



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

PUBLICATION OF UPDATED TECHNICAL PAPER AND COMMENTS MATRIX: FINANCING A SUSTAINABLE ECONOMY

National Treasury has today published an updated version of its technical paper titled "[Financing a Sustainable Economy](#)", first published on 15 May 2020. The paper serves as a foundational step towards encouraging more long-term investments in sustainable economic assets, activities and projects. Where previously financial institutions would only focus on the return on investment of projects, the focus on sustainable finance encourages them to also be cognisant of how their investment decisions impact the environment. It is envisaged that this will assist in reducing pressures on the environment, including supporting the transition to a low carbon economy by phasing out greenhouse gas emissions and optimising the use of natural resources.

The impact of climate change on the global and South African financial sector is potentially significant if not effectively mitigated. Climate-related risks for financial institutions can be broadly classified as:

- Physical risks from extreme weather – directly affecting financial institutions' own operations or assets that they finance through damage, business disruption or default risks;
- Transition risks – resulting from disruptive technologies, changing regulation, consumer or market preferences; and
- Liability and disclosure risks – resulting from loss and damages, rising insurance costs, director's liability and disclosure failures.

Comments received broadly support the recommendations and proposed workflow on sustainable finance. The main recommendations include:

- introducing a green finance taxonomy;
- creating technical guidance for disclosure aligned to the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD);
- developing a benchmark climate risk scenario for use in stress tests by the financial sector and financial regulators;

- enhancing the use of sustainable finance mechanisms; and,
- building capacity and compliance across the financial sector and implementing arms of government.

The paper also takes into consideration emerging international climate finance and policy developments, including the G20 and FSB roadmap for addressing climate-related financial risks.

The updated technical paper was broadly amended to incorporate substantive issues such as:

- Allowing for a more holistic approach to sustainable finance over time, by expanding the paper beyond climate risk issues to include the broader sustainability and social issues;
- Recognising broader sustainable financing opportunities than those represented by green bonds, by including an expanded list of sustainable finance instruments; and
- Better addressing issues of biodiversity, circular economy, water and environmental risk.

The updated technical paper and comments matrix can be found on the National Treasury website (www.treasury.gov.za) and Sustainable Finance Initiative website <https://sustainablefinanceinitiative.org.za>. Comments were received from 15 different stakeholders, including the Department Forestry, Fisheries and the Environment other departments, the financial sector regulators (the Financial Sector Conduct Authority and Prudential Authority) and extensive feedback from other departments, industry stakeholders and civil society. The updated technical paper published today incorporates responses to the comments received, accompanied by a comments matrix (**Annexure A**).

In support of global efforts towards accelerating sustainable financing and the development of international standards National Treasury has joined the [Sustainable Banking and Finance Network \(SBFN\)](#), formerly the Sustainable Banking Network. The SBFN is a voluntary community of financial sector policy makers, regulatory agencies and banking associations from emerging markets committed to advancing sustainable finance in line with international good practice.

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