ESG Bulletin

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Significant Developments and Regulations in Türkiye

The Project on Strengthening the National Climate Finance Capacity Launched

The launch event for the Project on Strengthening National Climate Finance Capacity, conducted by the Climate Change Directorate, took place on 4 June 2026 in Ankara[1].

The opening remarks emphasized the strategic importance of climate finance in Türkiye's green transition process, as well as the critical need to effectively mobilize both public and private sector resources in line with the 2053 Net Zero Emission Target.

Backed by the European Union ("EU"), the Project aims to build a shared understanding of climate finance in Türkiye, enhance stakeholder cooperation, and enable the more effective implementation of climate investments. The Project further aims to strengthen Türkiye's climate finance capacity in line with its climate change mitigation and adaptation targets.

COP31 Action Agenda Shared with the Public

At the Bonn Climate Change Conference, held on 9 June 2026 in Bonn, Germany, the 10 priority themes and 6 global implementation targets identified under the Action Agenda of the 31st Conference of the Parties to the United Nations Framework Convention on Climate Change ("COP31") were shared with the global public.[2].

The priority themes included zero waste and methane reduction, clean energy and electrification, food security and sustainable agriculture, green industrialization, oceans and seas, climate-resilient cities, youth engagement, dynamic and resilient health systems, as well as biodiversity and land degradation.

Under the Action Agenda, global targets were also announced in relation to scaling up electrification, reducing waste-related emissions, improving energy efficiency in the construction sector, mainstreaming circular material used in industry, raising climate awareness across society, and establishing a "Climate Implementation Bridge" mechanism to support the implementation of climate targets in developing countries.

The COP31 Presidency stated that, in line with these targets, the aim is to strengthen international cooperation and translate climate commitments into tangible outcomes ahead of COP31, to be held in Antalya in November 2026.

The Energy Market Regulatory Authority Amends Regulations on Unlicensed Electricity Generation

The Regulation introduced various amendments concerning unlicensed generation based on renewable energy sources.

In this context, the scope of the mechanisms relating to the utilization of surplus energy was broadened, and the existing practice of supporting surplus energy fed into the grid from certain renewable energy generation facilities was maintained.

The Regulation also enables the installation of integrated storage units at unlicensed generation facilities and introduces rules governing the operation of such storage units.

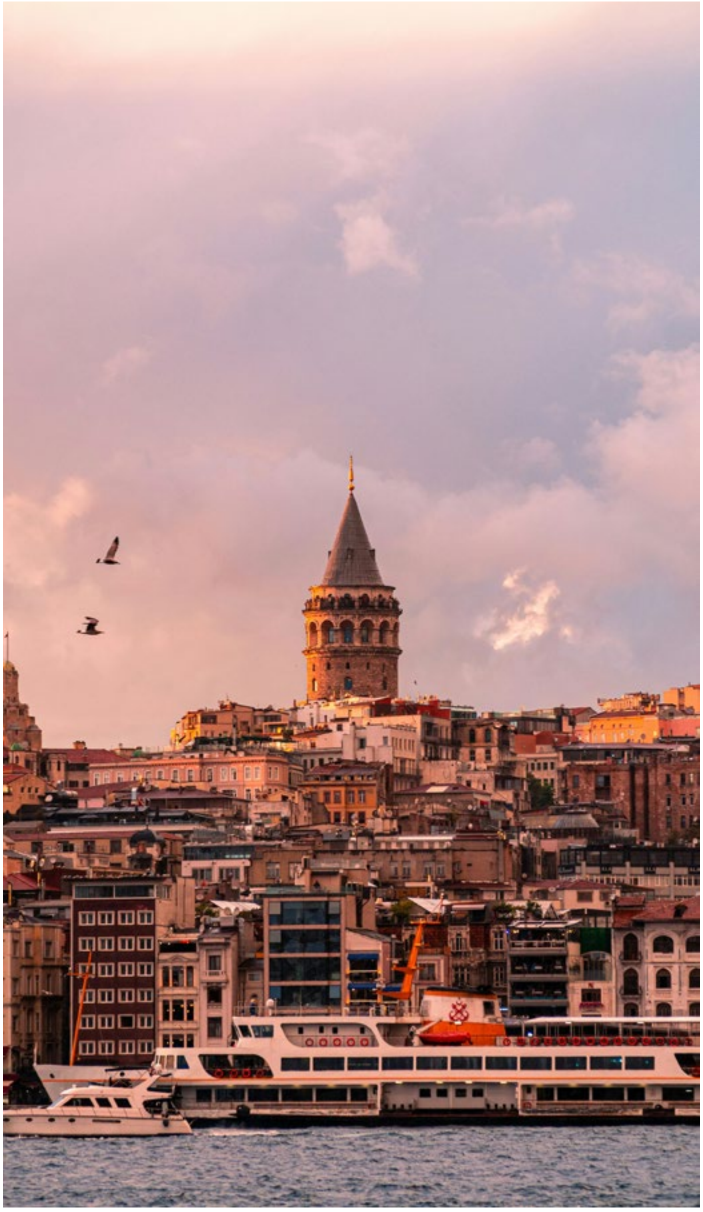
Furthermore, industrial zones were expressly brought within the scope of the Regulation, and the installation of more than one renewable energy generation facility for the same consumption facility was permitted under certain conditions.

The Ministry of Trade Introduces New Rules on Environmental Claims and AI-Powered Advertisements

The Regulation Amending the Regulation on Commercial Advertising and Unfair Commercial Practices ("Advertising Regulation Amendment"), prepared by the Ministry of Trade, was published in the Official Gazette dated 01.07.2026 and numbered 33297[4]. The Advertising Regulation Amendment introduced various changes concerning targeted advertising, AI-powered advertisements, environmental claims, social media advertisements, and consumer protection. The amendments will enter into force on 1 August 2026.

The most prominent ESG-related aspect of the Advertising Regulation Amendment is the introduction of new obligations concerning green claims. Accordingly, the use of general environmental expressions such as "eco-friendly" without any accompanying explanation has been prohibited; environmental claims are required to clearly specify which stage of the product's or service's life cycle they relate to. Furthermore, environmental claims must be substantiated by documentation obtained from competent authorities and organizations, relevant departments of universities, or accredited or independent research, testing and evaluation organizations.

Türkiye's National Green Finance Strategy and Action Plan Published



The National Green Finance Strategy and Action Plan (2026–2029) (the "Strategy and Action Plan"), prepared under the coordination of the Ministry of Treasury and Finance, has been published. The Strategy and Action Plan aims to strengthen Türkiye's green finance ecosystem, enhance the capacity of financial markets to adapt to climate-related risks, and improve the investment environment in support of sustainable development goals.

Covering the 2026–2029 period, the Strategy and Action Plan focuses on improving the regulatory framework for green finance, strengthening market infrastructure, and enhancing cooperation among public institutions and stakeholders in the financial sector. In this context, it sets out 11 targets and 45 actions under three main objectives: establishing a transparent and measurable green finance ecosystem, strengthening institutional capacity and human resources in the field of green finance, and developing market mechanisms to support green finance.

Significant Developments and Regulations in the EU

The Commission Publishes Proposal to Reinforce the Stability of the EU Carbon Market

The European Commission ("Commission") published a proposal to amend the Market Stability Reserve ("MSR") under the European Union Emissions Trading System ("EU ETS")[5]. The proposal aims to reinforce the stability and predictability of the EU carbon market.

The MSR, which has been operational since 2019, reduces the supply of allowances to the market when there are too many in circulation and injects allowances when there is market scarcity. Under the current system, all allowances held in the reserve above 400 million are invalidated. The Commission's proposal will stop the invalidation mechanism, allowing these allowances to be kept as a buffer to support market stability.

The Commission stated that the proposed change will better equip the MSR to respond to potential tightness in supply in the coming decades, thereby reinforcing the stability and predictability of the carbon market.

Subsequently, as part of the comprehensive EU ETS review announced on 17 July 2026, the Commission also proposed further amendments to the MSR mechanism[6]. In this context, the reforms aim to further strengthen market stability and investment predictability, maintain liquidity, and reduce excessive price volatility. The Commission further noted that this reform complements its proposal of March 2026 to stop the automatic invalidation of allowances held in the Reserve.

The Commission Opens Updated EU ETS Benchmark Values for Consultation

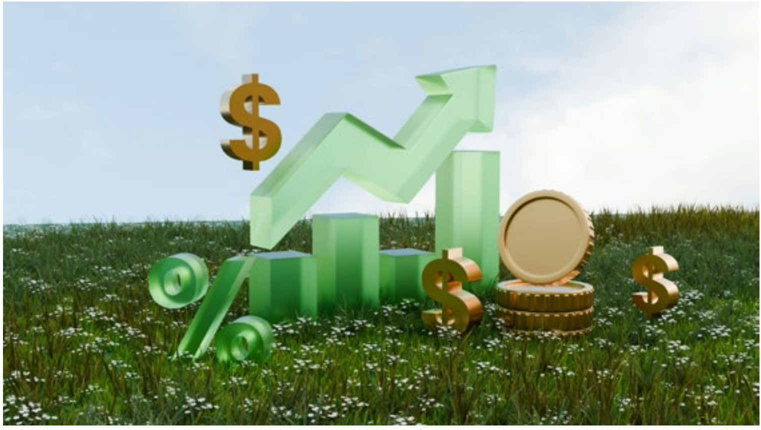
The Commission opened the updated EU ETS benchmark values for the 2026–2030 period to public and Member State consultation[7]. The benchmark update is a key step in determining the level of free allocation of allowances for European industry and complements the proposed amendment to the Market Stability Reserve.

Under the proposed benchmarks, industry will, on average, continue to receive free allocation covering around 75% of its emissions. The Commission noted that it addresses industry concerns by making full use of the legal flexibility available.

To incentivize industrial electrification, the updated approach maintains coverage of indirect emissions from electricity use across 14 product benchmarks. This leads to higher benchmark values with a financial impact of around EUR 4 billion for the 2026–2030 period. The Commission emphasized that, taken together, the benchmark update and the proposed MSR amendment will help support the competitiveness and decarbonization of EU industry while further reinforcing the stability and predictability of the EU's carbon market.

As part of the EU ETS review, the Commission also proposed further amendments to the free allocation system.[8] In this context, the Commission proposes the introduction of sector-specific fallback benchmarks through a specific empowerment establishing a methodology for determining the respective benchmark values, more closely linking free allocation to investments in decarbonization in Europe, and slowing the reduction of free allocation for sectors covered by the Carbon Border Adjustment Mechanism ("CBAM") with the phase-out extended until 2038. The Commission further noted that these changes aim to support the competitiveness of EU industry and incentivize clean transition investments.

The Commission Publishes Draft Implementing Rules on Carbon Prices Paid in Third Countries Under CBAM



As part of the preparations for the definitive phase of the CBAM, the Commission published a draft implementing regulation ("Draft Implementing Regulation") on the conversion of the carbon price paid in a third country into a corresponding reduction in the number of CBAM certificates to be surrendered and opened it for public consultation in May 2026[9]. The Draft Implementing Regulation lays down rules for the conversion of the carbon price paid in a third country into a corresponding reduction in the number of CBAM certificates to be surrendered, the evidence of payment of that carbon price, and currency conversion rules.

On 28 August 2025, the Commission launched three separate Calls for Evidence to collect stakeholders' input with a view to informing the design of the implementing rules for the definitive phase of the CBAM. A total of 158 stakeholder responses were assessed.[10]. 76% of the responses came from companies and industry associations, while the geographical distribution was nearly equal between EU-based stakeholders (54%) and third-country participants (46%). Among non-EU responses, the highest participation came from China, Türkiye and the United Kingdom; Türkiye accounted for 6% of total responses.

Stakeholders expressed support for the recognition of third-country carbon pricing systems such as the UK ETS and the China National ETS. By contrast, diverging views were put forward on the inclusion of voluntary carbon credits and credits issued under Article 6 of the Paris Agreement within the scope of the mechanism. Many stakeholders noted that deduction mechanisms should be aligned with the objectives of the CBAM, while EU stakeholders advocated for more limited deduction mechanisms and some third-country stakeholders proposed broader deduction arrangements.

Regarding accreditation and independent certification processes, concerns were raised that recognizing only EU-accredited bodies could have an adverse impact on trade. In this context, the adoption of mutual recognition mechanisms aligned with international frameworks such as ISO 14064 and the GHG Protocol was proposed.

The Commission is expected to consider the views submitted during public consultation and finalize the Draft Implementing Regulation.

The Commission Opens Revised ESRS for Consultation

On 6 May 2026, the Commission opened the final drafts of the revised European Sustainability Reporting Standards ("ESRS") and the voluntary sustainability reporting standard for use by undertakings with 1,000 or fewer employees to public consultation[11].

The revised ESRS is a standalone draft delegated regulation prepared by the Commission under the Omnibus I simplification package (Directive (EU) 2026/470), which entered into force on 18 March 2026.

The Commission envisages reducing the mandatory datapoints by 61% through the revised ESRS. The amendments encompass the introduction of additional flexibility through new reliefs and phase-ins, the simplification of the materiality assessment by introducing a substantially clarified and more proportionate approach with principle-based guidance, enhanced interoperability with global sustainability reporting standards, and improved consistency with other Union legislation.

The most significant feature of the revised standards is the value chain cap mechanism. Under this mechanism, undertakings subject to mandatory sustainability reporting under the Corporate Sustainability Reporting Directive will not be able to request information beyond what is provided for in the voluntary standard from undertakings with 1,000 or fewer employees in their value chains. The value chain cap will apply not only to value chain undertakings located within the EU but also to those located outside the EU, making it particularly relevant for companies with international supply chains.

Should the revised ESRS be adopted, it will apply to financial years beginning on or after 1 January 2027. However, undertakings subject to sustainability reporting requirements for the financial year 2026 under the existing sustainability reporting regime may choose to apply the revised ESRS on a voluntary early application basis for that financial year.

EFRAG Publishes Exposure Draft of N-ESRS for Non-EU Groups

The European Financial Reporting Advisory Group ("EFRAG"), acting as the technical adviser to the Commission, shared the unapproved Exposure Draft V1 of the European Sustainability Reporting Standards for Non-EU Groups ("N-ESRS") with the public on 16 June 2026[12].

N-ESRS is the set of standards determining the sustainability information to be disclosed by non-EU ultimate parent undertakings. For an undertaking to fall within the scope of N-ESRS, multiple thresholds must be met cumulatively: the ultimate parent undertaking must be subject to the law of a third country; it must have generated net turnover exceeding EUR 450 million in the EU in each of the last two consecutive financial years; and it must have a subsidiary or branch in the EU that meets certain size criteria. Considering these thresholds, the number of non-EU companies falling within scope is expected to decrease from approximately 10,000 to 1,200.

The Exposure Draft also includes a mixed approach option, which allows reporting on impacts to be limited to EU-related impacts for non-climate topics where certain conditions are met – covering impacts arising from products and services sold or provided in the EU market and impacts arising from operations located in the EU. Furthermore, where a non-EU ultimate parent undertaking voluntarily chooses to apply the full set of ESRS applicable to EU undertakings, EU subsidiaries within the group will be exempt from the obligation to publish a separate N-ESRS sustainability report, provided that the applicable assurance and accessibility conditions are satisfied. The N-ESRS sustainability report must be accompanied by an assurance opinion.

EFRAG is expected to submit its technical advice to the Commission by January 2027, with N-ESRS expected to be adopted by mid-2027. The N-ESRS reporting obligations will apply to financial years beginning on or after 1 January 2028, with the first reports expected to be published in 2029.

The Commission Launches Public Consultation on CSDDD Implementation Guidelines

The Commission launched a public consultation on the implementation guidelines to be prepared in support of the application of the Corporate Sustainability Due Diligence Directive ("CSDDD").[13] The consultation, which commenced on 12 June 2026 and will run until 14 July 2026, aims to collect evidence and assess needs to inform the development of the future guidelines[14].

The CSDDD requires very large EU companies and non-EU companies with a significant market presence in the EU to identify, prevent, mitigate and bring to an end adverse impact on human rights and the environment in their own operations, those of their subsidiaries and in their value chains.

The Commission envisages that the implementation guidelines will provide practical orientation to companies within scope on how to fulfil their due diligence obligations, support Member State authorities on how to implement and enforce the CSDDD and provide guidance to stakeholders and their representatives on how to pursue their rights in the due diligence process. The Commission further notes that the guidelines are also expected to be relevant for companies and other stakeholders in non-EU countries that are linked to the supply chains of companies with obligations under the CSDDD.

The consultation is being conducted through an online questionnaire, through which stakeholders may submit their views on a range of topics, including tools for identifying adverse impacts, practices followed in due diligence processes, the use of digital tools, safeguards for small and medium-sized enterprises, and challenges in collecting data arising from third-country legislation. The Commission plans to adopt the implementation guidelines resulting from the public consultation in the first quarter of 2027.

The European Parliament's Committee on Economic and Monetary Affairs Publishes Draft Report on the Proposed SFDR Amendment

The Committee on Economic and Monetary Affairs of the European Parliament ("ECON Committee") published its Draft Report dated 28 April 2026 ("Draft Report") on the Commission's proposal to amend the Sustainable Finance Disclosure Regulation ("SFDR"[15]. The Draft Report contains amendments aimed at increasing transparency on sustainable financial products and reducing the reporting burden on financial market participants.

The amendments proposed in the Draft Report are grouped under three main headings: transparency, effectiveness, and burden relief. On transparency, financial market participants manufacturing financial products that cannot be categorized under the SFDR should still be able to disclose limited information on the integration of sustainability factors. It is proposed that a statement confirming that the financial product concerned does not meet the EU standards for defining sustainable financial products and protecting against greenwashing be presented in a prominent manner to retail investors. Furthermore, it is proposed that the comparability of categorized products be enhanced by requiring a limited set of mandatory principal adverse impact indicators to be disclosed, and that financial market participants disclose a description of the sustainability-related engagement strategy they pursue and how it has been implemented in alignment with the sustainability-related objectives of the financial product, or provide a clear and reasoned explanation of why they do not pursue such a strategy.

On effectiveness, it is proposed that investments in the ESG basics category be required to outperform the average investment universe or reference benchmark after eliminating at least 20% of the lowest-rated securities or the lowest values for the relevant sustainability indicator. Furthermore, the safe harbor provisions for products managed in reference to an EU Climate Transition Benchmark and EU Paris-aligned Benchmarks are proposed to be removed. The investment threshold in taxonomy-aligned economic activities is also proposed to be increased from the Commission's proposed 15% to 20%.

On burden relief, the ECON Committee supports the Commission's proposal for the removal of entity-level reporting obligations and proposes that burden-reducing provisions apply from the date of entry into force of the amending Regulation. By contrast, it is proposed that the general application date of the SFDR be reduced from the Commission's proposed 24 months to 18 months after entry into force, to allow financial market participants sufficient time to comply with the new rules.

The proposal is being considered under the ordinary legislative procedure, and the process will continue with deliberations in the European Parliament and the Council of the EU.

Significant Developments and Regulations in Other Countries

The FCA Launches Consultation on Simplifying Climate-Related Product-Level Disclosure Requirements

The Financial Conduct Authority ("FCA") launched a consultation proposing the simplification of product-level climate-related disclosure requirements applicable to asset managers, life insurers and FCA-regulated pension providers, as part of Quarterly Consultation Paper CP26/17 published on 5 June 2026. [16].

In this context, the FCA proposes to remove the detailed product-level reporting requirements introduced in 2021 in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD") and, in their place, to introduce fewer, more targeted and more outcomes-based rules, while maintaining the same overall scope.

In the FCA's post-implementation review, it was found that TCFD product reports are too long and complicated to understand for retail investors, and that institutional investors obtain the climate data they need directly from firms rather than from public reports. In line with these findings, the FCA proposes to simplify its product-level climate disclosure rules, having concluded that TCFD reporting, whilst helpful for raising awareness of climate risks in the market, has not achieved the expected impact at the product level. Work to streamline the entity-level disclosure rules is being pursued separately and is not included within these proposals.

The FCA estimates that the proposed changes will lead to ongoing savings for industry of approximately GBP 20m per year. The consultation closed on 13 July 2026. The FCA stated that, following its consideration of the responses received, it plans to publish the final rules on the simplified climate disclosure requirements in autumn 2026.

Examples of Cases Filed or Concluded in the Second Quarter of 2026

Four US States Filed Suits Against Proxy Adviser ISS Over ESG Disclosures

On 20 May 2026, the attorneys general of Iowa, Nebraska, Texas, and West Virginia each filed separate lawsuits against the leading proxy adviser Institutional Shareholder Services, Inc. ("ISS")[17] The suits allege that ISS violated state deceptive trade practice and consumer protection laws by failing to disclose how ESG considerations affected its advice to its shareholder clients.

In particular, the suit filed by Texas alleges that ISS made false representations that it provided "independent and objective" investment advice and helped consumers make "informed decisions," when in actuality ISS prioritizes its own ESG agenda over its clients' interests, and that ISS failed to adequately disclose to investors the impact of this approach on its investment recommendations.

These cases reflect the intensifying legal debate in the United States over the use of ESG criteria in investment and proxy advisory services, and the associated disclosure obligations.

ACCC Files Proceedings Against Grill'd Over Greenwashing Allegations

The Australian Competition and Consumer Commission ("ACCC") filed proceedings on 15 June 2026 alleging that Grill'd Pty Ltd ("Grill'd") misled consumers by overstating the circumstances in which donations to an environmental cause would be made pursuant to its "Tree Day Tuesday" promotion ("TDT Promotion"), which ran between approximately January 2021 and April 2024[19]. The ACCC claimed that the practice in question breached the Australian Consumer Law and constituted a form of greenwashing.

The TDT Promotion related to a partnership between Grill'd and Greenfleet Trust, an environmental not-for-profit organization, whereby Grill'd contributed financially to Greenfleet's tree planting initiatives from certain sales made on Tuesdays. However, according to the ACCC, the membership, ordering method, and other conditions required for a donation to qualify under the TDT Promotion were not disclosed, or were not adequately disclosed, to consumers. As a result, over five million burgers were purchased on a Tuesday during the relevant period, yet only around 4% of those purchases qualified for a donation or contribution under the TDT Promotion.

The ACCC alleges that Grill'd engaged in misleading or deceptive conduct and made false or misleading representations in contravention of the Australian Consumer Law. The ACCC seeks declarations, pecuniary penalties, and costs from the Court.

The case is notable for illustrating that in marketing campaigns involving environmental benefits or donations, it is not only the environmental claims themselves but also the conditions that qualify or limit those claims that must be disclosed to consumers clearly, accurately, and in an intelligible manner.

Advertising Board Decisions in the Second Quarter of 2026

The Advertising Board's Decision on Advertisements Containing Environmental Claims

In its decision dated 9 April 2026 and numbered 2026/1149, the Advertising Board ruled that the phrases "both plant-based and natural" used by a cleaning products company in its advertisements were misleading to consumers, as no information or documentation had been provided to substantiate the accuracy of these claims[20].

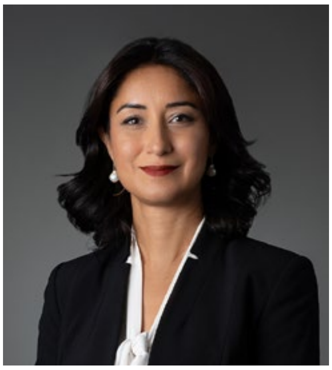
The Board also found that the company had continued to use environmental claims such as "environmentally friendly production" and "biodegradable" – which had previously been found to be unlawful – across various media platforms; consequently, it ordered the advertisements to be withdrawn and imposed an administrative fine of TRY 39,916,524.

The decision once again highlights that environmental claims must be supported by concrete and verifiable data, and that the use of environmental claims previously found to be unlawful may result in severe penalties.

Sources

1. You can access the relevant developments here.
2. You can access the relevant developments in Turkish here.
3. The relevant Regulation in Turkish can be accessed here.
4. The relevant Regulation in Turkish can be accessed here.
5. The relevant proposal can be accessed here.
6. The relevant proposals can be accessed here.
7. The relevant developments can be accessed here.
8. The relevant proposals can be accessed here.
9. The relevant Regulation can be accessed here.
10. The relevant report can be accessed here.
11. The relevant draft and comments can be accessed here.
12. The relevant draft can be accessed here.
13. The relevant announcement can be accessed here.
14. The relevant consultation platform can be accessed here.
15. The relevant Report can be accessed here.
16. The relevant document can be accessed here.
17. In the context of ISS, proxy advisory refers to advice on voting by proxy on behalf of shareholders.
18. The relevant developments can be accessed here.
19. The relevant developments can be accessed here.
20. You can access the relevant decision in Turkish here.

Key Contacts



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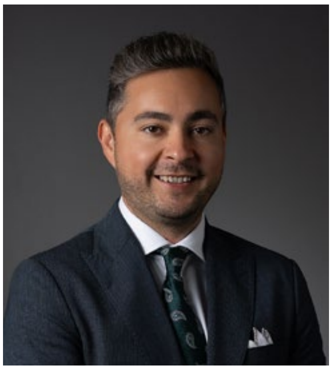

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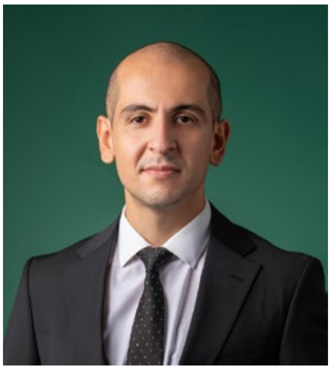

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