

Sustainability Principles for Publicly Held Companies

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The Capital Markets Board amended the Corporate Governance Communiqué with a focus on “sustainability”.

On October 2, 2020, the Capital Markets Board (the “**CMB**”) has amended the Corporate Governance Communiqué (the “**Amendment**”). The publicly held companies subject to the corporate governance principles under the Corporate Governance Communiqué are now also expected to observe the sustainability principles and will need to disclose Sustainability Principles Compliance Reports along with their Corporate Governance Compliance Reports. Considering Sustainable Development¹ has been on the United Nations’ agenda for many years, emphasis on sustainability in corporate governance principles was expected.

The sustainability principles are of voluntary nature. However, the publicly held companies are required to report, on a “comply or explain” basis, their sustainability compliance level and explanations for failing to comply with the principles (if they fail to comply), along with the effects of such non-compliance on the environmental and social risk management.

The CMB also published the Sustainability Principles Compliance Framework (the “**Framework**”) on its website as required in the Amendment². The Framework covers environmental concerns such as climate change, renewable energy and social concerns with an emphasis on human rights and workers’ rights as provided under the Universal Declaration of Human Rights and ILO Conventions to which Turkey is a signatory³. Under the Framework, the companies’ boards determine the priorities, risks and opportunities of environmental, social and corporate governance and prepares the policies; and disclose these policies to the public.

The publicly held companies falling within the scope of the Amendment are expected to disclose information in their 2021 annual activity report so as to include information for 2020. The companies that have been going public in 2020, are expected to disclose their information in their 2022 annual activity reports, along with the information for 2021.

¹ UN Sustainable Development Goals (<https://www.un.org/sustainabledevelopment/sustainable-development-goals/>).

² Sustainability Principles Compliance Framework (<https://spk.gov.tr/Sayfa/Dosya/1332>).

³ Ibid.

The following are outside of the scope of the sustainability principles:

- Publicly held companies whose shares are not traded on the stock exchange,
- Companies whose shares are traded on the markets, market places or platforms other than National Market (*Ulusal Pazar*), Second National Market (*İkinci Ulusal Pazar*) or Collective Products Market (*Kurumsal Ürünler Pazarı*),
- Corporations whose shares will be traded on markets, market places or platforms other than National Market, Second National Market or Collective Products Market, from among those which have applied to the CMB for offering their shares to public and/or being admitted to the trading on the stock exchange for the first time, and
- Companies deemed to be residing abroad in accordance with the Decree numbered 32 on the Protection of the Value of Turkish Currency.

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