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FSCA Sustainable Finance Update Report 2025

March 2025

FSCA SUSTAINABLE FINANCE UPDATE REPORT 2025

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1. Background and introduction

This document provides an update on the FSCA's programme of work relating to sustainable finance. It follows the publication of the 2023 Statement on Sustainable Finance and 2024 Sustainable Finance Consumer Risk Report and Roadmap[1].

The FSCA's programme of work is set out below:

1	2	3	4	5
Taxonomy	**Disclosure, reporting and assurance**	**Market development**	**Active ownership**	**Consumer education**
Capacity building				
Research and stakeholder engagement				
Regulatory and supervisory framework development				
Coordination and cooperation with other stakeholders				

As indicated in the 2024 roadmap document, in the 2024/25 financial year, much of the work of the FSCA focused on improving market information. This encompassed the pillars of Taxonomy and Disclosure. This document provides progress updates in relation to those pillars, as well as the consumer education pillar.

SUMMARY OF KEY UPDATES AND PROPOSALS IN THIS DOCUMENT

The FSCA will:

- finalise the Green Finance Taxonomy (GFT) pilot and consider implementing recommendations made.
- issue a draft Guidance Notice for consultation, on how provisions in existing financial sector legislation, particularly provisions related to the accuracy and appropriateness of information provided to customers, should be considered from a sustainable finance perspective.
- consult on the introduction of corporate sustainability disclosure requirements, with an initial focus on mandatory climate disclosure requirements for large, listed corporates.
- pilot a sustainable finance consumer survey internally amongst staff in March 2025, with plans to roll out the survey more broadly later in the year.

This document is published during South Africa's G20 Presidency year. The Sustainable Finance Working Group (SFWG), one of the many important initiatives undertaken by the G20, drives global work related to sustainable finance. During the South African Presidency the following three priorities have been identified:

1. strengthening the global sustainable finance architecture.
2. scaling up adaptation finance for a just climate transition.
3. unlocking the financing potential of carbon markets.

The FSCA participates in the SFWG during the South African G20 Presidency, and these priority areas are likely to inform future work of the FSCA as relevant.

[1] Both documents available on www.fsca.co.za

2. Update on programme of work

2.1 Green Finance Taxonomy

The FSCA is undertaking a pilot project on South Africa's Green Finance Taxonomy (GFT). This work commenced in 2024 with a co-creation workshop following a co-creation workshop involving the FSCA and other relevant public sector stakeholders to inform its design.

South Africa's GFT is intended to have a range of benefits, such as:

- enhance clarity and certainty for the financial sector when selecting green investments in line with international best practice and South Africa's national policies and priorities.
- reduce financial sector risks through enhanced management of environmental and social performance.
- reduce costs and improve credibility when labelling and issuing green financial instruments.
- unlock significant investment opportunities for South Africa in a broad range of green and climate-friendly assets.
- support regulatory and supervision oversight of the financial sector.
- provide a basis for regulators to align or reference green financial products.

Several key insights emerged from the co-creation workshop and other engagements, which have directly influenced the pilot's structure. The first is that the pilot must focus on learning, not just compliance. The workshop confirmed that the primary purpose of the pilot is to learn how different financial institutions and corporates interact with the taxonomy, rather than simply testing potential regulatory compliance. Participants agreed that the pilot should provide practical guidance on taxonomy application and clarify areas of ambiguity.

The second was that clarity on use cases was needed to define the pilot's scope. There was strong consensus that the pilot should be built around real financial transactions, rather than theoretical exercises. The focus will be on understanding how financial institutions collect, validate, and disclose taxonomy-related data, and will ensure that participants gain hands-on experience in applying the taxonomy to investment and lending decisions.

The FSCA has been considering the regulatory framework that could be leveraged, including potential mandatory disclosure requirements, to promote uptake of the GFT to improve credibility and consistency of sustainable finance in South Africa. The pilot project aims to ensure that any new requirements are introduced in a way that is practical and user-friendly. It will involve a subset of banks, asset managers and pension funds, together with relevant corporate counterparts.

A specialist sustainability consulting firm has been appointed to facilitate the pilot process. The firm has extensive experience working with European banks and financial institutions to respond to similar regulation in the European Union. They also bring a tried and tested software tool that can support the data collection process and analysis, ensure data accuracy, and guide participants through the taxonomy-related decisions throughout the reporting process.

This pilot builds on previous pilots done with selected institutions to do an initial review of their portfolios in terms of eligible green assets under the GFT[2].

This exercise will delve deeper into the process of how institutions determine formal alignment of underlying projects or clients with i) the technical criteria for each activity in the GFT, ii) the do no significant harm (DNSH) criteria, and iii) the minimum social safeguards (MSS).

A total of eleven institutions will participate in the pilot, drawn from banks, asset managers and pension funds. The results of the pilot are expected in the middle of the 2025 calendar year.

The FSCA's pilot project aligns with efforts undertaken by the National Treasury to evaluate the international alignment and interoperability of the SA GFT with other green and sustainable finance taxonomies. The study also considers the usability and adoption challenges associated with the GFT[3].

The outcome of the FSCA's pilot project, together with recommendations from the National Treasury study, will inform future developments in relation to the GFT. This could include the development of clearer user guidelines, robust mechanisms to ensure the SA GFT remains practical and relevant, and further clarity on governance and disclosure frameworks.

2.2 Sustainability Disclosure Requirements

Investors are increasingly prioritizing sustainability in investment decisions[4], seeking transparency on environmental, social, and governance (ESG) factors to assess long-term risks and opportunities. In South Africa, there is already a strong culture of socially responsible investment, with investors placing value on ESG factors, and many companies providing integrated reports.

Complete, accurate, timely and comparable information is essential for the efficient operation of financial markets, serving a wide range of stakeholders including end-investors. Such information is necessary for understanding and managing risks, guiding investment strategies, obtaining appropriate prices and valuations, forecasting expected returns, and comparing investment alternatives.

Sustainable finance involves multiple stakeholders across the information chain—issuers, asset owners, investment managers, ESG ratings and data providers, investors, and securities regulators. Asset managers depend on issuers' sustainability reporting to align products with investor preferences. Incomplete, or unreliable information increases the risk of misalignment, potentially exposing investors to risks such as greenwashing.[5]

For an efficient and effective sustainable finance market, all these participants must be able to trust the accuracy and completeness of the information provided.[6] A robust disclosure framework is essential to ensure that sustainability claims are reliable and aligned with investor expectations. This is particularly important given the prevalence of greenwashing—where entities misrepresent their sustainability efforts compounded by challenges such as inconsistent metrics, complex terminology, and fragmented standards.

The work of the FSCA has considered disclosure along two lines: disclosures to retail investors, and corporate reporting.

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[2] *You can read more here: https://sustainablefinanceinitiative.org.za/working-groups/taxonomy-working-group/*
[3] *Technical paper available at https://www.climatepolicyinitiative.org/publication/assessing-international-interoperability-and-usability-of-the-south-african-green-finance-taxonomy/*
[4] *Cross border guide to esg and sustainable finance*
[5] *FR04_2021 Report on Sustainability-related Issuer Disclosures.pdf*
[6] *FR10_22 Retail Investor Education in the Context of Sustainable Finance Markets and Products.pdf*

2.2.1 Retail investor disclosures

Despite the increasing demand for sustainability-related financial products, several challenges persist in customer and product disclosures. These challenges tend to be interrelated and are based on the quality of information being provided. Information that is misleading, complex and/or opaque or unclear, can hamper informed decision-making, compromise investor protection, and undermine trust in the sustainable finance market overall. Greenwashing occurs when companies overstate their sustainability efforts or misrepresent their impact, undermining investor protection and trust in the financial system.

Misleading claims, such as those related to "green", "impact" or "social" washing, can harm consumers and erode confidence. Financial education, combined with regulatory efforts, can assist in mitigating these risks and promoting transparency.[7][8]

Challenges related to sustainable finance and retail customers include:

- **Knowledge gaps**

  Retail investors may struggle to understand sustainable investments, which impedes their ability to evaluate these products and potentially compromises investor protection. This is exacerbated by varying perceptions and preferences for sustainable investments, for example among younger versus older individuals[9]. The complexity of sustainable investments, coupled with inconsistent terminologies, and differing disclosure formats hinders understanding. As a result, investors struggle to interpret sustainable finance disclosures, impeding informed decision-making.[10]

- **Perspectives of performance and risks**

  Studies in France and Germany, indicate that some investors are willing to accept lower financial returns for greater sustainability returns. However, this depends on investors' knowledge and preferences regarding sustainability-related financial products being well-informed. [11][12]

  While sustainability products present both opportunities and risks, poor transparency heightens risks for investors. Retail investors should understand the performance and risks of sustainable products. It is also becoming increasingly important to improve transparency about any sustainability-related risks of traditional financial products that may impact performance and returns.

- **Inconsistent Disclosure Standards**

  A lack of standardized disclosure frameworks and reporting requirements across financial institutions creates challenges for consumers to compare and evaluate sustainability performance. The absence of uniform sustainability ratings and labels further complicates decision-making. This inconsistency contributes to confusion and can limit the effectiveness of disclosures, making it difficult for consumers to make well-informed investment choices. [13]

- **Complexity of Reporting**

  Sustainable finance reporting is often technical and complex, relying on industry-specific language and metrics that may be difficult for the average financial consumer to understand. This complexity can make it challenging for consumers to interpret and understand the information provided in reports. Additionally sustainable finance retail disclosures and reports may not always be easily accessible to all financial consumers.

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[7] *FREP-03-2022-0021_proof 1..24.pdf*
[8] *ic-34593.pdf*
[9] *FR10_22 Retail Investor Education in the Context of Sustainable Finance Markets and Products.pdf*
[10] *Ninetyone sustainable finance disclosure regulation*
[11] *Consumer-Insights-Money-and-Investing.pdf*
[12] *A Large Majority of Retail Clients Want to Invest Sustainably - 2DII (2degrees-investing.org)*
[13] *OSCO. 2022. Retail Investor Education in the Context of Sustainable Finance Markets and Products. Final Report*

Introducing appropriate requirements for effective retail investor disclosures

In South Africa, existing legislative frameworks overseen by the FSCA offer a solid foundation for promoting transparency, accuracy, and fairness for retail investors. Key legislation includes the Collective Investment Schemes Control Act (CISCA) and the Financial Advisory and Intermediary Services Act (FAIS) Act, as well as subordinate legislation issued under these Acts. Similar provisions to ensure information provided to customers is clear and not misleading, can also be found in the Policyholder Protection Rules, and the Conduct Standard for Banks (2020).

CISCA

S3 of this Act requires all managers to disclose to investors:

(i) information about the investment objectives of the CIS, the calculation of the net asset value and dealing prices, charges, risk factors and distribution of income accruals; and
(ii) information that is necessary for investors to make informed decisions timeously and comprehensibly.

Under CISCA, Board Notice 92 of 2014 (BN92) contains the following provisions relating to:

- **Misleading claims**: Section (1)(a) and (1)(c) of BN92 prohibits misleading, false, or deceptive claims about a collective investment scheme.
- **Advertising**: Section 5(3)(j) and (k) emphasize the need for clarity in advertisements, prohibiting designs that may create misunderstandings or obscure critical information.
- **Transparency and accuracy**: Section 15(1) mandates that information disclosure must be fair, consistent, transparent, and accurate.

FAIS Act

16(2)(a) of this Act requires that clients receiving financial services should be able to make "informed decisions"; and that their reasonable financial needs regarding financial products should be "appropriately" and "suitably" satisfied.

Under this Act, the General Code of Conduct (Board Notice 80 of 2003) also provides the following:

- **Plain language and accuracy**: Section 3(1)(a)(i) and (ii) emphasises the need for factual correctness and plain language, avoiding uncertainty or confusion.
- **Adequacy and Appropriateness**: Section 3(1)(a)(iii) requires disclosures to be adequate and appropriate for the client's knowledge level.
- **Timeliness**: Section 3(1)(a)(iv) mandates that disclosures are provided promptly, giving clients sufficient time to make informed decisions.

POLICYHOLDER PROTECTION RULES

PPRs issued under Short-term insurance Act, 1998:

Rule 10 deals with advertising requirements and Rule 11 with disclosure requirements. Provisions include that:

10.4.1. Advertisements must –
- (a) be factually correct...
- (b) provide a balanced presentation of key information; and
- (c) not be misleading.

11.3.1. Any communication by an insurer to a policyholder in relation to a policy must -
- (a) be in plain language;
- (b) not be misleading;
- (c) be provided using an appropriate medium, taking into account the complexity of the information being provided;
- (d) where applicable, be in clear and readable print size, spacing and format; ...

Similar provisions are found in the PPRs issued under the Long-term insurance Act, 1998.

CONDUCT STANDARD FOR BANKS (2020)

Section 6, on advertising, provides that:
(1) A bank must ensure that its financial products and financial services ar advertised to financial customers in a way that is **clear, fair and not misleading**...

(3) Advertising by a bank must –
- (a) be factually correct
- (b) not contain any statement, promise or forecast which is fraudulent, untrue or misleading; and
- (c) in the case of advertising targeting retail financial customers, use plain language.

Section 7, on disclosures, provides that:
2) A bank must make disclosures to financial customers that –
- (a) in the case of retail financial customers, use plain language;
- (b) are adequate, appropriate, timely, relevant and complete;
- (c) are factually correct and not misleading;
- (d) are not deceptive, fraudulent, contrary to public interest and do not contain incorrect statements;....

(3) When making financial disclosures to financial customers, a bank must take into account the –
- (a) nature and complexity of the financial product or financial service concerned;
- (b) needs and reasonably assumed level of knowledge, understanding, and experience of financial customers at whom the disclosure is targeted; and
- (c) most appropriate timing of the disclosure concerned,...

In 2025 the FSCA intends to issue a guidance notice outlining how existing legal provisions, relating to the accuracy and appropriateness of information, should be applied from a sustainable finance perspective.

The draft guidance notice will be published for consultation before being finalised.

Over the longer-term it is recognised that more technical work will be required to strengthen sustainable finance disclosure requirements. Key considerations include evaluating the scope of application of existing requirements to identify potential regulatory gaps, and assessing whether legislated definitions -such as greenwashing- should be introduced.

Similar to other jurisdiction approaches, the FSCA may consider introducing a labelling regime for sustainable investment products to improve comparability and understanding, and further reduce risks of greenwashing.

2.2.2 Public corporate disclosures/reporting

South Africa has taken steps toward improving the availability of sustainability and climate-related information. For example, the JSE has, since 2010 required listed entities to produce integrated reports, combining financial and sustainability information, in line with the King Code on Corporate Governance (King III and later King IV. King V is currently being consulted on). National Treasury's *Principles and Guidance for Minimum Disclosure of Climate Related Risks and Opportunities* (December 2021) aligned to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and guides and informs regulators and financial sector users on minimum expectations of good financial disclosure of climate related risks and opportunities. In June 2022, the JSE introduced voluntary Sustainability and Climate Disclosure Guidance, tailored to South Africa and aligned with the TCFD recommendations and other international frameworks.

The Prudential Authority (PA) in 2024 issued guidance on climate-related disclosures for insurers and banks. Aligned with TCFD, these requirements are designed to promote transparency by providing stakeholders with meaningful information on climate-related risks and opportunities.

Globally, the release of the IFRS S1 & S2 Standards by the International Sustainability Standards Board (ISSB) in 2023 appears to be providing a common route forward for regulators. The International Organization of Securities Commissions (IOSCO) has endorsed the ISSB Standards and called on its 130 member jurisdictions to *"consider ways in which they might adopt, apply or otherwise be informed by the ISSB Standards."* As of November 2024, IFRS reports that *"30 jurisdictions are making progress towards introducing ISSB Standards in their legal or regulatory frameworks.*[14]"

In this context, the FSCA commissioned research in 2024/25 to inform the development and implementation of climate disclosure requirements for retirement funds, Collective Investment Schemes (CIS) and large, listed corporates. Research excluded banks and insurers given the PA guidance applicable to these entities. Research on sustainability disclosures was undertaken by the IFC through the Integrated Environmental, Social, and Governance (IESG) Program, which is sponsored by the Swiss State Secretariat for Economic Affairs (SECO). The FSCA has indicated its intention to align any sustainability disclosure requirements with the IFRS S1 and S2 standards as the emerging global baseline.

The ISSB standards built on the work of the TCFD and several other reporting initiatives that were consolidated into the ISSB in 2022. These were the Climate Disclosure Standards Board (CDSB), which was hosted by the CDP, and the Value Reporting Foundation, which was formed by a 2021 merger of

[14] *Progress on Corporate Climate-related Disclosures—2024 Report*

the Sustainability Accounting Standards Board (SASB) Foundation and the International Integrated Reporting Council (IIRC). The ISSB has committed to maintain and enhance the SASB Standards, which cover sustainability disclosures across 77 industries.

While many South African entities, especially large, listed corporates, also reference the Global Reporting Initiative (GRI) Standards in their disclosures, adopting the ISSB Standards will not prevent or limit entities from also disclosing in line with the GRI. The GRI and the IFRS Foundation have also indicated that they are collaborating to "optimise how GRI and ISSB Standards can be used together".[15]

Similar to other jurisdictions, the FSCA considers it appropriate to take a climate-first approach to sustainability reporting, with future disclosure requirements to extend reporting to other sustainability matters. As part of its mandate to promote financial stability, market efficiency and consumer protection, the FSCA aims to encourage greater transparency on climate change risk exposure and opportunities and for the market to provide consistent, comparable and reliable data for good decision making.

Key findings

The research assessed a representative sample of South African retirement funds, CIS, and large, listed corporates to understand existing climate reporting practices, strengths and weaknesses, and alignment with IFRS S2. The following key findings are extracted from the IFC's final report:[16]

- **Pension funds**

  The assessment sample of pension funds considered the 25 largest FSCA registered funds ranked by total assets, which also includes the five largest funds ranked by members. Four of the 25 largest funds are the pension section and provident section of a single retirement fund, but these were evaluated separately to determine if there were any differences in reporting practices. The Transnet Pension Fund and the Government Employees Pension Fund, which do not fall under the FSCA's authority, were added for comparative purposes.

  The assessment found that there is **limited climate-related reporting by the country's largest pension funds**. Websites could not be found for four funds, while three have a member portal with limited or no public information.

  Neither the pension zand provident fund that provide climate-related disclosure at the fund level align their disclosure to the TCFD or IFRS S2. Rather, their disclosures tend to focus on specific metrics such as the Weighted Average Carbon Intensity (WACI) of portfolios.

  Two firms that manage three other pension or provident funds provide some climate-related disclosures at a group level, but these disclosures are not specific to the respective pension funds. One firm aggregates information under an "asset owner" heading, but this information covers several funds. The other firm publishes reports that include climate-related information, but it is unclear if the scope of these disclosures includes pension assets.

  While disclosure across specific pension funds is largely weak, the aggregated information and the disclosure at group level indicates that at least some funds' processes are in place to support disclosure at fund level if required. There are also some positive signs that further disclosure will be included in upcoming reports. The August 2023 Climate Change Policy of one fund commits to monitoring and reporting on specific climate-related activities while another indicates that a process to implement components of the TCFD is underway with further implementation planned.

[15] *https://www.ifrs.org/news-and-events/news/2024/05/gri-and-ifrs-foundation-collaboration-to-deliver-full-interoperability/*
[16] *IFC Report, "Briefing Paper: Climate Disclosure Research Report for the Financial Sector Conduct Authority (FSCA)", January 2025*

- **Collective Investment Schemes**

  The sample used to assess CIS was based on the FSCA's list of providers with ESG/Sustainable Finance aligned portfolios. This sample included 15 CIS managers with 14 named funds. It was assumed that the ESG/Sustainable Finance compliant portfolios would provide better disclosure than the majority of other portfolios, so this was used as a sample to show leading practice.

  Of the 15 CIS managers that were assessed, nine do not provide any meaningful climate-related disclosure. The six CIS managers that do publicly report on climate-related issues are either large, listed corporates or subsidiaries of one.

  The disclosure of the six CIS managers is mostly at a group level. This makes it difficult to distinguish the CIS business from other activities that might be part of the group such as insurance or pensions, or even other asset management services. Disclosure is also often spread across multiple reports, rather than a standalone report, which will make it challenging for consumers or other users to engage with the material.

  Five of the six CIS managers that publicly report on climate-related issues have relatively detailed information and reference the TCFD as the framework for their disclosure. Disclosure on governance was the strongest pillar at these five entities. Some aspects of risks management and metrics, including some granular data, were also commonly disclosed, but limited information was provided on the financial implications of climate risks and opportunities. In one case only a summarized disclosure was provided with insufficient information to provide meaningful insight.

  No product-level disclosure for the various ESG portfolios were identified, although some managers have product-level disclosure for the international master funds that local South African feeder funds invest in. The majority of funds with adopted disclosure frameworks are feeder funds or ETFs. They are also mostly broad ESG funds and not climate-focused, which may explain the lack of climate-related disclosure (although broad sustainability disclosure was also missing).[17]

  Although public climate disclosure among the sampled CIS managers is variable, it is worth noting that at least three other managers (including the one that only has summarised disclosures in its public reports) **provide more detailed climate disclosures as signatories to the Principles of Responsible Investment**.

  The benchmarking assessment suggests that many CIS managers are able to provide climate disclosure, but clarification over the scope and level of disclosure is required and greater guidance in terms of expectations from the various stakeholders.

- **Listed corporates**

  A small sample of 20 publicly listed corporates was analysed, designed to cover a range of sectors. It included companies with varying market capitalisations – small, medium, and large – to explore whether reporting practices differ based on company size, particularly if larger companies demonstrate more advanced practices. It must be noted that all companies in the sample were from JSE Main Board and are therefore large companies.

  The assessment found a majority of the large companies reviewed have established a solid foundation in reporting practices aligned with the TCFD. Most companies produce stand-alone climate reports, which clearly outline the scope of their reporting. Additionally, all but two companies align their climate-related disclosures with their annual financial reporting periods.

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[17] *A master-feeder structure allows multiple funds using the same investment strategy to pool their capital and be managed as part of a bigger investment pool. If product-level disclosure for the master fund exists then it should be possible to derive feeder fund product-level disclosure from the master.*

No significant or consistent differences were observed in reporting practices between companies of smaller and larger market capitalisations, though it should be noted these are all Main Board listed companies. Due to the wide variety of sectors included in the assessment and the small sample size within each sector, it is difficult to draw generalised conclusions about sector-specific trends.

The assessments show that companies generally disclosed well on governance, strategy, and risk management. Governance-related disclosures were notably strong across most companies. Strategy and Risk Management disclosures were consistent, with approximately 50% of companies identifying climate-related risks and opportunities relevant to their business and 75% of companies integrating climate-related risk management into their overall risk management processes.

Under the Metrics and Targets category, while most companies reported on GHG emissions, disclosures on other metrics remained limited. **The assessments indicate that listed companies provided sufficient disclosure aligned with TCFD and IFRS S2, supporting the adoption of IFRS S2 as a viable climate disclosure framework. Of the 20 companies assessed, five explicitly referenced IFRS S1 and IFRS S2 – among other standards and frameworks** – as guides for their climate reporting or signalled plans to transition their reporting to align with IFRS standards. Additionally, there is strong alignment between the existing climate disclosure requirements in South Africa and the principles outlined in TCFD and IFRS S2, further reinforcing the compatibility of these frameworks.

Introducing corporate sustainability disclosure requirements

In light of the research findings, the FSCA intends to proceed with introducing corporate sustainability disclosure requirements aligned to IFRS S2, taking a climate-first approach. Considering the current landscape in South Africa, the FSCA is of the view that mandatory disclosure requirements are ultimately necessary to improve the levels of disclosure in South Africa and provide certainty regarding baseline corporate sustainability disclosure requirements. However a period of voluntary disclosure would be beneficial in encouraging early adopters and providing a transition period where market participants can build capacity and gain a practical understanding of the requirements.

Consideration must be given to how these disclosure requirements will be phased in across the sector. Given the relative levels of maturity amongst listed corporates, with many already reporting in terms of TCFD, mandatory disclosure requirements for such entities in the near-term are unlikely to pose a significant challenge. The FSCA will introduce disclosure requirements to this sector first, focusing on large, listed entities. Further work will be undertaken to assess how requirements will be phased in for other entities under FSCA's jurisdiction, such as pension funds and CIS managers, amongst others.

There are a number of outstanding decisions which the FSCA will need to consult on in relation to the introduction of sustainability disclosure requirements. Over the next year, the FSCA will seek to develop an approach relating to the following matters:

- Relevant legislative frameworks for introducing mandatory disclosure requirements, particularly for large, listed entities.
- Appropriate size thresholds for listed corporates.
- Application of proportionality mechanisms as set out in the ISSB jurisdictional guidance.
- Implementation of transition standard reliefs set out in IFRS S2.
- Ensuring regulatory consistency across different regulators to avoid regulatory gaps and duplications. This will include working closely with the Prudential Authority, and the DTIC which in 2025 embarked on a Regulatory Impact Assessment (RIA) on the potential adoption of the ISSB Standards in South Africa.
- Appropriate timing for phasing in voluntary and then mandatory disclosure requirements for other entities under FSCA jurisdiction.

2.3 Consumer education

Consumer education forms part of the FSCA's sustainable finance programme of work. It is an important element in the development of effective and efficient sustainable finance markets, as it empowers individuals to make informed financial decisions that align with any long-term sustainable goals. Consumers should also be able to consider sustainability risks that could impact their financial products or services.

By understanding the principles of sustainable finance, consumers can better evaluate the impact of their investments and spending habits on broader society and the environment. This knowledge encourages the adoption of financial products and services that support sustainable development, such as green bonds or socially responsible investment funds. Moreover, educated consumers are more likely to demand transparency and accountability from financial institutions, driving the market towards more ethical and sustainable practices[18].

The FSCA is conducting an initial social media campaign, which started on 4 March 2025, to create an awareness and understanding of Environmental, Social, and Governance (ESG) factors in sustainable finance. To support consumer education efforts, developed a consumer survey to get a sense of South African consumer understanding and preferences regarding sustainable finance. The survey design was informed by the OECD's International Network on Financial Education's pilot Sustainable Financial Literacy Survey.

The FSCA will pilot the survey internally in March 2025, and aims to roll out the survey more broadly later in the year. The results of the survey will inform further consumer education initiatives, allowing for a targeted approach to improving awareness of sustainable finance and its risks and opportunities.

2.4 Research undertaken

The FSCA Investment Providers' (IP) Department embarked on an information gathering exercise through a survey to assess the readiness of investment providers to integrate sustainable finance and ESG investing considerations into their investment strategies.

The full report was published at the beginning of 2025 and is available on the FSCA website[19]. This following is a summary of key elements of what the survey considered, and what considerations were raised for the FSCA. Full findings can be found in the report.

The survey focused on three elements, namely governance, operations and products, and risk and disclosure.

- **Governance**

  In this section the FSCA was gauging whether governance:
  - guides the organisation in setting its sustainability goals and strategies, ensuring alignment with its overall mission and values;
  - establishes frameworks and protocols for sustainable finance practices, including ESG integration, RI decision-making, and sustainability reporting;
  - structures promote transparency and accountability by defining roles, responsibilities, and reporting mechanisms for sustainable finance activities; and
  - helps identify, assess, and manage risks associated with sustainable finance, including ESG factors, regulatory compliance, and reputational harm.

[18] *"The importance of financial literacy and its impact on financial wellbeing" https://www.cambridge.org/core/journals/journal-of-financial-literacy-and-wellbeing/article/importance-of-financial-literacy-and-its-impact-on-financial-wellbeing/A5DBBF9D6F0696E5FD3733241EE28E66, June 2023*

[19] *Available on https://www.fsca.co.za/Documents/IP%20Sustainable%20Finance%20Survey%20Report.pdf*

- **Operations and Products**

  The purpose of this section was to:

  - determine whether sustainable finance products are essential for investment provider organisations to meet investor demand;
  - identify challenges stemming from implementing sustainable investing and ESG practices;
  - assess if there is enhanced categorisation of products that foster innovation and impact and demonstrate corporate responsibility with different products; and
  - establish how sustainable finance has affected pricing of different products in the organisation and what that looks like.

- **Risk and Disclosure**

  The purpose of this section was to:

  - comprehend how investment providers conducted stress testing and the importance of technology on sustainable finance within the Investment provider's workspace;
  - understand the current ESG subscriptions;
  - gauge the investment providers' view on possible regulation tools the FSCA might implement such as providing frameworks and a standardised ESG rating system;
  - understand the extent to which investment providers prioritise transparency: and
  - understand current internal and external engagements regarding sustainable finance.

Recommendations for FSCA consideration

The survey findings indicate that the following recommendations should be considered by the FSCA. These will be integrated as appropriate into the FSCA's programme of work, including as set out in this update document.

- Develop a clear and comprehensive regulatory framework for sustainable finance that outlines the regulatory requirements, standards, and guidelines for financial institutions and market participants. This framework should incorporate internationally recognised principles and standards while also considering the country's specific socio-economic context and development priorities. There is also advocacy for aligning with global frameworks like TCFD and SDGs for consistency.
- Collaborate with international partners to help strengthen regulatory frameworks, enhance institutional capacity, and promote harmonisation of sustainable finance standards and practices across borders.
- Invest in capacity-building initiatives and awareness-raising campaigns to enhance the knowledge and skills of regulators, financial institutions, investors, and other stakeholders on sustainable finance principles and practices. This includes providing training programmes, workshops, and educational materials to foster a deeper understanding of ESG issues and their implications for financial decision-making. These initiatives should also focus on distinguishing between traditional investment and investments with ESG features (and subcategories thereof).
- To prevent greenwashing, ensure transparency and accountability when promoting investor protection, as part of treating customers fairly (TCF), where sustainability is concerned.
- Encourage innovation and support emerging markets and SMEs in the journey of sustainable goals for long-term value creation.
- Create and foster an enabling environment for innovation and market development in sustainable finance by incentivising the adoption of ESG integration practices, green financing solutions, and impact investing initiatives. This may involve offering financial incentives, tax breaks, or regulatory support for sustainable finance projects and initiatives that contribute to the country's sustainable development goals.

3. Next steps

The FSCA will continue its sustainable finance programme of work. The work in the period ahead is expected to continue focusing on enhancing information provision through disclosure requirements.

A consultative approach will be followed as outputs are finalised. Expected outputs are:

- Finalisation of the Green Finance Taxonomy (GFT) pilot and consideration of implementing recommendations made.
- A draft Guidance Notice to be issued for consultation, on how provisions in existing financial sector legislation, particularly provisions related to the accuracy and appropriateness of information provided to customers, should be considered from a sustainable finance perspective.
- Consultation on the introduction of corporate sustainability disclosure requirements, with a focus on introducing mandatory climate disclosure requirements for large, listed corporates.
- Piloting a sustainable finance consumer survey internally amongst staff members in March 2025, with plans to roll out the survey more broadly later in the year.

The FSCA aims to continue to publish update reports on its sustainable finance programme of work on at least an annual basis.

FSCA

Financial Sector
Conduct Authority

Financial Sector Conduct Authority
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