



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

CALLS FOR PUBLIC COMMENT ON THE DRAFT TECHNICAL PAPER ON FINANCING A SUSTAINABLE ECONOMY

National Treasury publishes for public comment a draft technical paper: “Financing a Sustainable Economy” as a framework for financial institutions to better disclose public information on their green practices and investments. Such information is critical for various stakeholders including investors, trade unions, financial sector industry associations, regulators and non-governmental organisations, and enables them to assess how financial institutions are taking account of climate change and other environmental and social risks.

South Africa has committed itself to its National Climate Strategy and Nationally Determined Contributions in line with the Paris Agreement on Climate Change. The financial sector recognises its role to further this objective, and the need for a framework for measuring, managing and reporting sustainable finance initiatives, in line with initiatives of the G20 Sustainable Finance Study Group, and the Financial Stability Board’s Task Force on Climate-related Financial Disclosures.

The scope of sustainable finance is still an evolving area as an emergent global practice and trend, as it tries to give meaning to concepts like ‘better development’ and ‘better finance’. Greater consistency is needed in refining both the problems and solutions and to this end, regulators and industry sectors need to consider adopting and adapting existing, international work to create a taxonomy and a benchmark climate risk scenario for South Africa.

The draft paper aims to enable stakeholders to better understand the extent of the financial sector’s vulnerability to Environmental and Social (E&S) risks posed by climate change, water and air pollution, degradation and resource depletion. Whilst the draft paper does not cover the full scope of sustainable finance, and hence does not deal with all sustainable finance instruments and broader ESG issues, it represents the first formal steps to develop a more comprehensive approach to sustainable finance for the financial sector. It attempts to harmonise definitions and disclosure standards, and guide the governance approaches needed to effectively identify, quantify and manage such risks within SA’s financial institutions and regulatory activities.



The draft paper was developed by a sustainable finance working group led by the National Treasury, following round table discussions involving some 50 stakeholders. The Treasury convened the working group of financial sector regulatory agencies and industry associations on a voluntary basis. Working Group members represented the following organisations:

- National Treasury (Chair)
- South African Reserve Bank
- Prudential Authority
- Financial Sector Conduct Authority
- Banking Association South Africa
- Council of Retirement Funds for South Africa
- Association for Savings and Investment South Africa
- South African Insurance Association
- Johannesburg Stock Exchange

The draft paper also includes draft recommendations on sustainable finance initiatives to be undertaken in banking, insurance, retirement funds, asset management and capital markets.

The draft Technical Paper is released to take comments from the public, including all stakeholders, to particularly strengthen the draft recommendations and in developing a comprehensive approach and action plan to encourage the financial sector to play its role in sustainable finance and development.

Comments on the technical paper may be sent to financial.policy@treasury.gov.za by close of business on 30 June 2020.

Issued by National Treasury

Date: 15 May 2020

