the criteria in force at the time the financing is entered into or against any subsequent updates, and the agreement should therefore clearly identify the date by reference to which the applicable technical screening criteria are to be determined.



Key Performance Indicators and Reporting

The Regulation uses key performance indicators (“**KPIs**”) as the basis for Taxonomy reporting. For institutions, organisations and undertakings carrying out activities listed in Annex 1, the KPIs are the “ratios of turnover, capital expenditure and operating expenditure attributable to Taxonomy-eligible or Taxonomy-aligned products or services”. The KPIs applicable to financial institutions vary according to the type of institution. When calculating their own KPIs, financial institutions subject to mandatory reporting must use the current data and KPIs of institutions, organisations and undertakings reporting under Article 13(1) of the Regulation.

The principal reporting rules are summarised below:

Subject	Rule
Voluntary Reporting	Institutions, organisations and undertakings carrying out at least one eligible economic activity listed in Annex 1 may report using the templates to be published on the Directorate’s official website (Article 13(1)).
Mandatory Reporting	Intermediary institutions, investment trusts, portfolio management companies, banks, and insurance, reinsurance and pension companies are required to report (Article 13(2)). The applicable reporting procedures and principles will be determined separately by the Capital Markets Board of Türkiye (“CMB”), the Banking Regulation and Supervision Agency (“BRSA”) and the Insurance and Private Pension Regulation and Supervision Authority (“IPRSA”), as relevant.
Transition Period	Financial institutions within the scope of Article 13(2) are not required to report under the Taxonomy until 1 January 2029.
Reporting Period and Deadline	Reports must be uploaded to the Online Taxonomy Management System (Çevrimiçi Taksonomi Yönetim Sistemi, “ÇTYS”) by the end of the sixth month following the end of the relevant financial reporting period. For undertakings using a special accounting period, the end of that period is taken into account. A report covers the reporting period for the year preceding its submission.
10% Reporting Thresholds	Article 13(8) sets out 10% thresholds for the ratios of (i) turnover from eligible economic activities to total turnover, (ii) capital expenditure relating to those activities to total capital expenditure and (iii) operating expenditure relating to those activities to total operating expenditure. Where the conditions in Article 13(8) are met, the KPIs for the relevant economic activities may be omitted from the report.
Reporting Requests by Financial Institutions	Financial institutions subject to mandatory reporting may request institutions, organisations and undertakings within the scope of Article 13(1) to report under the Regulation in relation to activities and transactions that may be covered by the financial institutions’ own reports.
Transition Plan and Verification	The Taxonomy transition plan is a supplementary component of the report. The procedures and principles governing the transition plan and the verification of reports will be determined by the Directorate.
Public Availability	As a general rule, reports uploaded to ÇTYS are publicly available. Information and documents other than Taxonomy reports may be shared with third parties with the permission of the relevant institution, organisation or company.

Sanctions

Article 23 of the Regulation provides that entities reporting pursuant to Article 13 may be subject to an administrative fine if they fail to provide the notifications, information or documents required for reporting. In addition, Article 14(6) of the Climate Law, to which the Regulation refers, provides for an administrative fine where misleading statements are made.

Sanction	Applicable rule
Base administrative fine	The TRY 170,000 fine prescribed by the Climate Law has been adjusted to TRY 213,333 for 2026 under Communiqué No. 2026/1.
Repeated violations	If the conduct is repeated within three years from the date on which the fine was notified to the person concerned, the fine is increased by 100% for the first recurrence and 200% for the second and each subsequent recurrence.
Maximum fine per violation	In 2026, the administrative fine imposed for any single violation under the Climate Law may not exceed TRY 62,745,000.

Article 23 of the Regulation does not limit the scope of sanctions to entities subject to mandatory reporting obligations, instead referring more broadly to “those reporting pursuant to Article 13”. This suggests that natural persons and private law legal entities that choose to report voluntarily under Article 13(1) may also be exposed to administrative fines under Article 14(6) of the Climate Law if they fail to provide the notifications, information or documents required for reporting. Accordingly, a decision to report voluntarily should be supported by appropriate internal controls to ensure that the information disclosed is accurate and can be substantiated.

Key Changes Compared with the Draft Regulation

The Regulation differs in several respects from the Draft Regulation on the Türkiye Green Taxonomy (the “**Draft Regulation**”), which was circulated to relevant institutions for consultation on 16 September 2024:

Subject	Draft Regulation	Regulation in Force
Scope and timetable of reporting	Institutions and organisations required to prepare sustainability reports under the Turkish Sustainability Reporting Standards (“TSRS”) were to record verified information on their eligible economic activities from the preceding year in the e-taxonomy system. Those outside the mandatory TSRS reporting regime could report voluntarily. Mandatory reporting and verification were envisaged from 1 January 2027.	Reporting is voluntary for institutions, organisations and undertakings carrying out at least one eligible economic activity listed in Annex 1, and mandatory for the financial institutions specified in Article 13(2). Those financial institutions are not required to report under the Taxonomy until 1 January 2029.

Subject	Draft Regulation	Regulation in Force
Provisions concerning financial institutions	The draft did not separately provide for KPIs specific to financial institutions or for financial institutions to request Taxonomy reporting from entities in the real economy.	KPIs specific to financial institutions have been introduced. Financial institutions subject to mandatory reporting may request institutions, organisations and undertakings within the scope of Article 13(1) to report under the Regulation in relation to activities and transactions that may be covered by their own reports.
Verification	Reports were required to be verified, and verification bodies were to be accredited by the Turkish Accreditation Agency ("TÜRKAK").	The Directorate will determine the procedures and principles governing verification.
Updates to technical screening criteria	Updated criteria were to be published by 31 December and take effect from the second financial year following the update.	If updated, the criteria will be published by 15 December of the year in question and take effect in the following year.
Solid fossil fuels	Energy generation activities using solid fossil fuels were not to be regarded as environmentally sustainable economic activities.	The provision now covers production activities using solid fossil fuels.
Legal basis for sanctions	The administrative fine provision referred to Environment Law No. 2872.	The Regulation refers to Article 14(6), (9) and (11) of the Climate Law.

Impact of the Regulation and Its Role in the Current Regulatory Landscape

The Regulation establishes a common framework for classifying economic activities for sustainable finance purposes. At the same time, the separate reporting regime under the Communiqué on Banks' Green Asset Ratio Calculation (the "**GAR Communiqué**") remains in force. Under Article 6(2) of the GAR Communiqué, the technical screening criteria used to identify aligned assets are determined by the Banking Regulation and Supervision Board (the "**BRSB**"), which may also decide to apply technical screening criteria established by competent public authorities for environmental objectives. As a result, the technical screening criteria to be published by the Directorate under the Regulation should not be assumed to apply automatically to GAR calculations; the BRSB's decisions in this area should be monitored separately.

Although reporting remains voluntary for businesses in the real economy, the ability of financial institutions to request reporting under Article 13(4) of the Regulation may increase the significance of Taxonomy data in financing processes. As a general rule, reports uploaded to the Online Taxonomy Management System are publicly available. In this context, creating a misleading impression through public relations, financing, advertising or marketing activities that a product or service satisfies the applicable Taxonomy conditions may be relevant to the risk of greenwashing as defined in the Regulation.

The Regulation entered into force after the definitive phase of the EU Carbon Border Adjustment Mechanism began on 1 January 2026 and the Regulation on the Türkiye Emissions Trading System entered into force on 27 August 2026, and ahead of COP31, which Türkiye will host in Antalya from 9 to 20 November 2026. While the Türkiye Emissions Trading System provides a market-based mechanism for pricing emissions, the Taxonomy introduces a framework for classifying environmentally sustainable economic activities. Under the Regulation on the Türkiye Emissions Trading System, the system begins with a pilot phase. The scope, duration and implementing rules of that phase will be determined by the Carbon Market Board. The extent to which the Taxonomy aligns with the EU Taxonomy at the level of individual economic activities can be assessed once the technical screening criteria are published.

Conclusion

The Regulation's practical impact will become clearer as the Directorate publishes the technical screening criteria and reporting templates and determines the procedures and principles governing verification, and as the CMB, BRSA and IPRSA establish their respective reporting procedures and principles for financial institutions under Article 13(5) of the Regulation. Although reporting is voluntary for companies in the real economy carrying out activities listed in Annex 1, such companies may wish to consider in advance whether their data systems are capable of responding to potential reporting requests from financial institutions. Reading Provisional Article 1 together with Article 13(7) of the Regulation, the first mandatory reports submitted in 2029 could cover the 2028 reporting period, unless the regulations issued by the relevant authorities provide otherwise. Those regulations will clarify the scope and timetable of the first reporting cycle.



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