

Legal & industry update – August 2026 (2)



In this publication we look at:

- The Responsible Investment in South Africa report, called for by the Principles of Responsible Investment, with analysis done by Krutham and headline sponsorship provided by the FSCA

Highlights of the report

South Africa's pension fund sector manages nearly R5 trillion in assets, ranking 16th among 22 major global pension markets and representing 63.7% of GDP, so how well these funds implement responsible investment carries weight well beyond individual fund governance. The new PRI-Krutham report, "Responsible Investment in South Africa," surveyed 109 asset owners between February and March 2026 and found that 91% describe themselves as responsible investors, yet exposes a wide chasm between that stated commitment and what happens on the ground.

Most funds have a formal RI policy and ESG language baked into manager mandates, but 43% have no independent mechanism to verify whether managers are actually delivering on ESG mandates, and only 35% require any climate risk reporting at all.

Part of this gap is structural. Regulation 28 has required funds to consider ESG factors since being amended in 2022, but it is deliberately "enabling rather than prescriptive," telling funds to consider ESG without specifying how, which the report says produces today's wide compliance spectrum. Some funds build rigorous frameworks while others satisfy the requirement with a single line in their investment policy statement.





CRISA 2, the voluntary code endorsed by the FSCA, ASISA, Batseta and the GEPPF, sits alongside Regulation 28 but similarly lacks mandatory registration or external scrutiny, so its effectiveness depends entirely on individual fund willingness. Fewer than 5% of respondents hold a dedicated ESG or RI role, meaning responsible investment is overwhelmingly carried by generalist trustees and principal officers already juggling full fiduciary workloads.

The accountability gap is sharply concentrated at mid-market funds (below R50bn AUM), which make up the bulk of South Africa's retirement fund landscape by number. Among large funds (R50bn-plus), 62% have independent manager evaluation mechanisms, compared to just 31% at mid-market funds, where half rely on manager self-reporting or don't evaluate ESG delivery at all.

A quarter (25%) of the respondents' delegate ESG determination entirely to their asset manager's discretion. While satisfaction with manager RI performance sits at 91%, a figure the report says likely reflects limited visibility rather than genuine outcomes. Terminology is also a real barrier: "ESG" carries negative political connotations in some boardrooms, prompting some funds to reframe it as "risk management" simply to get buy-in by the board of trustees.

This matters more in South Africa than in markets where most ESG frameworks were designed, because ESG risk here is shaped by the country's specific triple challenge of poverty, inequality and unemployment, an energy mix still roughly 74% coal-based, and transformation imperatives like BEE credentials and board diversity that carry direct financial and regulatory consequences for investee companies. Notably, the FSCA is now signalling a shift toward more enforceable conduct standards, including possible ISSB-aligned mandatory disclosure requirements, which would materially raise the compliance bar for funds still treating ESG as a policy afterthought.

Fiduciary duty and ESG investments: What the current regulatory framework requires

Regulation 28 mandates that boards consider environmental, social and governance factors that may materially affect the sustainable long-term performance of a fund's assets, transforming ESG consideration from a discretionary add-on into a core component of prudent fiduciary decision making.

FSCA Guidance Notice 1 of 2019 expects funds to embed sustainability considerations into their Investment Policy Statement and to report at least annually on how ESG integration has been adopted, while CRISA 2 and the newly released King V corporate governance code (October 2025) further entrench climate risk oversight, proxy voting and stewardship as expressions of fiduciary duty rather than optional activism.





Practical steps for retirement funds

Finding	Action for trustees
43% have no independent manager ESG evaluation	Move beyond self-reporting; require quantitative ESG benchmarks or third-party ratings in manager mandates
Only 5% have a dedicated ESG/RI role	Build board-level ESG competency through formal training
35% require climate risk reporting	Introduce basic climate metrics now, ahead of the FSCA's move toward mandatory ISSB-aligned disclosure
25% delegate ESG entirely to managers	Define the fund's own ESG philosophy rather than outsourcing the definition to consultants or managers
Heavy reliance on consultants for RI implementation	Vet consultant ESG capability directly; don't assume competence, verify it
58% don't report ESG metrics to beneficiaries	Shift beneficiary communication from box-ticking to substantive reporting on outcomes

The report's core message for boards is that the sector's problem isn't conviction, it's operational capacity, and closing that gap means building verification mechanisms rather than adding more policy language. The message to the sector is direct: trustees and their advisors need to stand up, move beyond performative policy language and be counted now, because South Africa's pension funds manage assets at a scale that makes their responsible investment decisions systemically important to the retirement security of millions of members.

Trustees: Ms W Parker (Chairperson; Independent Trustee)

• Mr W Rossouw (Deputy Chairperson; Independent Trustee) • Ms B Penny (Sponsor Trustee)
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