

FSCA Press Release

19 June 2019

FSCA releases Guidance Notice on retirement funds sustainability of investments and assets

On 14 June 2019, the FSCA released a guidance notice on the sustainability of investments and assets in the context of a retirement fund's investment policy statement. This notice is to provide guidance to boards of retirement funds on how to comply with parts of Regulation 28 (Reg 28) under the Pension Funds Act, 1956 that deal with the sustainability of their investments and assets, as well as setting out the FSCA's expectations regarding disclosures and reporting on this issue. This is primarily aimed at helping funds make sound and sustainable investments for the benefit of their members, but also for the benefit of the environment and society they will ultimately retire in.

One of the key principles and best practice on sustainable finance and investments is the integration of environmental, social and governance (ESG) risk factors into risk management systems, and considering them in both existing and future portfolios. Sections (2)(b) and (2)(c)(ix) of Reg 28 require all funds to have an investment policy statement and that boards of funds consider ESG factors before investing in an asset, respectively. The Guidance Notice was published in the context of Reg 28 and in support of international and local developments around sustainable development, and predominantly incorporates the content of and comments on the draft Directive relating to Sustainability Reporting and Disclosure Requirements for retirement funds that was published by the FSCA for public comment in March 2018.

Although this is guidance, the retirement funds industry is encouraged and advised, in the interest of transparency, accountability and the fair treatment of its members, to apply the principles set out in this Guidance Notice dealing with disclosures and reporting.

This Guidance Notice is published on www.fsc.co.za or available for download [here](#).

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