1

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

FINANCING A SUSTAINABLE ECONOMY TECHNICAL PAPER

COMMENTS AND RESPONSES

October 2021

Treasury would like to thank all who submitted comments on the draft Technical Paper: Financing a Sustainable Economy, released in May 2020. We are greatly encouraged by the number and quality of the comments received. The paper has been presented in various meetings, such as Parliamentary Working Group, Intergovernmental Climate Change Committee, Treasury Urban Finance working group, National Business Initiative (NBI) Green Recovery webinar, and Business Unity South Africa (BUSA) environmental subcommittee.

Since the release of the paper, the working group has been revived, chaired by National Treasury Financial Sector Policy unit and under the secretariat of BASA. This working group has been expanded to include DPME, local DFI's and SAVCA. This working group is referred to as the Climate Risk Forum/ Steering Committee and has mandated a further 5 sub- working groups to take forward the key recommendations general to financial institutions. These sub-working groups are:

1) Sustainable finance
2) Taxonomy
3) Disclosures (TCFD)
4) Climate Risk Benchmark and Scenario
5) Capacity and competencies

Other recommendations, specific to each sector, should be taken up by the relevant associations. These are technical working groups, and broader stakeholder consultations will be undertaken. The taxonomy working group has released a draft zero green finance taxonomy and undertaken 6 broad stakeholder consultations, attended by over 200 representatives from local financial sector, companies, civil society organisations, and multilateral organisations. Documents are publically available via the website: http://sustainablefinanceinitiative.org.za/ and as the other working groups develop draft documents and reports, these will be uploaded.

As indicated in the media statement on the release of the draft report, the scope of sustainable finance is still an evolving area as an emergent global practice and trend, this paper does not cover the full scope of sustainable finance, it represents the first formal steps to develop a more comprehensive approach. This is a technical paper with the financial institutions and their regulators and stakeholders as the primary target audience. The paper focusses on climate risk management approaches as a key dimension of managing financial stability. It is not a policy paper though may inform other policy and lead to various forms of guidance notes or regulation in the future. Treasury is committed to working with stakeholders to develop an action plan to encourage and guide the financial sector in its role in sustainable finance and development.

LIST OF COMMENTATOR(S)

Agencies/commenters	Contact person
1. Banking Association South Africa	Pierre Venter
2. Centre for Environmental Rights – on behalf of the Life after Coal Campaign	Leanne Govindsamy and Ahmed Mokgopo
3. CFA Society South Africa	Nerina Visser
4. Conservation Strategy Tactics and insights	Mark Botha
5. Department of Science, Technology and Innovation	Dr Henry Roman
6. Institute of Retirement Funds Africa (IRFA)	Enos Ngutshane and Wayne Hiller van Rensburg
7. Johannesburg Stock Exchange (JSE)	Anne Clayton
8. Just Share	Tracey Davies
9. Nerunaman Pillay (Land Bank)	Neru Pillay
10. Sasol	Shailendra Rajkumar
11. South African Insurance Association (SAIA)	Susan Walls
12. South African National Biodiversity Institute (SANBI)	Jenifer Zungu and Alex Marsh
13. Southern African Venture Capital and Private Equity Association (SAVCA)	Shelley Lotz
14. WWF South Africa	Reinhardt Arp
15. ZeniZeni Sustainable Finance (ZSF)	Malango Mughogho

FINANCING A SUSTAINABLE ECONOMY		
Commentary Section/Issue/Proposal	**General Comments**	**Response**
BASA	Sustainable finance is broader than what has been outlined in the paper and other elements of sustainable finance should be highlighted. This will have implications for how the regulatory environment is shaped and can address some of the gaps that exist because of an (unintended) bias towards climate change and E&S risk management. Further to this we wish to highlight that there is a disjuncture between the Climate Risk Forum and the Paper. The Forum agreed to adopt a phased approach to sustainable finance, beginning with climate risk and thus the issues highlighted above may only come to surface once the Forum expands into the broader areas of sustainability. In addition, some of the concerns highlighted in the Paper have been addressed by the Forum, for example the Financing Working Group has decided to examine the entire universe of sustainable finance products and that the Taxonomy Working Group to focus on the opportunities rather than merely risk. In this regard the Banking Association suggests the Paper highlights the areas that are being developed by the Forum. Alternatively, the Paper could remain a draft pending the conclusion of the Forum so that the paper may be updated accordingly.	Agree that subsequent to the draft technical paper being published, there were discussions clarifying the need to add the wider context and then the immediate narrower focus to the paper. The definitions needs to be amended accordingly. National Treasury (NT) is comfortable with the Forum progress thus far.
CFA Society South Africa	The CFA Institute believes that scenario analysis is a useful tool that can be applied to help both issuers and investors better understand the potential implications of climate change and the resilience of companies to those implications ("strategic resilience"). CFA also support voluntary but consistent disclosure recommendations as a solid framework for issuers and investors to work with. This disclosure approach allows companies suitable flexibility around the climate related disclosures that are most relevant to them. This disclosure framework also allows issuers and investors to adjust the framework in a way that works best for them.	Noted and agree. Most stakeholders have, however, raised concerns about "voluntary" disclosure because this would not enable consistent, consequential or comparable results, which are needed by the financial regulators as well as stakeholders.
Just Share	Just Share commends the significant effort involved in producing the Draft Technical Paper. We also acknowledge the progressive approach taken by National Treasury, demonstrated by the decision to include all aspects of the financial sector in this overarching review of progress and potential for sustainable finance in South Africa. However, we are concerned that the Draft Technical Paper places significant emphasis on further industry engagement and the adoption of voluntary initiatives "as a precursor to regulation". It is abundantly clear that voluntary initiatives have not produced the results that they were intended to produce. It is also abundantly clear that industry lobbying efforts (for example in relation to the Carbon Tax) have the potential to dramatically slow progress on achieving the goals of the Paris Agreement and the Sustainable Development Goals.	NT agrees there are shortfalls in using voluntary initiatives, however the paper does signal that regulation is likely to follow. By way of example, the Carbon Tax is in place now and further financial sector regulatory frameworks will follow

	Furthermore, South Africa already has significant legislative and regulatory frameworks which allow for the integration of climate change-related risks and opportunities, many of which are referenced in the Draft Technical Paper; including Regulation 28 of the Pension Funds Act, the Carbon Tax Act, the Climate Change Bill, King IV and the JSE Listings Requirements.	The regulatory and voluntary frameworks mentioned illustrate the point that an overarching financial sector regulatory framework is lacking. This technical paper is a step towards a more integrated approach.
Just Share Embarking on new voluntary or regulatory processes which are likely to take years, if not decades, to finalise, is an inefficient and ineffective way to take the action required to meet these goals	Better monitoring and enforcement of existing regulatory tools, and the quick adoption – and adaptation where necessary – of the regulatory frameworks that have already been developed in other jurisdictions, is much more likely to achieve the change that the Draft Technical Paper clearly acknowledges is urgently required. The most obvious example is the Recommendations of the Task-Force on Climate-Related Financial Disclosures (TCFD), which could be incorporated into the JSE Listings Requirements as a matter of urgency. Unfortunately however the JSE has indicated that it is still only in the planning phase for a consultation process on taking this step. Such a process will take years, and is completely unnecessary in the face of the universal recognition of the usefulness of the TCFD Recommendations, and of the urgency with which we require comparable, reliable climate disclosure in order to successfully plan and implement a just transition to a low carbon economy.	Agree, we are reviewing TCFD for local context
	Another example of an extremely useful and progressive regulatory tool is Regulation 28 of the Pension Funds Act. Effectively implemented and enforced, the requirement for pension funds to integrate environmental, social and governance factors into their investment decision-making has the potential to radically change the investment landscape in South Africa. But it has not lived up to this potential. The publication of a Guidance Note in 2019 instead of a Directive on the implementation of the ESG integration element of Regulation 28 was extremely unfortunate. If pension fund trustees have not complied with a legally enforceable regulation, it is highly unlikely that they will dramatically change their behaviour as the result of the publication of a guidance note.	The Financial Sector Regulation Act allows for Standards. The recommendations allow for the FSCA and PA to assess the feasibility of various regulatory instruments.
Just Share	Climate change is also not the only risk to our economy and society. Effective management of our impacts on water sources, wildlife and biodiversity loss, environmental degradation and pollution are all crucial elements of sustainable finance, which should be considered by National Treasury in its further work on this subject. We call on National Treasury to embrace the opportunities presented for sustainable recovery after the devastating impacts of Covid-19. In fact, we would argue that this is the only choice we have if we are to ensure a sustainable future, and the improvement of the livelihoods of millions of South Africans who currently bear the brunt of past and present inequality.	We acknowledge more needs to be considered, this paper is a manageable starting point and allows us to focus and prioritise. Economic recovery efforts are considering green aspects

	The recovery and strengthening of our economy must prioritise inclusivity and fair distribution of resources, a low-carbon energy transition, sustainable infrastructure, the protection of water sources, reductions in waste and preserving and regenerating our biodiversity. If we do not take this opportunity, South Africa's economic stability will become increasingly tenuous, and our ability to participate in the future global economy will be further restricted.	
Just Share	The Draft Technical Paper notes that climate change is an environmental issue which, if left unchecked, will profoundly affect vulnerable individuals. However, it is essential that the language of sustainable finance acknowledges firstly that climate change is a human rights issue which affects everyone, and secondly that the effects of climate change are already impacting the lives and livelihoods of vulnerable communities across South Africa.	Agree, we will incorporate the impact human rights into the Paper
SAIA	SAIA are interested to see the outcome of the innovative products initiative and support the notion that the non-life industry is a critical component of the global response to climate change and arguably the industry set to take the most strain especially on the liability and even the asset parts of our balance sheets.	Noted.
WWF South Africa	It is encouraging that Environmental, Social and Governance (ESG) considerations are positioned as critical factors for the financial sector and that their central role in the transition to an equitable and sustainable economy is recognised, particularly as a foundation for a green Covid-19 recovery strategy. It is critical that the paper speaks to the prioritisation, clearly articulate the long-term benefits of prioritising ESG considerations, rather than the addition of ESG risks to encourage deeper and more ambitious change in the financial sector.	Noted.
	The focus on climate change risks is invaluable but it is recommended that it is reframed to provide a more comprehensive assessment of ESG sustainability issues related to finances outside of climate change alone, including biodiversity and waste and natural resource management, amongst others. In doing so, the paper should also highlight the various co-benefits of integrating ESG risks into financial decision making and investments.	See above. We acknowledge more needs to be considered, this paper is a manageable starting point and allows us to focus and prioritise.
	The paper also has a critical role to play for encouraging the implementation of a water pricing strategy and wastewater discharge charge to encourage more sustainable and equitable use of water. The paper should aim to standardize the existing reporting and disclosures such that disclosures are comparable and methodologies are consistent. As noted in the paper there are many standards and codes that exist already. National Treasury can play a role in helping people within sector decide on which adoption of the best codes and practice by recommending a particular framework that already exists such TCFD or CRISA or the UNEPFI Principles for Responsible Investment. The purpose of the technical paper is not completely clear - will it be used to influence the private financial sector or to direct policy within National Treasury? It would also be worth identifying what fiscal allocations National Treasury intends to make available for sustainable investments and how to access and monitor the success of these	The purpose of the paper is to influence the private financial sector, specifically banks, insurers and investors. It also signals to the public the possible future policy direction from National Treasury. Fiscal allocations are done through the Budget process, which is a separate process through Cabinet (in accordance with section 77 of the Constitution).

	allocations. The paper should also outline any intentions to support sustainable finance from the SARB. These fiscal allocations and monetary policy interventions are important signals for the financial sector – if there is more support from National Treasury and the SARB for sustainability, then more private sector capital will likely follow as an amplifier.	The role of the SARB in this context is linked to its financial stability mandate and the SARB is an acknowledged stakeholder in this process.
	The framework objectives and recommendations currently focus on the private sector. However, the public sector plays a critical role in sustainable and green finance and should therefore be included in the scope of the paper.	The scope is limited to the financial sector and specifically the financial stability mandate. The wider public sector role is certainly critical, but beyond the scope of this paper.
	Clearly outlining the roles of both National Treasury and the South African Reserve Bank (SARB) in supporting and enabling sustainable finance in South Africa would further strengthen the paper.	The SARB is a participant in this process. Other financial sector Regulators, self-regulatory organisations and wider stakeholders all have a role to play in strengthening sustainable finance work in South Africa.
WWF South Africa	National Treasury's existing work on climate classification and tracking of climate-related expenditure must also be acknowledged. This technical paper's focus on climate change risks is invaluable but it is recommended that it is reframed to provide a more comprehensive assessment of ESG sustainability issues related to finances outside of climate change alone.	The paper is narrow and focused on sustainable finance in response to Treasury financial stability mandate. Treasury has yet to develop a climate classification and methodology and thus the tracking of expenditure is only anticipated to be undertaken in pilot form in 2021.
Department of Science and Technology Climate Change and the Circular Economy (CE)	The draft technical report does not mention the significant materials use of the existing global linear economic system and the associated materials consumption driving economic growth and development. Circular Economy Finance in particular will help to address this challenge of depleted natural resources and unbounded materials consumption. It is suggested that this be considered a subcomponent of the work on financing a sustainable economy, particularly the elements of CE finance that can feature in the Green Taxonomy work; and the general approaches to innovation and technology to drive a sustainable economy.	Agree, paper has been amended to mention the circular economy, and the details of which should emerge through the green taxonomy work.
Department of Science and Technology	This could be reduced by 80Gt through structural changes (systemic shift) that reduce material use and by a further 68Gt by technological changes (technology shift). Whereas 2017 estimates of global materials use was 89Gt, the increase by 2060 will be more than double if this contribution of a 167Gt reduction in material use is not unlocked through STI(Science Technology and Innovation) and CE Finance.	Noted

Globally the OECD estimates[2] that by 2060 the global economy would use 313 Gt of materials.		
Department of Science and Technology	Direct and deep link to materials consumption and material use must be made more explicit in an approach to financing a sustainable economy. There is some work that needs to be done to estimate the value a Circular Economy would bring South Africa. Based on estimates in the EU that focus on resource productivity, avoidance of externalities and economic growth benefits, the value and contribution of a Circular Economy will undoubtedly bolster the resilience of an economy and the value of its resources in circulation. One proposal is to include the mainstreaming of the 9Rs of a circular economy in the Green Taxonomy of the initiatives to support sustainable finance. These nine Rs are: reduce, reuse, recycle, recover, redesign, remanufacture, refurbish, repair and refuse. The proposals for Circular Economy Finance currently under consultation[3] by the United Nations Environment Programme Finance Initiative, will shed more light on the contribution of the financial sector to a Circular Economy Transition. While the transition risk for South Africa is estimated in the paper to be around R2tn, there is great Circular Economy opportunity of USD 4.5tn in additional economic output to be captured globally by 2030, estimated by Accenture's Waste to Wealth research[4].	Noted, this comment will be with the taxonomy working group for consideration.
Department of Science and Technology	In the White Paper on Science, Technology and Innovation (2019) the Circular Economy has been identified as a new economic growth opportunity[5] and the DSI will endeavor to unlock CE and tackle the challenges of Climate Change in its forthcoming Decadal Plan. To continue the National System of Innovation support that underpins a sustainable economy, the continued strengthening of institutions and government capabilities must remain a priority of STI expenditure and incentives. The DSI is currently setting key priorities in its Decadal Plan to drive this NSI support for a sustainable economy. The DSI would like to express its willingness to collaborate and support the National Treasury in its efforts to promote sustainable finance.	Thank you, Treasury will include DSI in consultations

[2] https://www.oecd.org/environment/waste/highlights-global-material-resources-outlook-to-2060.pdf
[3] https://www.unepfi.org/wordpress/wp-content/uploads/2020/06/CircularEconomyFinance-DRAFT.pdf
[4] https://www.accenture.com/_acnmedia/accenture/conversion-assets/dotcom/documents/global/pdf/strategy_7/accenture-waste-wealth-infographic.pdf
[5] https://www.dst.gov.za/images/2019/White_paper_web_copyv1.pdf

Life After Coal campaign (LAC) and 350 Africa.org The Declaration of a Climate Emergency	Given the role of EU-led initiatives in framing the Draft Paper, it is important to note that in addition to the European Commission providing policy direction on financing a sustainable economy, the European Parliament declared a climate emergency on 28 November 2019. We recommend that National Treasury engage with Parliament around taking a similar step. South Africa's declaration of a climate emergency would signal a significant policy and political shift in respect of the urgency and seriousness of the climate crisis, particularly bearing in mind South Africa's vulnerability to climate impacts .	Noted, this is the mandate of DEFF
Life After Coal campaign (LAC) and 350 Africa.org The urgent finalization of our Climate Change Bill.	The Climate Change Bill as another major shift in the climate and finance sector, should be prioritized and National Treasury could play a significant role in highlighting the urgency of its finalisation.	Noted.
Life After Coal campaign (LAC) and 350 Africa.org Adoption of binding measures for state and corporate actors.	Adoption of binding measures will send out a strong incentive for financial institutions to change their approach to continued financing of fossil fuels, hastening their commitments to financing renewable energy. National Treasury's engagement with Parliament in relation to these steps would be important because it appears that the Sustainable Finance framework is not intended to be binding on financial institutions and is limited to only requiring disclosure of the risks facing financial institutions. National Treasury could, at the very least, play a more active role in the formation of national policy and legislation, as it relates to climate change.	Noted, Treasury does engage with Parliament and DEFF.
Life After Coal campaign (LAC) and 350 Africa.org Beyond disclosure: A Finance Pathway to Climate Resilient Development.	While the Draft Paper acknowledges South Africa's submission of its Nationally Determined Contribution (NDC)10 in terms of the Paris Agreement, it is unclear how the Draft Paper or subsequent action plan, will aid in practically realizing South Africa's commitments to reducing GHG emissions. We would like to understand National Treasury's role in engaging with the Department of Environmental Affairs, Forestry and Fisheries (DEFF) in respect of South Africa's revised NDC which is due to be submitted to the UNFCCC this year, as part of the Paris Agreement's ambition-raising target. If South Africa is to meet any revised targets, then there would need to be significant shifts towards increasing renewable energy capacity, beyond what is anticipated in the IRP 2019, as well as fully phasing out coal- fired power generation by latest 2040. This would require National Treasury to adhere to Article 2(1)(c) of the Paris Agreement, which aims to strengthen the global response to the threat of climate change, in the context of sustainable	The paper is to mobilise the financial sector. Details on NDC process should be obtained from DEFF. Disclosure is not the final step but it is a critical step for decision makers – either regulators or other stakeholders and the emphasis is first to ensure credible disclosure.

	development and efforts to eradicate poverty, by making finance flows consistent with a pathway towards low greenhouse gas emissions and climate resilient development. If the Draft Paper is only aimed at creating a “framework for financial institutions to better disclose public information on their green practices and investments” and to enable various stakeholders to “assess how financial institutions are taking account of climate change and other environmental and social risk” - then the Draft Paper fails to recognize the need for a practical response from financial institutions in respect of meeting South Africa’s international obligations. If National Treasury is to make ‘finance flows consistent with a pathway to low greenhouse gas emissions and ensure climate resilient development,’ then the Draft Paper and any framework and action plan which emerges from this process, needs to move beyond disclosure and require binding commitments from various financial institutions in respect of ensuring that South Africa is able to meet international climate obligations and ensure a just transition.	
Life After Coal campaign (LAC) and 350 Africa.org	National Treasury’s approach appears to be largely about disclosure and “mobilizing resources” and there is no explicit reference to efforts, which would be required to ensure that our country’s finance flows are made consistent with a pathway to low GHG emissions and climate resilient development. The following questions are therefore pertinent: 1. Would any framework or action plan which emerges from the Draft Paper, support the South African government’s response to article 2(1)(c) of the Paris Agreement? 2. What will National Treasury’s role be in creating and promoting new sustainable finance pathways, through the creation of incentives or other measures?; and 3. Will risk analysis, a new “green taxonomy” and disclosure, as set out in the Draft Paper, enable the practical realization of sustainable finance pathways and support South Africa’s emissions reduction targets?	Yes, that it the intention
Life After Coal campaign (LAC) and 350 Africa.org	The working group has thus far, only consisted of regulatory agencies and industry associations, leaving out trade unions, civil society, project developers, academia and other potential beneficiaries of Treasury’s approach. The current representation of the working group is exclusive and there is a marked lack of transparency in respect of the composition of the working group, the process followed for their selection and the information which guided their work in preparing the Draft Paper. The lack of transparency, in relation to both substantive guidance and the process followed by the working group, is inherently flawed and has resulted in an exclusionary process of engagement. Such an approach has meant that civil society and other stakeholders are commenting on the outcome of a process that has been hidden from view and without the necessary background, context and other documentation necessary to inform our submissions.	This is a technical paper hence the focus is on financial sector technical expertise and not broader stakeholders. The publication and subsequent comments process was to allow for comments and engagement from other stakeholders as well. The EU process was for multiple countries and SA faces different challenges. The proposed preliminary sections are mostly addressed elsewhere and could delay the implementation of this work

	The approach taken by National Treasury, in appointing a working group, out of public view and with only regulatory and industry bodies, is to be contrasted with the approach of the European Commission's High Level Expert Group on Sustainable Finance (HLEG). The HLEG was established in 2016 and comprised 20 senior experts from civil society, the finance sector, academia and observers from European and other international institutions. The paper is missing specific preliminary sections and contributions by: Public finance institutions (both the National Treasury itself and its budget and market support processes; its challenges and limitations); Development finance institutions; South African Reserve Bank in terms of its regulatory and oversight roles; Small, medium and micro enterprise (SMME) financiers; Fintech and other platforms through which finance flows; Informal finance channels (shadow banking, community co-ops etc.); We suggest that National Treasury review the composition of the working group so as to ensure that all necessary expertise, experience and interests are reflected in any work going forward. Sub-working groups in various technical areas of specialization may very well work to develop sector specific recommendations and guidance but any high level-working group must include broad representation. In addition, National Treasury should ensure that the following information is made publicly available: Information on the processes for the appointment of the working group or any sub-working groups; Documents which served before it, including guidance notes and strategic planning documents such as a vision, mission or theory of change; and Forward-looking governance measures to enable stakeholders to follow, interrogate or provide other input on the development of any framework or action plan. Civil society, in particular, have a role to play in not only sharing expertise and experience, but in ensuring that any recommendations or action plan is widely disseminated and utilized as an accountability mechanism. Civil society play, and can continue to play an important role in holding the finance sector accountable in respect of any laws or voluntary codes and standards that may emerge from this process, as is evident from the Centre for Environmental Rights(CERs) body of work which has involved assessments of top emitters and banks against voluntary recommendations. In this regard, the CER has conducted systematized assessments of some of South Africa's biggest polluters and the major financial institutions which support them, including development finance institutions (DFIs), in relation to legal obligations as well as voluntary codes and international best practice that require disclosure and transparency.	if we were to try incorporate every aspect. The intention of the paper is to signal to the financial sector what steps are deemed necessary in the medium term. It is acknowledged that there is a bigger and long-term picture, including various Government Departments, all industries and all other stakeholders. The paper is attempting to focus on the most material issues first as a catalyst for longer term, ongoing initiatives that will reach all parts of the financial sector, including DFIs and smaller players. The role of civil society will be critical in this and will be encouraged. The website will be updated as often as possible, as well as broader stakeholder consultation sessions scheduled.

	In 2019, the CER launched the fifth assessment in its Full Disclosure series. The report, entitled "Full Disclosure 5: The Truth About South African Banks' and Companies' Ability to Identify and Address Climate Risks", considers South African banks' and companies' disclosure of and engagement with climate risks. We therefore submit that National Treasury rethink the value and efficacy of creating voluntary standards that have no mechanisms for oversight to ensure meaningful compliance. We submit that National Treasury and the working group consider the creation of binding or mandatory obligations and strict governance processes, in respect of oversight and monitoring in respect of such obligations.	
Life After Coal campaign (LAC) and 350 Africa.org	National Government Policy on New Coal: An Obstacle to Sustainable Finance We are therefore concerned about the approach that National Treasury is taking in relation to "Financing a Sustainable Economy" in circumstances where the Department of Minerals and Energy has taken a fundamentally different approach and while National Treasury and our DFIs are cited as key funders of the MMSEZ project. It is even more concerning, given the impact of energy policy on climate commitments and financing, that the Department of Minerals and Energy was not represented on the working group which prepared the Draft Paper. The importance of national policy alignment with national legislation and international commitments, supported and driven by coherent financial policies and frameworks, as well as mechanisms for accountability, cannot be emphasized enough. For as long as the SA government tolerates non-compliance and fails to hold corporations accountable, the financing of corporations with unsustainable and polluting practices, will continue unabated as the level of risk facing shareholders and other financial institutions, is significantly lowered and certainly not made material for purposes of their decision-making	We note the concerns. This is a technical paper focused on financial sector within Treasury's financial stability mandate. NT engages with DMRE through various channels, including the Intergovernmental Climate Change Committee.
Conservation strategy tactics and insights Sustainability ≠Climate change	Some other key elements of sustainability urgently need to be included in the Treasury framework to better drive a holistic approach: • The extent to which our water source areas and components of ecological infrastructure delivering water ecosystem services to society (rivers and wetlands) are well protected and adequately managed . • The reduction in disaster risk and severity offered by intact, healthy ecosystems and well- managed agricultural lands (not invaded by alien plants, or damaged to the point of exacerbating flood runoff and sedimentation etc) • The protected area estate and viable, representative samples of major ecosystems being set aside and managed as the foundation of our biodiversity economy (including ecotourism, recreation opportunities, water supply & related ecosystem services, wildlife ranching etc)	Agree more needs to be done, climate risk is seen as a manageable starting point. The development of a green finance taxonomy should go further in defining green and sustainable projects.

	• The blue economy, and extent to which key marine resources are nurtured to provide sustained harvests in the long term.	
Conservation strategy tactics and insights Government budgeting does not reflect sustainability priorities	Government continues to underinvest in the environment of sustainability. Large gains can be made through more targeted regulations, improved enforcement, and most importantly through dedicated staff and programmes to manage ecosystems and EI. In my view, this has the biggest role to play in maintaining healthy ecosystems, but agency capacity has declined markedly since 2000. Much (if not all) government investment in ecological rehabilitation is funnelled through the massively inefficient, bureaucratic and almost deliberately untargeted public works programs. Centralised planning and short-term projects cannot deliver the outcomes, leverage private investment or promote the community participation required. Devolved, outcomes-based approaches, planned around the way natural systems work will deliver more, but need treasury support. Preliminary costings done for SANBI have shown that modest investment can unlock substantial gains. Even still, all the investment in "ecological sustainability" is dwarfed by direct and indirect subsidies to sectors that fundamentally undermine sustainability. This is a large elephant missing from the discussion – and the technical paper provides no framework to analyse the role of public finance and policy in unsustainable industries and investments (SoC's in particular, but other implicitly subsidies need to be aired and challenged if not meeting an explicit environmental fiscal reform framework).	Noted. One of the aims of this paper is to make the requirements for financing a more sustainable future, clearer to all players, to increase their actions and awareness and to encourage the raising of new funding, including blended finance to resolve some of these issues.

Neru Pillay	A clear exposition of the vision of a sustainable economy and financial system would help and here it may be appropriate to draw on the lessons, teaching and research of Dirk Schoenmaker and Willem Schramade in a book titled **Principles of Sustainable Finance** 2019 Published by Oxford University Press. The draft document frequently uses Environmental and Social however nowhere in the document is the social aspects raised, defined or addressed. The document places too much emphasis on risk management – developing a sustainable financial system and economy is not only about managing risks but greater emphasis is now placed on impact (not outcomes), disclosure, stewardship, etc. on the part of the financial institutions. The document highlights a number of voluntary initiatives to bring about a sustainable financial institution. Internationally it is recognised that as the voluntary initiatives are merely voluntary, adoption thereof has no permanence and thereby it will not lead to a sustainable future. Environmental risks versus Climate risks are not defined in the document. This allows financial institutions to choose what environmental/climate risks they want to assess. The framework does not explicitly indicate that new areas of environmental risks –e.g. biodiversity and ecosystems risks should be considered by all financial institutions that finance the agriculture sector. In addition environmental and social opportunities and challenges are not clearly defined in the document. There is a need for a detailed monitoring and evaluation system to be attached to this document. The regulatory framework can only work if there is an accountability measure and this can only be done if there is a credible M&E system/plan in place. In developing a sustainable finance strategy for the financial sector it is imperative that civil society play a role in co-creating this strategy so it will be good to get their inputs at an early stage of the process.	The comment is noted and the paper has been amended.
Sasol	It is critical that the commitment and role of the public and private sectors in reducing carbon emissions are underpinned by a robust national transition roadmap. There is an immediate need for alignment across various governmental departments and sectors, and not just financial institutions and insurers, to ensure a consistent understanding of sustainable finance in relation to South African context-based response to climate change. Further, an understanding of the key milestones and key performance indicators, measurement criteria and definition of victory needs to be outlined.	Noted and agreed, this is broader government work, which the technical paper is a component of.

Sasol		Sasol's response is primarily focused on tax considerations in relation to sustainable finance for the future. Sasol recommends incentivising business through further tax benefits that supports a sustainable transition.	Noted, these comments have been referred to Treasury tax policy unit for consideration.
ZSF		Time horizons are an important consideration, particularly given the many recommendations contained in the paper and the fact that responses to certain sustainability issues such as climate change mitigation are timebound. However, time horizons are only mentioned under section 3 'Definition of Sustainable Finance' (p16)	The time horizons need to be established through broader consultations, hence the recommendation is to develop an action plan.
ZSF		The press release stated that the aim of the paper is to provide a "framework for financial institutions to better disclose public information on their green practices and investments". This is a narrow goal that does not address the need for systemic shifts. In addition, the use of the word 'green' is confusing, especially with the existence of the sustainable development goals which the Department of Planning, Monitoring and Evaluation (DPME) reports on. The use of the word 'green' is not consistent throughout the Technical Paper.	Noted
ZSF		The separation of sectors according to the traditional product areas that make up the financial sector (insurance, retirement funds, private equity etc) is helpful and was presumably done to reflect the way in which the sector is regulated. However, 'banking' is not a product per se, especially since the main banks in South Africa are universal banks, offering savings, lending, remittance, insurance and investment products. It therefore makes sense to make these distinctions under the banking sector narrative. This approach is also important from a financial literacy perspective and will allow the sector to understand the relevance of sustainable finance products that are offered by non-bank authorised financial service providers such as retailers.	Noted
ZSF		The Technical Paper should include a focus on the avenues for sustainable finance capacity building in the sector such as academic institutions and professional bodies.	Noted- this has been included in the recommendations.
EXECUTIVE SUMMARY			
Commentator	**Section/Issue /Proposal**	**Comment/s**	**Response**
CFA Society	Section 1	CFA support the objective to establish minimum practice standards with regard to climate change and emerging environmental and social risks. CFA believe there is a need to improve the quality	Noted

South Africa		and consistency of disclosures around climate change and related data. Such data can allow investors increased awareness and understanding of a company's climate risks, risk management, and related strategic planning. A recognition and greater focus on a company's climate change profile may also offer immense opportunities to find solutions.	
WRC	1.4 Objectives	In Figure 1: Financial risks from climate change and potential impact (page 5)- Social costs have been neglected. If considered as primary it would provide an indication of risks and liabilities associated with market erosion and job losses .	Noted, paper amended.
CFA Society South Africa	Section 1.5 Recommendations **a) Adopt the fo definition of su finance in Sout** **(Also Section 3**	CFA support the definition of Sustainable Finance. In CFA's partnership with PRI that is aimed at better understanding the current state of ESG integration around the world, we observed that all markets we visited looked at ESG integration (including climate issues) primarily through a risk lens. However, those markets that had the most sophisticated approaches to ESG integration (climate issues included) tended to look for opportunities presented by ESG integration just as much as they focused on risk. The economics of climate change will present both risks and opportunities to companies and their investors.	Noted
CFA Society South Africa	Section 1.5 Recommendations b) Regulators and industry to co-develop or adopt technical guidance, standards and norms for use across all financial sectors in identifying, monitoring and reporting and mitigating their environmental and social (E&S) risks,	CFA have found that to date the main drivers of ESG integration are risk management and client demand. CFA Institute sees the mapping of TCFD recommended disclosures and elements of the NFRD as a sound starting point for investors wishing to incorporate climate-related disclosures in their process of analysis. CFA Society South Africa is an association of investment professionals, so we do not have clients in the sense that investment managers do. However, as we educate our members about ESG metrics and ESG integration, we focus on materiality. Therefore, we focus on standards and disclosures that are material. As South African regulators co-develop or adopt technical guidance, standard or norms across all financial sectors, it is important to understand that a "one size fits all" model will not be applicable in that it does not allow for the focus on what is material for a specific company or specific sector. From an investor's perspective, we find the TCFD standards the most useful and we believe the TCFD is the best standard for climate because it focuses management and investors into discussing the governance, strategy, risk management, and metrics and targets around climate.	Noted, there is a TCFD working group.

	including climate-related risks, at portfolio and transaction level. These should include E&S risk management frameworks, the use of science-based methodologies,13 and the incorporation of the recommendations of the TCFD		
CFA Society South Africa	Section 1.5 c) and d)	CFA notes with interest the recommendation to develop a "benchmark climate risk scenario for use in stress tests by the sector" and the recommendation to "develop or adopt a taxonomy for green, social and sustainable finance initiatives, consistent with international developments, to build credibility, foster investment and enable effective monitoring and disclosure of performance". CFA are in agreement that a well-developed taxonomy will form the basis from which to develop sustainable investment practices, while at the same time, E&S metrics that are material to a sector/industry, are what investors should focus on. Accordingly, any framework that is designed to be a "one size fits all" approach to an ESG framework will therefore be missing sector/industry specific metrics. CFA recognises the work that NT has already done in researching a taxonomy. We agree that taxonomy will develop over time as ESG becomes more entrenched in investment processes.	Noted, CFA will be included in consultation process going forward.
CFA Society South Africa	Section 1.5 e)	CFA note the objective to include disclosure of progress in E&S risk management including climate risks in supervision activities carried out by the Prudential Authority and the FSCA. This would incorporate voluntary codes of principles or acknowledged benchmarks for good practice into regulatory regimes.	Noted

CFA Society South Africa	Section 1.5 f)	CFA note the desire for NT to work with various associations to build governing body capacity and fit for purpose skills necessary for the identification and management of long-term risks and sustainability challenges. CFA wish to point out that the CFA Institute is exploring the development of an ESG investment product standard that would build a framework for investment managers to better communicate, and their clients to better understand, the nature and characteristics of ESG-centric funds and investment strategies. We would welcome further engagement in this regard.	Noted, there is a capacity and competency working group
SANBI	Section 1.1 Climate Change in South Africa	The current focus on climate mitigation and private financiers could be balanced by an indication of how much-needed investment in climate adaptation will be mobilised: improving ecosystem integrity and resultant water security is a critical component of climate change adaptation in the face of the warmer temperatures and more variable rainfall that are already part of the South African climate The EI4WS project is able to share many examples of the links between healthy catchments and water security in all catchments (e.g. ACRU model shows that rehabilitating floodplain wetlands in the Kromme River, currently invaded by Acacia mearnsii, could decrease flood intensity and increase average yield by up to 30%, roughly 1 million m3/yr; a catalogue of research by Le Maitre, Cullis, Jewitt and others, suggests that the clearing of alien invasive plants in strategic water catchments is the most cost-effective way of yielding additional water into dams, and that not clearing these plants will incur an escalating loss of water). How public and private finance unlock this economic value is not evident in the paper. The ecological complexity, public good nature and layered ownership of water catchments, limits the extent to which finance models used in the renewable energy sector can be transposed to address the challenge of water security.	We are focused on financing and not really non-financing barriers, but the point is taken that this needs to be taken into account for future work.
SANBI		SANBI suggest the following text, or elements of it, could be included in Section 1.1: <u>Ecological infrastructure refers to naturally functioning ecosystems that deliver valuable services to people, such as fresh water, climate regulation, soil formation and disaster risk reduction. It is the nature-based equivalent of built or hard infrastructure, and is just as important for providing services and underpinning socio-economic development.</u> <u>Well managed ecological infrastructure can buffer human settlements and built infrastructure against the extreme events that are likely with climate change, playing a crucial and cost effective role in disaster risk reduction.</u> <u>Healthy riparian zones and wetlands help to reduce the impact of floods and droughts. In the western part of the country, which is likely to become hotter and drier, they will help to curb excessive loss of water through evaporation. In the eastern part of the country, which is likely to become hotter and wetter, they will help to slow down flood waters. In both cases ecological</u>	Agree we will include ecological infrastructure at a high level.

		<u>infrastructure can contribute to water security, and thus to food security. Intact ecosystems also absorb and store carbon, to varying degrees. Thus, climate change adaptation through investment in ecological infrastructure is a crucial issue for sustainable finance.</u>	
SANBI	Section 1.1 Climate Change in South Africa	SANBI suggests the following addition to the fourth paragraph on page 1: The impacts of climate change on the global and South African financial sector are potentially significant if not effectively mitigated…<u>and appropriate adaptation activities undertaken</u>	Agree to edits
SANBI	Section 1.2 Financial implications	Built and ecological infrastructure often play complementary roles, but ecological infrastructure is not necessarily implied if not made explicit. SANBI suggest adding the following to the 2nd paragraph on page 2 Long-term economic, environmental and social risks are linked. Environmental disasters such as floods or droughts or the destruction of <u>built and ecological</u> infrastructure inevitably cause economic, social and health stresses	Agree to edits
SANBI	Section 1.2 Financial implications	It is important to be clear on the fact that the current focus of this paper is climate change mitigation, and future papers will more fully address climate change adaptation, water security, and ecosystem integrity and biodiversity conservation. SANBI suggest adding the following to the 5th paragraph on page 2 This paper focuses on the need for South Africa to mobilise the financial resources now to address this challenge, both for the benefit of its citizens and to meet its global obligations. <u>This iteration focuses on climate change mitigation, with future technical papers planned to fully address climate change adaptation, water security, ecosystem integrity and biodiversity conservation</u>	Noted, this will be considered for future work.
SANBI	Section 1.3 Treasury Approach	SANBI suggests adding the following to the 3rd paragraph on page 3 Fiscal allocations to support ecologically sustainable development through the Department of Environmental Affairs, Forestry and Fisheries are complemented with funding for public transport, clean energy and energy efficiency, water conservation and demand management. <u>South Africa has abundant ecological infrastructure, providing opportunities to support development and unlock economic potential. Because ecological infrastructure is largely free, its value is seldom captured in market transactions and we tend to under-invest in it. Like other public goods (such as education, health or street lights), investing in ecological infrastructure has positive spill-over effects. And as with other public goods, the public sector has a central role to play in ensuring optimal investment in ecological infrastructure.</u>	Noted, this suggestion has been included in the broader discussion on opportunities.

		Degraded ecological infrastructure leads to reduced capacity and lifespan of dams, increasing the cost of their maintenance. It also increases the risk of flooding. The result is damage to infrastructure such as roads and bridges, which may even be washed away. All of this poses a significant risk to people. It is usually more cost effective to restore the ecosystems concerned than to keep repairing or replacing the built infrastructure. Investing in ecological infrastructure enhances investments in built infrastructure.	
SANBI	Section 1.4 Objectives	It would be useful to acknowledge the relatively narrow scope of sustainable finance addressed by this technical paper (pg. 4 and 7) SANBI suggests the following addition to the 1st bullet on page 4: This paper aims to: • Define sustainable finance mainly related to climate change mitigation for all parts of the South African financial sector including banking, retirement funds, insurance, asset management and capital markets.	Agree we have amended the wording to be more specific that this paper is limited in scope.
SANBI	Section 1.5 Recommendations	SANBI suggest the addition of the following recommendation: J) The creation of a working group focused on enabling conditions [check wording] for sustainable finance, comprised of scientists, financiers and economists, to complement existing and other recommended working groups related to sustainable finance led by Treasury. South Africa's public and private finance sector is well-regarded and influential. But, in spite of two decades of efforts and numerous industry initiatives aimed at self-regulation (mentioned in the report) it remains a net contributor to unsustainable practices. A working group that includes scientists (such as ecologists), financiers and economists, focusing on the enabling conditions for sustainable finance [can we be more specific] could play an important and useful role. In the water sector the 'enabling environment' has to address why it remains so difficult to mobilise private and public finance not just for mega-infrastructure, but for activities with proven benefits in terms of water yields, drought resilience, flood mitigation and prevention of erosion. Projects conducting alien clearing, wetland rehabilitation, plugging leaks, riparian management and grey water recycling exist in South Africa, and have proven benefits, but continue to be viewed as "unbankable", niche, pilots, or donor funded (perhaps because they are perceived as low tech or "small" or the responsibility of the public sector). This bias, and screening out of these projects, has to be addressed if finance is going to create a truly sustainable economy. The EI4WS project is building the business case to demonstrate innovative financial solutions that addresses current barriers to investment in these initiatives and we hope that the opportunity identified in this report can accommodate this type of finance for a sustainable economy.	Agreed that a working group on enabling environment should be considered. The question of "bankability" must be viewed within the commercial and regulatory constraints of banks. Many banks are considering both the SDGs and climate change in their approach to financing and working individually and collectively to address critical infrastructure. Some of these projects will, however, remain with the realm of development finance institutions.

SANBI	Sections 1.1 and 1.2 and 10.7.1	SANBI suggest including more emphasis of investment in ecological infrastructure as an opportunity for exploring sustainable finance initiatives within the influence of Treasury, and currently under-emphasised in the report. The risk assessment sections are excellent but need to be complemented by the upside (beyond the "market opportunities" on page 11). The EI4WS project has elicited examples that show that particularly where the focus is on ecological infrastructure for services (such as water) there is considerable potential for cost savings on services, risk reduction and creating the type of work that unemployed people can access (as identified in Governments own Green Economy paper). eThekwini's Sihlanzimvelo Programme, for example, has saved the Metro's Storm Water Department money that was being spent on culvert and road repair, by investing in riparian stewardship with local communities. It remains an exception, however, in the way storm water budgets are allocated in most municipalities. It is these types of sustainable finance initiatives that are crucial in South Africa, within the influence of Treasury, and under-emphasised in the report. By emphasising the need for public and private finance to engage these opportunities, finance can contribute to inclusive growth and new local value chains. In general the paper could say more on the role of a sustainable economy in unlocking opportunities.	Agreed and we have expanded the section on opportunities, however the paper is from a financial stability mandate, not economic growth and opportunities- although these are benefits for those.
WWF South Africa	Proposal	The executive summary makes reference to guidelines for provincial medium-term expenditure frameworks (MTEF) and built environmental performance plans (BEPPs) for metropolitan municipalities with no supportive detail provided in the remainder of the paper. To this end, the paper should include a section outlining objectives related to the MTEF and BEPPs, and recommendations for the public sector more broadly, including state-owned enterprises (SOEs) and development finance institutions (DFIs) in particular.	These documents are available on the Treasury website but not the focus of this paper.
Life After Coal campaign (LAC) and 350 Africa.org	We note the definition of sustainable finance contained in the Draft Paper:	The proposed definition is missing a critical explicit reference to the lowering of harmful greenhouse gas emissions (which is an explicit objective of the Paris Agreement in addition to building climate resilience). In addition, the sustainable finance definition refers to the SDGs but not the Paris Agreement yet makes strong claims in relation to addressing and focusing on climate change. The following questions arise: Is the lack of reference to the Paris Agreement an omission or is such an approach a deliberate positioning? Of what use is the definition and taxonomy in promoting systemic level changes if the measures are largely voluntary? How will National Treasury hold the industry and regulators to account for creating a financial system that supports climate action and the SDGs?	The carbon tax objective is to lower greenhouse gas (GHG) emissions; the sustainable finance objective is to manage financial stability and risks. The Paris Agreement has been referenced in the report. The taxonomy working group is looking at social safeguards- linked to poverty and inequality.

		The adoption of and reference to the TCFD we suggests a focus on business and economic losses in the context of disclosure. Please indicate whether National Treasury and the working group have carefully considered the need to link risk analysis to poverty and inequality in South Africa and the extent to which this critical focus will drive ongoing work around the sustainable finance framework. We suggest that a specific focus on understanding the scale of the financing challenge and the elements included in "costing South Africa's transition" be a particular focus for one of the working groups. This would enable the framing of the finance challenge to be broader by enabling a system, programme and project level considerations that do not only focus on specific financing instruments aimed at "managing risk". More importantly, understanding the financing challenge results in the inclusion of different actors in public and private domains and from both mitigation and adaptation perspective. The Draft Paper indicates a definition of sustainable finance but continues to use sustainable and green finance interchangeably. Please explain the choice to do so and what that means for the definition given the difference between sustainable and green finance?	Costing of the transition is not within this paper's scope. We initially used the terms sustainable and green finance somewhat interchangeably- this has been amended to "sustainable finance"
Life After Coal campaign (LAC) and 350 Africa.org	The Role of Development Finance Institutions	The Draft Paper only mentions DFIs in relation to private equity and fails to acknowledge that the development finance interventions which government promoted, have struggled to achieve scale because of limited private sector support (e.g. Green Fund administered by DBSA, the international climate finance facilities administered by SANBI and DBSA on Adaptation Fund and the Green Climate Fund). It is not clear why DFIs are not referenced in the Draft Paper but some of our work in relation to the role of development finance in advancing sustainable development may be useful. Earlier this year, the CER, in collaboration with 350Africa.org launched an assessment of the investment policies of two South African development finance institutions and found that their investment policies did not meet international social, environmental and governance standards and were not being deployed to support a just transition towards a climate resilient future. Using the methodology of the Fair Finance Guide International and international research group Profundo, the study assessed the sustainable development and corporate social responsibility commitments of six development finance institutions (DFIs) around the globe against social, environmental, and governance standards in relation to specific themes and sectors. The report provided the results of the assessment in relation to the Industrial Development Corporation (IDC) and Development Bank of Southern Africa (DBSA), with particular emphasis on two themes: climate change and power generation.	Comment noted and the paper has been amended to make reference to Development Financial Institutions (DFIs). The DFI's are participating in the working groups that have been formed.

		To overcome the political limitations that public finance institutions would have in taking decisive action to phase out fossil fuel financing, 350Africa.org has at strategic moments called on the Finance minister, Tito Mboweni to insist that DBSA and IDC put in place measure measures to fully exclude fossil fuel loans and investments from their operations and to instead centre climate justice in their lending and investment choices.	
Conservation strategy tactics and insights	Infrastructure Financing is not adequately dealt with.	especially how investments in "ecological infrastructure" (EI) can extend the life and reduce operating costs of built infrastructure. Typical ESG safeguards are likely to be insufficient at identifying where infrastructure development compromises sustainability – and also where ecological infrastructure opportunities are that could be aligned with private infrastructure finance. Often a broad public benefit flows from these EI investments, which is very difficult to capture and monetise, thus proving hydrophobic to private finance.	Infrastructure financing is not directly within this paper's scope- please refer to Budget Facility for Infrastructure (BFI) and capital appraisal guidelines.
ZSF Exec summary		Starting the narrative with climate change minimises the impact of the paper. A broader approach would increase the relevance of the paper to South Africa's key national strategies. In line with UNEP FI's slogan1, there are two perspectives to sustainable finance: changing finance and financing change. o Financing change: the end goals need to be more clearly defined and linked to existing government goals both at an international level (the Addis Ababa Action Agenda, the SDGs, the Paris Agreement, the Convention on Biodiversity) and a local level (the NDP, the SIP, MTSF, green economy, IPAP, the climate change bill). o Changing finance: the end goals needs to be more clearly defined and linked to existing government goals related to the financial sector: the Financial Sector Charter, financial inclusion (Maya Declaration etc). They also need to take into account risks to the sector such as a whole such as stranded assets and other transition risks related to climate change. This will allow a more systemic approach to be taken and for South Africa to position itself as a centre for sustainable finance. These factors are all mentioned later on in the Technical Paper but the Executive Summary does not have this framing.	Noted, added to executive summary as well.
INTRODUCTION			
Commentator	**Section/Issue /Proposal**	**Comment/s**	**Response**
CFA Society South Africa	2.1 Aims & Objectives	The CFA Institute Standards of Professional Conduct require CFA charterholders to conduct appropriate research and investigation of all material information relevant to their investment analyses and portfolio management decisions, recommendations, or actions.	Noted, we encourage the CFA to continue this work

	9.6 Industry progress on Sustainable Finance 2.3 Environmental and social risk management in a global context. 2.4 Current measures to incorporate environmental and social risk in the global financial sector	• CFA Institute consistently monitors key debates and evolving issues concerning the role and application of environmental, social, and governance (ESG) information in the investment management process. More thorough consideration of ESG factors by financial professionals can improve the fundamental analysis they undertake and ultimately the investment choices they make. CFA Institute is specifically focused on the quality and comparability of the ESG information provided by corporate issuers and how to integrate various ESG factors into the investment selection process. • CFA therefore support better quality and more consistent ESG and sustainability disclosures. We believe that investors should have access to and consider material ESG information (including material climate related data) as such information can be an important component of a complete and thorough financial analysis for any actively managed fundamental investment portfolio. • CFA support the efforts of on Climate-related Financial Disclosures (TCFD) to increase transparency in the market around climate-related issues and support broader adoption of the TCFD recommendations. CFA Institute supports guidelines that identify detailed, yet flexible disclosure elements such as a specific set of climate-related disclosures. Both the TCFD recommendations and other existing reporting frameworks seek to increase consistency and quality of climate-related reporting.	
CFA Society South Africa	Section 2.5 South Africa's climate change response	CFA agree that the increasing physical impacts of climate change mean that it is an important E&S risk that financial institutions need to consider, both in their existing portfolios and in new financing and investment decisions and that without an accurate understanding of the E&S risks posed by climate change and adequate data, protecting existing assets or making strategic investments to promote more resilient societies will become increasingly difficult for financial institutions.	Noted
WRC	2.7 Government-led initiatives in sustainable finance	As an inclusive paper, presently it covers mostly the private financial sector. There is a gap in the public sector component. The objectives (page 7) do include this component. In the policy space there has been work done that can be included. The roles of public and private need to be clarified as well as how support and enabling environments can be created.	The paper has focussed on private sector climate risks from a financial stability mandate.
WRC	2.7 Government-led initiatives in sustainable finance	The public sector sections need to speak to their implementing arms as well as the transition between public and private sectors. The role of the private and public sectors can be strengthened and how they support each other. This requires an integrated and more holistic view for Treasury to understand where the key leverage points are for fiscal investment, and how these translate into improved and sustainable infrastructure and services.	Agree, this paper is focused on climate risks from a financial stability mandate. Broader Treasury work on climate change is undertaken across divisions.

	Regulatory requirements sections Conclusion		
WRC	2.7 Government led initiatives	The focus is primarily on carbon disclosure and climate change with regard to energy, little focus on other areas such as Water Footprinting and the role that it can play in directing sustainable financial investments	Refer to previous comments, this paper has a climate risk focus as the starting point.
SANBI	Section 2.5 Pg. 9-10 South Africa's Climate Response	SANBI suggest adding the following text to the 2nd paragraph on page 10 "…and physical threats to infrastructure. The National Climate Change Response (NCCR) White Paper (2011) sets out South Africa's response to these challenges, highlighting the importance of well-functioning ecosystems in helping society to adapt to climate change as well as supporting opportunities for adaptation to contribute towards broader development goals. Ecosystem-based adaptation (EbA) uses biodiversity and ecosystem services to help people adapt and build resilience to the adverse effects of climate change (CBD, 2009). EbA aims to maintain and increase the resilience and reduce the vulnerability of ecosystems and people in the face of the adverse effects of climate change and is most appropriately integrated into broader adaptation and development strategies (CBD, 2009). Drawing on the linkages between ecosystem services, climate change and biodiversity, EbA is recognised for its potential to support poor and rural communities who are more directly dependent on natural resources and ecosystem services in adapting to climate change. EbA interventions also have the potential to be relatively cost-effective and adaptive in the long-term when compared to other adaptation solutions that rely on engineering and hard infrastructure.	Noted and incorporated
SAVCA	Section 2.6 Barriers to investing in a more sustainable economy	SAVCA has comments on the remarks made in this section in relation to 1) shortages of early stage funding, 2) low availability of venture capital and 3) scarcity of private equity. 1) **Shortages of early stage funding** SAVCA agrees that there is a shortage of seed and start-up capital as well as Series B & C funding within the funding value chain, which is vital to improving the high growth SME funding ecosystem in South Africa. 2) **Low availability of venture capital** Venture capital is a nascent industry in South Africa with significant growth potential. According to the 2019 SAVCA Venture Capital Survey, venture capital had approximately R5.3bn of funds under management. The deal activity and investments made have significantly grown from R1.2bn in 2018 to R1.5bn in the 2019 report. Significant improvement to the start-up ecosystem and the policy landscape for venture capital funds is required to create additional availability of venture capital. SAVCA responded to the Finance Ministers Economic policy paper with a number of recommendations to catalyse growth for venture capital and private equity investment. Please find this paper attached.	Noted

		3) **Scarcity of private equity** SAVCA has over 130 private equity and venture capital fund managers with an excess of R175bn funds under management. Supporting the growth of institutional investors in the venture capital and private equity industry will lead to an increase in capital available to be invested in promising high growth companies and infrastructure projects, which would also benefit from the additional networks and skills within the manager to support its growth. SAVCA has seen positive growth in recent years with more professional investors supporting companies, but there are risks to these fund managers' sustainability without policy support. According to the 2017 Registrar of Pension Funds Report, South African Pension funds have an allocation of only 0.03% of funds under management to private equity (which is exceptionally low by developed and developing market standards), and no allocation to venture capital. SAVCA recently released a Regulation 28 position paper recommending that private equity be split from hedge funds within Regulation 28 and given a separate category. It was also recommended that the allocation for private equity should be increased incrementally from 10% to 15%. Please find attached SAVCA's position paper.	
WWF South Africa		The paper's audience needs to be clarified If the audience is financial sector regulators then recommendations on punitive measures for harmful environmental and social impacts should be included. This could be in the form of fines and/or taxes for lending or investing in areas that create excessive emissions, degrade landscapes and ecological infrastructure, do not meet waste management standards, and have negative impacts on food systems or negatively impact vulnerable people. Positive incentives for financial institutions rewarding environmentally and socially behavior, such as tax incentives should also be noted.	The audience of the paper is broad and not limited to financial regulators. Financial regulators were included in the working group which developed the paper. Recommendations in the paper include for the regulators to explore the feasibility of regulatory mechanisms. Tax recommendations are not within the scope of this paper.
WWF South Africa		The paper notes sustainability initiatives and frameworks currently under way in the SA financial sector. National Treasury's opinions on these frameworks and the specific frameworks it believes are best for each sub-sector would add weight to the standardization of frameworks and methodologies. The paper could be strengthened by aligning stakeholders around common frameworks such as • Insurers adopt the UN Principles of Sustainable Insurance; • Asset managers adopt the UN Principles of Responsible Investment and CRISA Codes; • Banking institutions adopt the UN Principles for Responsible Banking; • Publicly listed financial institutions should adopt TCFD.	Noted and referred to the working groups for consideration.
WWF South Africa		Globally there are 17 Sustainable Development Goals (SDGs) of which climate action (SDG 13) is only one. The South African lending, investment and insurance sectors are increasingly reporting and disclosure on performance to achieve all SDGs. The paper should reflect this and encourage reporting on the SDGs.	Noted and referred to the working groups for consideration.

WWF South Africa		To this end, the paper should also serve to bring the most pressing environmental and socio-economic risks into the spotlight for the financial sector. It is recommended that additional risks, including (but not limited to), food and water security; biodiversity and ecosystem degradation; waste management as well as health; livelihood; employment; poverty; inequality; and skill deficit risks be included in the paper.	Noted, paper amended.
WWF South Africa		The paper should also highlight the various co-benefits of integrating ESG risks into financial decision making and investments, such as reduced air and water pollution, and greenhouse gas (GHG) emissions, improved water and food security, improved resource use efficiency and reduced waste through a circular economy model; carbon sequestration, and health; livelihood; education and employment benefits - all of which carry significant economic benefits, either directly through increases in productivity and reduced prices, or indirectly through the avoidance of external costs.	Noted, this aspect is organically woven into the paper.
WWF South Africa		Consistent reference is made to environmental and social risks, but without acknowledging governance risks. Instead the paper should continually refer to all three ESG risks, since without good governance, the environmental and social aspects may not materialise.	Agreed, TCFD disclosures highlight the need for effective governance of ESG issues. There is also a reference in the paper to building capacity for this and ensuring "fit and proper" requirements are met by boards. The paper does not significantly engage governance in its broadest sense.
WWF South Africa		The paper refers to the need for a gradual transition to an inclusive and sustainable economy. There is significant evidence to suggest that we cannot afford a gradual transition and so the paper must reflect the urgency of the environmental crisis and reflect this as a need for a fast, but properly managed transition.	Noted and paper amended.
WWF South Africa	Section 2.5 South Africa's response to climate change	This section could be strengthened by explicitly identifying the various geophysical, socio-economic and transitional risks from climate change (and other environmental risks). For example, the impact of the recent drought, which almost led to Day Zero in the Western Cape. It would also be strengthened by broadening the scope of the impacts discussed to include health impacts, for example, and how those might translate into labour risks and reduced productivity. To this end, climate change could be reframed as a fundamentally socio-economic challenge rather than an exclusively environmental	Noted
WWF South Africa	Section 2.5 South Africa's response to climate change	Provide quantitative estimates of national budget allocations to various government departments, SOEs and specific finance instruments related to climate change (and other ESG risks) and/or a percentage of total budget allocation and impact of funding. This will assist in identifying the financing gap needed from the private sector to fund climate change adaptation and mitigation and identify whether South Africa's financial flows are in line with the Paris Agreement's Nationally Determined Contribution (NDC) and Low-emissions Development Strategy (LEDS).	Treasury currently do not track climate related expenditure but have started a process to develop a methodology to do so and pilot this in 2021. Refer to budget documentation for further information.

WWF South Africa	Section 2.5 South Africa's response to climate change	Expected revenue for the carbon tax and an outline of where the revenue will be invested would also strengthen the paper and provide more confidence in the tax itself.	Please refer to the carbon tax documentation available on the Treasury website.
WWF South Africa	Section 2.5 South Africa's response to climate change	The in-depth review of the Renewable Energy Independent Power Producers Programme (REIPPP) is welcome, but the paper should also consider identifying other green finance and development programmes outside of the energy sector	Noted, although not the focus of this paper, case studies are increasingly being made public.
ZSF introduction		2.1 – Aims and objectives • • Other global financial initiatives that South Africa has signed need to be included, for example the Addis Ababa Action Agenda2 and the Alliance for Financial Inclusion's Accords. • • One of the objectives is stated as 'enhance financial stability through better understanding of E&S factors, including the concept of a just transition' but this objective is not mentioned elsewhere in the document	Noted, please refer to the paper, this aspect is covered.
ZSF introduction		2.2 Approach • • The range of stakeholders consulted in the development of this report is too narrow because only regulators, policy makers and large industry associations were represented on National Treasury's sustainable finance working group. Finance is shifting and is increasingly being delivered outside of traditional channels such as retailers and although a small segment of the market, cooperative financial institutions (CFIs) are an important channel, as are informal savings groups such as Rotational Savings and Credit Associations, some of who are represented by the National Stokvel Association of South Africa3. • • Development Finance Institutions should have also been included since they play a critical role in working with the commercial sector and DFIs such as the DBSA have played a leading role in sustainable finance practices (E&S integration, E&S risk management) that the commercial sector can learn from. • Finally, civil society organisations, think tanks and academia have important contributions to make and should also be included in the stakeholder groups that are formally consulted. This was the approach taken by the EU's Technical Expert Group on Sustainable Finance4.	We have broadened the working groups since the release of the paper, and will have broader stakeholder consultations.

ZSF introduction		2.3 - Environmental and social risk management in a global context • The paper states that the following elements constitute a robust national sustainable finance framework: enabling environment, E&S risk management, sustainable and green finance flow o The enabling environment should be expanded to allow elements such as capacity and effective advocacy mechanisms to be included. o The following areas need to be added as constituents of a robust national sustainable finance framework: independent oversight, transparency and a system of reward and censure need to be added as well.	Noted, the paper makes reference to UNEP-FI elements. The point around capacity is included in the recommendations, and transparency is a key component of recommendation around disclosures.
ZSF introduction		2.5 – South Africa's climate change response • • The fact that a National Climate Finance Strategy is under development should be mentioned	Noted however this is not an extensive list, and this strategy is under development by DEFF
ZSF introduction		2.6 – Barriers to investing in a more sustainable economy • • The research quoted only focuses on environmental issues. The scope needs to be broadened to social and governance issues as well. For example, FinMark Trust publishes research on financial sustainability issues related to youth, women, innovation and MSMEs5. • • On a systemic level, the 'The Kay Review of UK equity markets and long-term decision making'6 is relevant in understanding the barriers in the investment field, which is relevant because of the dual listing of SA companies and London's role as an international financial centre.	Noted, however we have limited the scope and focus of this paper to make it manageable. Treasury has since released a paper on Financial Inclusion.
DEFINING SUSTAINABLE FINANCE			
Commentator	**Section/Issue /Proposal**	**Comment/s**	**Response**
BASA	3.1 Scope of Sustainable Finance	Definition: sustainable finance in the Technical Paper is defined as "Sustainable finance encompasses financial models, services, products, markets and ethical practices to deliver resilience and long-term value in each of the economic, environmental and social aspects and thereby contributing to the delivery of the sustainable development goals and climate resilience. This is achieved when the financial sector: Evaluates portfolio as well as transaction-level environmental and social risk exposure and opportunities, using science based methodologies and best practice norms; links these to products, activities and capital allocations; maximizes opportunities to mitigate risk and achieve benefits in each of the social and environmental and economic aspects; and contributes to the delivery of the sustainable development goals.".	Agree, the definition has been reworded

		The second paragraph of the definition seems to seek to narrow focus, which is predominantly on climate change. Sustainable Finance extends well beyond this definition. Although the definition makes mention of the Sustainable Development Goals (SDGs) and in turn the SDGs may address the broader aspects of sustainable finance, however, sustainability is not confined to the SDGs. The definition for "Sustainable Finance'' should be broadened to include all the other aspects of sustainable finance that aren't adequately addressed. For example, the European Union's defines sustainable finance as "finance to support economic growth while reducing pressures on the environment and taking into account social and governance aspects. Sustainable finance also encompasses transparency on risks related to ESG factors that may impact the financial system, and the mitigation of such risks through the appropriate governance of financial and corporate actors." This definition of sustainable finance is a broadly understood concept that can be linked to multiple frameworks and not limited to a single framework.	
BASA	Related definitions	Definition: The Technical Paper defines Environmental, social and governance (ESG) as "A term increasingly used by investors to refer to the type of risks assessed as part of responsible investment practices. Sustainable finance is used here as an overarching definition that incorporates this concept." Whilst Environmental and social (E&S) risk management is defined as "The integration of the consideration of E&S risks into governance and specifically risk management frameworks and systems of financial institutions and the active management and mitigation of those risk." The paper conflates these two concepts as both definitions primarily focuses on risk. Although the concepts are explicitly linked and equally important, a clear distinction between these terms should be made. The definition for Environmental, social and governance (ESG) should be broadened to allow for the consideration of, not just risks, but business opportunities as well. This may go some way in assisting regulators to adequately address specific industry gaps, and to ensure the development of a robust regulatory landscape in this regard.	Noted
BASA	Definition	Definition: The Technical Paper defines Green bonds as "… is a bond specifically earmarked to be used for climate and environmental projects. These bonds are typically asset-linked and backed by the issuer's balance sheet, and are also referred to as climate bonds. To promote integrity and overcome inconsistencies in definition and use of green bonds, a set of voluntary Green Bond Principles were adopted by the International Capital Markets Association in 2018." This definition of Green Bonds suggests that all Green Bonds are Climate Bonds. This is not the case as Climate Bonds are a subset of Green Bonds, which may also include other areas such as, natural resource conservation, blue economy, biodiversity conservation, pollution prevention and control, transport, infrastructure, social bonds etc. In section 3.3 the paper mentions Green, Social and Climate bonds, thus inferring a difference.	Agreed and amended

CFA Society South Africa	Section 3.1 Scope of sustainable finance	CFA believe that companies should provide detailed disclosures in relation to all material and other significant ESG related matters. These will be different for each industry and may even be different for companies in the same industry based on many unique factors (company size, product mix, company lifecycle, regulatory and reporting framework, company strategy, etc.).	Noted
		CFA therefore see the following as some of the potential benefits of climate-related disclosures: • Better understanding of the exposure of a company's operations to physical and transition risks related to climate change • Inclusion in actively managed investment portfolios and in sustainability-focused indices, used for passive investment strategies. • Climate-related disclosures used to improve credit ratings for bond issuance and credit worthiness assessment for bank loans. • Reduced friction in investor engagement and shareholder action and voting. We have found that investors typically see the need to focus attention on the first bullet point in this list, understanding that the other items listed will follow when investors have the information, they need to adequately manage all ESG risks, including climate-related risks. Investors consistently tell us that the main drivers of ESG integration in the investment process are risk management and client demand, but that the main challenge is a lack of consistent, verifiable and comparable ESG data. CFA Institute strongly supports the disclosure of all material ESG factors and encourages companies to adopt a recognized framework to enable investors and stakeholders alike to properly evaluate material ESG risks, including climate related risks. The CFA Institute agrees that companies should disclose material key performance indicators related to all ESG issues including climate change KPIs. Several frameworks exist in this field. We support the NT's efforts to improve the quality and consistency of disclosures around climate change and related data. Such data can allow investors increased awareness and understanding of a company's climate risks, risk management, and related strategic planning.	
WRC	3.1 Scope of sustainable finance	The paper adequately captures environmental and social aspects and defines ESG. However, the governance component seems to be neglected in addressing the challenges and opportunities linked to not only providing sustainable finance but also ensuring that it can be accessed. There has been work done in this space that can be included.	Noted, however we have limited the scope and focus of this paper to make it manageable.
ZSF	Section 3.2 Related definitions	• The definition of sustainable finance should mention financial stability. 3.2 - Related definitions • Should include 'economic impact' since this is a metric used by public sector financiers and is a key tool in understanding the overall sustainability contribution of a particular project or programme, irrespective of the source of finance.	The definition of Sustainable Finance has been amended.

WRC	3.3/3.5 Green Bonds	The inclusion of water bonds, not only green bonds, specifically is needed. A number of countries are looking at water bonds to support projects linked to industrial water efficiency, reuse, catchment and watershed restoration, including large scale supply infrastructure development. These are meant to support and provide financial assistance to corporate, municipal and cities for infrastructure, water systems, manufacturing maximising sustainability and environmental factors.	Noted, this section has been broadened to include other opportunities.
ZSF	Section 3.3 Green Bonds: New Source of Finance	3.3 – Green bonds: new sources of finance • • The title should be sustainability bonds, in line with the topic of the paper. Green bonds can be included as a sub-topic.	Noted, this section has been broadened to include other opportunities.
JSE		With respect to the definition of sustainable finance, it is important to note that there is a direct relationship between 'green finance' and 'sustainable finance'– the former enables the realisation of the objectives of the latter. JSE proposes that the definition of sustainable finance should encompass tenets of green finance, as provided for in other jurisdictions, for instance the European Union.	Noted
SANBI	Scope of sustainable finance	SANBI suggest adding the following text to the 1st and second bullet on page 17 The immediate practical priorities and focus areas for the South African financial sector include the following: • The importance of managing an emerging set of E&S risks and impacts, specifically including those related to climate change and ecological degradation The risks and challenges posed by climate change and the degradation of ecological infrastructure and the role of the financial sector to respond to these. The issues around desertification, alien invasive infestations and soil erosion, etc., should be captured within the practical priorities and focal areas for the South African financial sector to consider. Degraded ecological infrastructure leads to reduced capacity and lifespan of dams, increasing the cost of their maintenance. It also increases the risk of flooding. The result is damage to infrastructure such as roads and bridges, which may even be washed away. All of this poses a significant risk to people. It is usually more cost effective to restore the ecosystems concerned than to keep repairing or replacing the built infrastructure. Investing in ecological infrastructure enhances investments in built infrastructure.	Noted, Treasury will start with climate change as immediate practical priority.
WWF South Africa		The proposed definition of sustainable finance is welcome; however, it could be strengthened by acknowledging the delivery of a circular economy or improved resource use efficiency, in addition to delivering SDGs and climate resilience (which is assumed to include mitigation and adaptation). The recognition of the need to shift to a low carbon and resource efficient economy in this definition is essential and should be sustained throughout the document for example in section 10.7.1 transition to a low carbon and resource efficient economy. In light of the	Agree, definition has been amended.

		tremendous predicted impact of climate change on water availability in South Africa it is also critical to budget for and encourage a transition to a more water efficient system.	
WWF South Africa		In terms of the scope of sustainable finance, it is suggested that an analysis of the current capital allocation to unsustainable pathways (such as direct and indirect fossil fuel subsidies) is included here and a clear strategy for reallocating such capital in line with South Africa's NDC and LEDS is outlined.	Noted, Treasury tax policy unit is considering this.
WWF South Africa		The broad and inclusive scope of sustainable finance should also be extended to include public sector actors and development finance institutions.	Agreed, paper amended
WWF South Africa		The immediate priorities for the South African financial sector should be expanded to include risks and challenges posed by ecosystem degradation, water scarcity, biodiversity loss and unemployment in addition to climate change Other social and environmental issues that should be considered include reducing waste and pollution; protecting marine ecosystems; poverty alleviation; skills development and inequality reduction.	Noted,
WWF South Africa		In addition to Green Bonds (section 3.3) there are several other green finance solutions and mechanisms that could be discussed, such as blended finance, impact investment and tax incentives, amongst others. WWF and its partners have expertise in these areas and will welcome the opportunity to engage with National Treasury on how to crowd in more finance into sustainable sectors.	Agree, paper amended
Conservation strategy tactics and insights		Treasury would do well to rename the technical paper as "Financing a Sustainable Economy: Climate Change Mitigation", and suggest that other papers will follow dealing with other aspects.	Noted, however we are building on this paper and the work taken to finalise it.
ZSF	3.4 International trends	3.4 – International trends • • This section should mention the fact that the financial sector is influence by international trends related to the financial sector itself and to other, so-called 'real' sectors. For example, in developing a responsible lending policy, a bank would have to know about responsible fishing standards such as Marine Stewardship Council (MSC) or Aquaculture Stewardship Council (ASC) or sustainable agriculture standards such as 'Fair Trade' or the Rainforest Alliance. • • While this section cannot provide an exhaustive list of voluntary international standards related to the financial sector, it needs to be a lot more complete. Standards to list here include the following:	Noted, elements have been incorporated in to the paper. Treasury has since released a paper on Financial Inclusion.

		o Biodiversity: Natural Capital Declaration, Sustainable Blue Economy Finance Principles, The Poseidon principles. o Accounting and Disclosure, Sustainability Accounting Standards Board (for financial institutions), Asset Owners Disclosure Project. o Lending and Debt: Principles for Debt Transparency, Principles for stable capital flows and fair debt. o Financial inclusion: Maya Declaration (and associated accords: Sasana Accord on evidence-based financial inclusion, Maputo Accord on SME financing, Denerau Action Plan on gender and women's financial inclusion, Sharm El Sheikh Accord on financial inclusion, climate change and green finance, Sochi Accord on fintech for financial inclusion) • In addition, it is important to mention that not all standards are created equal. A credible standard should have the following characteristics: Objective and achievable: based on a scientific approach to identifying issues o Multi-stakeholder process: developed and maintained through a process of ongoing consultation with relevant stakeholders o Encourages continual improvement: in procedures and in standards that are required (including meaningful targets). o Third party independent verification: defined and rigorous assessment procedures which avoid conflicts of interest and are compliant with ISO guidance on accreditation and verification procedures.	These will be considered by the working groups in their proposals
OVERVIEW OF DEVELOPMENTS WITHIN THE SOUTH AFRICAN FINANCIAL SECTOR			
Commentator	**Section/Issue /Proposal**	**Comment/s**	**Response**
CFA Society South Africa	Section 4.1.2	CFA note the key regulation governing retirement funds is Regulation 28 which requires funds to consider all types of risks affecting their investments, including ESG risks.	Noted
WRC	4.1 Drivers of change	The drivers of change (pg 20) does not include the role of government and the broader policy umbrella.	The broader policy umbrella has been included in the introduction. Within each sector of the report the relevant legislative and regulatory requirements have been discussed, which we

			consider part of the role of government.
WRC	4.1Voluntary Action by Financial Institutions	The water risks are considered only from a climate change perspective however there may be issues that are not climate driven and need to be included. The paper does not include sufficient work done in relation to water risks. There is water risk and economic work and research that has been done that can be included. The issue of water quality is missing. Recommended to include models of water foot-printing and quantification as above. Also to be included is investing in Ecological Restoration to maintain healthy ecosystems that deliver benefits. This has been highlighted in the Draft National Water Resource Strategy 3.	Yes the initial focus is on climate risk. Other issues will be considered, and we have tried to reference these throughout the paper.
WWF South Africa	Section 4.1 Drivers of change	In addition to climate change (within context of sustainable or green finance) there are also voluntary initiatives related to biodiversity. An example is the Biodiversity Disclosure Project coordinated by Endangered Wildlife Trust in which companies provide disclosure on biodiversity. Globally there are significant efforts underway to integrate biodiversity risks into financial institutions. The paper would be strengthened by identifying such voluntary programmes, both in South Africa and internationally.	Noted.
WWF South Africa		The private financial sector in South Africa has traditionally been the leader in designing and implementing voluntary initiatives. There is a key role for the regulator to create an enabling environment to support existing initiatives and create incentives to upscale efforts for industry wide adoption (of voluntary initiatives) at speed.	Noted
WWF South Africa	Section 4	The paper could be strengthened by identifying and possibly outlining an overarching regulatory and policy framework for transitioning voluntary initiatives into mandatory regulations, with clearly defined penalties for non-compliance and incentives for positive environmental and social performance.	Noted, the paper recommends the regulators do further analysis on the feasibility of regulatory instruments.
CFA	Section 4.1 Drivers of Change 4.1.3Voluntary action by financial institutions	As a society, members agree that this type of voluntary disclosure model forms a reasonable basis for reporting around climate-related issues and could be used as a framework for other ESG-related disclosures. We support that the provision of an option of reporting regimes is provided which gives companies the flexibility to disclose the climate data that they feel works best for them while still ensuring base minimum disclosures. Through such a model we would expect issuers and investors to engage with one another to come to an agreement on which data best fits that issuers current circumstances without the need of a one-size-fits-all regulatory system in place. The CFA Institute supports guidelines that identify detailed, yet flexible disclosure elements such as a specific set of climate-related disclosures. Both the TCFD recommendations and other existing reporting frameworks seek to increase consistency and quality of climate-related reporting.	Noted.

		CFA feel that companies should be encouraged to disclose information in accordance with one or more of the globally-accepted, sustainability reporting frameworks to maximise comparability of material climate data for their investors and stakeholders.	
ZSF	Overview of developmen t in SA fin sector	4.1 Drivers of change • • The statement "Sustainable finance initiatives in South Africa have taken two distinct forms: those that are driven by government or regulators through regulation and those that have been led by industry" should be expanded because it would be more informative to have a discussion in this section of the drivers of change towards sustainable finance by regulators and industry, and whether these are viewed as 'push' or 'pull' factors. For example, it can be argued that the initial adoption of the PRI by asset managers was as a result of the requirement by the PIC that asset managers they use be PRI signatories; that the inclusion of RE in banks and insurers portfolios was a result of the government's REIPPP programme rather than shareholders demanding a larger clean energy portfolio; that the adoption of the Equator Principles by South Africa's four largest banks during the 2000s was because it became a license to do business in sectors such as mining. • This also provides space for sustainable finance innovations that do not come from the financial sector industry such as fintech platforms which have allowed greater financial inclusion, particularly for SMMEs	Noted
WRC	All sectors	There is a focus on creating NEW economic opportunities for environment and social. While some new financing mechanisms and opportunities are needed, a transition from traditional approaches and investments must also be a focus.	Agree
BANKING			
Commentator	**Section/Issue /Proposal**	**Comment/s**	**Response**
BASA	5.8 Banks' Progress on Sustainable or Green Finance	Concern: The paper seems to limit green finance/sustainable finance to bonds. Besides from bonds there is no reference to other sustainable finance instruments. . By way of example, green/sustainable finance loans account for more than such bonds, yet these have not been mentioned. Recommendation: The paper should recognize the development of various sustainable finance products such as the Sustainable Linked Loan (SLL). The SLL market needs to be promoted within South Africa. Introduced in 2016, the SLL market has grown from zero in 2016 to more than US$ 100 billion. SLL's provide an effective structure that promotes borrowers/ companies/financial institutions to meet their SDG goals and hence a	Agreed, paper amended to include other sustainable finance instrument, although not exhaustive.

		powerful sustainable financing instrument. In 2019, Motus Ltd (JSE Listed) was the first South African company to take up an SLL loan.	
BASA	5.10 Banking Specific recommendations	Concern: As previously highlighted, sustainable finance and climate change risk seems to be conflated, as sustainable finance is limited to climate risk. Moreover, the Paper does not explain the details of these recommendations and how they will be implemented. Recommendation The current recommendations will not necessarily drive the uptake of sustainable finance products. Investor mandates together with tax incentives, for both the financial sector and private stakeholders, need to be included in the discussion.	Noted, this paper is the starting point. Tax incentives are discussed in separate processes. The implementation of recommendations is to be determined with the sector and regulators through the development of an Action Plan.
Just Share	Section 5	In South Africa, however, while there has been some progress on disclosure, it is clear that the financial sector does not yet fully comprehend the material financial risks posed by climate change. At least part of the reason for this is poor disclosure. The sustainability and climate-related disclosures made by South African financial institutions in their public reports are currently inconsistent, incomplete, and sometimes misleading. The information provided is not verified or comparable. Requiring all financial institutions to report in terms of the Recommendations of the TCFD would be a quick and useful start to driving progress towards comparability of disclosures, and allow stakeholders the ability to assess the climate-related risks faced by these institutions much more comprehensively than they are able to do now. Perhaps most importantly, it would require these institutions themselves to develop a deeper understanding of the sustainability risks that they face, and the risks that they are exacerbating by failing to align their lending practices with a low-carbon, sustainable economy. For example: South African banks provided extensive information to stakeholders about their investment in and lending to renewable energy. Information about their investment in and lending to fossil fuels, however, is almost entirely absent. This selective disclosure presents a skewed picture of risk which makes it difficult for regulators, shareholders and customers to understand the extent to which these institutions are exposed to climate risk. Put simply: until South African financial institutions are legally required to provide comprehensive, audited climate risk-related disclosures, it will be impossible to accurately assess the risks posed to the economy by climate change. As a result, it will be impossible to “deliver resilience and long-term value in each of the economic, environmental and social aspects and thereby contributing to	Noted- disclosures is a recommendation and- noting there are also costs to disclosure and data requirements and the mandates and capacity of regulators to regulate this.

		the delivery of the sustainable development goals and climate resilience" as envisioned in the Draft Technical Paper's definition of sustainable finance.	
SANBI	Section 5.10 Banking specific recommendations	SANBI suggest adding the following text to bullet 1 on page 28; and bullet one on page 29 Engage with banks on a set of minimum requirements for sustainable finance, including long-term climate and biodiversity-related strategies, … Banks to: • Fast track implementation strategies for the international standards listed in Table 3, which address both climate change mitigation and adaptation, biodiversity conservation and the SDGs. It would be useful to encourage the banking sector to engage with a broader range of sustainability issues than just climate change mitigation, including biodiversity conservation, both in relation to its link to climate change adaptation and in view of South Africa's position as a megadiverse country reliant on its natural resources.	Agreed, paper amended.
WWF South Africa	Section 5.6 International trends	In addition to coverage and examples cited in the paper, global efforts to standardize disclosure of ESG risks are included in the Global Reporting Initiative and Sustainable Accounting Standards Board. It is recommended that a review of the ESG elements of these be included in the paper to inform the recommendations	Noted, this can be undertaken by the working group to take forward the recommendation on disclosures.
WWF South Africa	Section 5.7 Banking sector approach to sustainability	WWF agrees with the conclusion on the need to build capacity of front line staff in banks on ESG risk assessment, specifically integrating ESG risks into the current risk management framework and policy. Some sectors are more advanced with regards to capacity and knowledge, and the finance sector can learn from them. For example, in the agricultural sector ESG risks are integrated into production risk assessments within existing credit risk assessments via expert judgement done by frontline staff.	Noted
WWF South Africa		ESG risk integration is a relatively new and evolving area of expertise. Peer-to-peer learning, using a case study approach, will be extremely valuable and should be facilitated by the Banking Association of South Africa's (BASA) Sustainable Finance Committee which has first-hand knowledge of key gaps in capacity.	Noted
WWF South Africa	Section 5.8 Banks' progress on sustainable or green finance	There are several sustainable or green finance solutions in addition to green bonds as referred to in document for commercial banks. Examples include: Concessionary finance provided by DFIs using blended finance solutions. Two South African example include: (1) the Land Bank Credit Line for climate change adaptation, which is funded by the European Union, and (2) the Development Bank of Southern Africa's (DBSA) Climate Finance	Agree and included in the paper.

		Facility, which is funded by the Green Climate Fund. Commercial banks are, in most cases, unable to access international sources of concessionary finance. Therefore, South Africa's DFIs will likely play a key role in designing blended finance solutions and accessing these concessionary finance sources, with National Treasury acting as facilitator to scale climate, water, biodiversity and waste positive investment.	
WWF South Africa		Nedbank's Revolving Green Credit line is a good example of a private sector green financial solution. WWF has a long standing partnership with Nedbank and has worked closely with them on this initiative. WWF is also a partner with DBSA on the CFF and as such we are able to share our learnings on best practice in integrating environmental and social risks into lending decision making.	Noted, further engagements will be held
WWF South Africa	Section 5.10 Bank specific recommendations	Integrate climate-related factors (increased risk of floods, droughts and fires) into financial decision-making, by encouraging the adoption of analytical tools and frameworks.	This is addressed in item 2.4. as it is not unique to banks
WWF South Africa		Improve learning on climate change policy by private banks from the Central Banks (SARB) and Supervisors Network for Greening the Financial System.	Noted, this is broadly included in the recommendation to build capacity.
		Embed prioritisation of financial risks from climate change (and other ESG risks) in governance arrangements and risk management practices including increasing awareness of the importance of avoiding negative impacts on ecological infrastructure which buffer the impacts of climate change;.	Agreed- This is covered by the TCFD disclosure recommendation.
WWF South Africa		Use long-term scenario analysis which include environmental, social and governance impacts to inform strategy settings and risk identification and assessment.	Agreed- This is covered by the TCFD disclosure recommendation.
WWF South Africa		Develop an agreed standardised approach for disclosure on financial risks from climate change (and other ESG risks) that should include disclosure in the SARB's semi-annual financial stability review report. For example, there has been ad-hoc disclosure by insurance companies related to climate risk and financial stability in the review report.	Agreed- This is covered by the TCFD disclosure recommendation.
WWF South Africa		National Treasury, together with other government departments, needs to investigate international grant funding availability to provide technical assistance for building banks' capacity. At present, most banks outsource and pay external consultants to complete scenario analyses related to climate change in general and, in particular, for TFCD. A key barrier for implementation is the high cost required for external consultants to do scenario analysis on TFCD. It is difficult for banks to motivate internally for costs to be spent on climate change scenario analysis by external consultants during a period of cost-cutting in the current depressed macro-economic environment.	Noted, this should be addressed in the working groups and by the sector associations.
ZSF	Banking	5.4- Governing legislative framework	Agree, paper amended

		• • What about the Financial Services Charter and the Financial Intelligence Centre Act? These are important pieces of legislation in terms of addressing two important sustainability issues in the country: social sustainability and corruption.	
ZSF	Banking	International trends- Other DFIs, including the DBSA and the AfDB in which the SA government has a shareholding, have frameworks for evaluation and reporting of E&S risk.	Noted
ZSF	Banking	5.10 – Banking-specific recommendations • Do not reinvent the wheel: there are already many good standards that can form the basis of South Africa's standards. Apart from avoiding unnecessary duplication, it makes it easier for South African banks to operation internationally using commonly understand approaches to sustainability issues. (A fact to consider is that the challenge being faced by green taxonomies need to be avoided: there are already many green taxonomies in existence and China and the EU have recognised the need to harmonise them.) o Significant focus should be paid to developing the common principles for any standard9: Objective and achievable, multi-stakeholder process, encourages continual improvement, third party independent verification. • The recommendations should tie in with government's broader strategic plans. This is of course a wide remit so that paper could focus on one sector first, such as the energy sector (addressing financial sector responses to access, climate change and affordability) and use that as a blueprint to work on other sectors.	Agreed, the working groups are adapting international standards where possible- for example using TCFD, and international taxonomy work. The financial sector has focused on the energy sector through renewable investments
RETIREMENT FUNDS			
Commentator	**Section/Issue /Proposal**	**Comment/s**	**Response**
CFA Society South Africa	Section 6 Retirement funds (all sub-sections 6.1-6.8)	CFA support the recommendations outlined in Section 6.8 and in particular wish to highlight the below: CFA believe that in order to ensure the necessary focus of the E & S factors, a more holistic and concerted effort needs to be made to ensure this regulation is amended to ensure the required disclosures and considerations are duly considered. There should be an important balance between the retirement fund's innate responsibilities vs the responsibilities of the fund's service providers in terms of addressing the sustainability risks. CFA believe as far as possible these responsibilities should be identified and accountability isolated as opposed to the pure reliance on discretion over how ESG integration is affected.	The action plan will have timelines and more details.

		CFA also believe a clear timeline should be set in terms of which the FSCA will be working with National Treasury to develop the strategic framework indicated in the technical paper draft. CFA believe that the National Treasury working group should be prioritising these engagements to ensure regulatory shifts occur to achieve the correct balance. In our opinion in the absence of this the achievement of the objectives in this paper and notably the recommendations under point 6.8 will be very slow. The priorities in this regard should include the following: • **Value chain responsibilities:** There should be a specific requirement to elaborate on responsibilities at the retirement fund in respect of ensuring the role retirement funds play in achieving a sustainable economy for example: o Who in particular at the Retirement Fund is responsible for setting targets in this regard? o How are impacts monitored? o What are the responsibilities of service providers (especially asset managers) vs the funds themselves? • **Investment policy statements:** there should be explicit requirement for the specific inclusion of the ESG policy/goals. • **Trustee education:** there should be explicit requirement for the custodians of retirement funds (namely trustees) to be trained in the required understanding of the effects of climate change on the fund's investments and the financial implications. We fully support that a climate risk management capability in 'Fit-and-Proper' requirements for all trustees, directors and executives, be included. • **Defining performance objectives and time horizon:** Retirement funds need to embrace the importance of longer investment horizons in terms of a sustainable impact objective. This will require a greater focus on defining clear impact objectives over and above economic return objectives. Emphasis will also be required on standardised measurement criteria and developing objective methods in this regard. • **Enabling greater allocations to investments which foster a sustainable economy:** To the extent existing regulations are constraining the allocations, Regulation 28 should also be amended to enable for retirement funds to increase their investment allocation to assets that advance a sustainable economy – this will include a greater allocation to unlisted assets and private equity.	

IRFA	Section 6.1 Retirement Finance Sector Overview	IRFA are of the view that conceptually retirement funds must be viewed as falling in the demand side of the market and the other institutions discussed in this paper are on the supply side of the market. Their role as providers of capital is significant but the sector is not homogenous and a more detailed analysis of the sector's components would be of assistance in developing regulatory tools to encourage and/or force investment practices (purchasing financial products) that contribute to sustainable investment and financing practices. The number of active retirement funds registered in terms of the Pension Funds Act 1956 (the funds) is much lower than shown in the paper. Based on information available on the Financial Sector Conduct Authority's (the FSCA) website, as at 27 June 2020, the number of active funds are 1475 and inactive/terminating/queries funds 3585. Assets of the active funds amount to R2 610.77 billion and that of the inactive funds to R31.07 billon. High levels of concentration also complicate the sector's investment practices as many of the biggest asset owners may also be a product of an insurer or investment manager who would use the retirement fund as a distribution channel for products. The 10 largest funds by asset size represent 31% of total assets (R807 613 488 407). A summary of the types of retirement funds registered by the FSCA are:	Noted, will request FSCA to provide the latest published information.

Type of Fund	Asset Value (R Billion)	Number of Active Registered Funds
Provident Funds (Single Employer)	R 180.6	404
Pension Funds (Single Employer)	R 638,1	421
Retirement Annuity	R 534.3	62
Provident Preservation Funds	R 92.3	79
Pension Preservation Funds	R 123.9	71
Umbrella Provident Funds (Multi-Employer)	R 488.6	246

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<tr><td>Umbrella Pension Fund (Multi-Employer)</td><td>R 552.7</td><td>192</td></tr>
<tr><td>Total</td><td>R 2 611</td><td>1475</td></tr>
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Each of the types of funds listed above have unique characteristics as far as design are concerned which impact on how they invest and the types of investment practices that will be developed based on the needs of the various stakeholders.
High levels of concentration on the supply side where the funds in many instances purchase investment products also means that investment decisions are highly influenced by the products available to them. The value of assets managed by fund managers is concentrated in the 10 managers as illustrated below the last page of the comments matrix (figure 1). If there is no market action to balance the spread of assets across the fund managers in the market, you will remain with ideas of 10 fund managers who have relatively little room to be agile in finding investable sustainability opportunities because of their size.
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<td>IRFA</td>
<td>Section 6.2 Governance Legislative Framework</td>
<td>IRFA are also of the view that the introduction of the Conduct of Financial Institutions Act will provide for a regulatory environment that will be more agile and provide opportunities to encourage sustainable investment practices from both the demand and supply side.</td>
<td>Noted</td>
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<td>IRFA</td>
<td>Section 6.3 Regulatory Requirements to Address Sustainability Risks</td>
<td>The development of a taxonomy to be used by all participants discussed in this paper will assist funds to understand the reporting and marketing material provided by suppliers on the demand side. Alignment with international standards is also encouraged to allow for foreign products to be understood.
Regulation 28 needs to be reviewed to more actively encourage sustainable investment practice and voluntary guides such as CRISA are supported as tools for funds to develop sustainable investment practices.</td>
<td>Agreed</td>
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<td>IRFA</td>
<td>Section 6.5 Sector Approach to Sustainability</td>
<td>Content noted, however there is a better understanding of the purchasing decisions based on the structure of the market will allow for more initiatives to encourage sustainable investment practices.</td>
<td>Noted</td>
</tr>
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<td>IRFA</td>
<td>Section 6.6 Industry Progress on Green or Sustainable Finance</td>
<td>Content noted, take-up of green or sustainable finance is most likely influenced by a lack of understanding when making purchasing decisions.</td>
<td>Noted</td>
</tr>
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IRFA	Section 6.7 Challenges	Noted and supported. Further work on in segmenting the market and developing guides, regulatory tools and a taxonomy understood by all the market participants.	Noted
IRFA	Section 6.8 Retirement Sector Recommendations	Content noted and supported, especially the development of a technical working group which also includes a careful analysis of the structure of the market.	Noted
Just Share	Section 6	The Draft Technical Paper states that "retirement funds are fundamentally long-term investors on behalf of their members" and that "they are particularly vulnerable to climate change risk, and the risk posed by investing in stranded assets". Furthermore, the boards of retirement funds have a legal duty to consider climate change when making investment decisions. This legal duty is clearly set out in the legal opinion commissioned by Just Share and Client Earth, which has also been attached: https://justshare.org.za/wp-content/uploads/2019/04/2019_Pension-fund-legal-opinion-by-Fasken.pdf	Noted
Just Share	Section 6	The focus of the Draft Technical Paper on guidance notes, training and voluntary initiatives is, in our view, likely to perpetuate the lack of action by pension fund trustees. In the almost 10 years since Regulation 28 was promulgated, there has been scant progress by pension funds in integrating ESG factors into their investment mandates, and there are only a handful of funds in the country which evidence real understanding of climate risk. This is despite the existence of Regulation 28, and a plethora of ESG training courses for trustees.	Noted, the paper does make recommendations for the regulators to explore the feasibility of regulatory instruments.
Just Share	Section 6 Recommendations	Just Share strongly supports the recommendation of the Draft Technical Paper to include climate risk management capability in the "Fit-and-Proper" requirements for trustees, directors and executives.	Noted
Just Share	Section 6	Furthermore, we believe that it is essential that sustainable finance and ESG integration become a core part of the curricula for finance and financial management degrees at all South African tertiary institutions. It is extraordinary, given the systemic, material financial risks posed by environmental and social issues that affect the entire globe, that tertiary financial qualifications often do not include these subjects at all.	Noted
Just Share	Section 6	Just Share recommends the following urgent steps to be taken in relation to retirement funds: • Every pension fund board to be required to adopt and make publicly available a responsible investment policy, which includes specific information on the fund's understanding of climate risk, and how the board manages it.	Noted, this is also linked to the Guidance Note issued by the FSCA.

		• Every pension fund board be required to publicly disclose information on how it mandates and monitors the decision-making of its investment managers in implementation of its responsible investment policy. • Every pension fund board be required to conduct an assessment of the carbon footprint of the fund's portfolio, and the identification of assets which are vulnerable to climate risk, and those which can make a contribution to the just transition to a low-carbon economy.	
SANBI	International trends	SANBI suggest adding the following text to the 1st paragraph on page 31 From a policy perspective, there is a desire to harness the financial weight of institutional investors to support global accords such as the Paris Agreement, the Convention on Biological Diversity and the Sustainable Development Goals	Agreed, paper amended
SAVCA	Section 6.3-6.9 Regulatory requirements to assess sustainability risk	Whilst SAVCA agrees that pension funds should consider environmental and social issues as set out in Regulation 28, we note that CRISA is more appropriate for the listed market. Unlisted guidance, developed by international Development Finance Institutions (DFIs) such as the IFC's Operating Principles for Impact Management, CDC toolkit, etc. are often more appropriate for the unlisted investments in a pension fund portfolio. SAVCA supports the education of pension fund trustees to be able to implement and continuously monitor E&SG frameworks. Given the depth of knowledge and experience by international DFIs in the E&SG space, it is recommended that DFIs, amongst others, supports the South African pension funds industry with developing standard measurement and management tools for E&SG for the industry.	Noted, DFI's have been included in the working groups going forward.
WWF South Africa		Retirement funds should adhere to the ESG recommendations as set out in Regulation 28 of the Pension Funds Act. Punitive measures should be outlined for failure to adhere to the ESG requirements of the act should be enforced. This will help shift retirement fund assets away from unsustainable assets towards sustainable assets.	Noted, the paper does make recommendations for the regulators to explore the feasibility of regulatory instruments.
WWF South Africa		A strategy needs to be developed for minimizing potential risks of existing pension investments that risk becoming stranded assets through the just transition to a low-carbon economy.	Noted, this is for pension funds to address as part of their risk management processes
WWF South Africa		The voluntary principals of CRISA should be made mandatory and the paper would be strengthened by outlining a regulatory framework for doing so.	Noted, the paper does make recommendations for the regulators to explore the feasibility of regulatory instruments
ZSF	Retirement funds, CIS and PE	The structural issues in the equity and debt markets that impede sustainable investing need to be addressed. Many of these issues are not unique to South Africa, as evidenced by the findings of the 2012 ''Kay Review of UK equity markets and long-term decision making"10.	Noted, most of these recommendations are aligned to the recommendations in the paper. The

	recommendations	Recommendations from the Kay Review that are also relevant to South Africa include: o the development of 'good practice standards' along all the value chain, especially asset manager and asset consultants. o the introduction of long-term incentive must be introduced as reward mechanisms for asset managers o Greater transparency in the sustainability characteristics of investee companies needs to be provided to all investors o The establishment of an 'Investor Forum' to facilitate collective engagement by investors	paper does not address structural market issues.
COLLECTIVE INVESTMENT SCHEME(SECURITIES AND HEDGE FUNDS)			
Commentator	**Section/Issue /Proposal**	**Comment/s**	**Response**
CFA Society South Africa	Section 7.5 Industry progress on sustainable finance	It will often take engagement between issuers and investors and stakeholders to settle on which disclosures are most appropriate. We therefore see the following as some of the potential benefits of climate-related disclosures: • Better understanding of the exposure of a company's operations to physical and transition risks related to climate change • Inclusion in actively managed investment portfolios and in sustainability-focused indices, used for passive investment strategies. • Climate-related disclosures used to improve credit ratings for bond issuance and credit worthiness assessment for bank loans. • Reduced friction in investor engagement and shareholder action and voting. CFA have found that investors typically see the need to focus attention on the first bullet point in this list, understanding that the other items listed will follow when investors have the information, they need to adequately manage all ESG risks, including climate-related risks. Investors consistently tell us that the main drivers of ESG integration in the investment process are risk management and client demand, but that the main challenge is a lack of consistent, verifiable and comparable ESG data. CFA Institute strongly supports the disclosure of all material ESG factors and encourages companies to adopt a recognized framework to enable investors and stakeholders alike to properly evaluate material ESG risks, including climate related risks. The CFA Institute agrees that companies should disclose material key performance indicators related to all ESG issues including climate change KPIs. Several frameworks exist in this field.	Noted, the working group approach is allow for these engagement to occur.

		CFA support the NT's efforts to improve the quality and consistency of disclosures around climate change and related data. Such data can allow investors increased awareness and understanding of a company's climate risks, risk management, and related strategic planning.	
WWF South Africa	Section 7.2 Governing legislative framework	The paper refers to BN90 but should also provide a summary of the elements that make up the BN90 or include a link to it in the paper.	Link to BN90 has been included
WWF South Africa	Section 7.3 Regulatory requirements to address sustainability risks	It is not clear as to what the Notice 911 is or why it is important for sustainability. The paper could be strengthened by providing clarity in this regard and a link to the document be provided.	Link to Notice 911 of 2010 has been included.
WWF South Africa	Section 7.4 International trends	The TCFD core principles include risk management, reporting, governance and strategy. A CIS is a mutual fund, and a legal structure with its own standing. Public companies in all industries should be encouraged to adopt TCFD. Listed fund managers, like Coronation and Investec, or broad financial services companies, like Sanlam and Old Mutual, all manage CIS Funds. Each fund has a specific mandate and therefore TCFD would not apply to each fund. The paper could recommend that managers of CIS funds become active owners and engage with portfolio companies to encourage them to adopt the TCFD recommendations as well as other company specific ESG risk mitigation actions.	Noted, the paper is intended to signal the start of a holistic approach, which will touch all aspects of the financial sector. Put differently the intention is for all investors to start caring about sustainable finance.
WWF South Africa	Section 7.5 Industry progress on sustainable finance	This section can be strengthened by providing a clear indication that CIS is in the early stages of considering ESG Risks.	Noted
WWF South Africa	Section 7.7 CIS recommendations:	Some additional policy recommendations for strengthening the existing recommendations include: - All CIS managers need to adopt and report on the UNEP PRI and CRISA codes and keep up to date on development of these codes. Listed asset managers should also report and disclose with regards to these codes, which are closely aligned. - The Financial Sector Conduct Authority (FSCA) should be responsible for overseeing the implementation, adoption and adherence to CRISA. - National Treasury should support and empower the FSCA to issue penalties for non-compliance with CRISA codes - While consultation and continued learning is important, there is an urgent need to start implementing policy.	Noted, the paper does make recommendations for the regulators to explore the feasibility of regulatory instruments. The paper is not intended to make regulatory requirements without the regulators assessing whether they have the capacity to do so.

		- CIS portfolio managers should use data and tools to report on the indirect impact of their portfolio's GHG emissions, natural capital risks, and waste and water consumption. - Potential tools and frameworks to adapt in this regard include, amongst others, the Carbon Disclosure Project (CDP) and The Paris Agreement Climate Transition Analysis.	
PRIVATE EQUITY			
Commentator	**Section/Issue /Proposal**	**Comment/s**	**Response**
WRC	8 Private equity	With regard to venture capital and scarcity of private equity- the issue is not finance itself but the ability of utilities and stakeholders to access the funds due to poor bankability of projects. What is also excluded is the role of government and the need for fiscal investment in de-risking technologies and solutions that can translate into bankable water sector projects	Noted, however the paper is focussed on the financial sector and financial stability mandate. The challenges of fiscal investments, de-risking projects and bankability are discussed in other fora.
CFA Society South Africa	Section 8.5-8.6 Private Equity Sector approach to sustainability	The private equity industry has long been a leader in sustainable and impact investing. We believe that private equity and venture capital funds play a crucial role in the South African economy, investing widely and stimulating growth, innovation and sustainability.	Noted
SAVCA	Section 8.2 Private Equity: Governing Legislative Framework	The comment that Private equity in South Africa is unregulated, is overly simplistic and potentially inaccurate. Whilst it is true that there is a lack of clarity around the application of the current regulatory framework to the private equity industry, and the fact that the industry is not specifically catered for in the Financial Advisory and Intermediary Services Act ("FAIS"), a significant amount of SAVCA members hold FAIS licences. A lack of consistency around the licence categories for the industry participants currently exists. Board Notice 1 of 2012, requires pension funds that allocate to private equity, in terms of Regulation 28, to invest via private equity fund manager's that hold a Category II licence. The split of SAVCA members that hold a FAIS licence is as follows: Category I – 35% of licences held; Category II – 13% of licences held; Category I and category II – 49% of licences held; and Licence applications pending – 3%. SAVCA has engaged with both National Treasury and the FSCA regarding a specific licence category for private equity and venture capital, together with providing significant detailed comments on the COFI bill. SAVCA has also recently released a Regulation 28 position paper recommending a private equity be split from hedge funds within Regulation 28 and given a	Noted and will be discussed with the FSCA.

		separate category. The allocation for private equity should be increased incrementally to 15%. Please find attached SAVCA's position paper.	
SAVCA	Section 8.3 Regulatory requirements to address sustainability risk	See comments above on the regulation of the private equity industry. In relation to the Fit and Proper requirements as set out in Board Notice 194 of 2017, SAVCA members currently have a number of exemptions issued by the FSCA where it is not possible to meet specific clauses in the Fit and Proper requirements, due to the nature and legal structure of private equity funds. International Development Finance Institutions have historically been a significant investor in private equity in Southern Africa. These institutions (such as the IFC, CDC, FMO, DEG, etc.) have been instrumental in assisting the industry to improve their sustainability reporting and ESG policies, procedures and risk assessment measures and helping to embed these practices into the wider industry. Many private equity funds conduct ESG due diligence prior to investing in an underlying investee company. The fund manager would then utilise their active management strategy and influence (often at minimum through a board seat) to improve ESG within the company while they are invested. Many institutional investors require specific ESG reporting at least annually (often more frequently) and these requirements are set out in the fund agreements. The private equity industry, and especially fund managers that have been supported by DFIs, have extensive experience in managing, monitoring and reporting on ESG.	Noted
SAVCA	Section 8.6 Sector innovations in sustainable finance	The private equity industry in South Africa, and specifically a number of SAVCA members, were the founding signatories to the IFC's Operating Principals for Impact Management. Due to member interest, SAVCA initiated an Impact Investing Interest group within our membership base in 2019 where various ideas and potential solutions are discussed amongst fund manages to improve the industry's understanding and approach to considering impact and sustainability. It is not SAVCA's experience that impact funds are mostly funded by corporates looking to improve their supply chain. Some fund managers would meet the definition of an impact fund, even though they do not hold themselves out as such, due to the potential view that they provide impact at the expense of financial returns. Private Equity typically look to offer financial and impact benefits to investors. ESG considerations and basic reporting tend to be a minimum consideration for private equity, with specific impact intentionality as well as detailed measurement methodologies and reporting for the market leaders.	Noted, paper amended
SAVCA	Section 8.8 Challenges	See comments on regulatory oversight as stated in 8.2 and 8.3 above.	Noted.
SAVCA	Section 8.9 Recommendations	SAVCA suggest that private equity and venture capital is regulated by a specific licence category, and not as part of a wider "alternatives" asset class. We recommend this, due to the nature, specific legal structures involved and the predominance of sophisticated investors. SAVCA's COFI submission (and subsequent FSCA Investment related paper submission) included significant	Noted, this will be referred to the FSCA.

		details as to how private equity funds are structured and how the current and proposed regulation could incorporate the asset class. Kindly find these papers attached. The private equity industry standard (internationally and in South Africa) to value unlisted equity is the International Private Equity and Venture Capital Valuation Guidelines ("IPEV"). The feedback we have received from investors (typically pension funds) is that the valuation of unlisted equity on a market-to-market basis is not sufficiently frequent for their purposes, specifically defined contribution schemes. Unlisted equity valuations are undertaken, either quarterly or semi-annually and audited at least annually. More frequent valuations are not practical, but do potentially create an impediment for some institutional investors. On the last point in the paper, about requirements for sustainability assessments and commitments to be included in the rules for companies, may not be the best outcome for private equity as the funds themselves that invest in underlying investee companies are not companies themselves, but typically en commandite partnerships or trusts. The sustainability / ESG assessments that are currently undertaken is in due diligence phase prior to investment. The manager would include the results of the due diligence to be considered by the Investment Committee of the fund, as part of the final approval to make the investment.	
WWF South Africa		Private equity is not immune to stranded assets, please refer to recommendations under Section 6 on page 6.	Noted, see above
WWF South Africa		ESG should not only be viewed from a risk mitigation perspective within private equity but also as potential opportunities for investment in sustainable businesses and the green economy. This should also form the basis for equity investment decisions for the Covid-19 green stimulus package.	Noted, opportunities have been included more broadly
WWF South Africa		In African countries, DFIs still account for the majority of capital raised, and allocate more time and effort to development outcomes than in more developed markets.	Noted
WWF South Africa		A potential barrier to the broader adoption of responsible investing by the private equity sector is the false perception that there is a trade-off between sustainability and financial return. To overcome this barrier, there is a need to scale up and publicise examples of where the private equity industry has been the driver of value creation through investments in sustainable business and delivering positive impact and financial returns	Agreed and included in the recommendation "Disseminate case studies and best practice, such as those published by SAVCA,[59] the IFC and development finance institutions"
WWF South Africa		It is recommended that a review of DFIs' ability to influence and drive ESG risk integration and investment in sustainable business should be undertaken.	Noted, this review could be done separately.

CAPITAL MARKETS			
Commentator	**Section/Issue /Proposal**	**Comment/s**	**Response**
CFA Society South Africa	Section 9.6 Industry progress on sustainable finance	The CFA Institute consistently monitors key debates and evolving issues in the investment industry. ESG investing and analysis has become of increasing interest to investment professionals globally as governments, asset owners, and high-net worth investors consider the impact of ESG factors on their investments and local markets. We believe more thorough consideration of ESG factors by financial professionals can improve the fundamental analysis they undertake and ultimately the investment choices they make. CFA Institute is specifically focused on the quality and comparability of the ESG information provided by corporate issuers and how to integrate various ESG factors into the investment selection process	Noted
CFA Society South Africa	Section 9.8 Capital Markets recommendations	CFA believes ESG should be continuously enhanced to improve alignment with the United Nations Sustainability Development Goals. The CFA Institute encourages the incorporation of ESG data into the investment process so that investors can be more informed about the decisions they are making. This approach sees value in the incorporation of ESG data into the investment process. There is no single agreed-upon definition of ESG or best practice for ESG integration. Therefore, integrating ESG analysis into the investment process should be done in a manner that best fits each individual firm, its resources, and its clients. However, a set of common best practices is beginning to emerge as professional investors increasingly integrate ESG factors into their analyses and investment processes. • ESG integration looks at risks and opportunities revealed by the analysis of environmental (E), social (S), and/or governance (G) issues that are material for a company or market. It is often more complex than negative screening, though a not-insignificant minority of those we spoke to still think of ESG investing as simply a negative screen. • One of the main reasons firms undertake ESG analysis is to assess risk. However, the results of our survey and workshops show that few investors are looking at ESG analysis as a means of uncovering investing opportunities. Investors who can spot companies that are improving their E, S, or G profiles—before the larger market does—may be rewarded. Numerous examples are available of academic and practitioner research that support the benefit of the inclusion of ESG analysis in traditional financial analysis. • Investors should focus on ESG analysis, not ESG investing. ESG investing is often used as a marketing slogan, whereas ESG analysis is a fundamental part of investment analysis and requires a disciplined and tangible approach to be fully integrated into the investment	Noted

		process. In the long term, we expect the term "ESG investing" will fade away as ESG analysis becomes more accepted as simply a part of investment analysis. • ESG integration is consistent with a manager's fiduciary duty to consider all relevant information and material risks in investment analysis and decision making. Some confusion arises at times when people assume ESG integration is only a negative screen in the investment process that limits one's investment universe. Most practitioners would agree (as do we) that ESG integration includes a more thorough application of traditional financial analysis. A possible enhancement could be the broadening of E to specifically consider the wellbeing of all species. Current ESG processes arguable are focused on a sustained human future and do not take enough interest in the well-being of all species for example farmed animals. Future generations may insist on kinder agricultural practices and agricultural practices that have less impact on the climate.	
JSE	Section 9.1 Sector Overview	An exchange performs an integral function in the capital markets but is not the only actor in the ecosystem. We recommend that the paper, at the beginning of section 9, clearly identifies the other actors in the capital markets to whom the recommendations, made in this section, apply (e.g. issuers of securities).	Noted and amended.
JSE	Section 9.5 Capital Markets Sector Approach to Sustainability (correction)	The sentence under section 9.5 should read as follows: "The JSE is a signatory to the UNPRI, a founding member ~~partner~~ of the Sustainable Stock Exchanges Initiative (SSE) and active in serving on panels and committees related to responsible investment, sustainability and integrated reporting."	Agree, wording amended.
JSE	Section 9.6 Industry progress on sustainable finance (correction)	JSE recommend that the last sentence in section 9.6(ii) be expanded as follows: "The comprehensive methodology and expanded access to ESG data provide investors with increased opportunities to integrate ESG considerations into their investments by making granular, comparable ESG data available on JSE listed companies on a historical basis."	Agree to change wording
JSE	Section 9.6 Industry progress on sustainable finance	JSE recommend that the second last paragraph of section 9.6 be expanded to include the following sentence: "In June 2020, the FSCA approved the extension of the JSE's Green Segment to be renamed the "Sustainability Segment". This segment now includes Social Bonds and Sustainability Bonds, and allows for the inclusion of other thematic bonds as required."	Paper has been updated
JSE	Section 9.6 Industry progress on	JSE recommend that the last paragraph of section 9.6 be amended as follows: "The regulatory principles that have been adopted by the JSE are in line with key factors that ensure the credibility and transparency of the instruments through the requirement for disclosure of the use of proceeds	Agree to change wording

	sustainable finance(correction)	pre-issuance, external review and ongoing disclosure. The Green Bond Principles, Social Bond Principles and the Sustainability Bond guidelines, governed by the International Capital Market Association, were used as benchmark standards that issuers would need to comply with, verified ~~through a report issued~~ by a third party with the appropriate expertise to do so."	
JSE	Section 9.8 Capital Market Recommendat ions	To avoid ambiguity, and given the concern raised in the Draft Paper regarding the competency of directors to oversee climate and environmental risk identification and management, we recommend that the first bullet under section 9.8 be reworded as follows: "Exchanges to work ~~Work~~ with Institute of Directors, accounting professions, professional and industry associations and academic institutes to build capacity and enhance skills of issuers and institutional investors to undertake ESG risk identification, assessment and management for long-term issues." This will enable institutional investors to take a more active and influencing role in how their assets are managed and enable them to exercise their power and steer issuers in the long-term-direction and shield them from short term distractions. We recommend that a voluntary code with provisions similar to those provided for in the UK Stewardship Code1 or the ICGN Global Stewardship Principles2 be developed. In addition, we believe that it is necessary that both issuers (excluding companies below a minimum size i.e. SMEs) and institutional investors should be encouraged to include, in fit and proper tests of directors, an assessment of sustainability experience and knowledge.	The intention is that all parties, including regulators, work with the IOD, etc. The specification of exchanges diminishes that and makes it the responsible of the JSE, which was not the intention.
JSE	Section 9.8 Capital Market Recommendat ions	In respect of the second bullet point under section 9.8, it is wholly impractical for exchanges to track and disclose the E&S management and risk frameworks of the entities listed on that exchange. If this disclosure is desired, then the specific requirements should form part of a set of broader ESG disclosure requirements for the market as a whole, as agreed by all the relevant regulators and codified into the listing rules of all exchanges as a regulatory requirement. We suggest that this recommendation be reworded.	Noted.
JSE	Section 9.8 Capital Market Recommendat ions	JSE are of the view that E&S disclosures should not only apply to listed entities –increasing and costly compliance requirements may have the effect of disincentivising companies from listing on an exchange or could lead to companies delisting from exchanges. E&S disclosures have a societal value to multiple stakeholders (e.g. employees, consumers, communities). Consequently we strongly recommend that E&S disclosures should be applicable to entities referenced under Regulation 43(5)(c) in terms of the Companies Act.	Noted, the intention is to expand this to all entities.
JSE	Section 9.8 Capital Market Recommendat ions	It is not clear whether the regulations to be issued, as indicated under the last bullet under section 9.8, are to be issued by the FSCA as the regulator of exchanges or by the exchanges as the listing authority and regulator of listed entities. We suggest that this recommendation be clarified.	Noted, however the complexity of capital markets (as pointed out in the comment above) necessitates this to be a multi-pronged approach including regulations and listing requirements.

WWF South Africa	Section 9.3 Regulatory requirements for sustainability assessments	In the absence of any standardised ESG risk assessment and investment regulations and policies for the capital markets exchange, it is strongly recommended that either (i) a standardised and mandatory ESG reporting and screening regulation be imposed across all exchanges in the capital markets sector and regulated by National Treasury, or (ii) ESG risks and screening regulations within the Companies Act be strengthened and made mandatory. This will need to include regulation on penalties for non-compliance.	Noted, the recommendations do address some of these concerns. The paper does make recommendations for the regulators to explore the feasibility of regulatory instruments
WWF South Africa	Section 9.3 Regulatory requirements for sustainability assessments	Such regulations should be in line with international trends and regulations such as the World Federation of Exchanges (WFE) sustainability principals and the Sustainable Stock Exchanges (SSE) initiative.	Noted.
WWF South Africa	Section 9.3 Regulatory requirements for sustainability assessments	Regulators should strengthen reporting requirements for licensed exchanges to disclose all ESG management and risk assessment frameworks and those of their listed entities in comparable and science-based formats.	Agreed and already included in the recommendations.
WWF South Africa	Section 9.3 Regulatory requirements for sustainability assessments	Exchanges should prioritise green, social and sustainability bonds and other green product innovations, based on adherence to best practice criteria and principles, to build credibility of these instruments.	Noted.
WWF South Africa	Section 9.5 Capital markets sector approach to sustainability	The paper would be strengthened if it elaborated on the capital markets sector approach to sustainability by providing an overview of various projects and funds invested in ESG activities to date.	Noted , this could be done separately to the paper.
WWF South Africa	Section 9.6 Industry progress on sustainable finance	The FTSE ESG Ratings methodology discussed in the paper should be made available to all South African exchanges and companies outside the JSE to foster greater unity across the sector in integrating ESG considerations into their investments.	Noted and should extend to all exchanges licensed in SA, not only the JSE.
WWF South Africa	Section 9.6 Industry progress on	The JSE-hosted ESG Investor Briefing should be made into a public event for all companies and SMMEs to attend and learn from each other’s sustainability strategies and ESG reporting	Noted, suggest this be discussed with the JSE.

	sustainable finance		
INSURANCE			
Commentator	**Section/Issue /Proposal**	**Comment/s**	**Response**
SAIA		Regulatory Requirements to address Sustainability Risks Enhancements to Pillar I requirements and the creation of Pillar II should be gleaned from international trends and shared with insurers early on especially considering overall international data constraints.	Noted and agreed.
SAIA		Industry Progress – Agriculture PPP Projects The Land Bank Insurance (SOC) Limited is the company providing crop and asset insurance to farmers and not Land and Agricultural Bank of South Africa. Note: The Land Bank Insurance (SOC) Limited is a subsidiary of the Land and Agricultural Bank of South Africa	Amended
SAIA		Insurance Specific Recommendations In enhancing its supervisory processes to deal more explicitly with sustainability risks, the PA should give serious consideration to the economic and time costs of this reporting. This reporting must be incorporate into existing reports and oversight mechanisms and should not be separate reports.	Noted, and addressed with the wording "may" in the recommendations.
	Section 10.6.1 Pg. 48 Disaster risk reduction	[explain what's missing] The wording suggested is drawn from the Strategic Framework and Overarching Implementation Plan for Ecosystem-Based Adaptation (EbA) in South Africa, and would strengthen and broaden the short input around disaster risk reduction strategies that could be deployed to address climate change adaptation. SANBI suggest that text along the following lines is included in Section 10.6.1: According to the CBD, Ecosystem-based Adaptation (EbA) is defined as "the use of biodiversity and ecosystem services as part of an overall adaptation strategy to help people to adapt to the adverse effects of climate change. Ecosystem-based Adaptation uses the range of opportunities for the sustainable management, conservation, and restoration of ecosystems to provide services that enable people to adapt to the impacts of climate change. It aims to maintain and increase the resilience and reduce the vulnerability of ecosystems and people in the face of the adverse effects of climate change. Ecosystem-based adaptation is most appropriately integrated into broader adaptation and development strategies" (CBD, 2009). Drawing on the linkages between ecosystem services, climate change and biodiversity, EbA is an approach to sustainable	Noted and agree on the importance of EbA however it is not a financing instrument. The paper does not go into details on the specific approach to mitigation or adaptation, nor the methods or tools.

		<u>development that contributes to three outcomes simultaneously: socio-economic benefits, climate change adaptation and biodiversity conservation. EbA can enhance the effectiveness of climate change adaptation strategies in the important role it plays in protecting infrastructure and improving human security (CBD, 2009). EbA may also be more cost-effective than other options for climate change adaptation, since it requires less technological innovation or infrastructure development (CBD, 2009). EbA is defined and strongly promoted in the international policy arena. It is recognized under a number of multilateral environmental agreements (MEAs) for its ability to offer co-benefits in helping society adapt to the impacts of climate change. EbA is firmly located in and contributes to the Sustainable Development Goals (SDGs). As an approach that delivers co-benefits, EbA is able to contribute across the SDGs, but has specific alignment with Goal 13 and its targets.</u>	
WWF South Africa	Section 10.1 Sector overview	The paper refers to a number of risks that insurers face and this should be listed and made explicit within the paper. For example, there are tables in the Principles of Sustainable Insurance (PSI) Guidance Documents (see Table 1) that identify a variety of risks insurers face.	Noted, the intention of the paper is not to include this level of detail and duplication.
WWF South Africa	Sections 10.4 and 10.5	Sub-sections 10.4 and 10.5 indicate that the Prudential Authority (PA) has oversight over the Insurance Act and therefore the insurance industry. Therefore, the paper could be strengthened by showing National Treasury's support for the PA in its enforcement of the Insurance Act. In addition, the paper could acknowledge that the "Insurance Act and the framework on sustainability, that guides the PA's implementation of enhancing the industry's sustainability, is backed by National Treasury".	Treasury works in close collaboration with and supports the Prudential Authority.
WWF South Africa	Section 10.6 International trends	International trends should put the South African insurance industry well ahead of other financial sector services, as ESG Risks materially impact insurers businesses. The PSI has a strong history on ESG in insurance and, therefore, it is recommended that National Treasury encourage the insurance industry to adopt the PSI	Noted, the recommendation is for the PA to consider various tools and instruments.
WWF South Africa	Section 10.7.1 Insurance climate risk	The paper does not adequately explain infrastructure risks. It is recommended that disaster-damaged critical infrastructure is replaced with more resilient alternatives that take into account predicted upward trends in disaster intensity and that a 'build back better' approach is promoted. The insurance sector should also consider 'safe fail' rather than 'fail safe' options as these are easier and less expensive to rebuild. Damaged infrastructure is often replaced and repaired to its previous form increasing its vulnerability to future damage. Instead, alternative options should be considered.	Noted, paper amended.
WWF South Africa	Section 10.10 Recommendations	The PA should already be able to access information on ESG already through the PSI (which is freely available) and South African Insurance Association (SAIA).	Noted
WWF South Africa		National Treasury should recommend that the PA capacity is increased to support additional monitoring and supervision on ESG.	Noted.

WWF South Africa		The paper should recommend the tools that insurers should use in order to standardise approaches, or at least the reporting of information to shareholders and the PA.	The recommendation is for the PA to consider the various tools.
WWF South Africa		WWF support the enhancing of the Own Risk and Assessment (ORSA) Report submitted to the PA	Noted.
WWF South Africa		National Treasury should recommend insurers report to the PA in the ORSA Report against the six PSI Principles or the six Capitals (Human, Manufactured, Intellectual, Technological, Natural, Financial) as a means of standardising reporting.	Noted. We have recommended TCFD reporting disclosures.
WWF South Africa		The insurance sector should prepare for disruption to interconnected systems resulting in cascading effects which result in unexpected vulnerabilities. For example, much of South Africa's communication and transport infrastructure passes through river valleys and mountain passes which are particularly vulnerable to damage by storms and floods. In additional to direct costs, disruptions in connectivity can result in significant additional secondary social and economic effects.	Agree and included in the paper
WWF South Africa		There is a need to actively maintain ecological infrastructure to buffer systems from climate change and reduce damage. Please refer to the WWF South Africa study with the insurance sector in the Southern Cape, where it was shown that when coupled with climate change, invasive alien plants double fire intensity and halve the dry-season river flows - which significantly increases the impacts of droughts. Coastal hardening and removal of fore-dunes can result in 1:100 year storm damage occurring on an annual basis. Clear felling of plantation forests can increase the frequency of 1:100 year floods to a 1:80 year return period. Ecosystem based adaptation which restores this damage including clearing invasive alien plants, restoring coastal fore-dunes and re-vegetating clear felled forests can significantly reduce exposure to natural hazards which are exacerbated by climate change – and by so doing significantly reducing risks to lives, livelihoods and infrastructure.	Noted and paper amended.
WWF South Africa		It is important that the need for ecosystem rehabilitation is explicitly built into conditions for the development of high value formal development in vulnerable areas – as poor management is currently significantly increasing the scope of the assets at risk: • Beachfront developments (vulnerable to sea level rise and storms need to adhere to generous set back lines from coast, restore dune vegetation and avoid coastal hardening); • Developments along river valleys vulnerable to large magnitude floods need to remove invasive alien plants and restore wetlands and riparian areas; pull back agricultural developments to adhere to setbacks and avoid canalisation and river bed disruptions which intensify downstream damage;	Noted, this is not within the scope of this paper

		• Rural developments surrounded by fire-prone vegetation increases the urban wild-land interface and resulting vulnerability to fire – it is particularly important to actively manage highly flammable invasive alien plants which intensified the recent Southern Cape Fires; and • Hardening of surfaces caused by urban development increases flood risk and creates dangerous heat islands – this can be mitigated by the creation of green spaces within cities.	
WWF South Africa		The paper needs to speak to the need for increased disaster management funding, which is an underfunded public service, particularly in view of the increasing levels of risk. This funding needs to identify unexpected vulnerabilities to connected systems - for example communication failures and damage to emergency response infrastructure, such as hospitals.	Noted, this is part of the budget process.
WWF South Africa		Develop new responsive financial mechanisms for public sector recovery: currently, repair is delayed by slow infrastructure grant transfers by municipalities	Noted, refer to Treasury Budget Review 2020 for work within this area (disaster management funding).
WWF South Africa		Streamline assistance to the agricultural sector, which is exposed to particularly high levels of risk through proactive planning tools such as River Management Plans which detail sustainable responses to flood events to ensure farmers build back better rather than create further damage.	Noted, refer to Treasury Budget Review 2020 for work within this area (disaster management funding).
Conservation strategy tactics and insights		The insurance industry (despite advances as early as 2000 in the Cape Peninsula fires) still does not scale insurance pay-outs based on a claimant's compliance with regulations designed to keep them out of harm's way or those that promote ecological sustainability. Houses, orchards and infrastructure are regularly built back into floodplains. Burned houses that were surrounded by invasive trees get paid out and rebuilt after fires. Recent experience in Knysna, Betty's bay and other conflagrations indicate that billions of Rands of losses were incurred, which could have been avoided with a few millions in proactive investment. Yet no private or state focus on reducing this very obvious risk was in place. Similarly, disaster relief packages do not have eligibility criteria or pay-outs based on compliance with disaster prevention investments – by municipalities or private landowners. Treasury, through contingency fund frameworks and disaster regulations, could send clear signals to drive sustainable economies and investments in maintaining and restoring ecosystems so that they don't impose unnecessary costs on society. This is a large gap in the Technical Paper.	Noted, refer to Treasury Budget Review 2020 for work within this area (disaster management funding). Whilst linked, it is not a focus of this paper.
CONCLUSION			

Commentator	Section/Issue /Proposal	Comment/s	Response
SANBI	Section 11 pg. 48 Conclusion	SANBI suggest a stronger link could be made between the recommendations in Section 1.5 and the Conclusion. Section 1.5 includes a recommendation to (h) Finalise an action plan to give effect to the recommendations, using a technical working group to be comprised of regulators and industry representatives. It would be useful to pick up on this more explicitly in the Conclusion. SANBI strongly support the creation and implementation of an action plan to give full effect to the sustainable finance strategy, which can be implemented in partnership with relevant sectors. It would be useful for the Conclusion to identify a timeframe so as to give the finance industry a sense of urgency around which they can align. We would welcome the opportunity to have further discussion about the elements of the action plan and about potential participation in the technical working group.	Agree to strengthen the link and engage further
Just Share	Section 11	The Draft Technical Paper "focuses on the need for South Africa to mobilise the financial resources now to address this challenge, both for the benefit of its citizens and to meet its global obligations" (our emphasis). The key issue is urgency: if we do not act fast, it will be too late to address climate change, and as a result too late to address the many other social and environmental challenges which climate change will exacerbate. Just Share again emphasise how crucial it is to avoid embarking on protracted, contentious processes to develop new voluntary initiatives or even new regulatory initiatives. It is key rather to strengthen, implement and adapt existing regulatory tools and frameworks to drive better climate disclosure, mobilise finance for the Sustainable Development Goals, and make a difference on the ground to people's lives now.	Noted
Life After Coal campaign (LAC) and 350 Africa.org		Given the immense importance of the issues which are being considered in the Draft Paper, which include global climate, economic and health crises, there is both risk and opportunity and we hope that National Treasury and the working group take urgent steps to ensure meaningful and positive change. In particular, our submissions in relation to transparency of the process and the composition of the working group needs to be properly addressed. The Draft Paper implicates a number of cross-	Noted and the membership will be revisited. Treasury processes do include opportunities for inputs as well as broader stakeholder consultation where feasible: time and capacity allowing.

		cutting issues of great significance to a wide range of stakeholders and all interested and affected stakeholders should have an opportunity to have their views heard, considered and addressed.	