

**FSCA Press Release**

**09 May 2023**

## **The FSCA issues Statement on Sustainable Finance and Programme of Work**

The Financial Sector Conduct Authority (FSCA) has published its introductory Statement on Sustainable Finance and its Programme of Work with the aim of fostering a fair, efficient, and resilient financial system that supports inclusive and sustainable economic growth in South Africa.

In line with South Africa's national climate commitments, the FSCA is committed to contributing towards the country's goal of being carbon neutral by 2050. As a market conduct regulator, it is also committed to playing a transformational role in ensuring that South Africa's financial system supports the country's climate and broader sustainability goals.

"South Africa has a good track record of ensuring that organisations are responsive to their environmental and social context. The FSCA is alive to the instrumental role the financial sector can and should continue to play in supporting and driving public entities and businesses to support sustainable outcomes, including mitigating the effects of climate change on economic growth and development," says FSCA Commissioner, Mr Unathi Kamlana.

Responsible organisations worldwide are adapting their activities and operations to ensure they are not harmful to future generations, and where possible that they meaningfully contribute to greater positive economic, environmental, and social outcomes, including the United Nation's Sustainable Development Goals (SDGs).

The FSCA's response to sustainability is twofold:

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### **Executive Committee:**

**Commissioner:** U. Kamlana    |    **Deputy Commissioners:** A. Ludin    |    K. Gibson    |    F. Badat

- As an Authority, the aim is for the us to lead by example. We have adopted sustainability as part of our values. This means we are intentional in ensuring that sustainability is entrenched in our business operations and translated into behaviour that will shape our organisational culture. We aim to ensure that we can meet the needs of the present without compromising the ability of future generations to meet their own needs, by adopting socially responsible practices.
- As a market conduct regulator, one of the FSCA's strategic objectives is to promote the development of an innovative, inclusive, and sustainable financial system. The Authority seeks to play a transformational role in ensuring that South Africa's financial system best supports the country's sustainability goals, through our customer protection and market integrity mandates.

To best support a sustainable financial system, the FSCA will evaluate its regulatory and supervisory frameworks to ensure that they enable the effective spreading of financial risks and opportunities from sustainability, so that these are integrated into mainstream financial decision making, in a way that promotes investor and customer confidence and trust.

Some of the sustainability outcomes that the FSCA will seek to achieve in the financial sector from a conduct perspective include:

- Enabling and promoting capital flows in support of sustainability objectives.
- Making it easier for market players to conduct due diligence, including by accurately assessing risks and opportunities, to make suitable sustainability investments.
- Evaluating and adopting/adapting appropriate international frameworks related to ESG and climate, from a conduct perspective.
- Empowering retail consumers to navigate the sustainable finance market effectively and safely.

Informed by its conduct mandate, the FSCA has developed a Programme of Work for sustainable finance, made up of five pillars.

- Pillar One: Taxonomy - A common taxonomy will contribute towards ensuring common terminology and understanding. Work on this pillar will build on outputs already produced through the National Treasury's Climate Risk Forum.
- Pillar Two: Disclosure, reporting and assurance - This includes contributing towards alignment of corporate disclosure and financial reporting requirements, as well as helping ordinary financial customers to assess sustainability products and trust that they are getting accurate and fair information.

**Transitional Management Committee:**

AM Sithole (Commissioner) DP Tshidi CD da Silva JA Boyd MM du Toit LP Kekana K Gibson OB Makhubela SE Mmakau

- Pillar Three: Market development - The FSCA will consider the role it can play in developing markets that support sustainable finance, on both the supply and demand side – for example, developing marketable securities for retirement funds and collective investment schemes, and building markets for trading carbon credits.
- Pillar Four: Active ownership - Encouraging shareholders – especially large institutional investors – to use their influence to drive positive change in companies that they are invested towards more sustainable outcomes.
- Pillar five: Empowering retail investors and consumers through financial education to understand the risks and benefits of financial products on offer, in particular to reduce the risk of greenwashing and impact-washing.

Each pillar will be informed and supported by building capacity and capability within the FSCA around sustainable finance; undergoing research and driving stakeholder engagements to support the development of each pillar; regulatory and supervisory framework development, where suitable; and coordination and cooperation with public, private, and civic society stakeholders.

Indicative timelines relating to the FSCA's proposed Programme of Work are subject to further development. Public workshops and stakeholder engagements will be held over the coming months to better understand stakeholder perspectives on the topics and proposed timelines. An immediate output will include a final Sustainable Finance Roadmap, to be published later this year.

#### **ENDS**

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