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# RESPONSIBLE INVESTMENT IN SOUTH AFRICA

## REALITIES, GAPS AND THE ROAD AHEAD

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## About Krutham

Krutham is a research-led consultancy operating at the intersection of capital markets, political economy and social impact. We advise investors, regulators, policymakers, development finance institutions and organised business across emerging markets - providing on-the-ground insight into macroeconomic and political conditions, financial sector policy, infrastructure and the just energy transition, and impact investing. Where others stop at analysis, we move into implementation: structuring financial solutions, developing impact investment vehicles and mobilising capital toward outcomes that matter. We have offices in Sandton, Cape Town and London.

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## Acknowledgements


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The project was guided by a steering committee whose members brought direct experience of RI across the South African financial sector. The EPPF, Futuregrowth and Old Mutual served on the steering committee and provided support for the programme throughout. Their contributions materially strengthened the work.

The research team at Krutham is grateful to everyone who participated: the 109 respondents that completed the survey, the roundtable participants who interrogated the findings openly and honestly and the individuals who gave their time to interviews during the report development phase. Their willingness to share their experiences is what gives this report its value.

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# FOREWORD

## From the Principles for Responsible Investment (PRI)

"The role of asset owners in South Africa will be critical in shaping a more resilient, inclusive and sustainable financial system.

**Nathan Fabian**
Chief Policy & Research Officer, PRI

South Africa has long been recognised as a leader in responsible investment, both on the African continent and among emerging markets globally. With a well-developed institutional investor base, strong governance frameworks and a deep appreciation for the role of capital in shaping society, the country has played a pioneering role in advancing the integration of environmental, social and governance (ESG) considerations into investment practice.

As one of the earliest adopters of the UN-supported Principles for Responsible Investment (PRI), South African asset owners have consistently demonstrated leadership in embedding responsible investment across portfolios, stewardship activities and policy engagement. This leadership is underpinned by a unique context, one where issues such as inequality, economic transformation, and climate transition are immediate and material realities for investors and beneficiaries alike.

This report provides timely insights into the evolving responsible investment practices of South African asset owners. It highlights both the progress that has been made and the areas where further advancement is needed. While responsible investment is now widely recognised as a core component of fiduciary duty, there is an increasing expectation that investors move beyond policies and commitments towards delivering measurable real-world outcomes.

Looking ahead, the role of asset owners in South Africa will be critical in shaping a more resilient, inclusive and sustainable financial system. This will require continued collaboration across the investment value chain, proactive engagement with policymakers and regulators and a willingness to innovate in response to a rapidly changing global landscape.

The PRI remains committed to supporting South African asset owners, signatories and the broader investment community in this journey. Through research, guidance and convening platforms, we will continue to work with our partners to strengthen responsible investment practices and help capital work in the long-term interests of beneficiaries and markets.

We would like to thank all participating asset owners who contributed to this report. Their insights and leadership are essential to driving progress and ensuring that responsible investment continues to evolve in ways that deliver long-term value for beneficiaries, the economy and society as a whole.

# FOREWORD

## From the Financial Sector Conduct Authority (FSCA)

> Responsible investment is not simply a matter of policy adoption, but of ongoing governance, capability and accountability.

**Unathi Kamlana**
Commissioner, FSCA

The Financial Sector Conduct Authority (FSCA) welcomes this research as an important contribution to the continued development of responsible investment practices in South Africa's financial sector. The report provides a timely, evidence-based view of how asset owners, particularly within the retirement funds industry, are navigating the opportunities and challenges of integrating environmental, social and governance (ESG) considerations into their investment decisions.

South Africa's retirement funds sector plays a central role in safeguarding the long-term financial interests of millions of citizens. In doing so, funds must consider a broad range of risks and opportunities with impact on fund performance and returns. Regulation 28 of the Pension Funds Act provides a clear foundation in this regard, requiring funds to consider all factors that may materially affect the sustainable long-term performance of their assets, including ESG factors. The FSCA's Guidance Notice 1 of 2019 further supports this requirement by outlining expectations for the integration of sustainability considerations into investment policy statements and governance frameworks. In addition, tools such as the Batseta Responsible Investment and Ownership (RIO) Guide, and the Code for Responsible Investing in South Africa (CRISA Code) endorsed by the FSCA, remain important practical resources to support implementation at fund level.

Against this backdrop, the findings of this report are both encouraging and instructive. The research confirms that commitment to responsible investment is widespread across the sector, while also highlighting a persistent gap between stated intent and operational practice. This is particularly evident in areas such as the oversight of asset managers, the use of consistent data and metrics, and the translation of policy commitments into measurable outcomes. These findings reinforce that responsible investment is not simply a matter of policy adoption, but of ongoing governance, capability and accountability.

From a regulatory perspective, the insights presented in this report are highly valuable. They point to the challenges faced by many retirement funds, especially small to mid-sized funds, in implementing responsible investment effectively. Capacity constraints, reliance on external service providers and the need for clearer, more practical guidance are recurring themes. Addressing these challenges is essential to ensure that the principles set out in Regulation 28, its accompanying guidance and supporting tools such as the RIO Guide are meaningfully embedded in practice.

The FSCA remains committed to advancing sustainable finance as part of its broader mandate to promote fair outcomes for financial customers and its strategic objective of promoting the development of an innovative, inclusive and sustainable financial sector. Our sustainable finance programme of work includes enhancing disclosure frameworks and ensuring that sustainability-related claims are credible, transparent and aligned with regulatory expectations. The findings of this research will support our broad programme of work and add particular impetus to our focus on active ownership.

The FSCA is pleased to have supported this research. Its insights provide an important foundation for further advancing the Authority's sustainable finance work, particularly in the retirement fund space, where the scale and long-term nature of assets make responsible investment both necessary and impactful.

# ABOUT THIS RESEARCH

## Methodology

This report sets out to capture asset owner experiences of responsible investment (RI) in South Africa, including what works, what does not and where the obstacles are most acute. The aim is to move beyond policy positions and stated intentions, grounding recommendations in real-world practice. The findings are directed at three audiences: policymakers and regulators, industry associations and asset owners themselves who have a critical role to play in strengthening responsible investment practices in the South African context.

The survey was distributed between 3 February and 31 March 2026, drawing 109 responses. Questions covered responsible investing policy, governance and implementation, asset manager and consultant oversight, tools and resources, and barriers to adoption. The instrument combined multiple-choice questions, Likert-scale agreement ratings and open-ended questions to capture both measurable patterns and the qualitative reasoning behind them. All responses were anonymised. No individual or organisation is identifiable in the findings.

A note on terminology. The survey drew 109 participants in total. Throughout this report, "respondents" refers to those who answered the specific question under discussion rather than the full sample, as some participants may have chosen not to respond to that question. Because response counts vary across sections, the denominator is stated wherever it differs from the full 109.

Survey findings were then presented at an invite-only roundtable event in Johannesburg on 17 March 2026. The session operated under Chatham House rules. The format allowed participants to interrogate the data, highlight nuance that a survey instrument cannot capture, and test whether the quantitative findings matched their own experiences. Where roundtable discussion adds material context to the survey data, it is incorporated into the relevant section(s) of this report.

The roundtable discussion and survey findings were also subsequently validated through a series of targeted interviews conducted in April 2026. Interviewees included asset owners drawn from the respondent base and asset consultants operating in the South African retirement fund market. Interviews were semi-structured and followed the thematic shape of the survey, allowing participants to confirm, qualify or contest the patterns identified in the data. Where interview responses materially deepen or complicate the survey findings, this is reflected in the analysis.

The interview phase served two purposes. First, it provided a cross-check on findings that were surprising in their direction. Secondly, it offered a means of testing whether the structural gaps identified in the survey were experienced consistently across the sector. The result is a set of findings that has been subjected to three distinct forms of scrutiny – survey response, roundtable interrogation and targeted interview validation.

Three limitations shape how the findings should be read. First, the sample is self-selecting. Organisations that participated are sufficiently engaged with responsible investment to respond to a survey about it, which means the findings reflect the more active, more informed end of the South African asset owner community rather than the full universe of retirement funds and institutional investors. This is also the first survey of its kind focused specifically on South African asset owner perspectives on RI. Prior research in this space has examined asset managers, through tools such as the Alexforbes Manager Watch survey and Just Share's Asset Manager Responsible Investment Benchmark, or has approached RI from an academic or fund-performance angle. No comparable baseline exists for asset owner self-reported practices, so the findings cannot be benchmarked against prior years or other studies. Finally, response counts vary across sections. Where fewer than the full 109 respondents answered a question, this is noted and conclusions drawn from smaller response bases should be treated with appropriate caution.

# A note on AUM concentration and weighted interpretation

One structural feature of the sample requires attention when reading the findings. South Africa's pension fund sector is highly concentrated by assets under management (AUM). The five largest funds account for a disproportionate share of total sector AUM, while small and mid-market funds (managing below R50bn) account for the majority of funds by number. This survey's sample reflects that structure. Most respondents by count are mid-market funds, but a small number of large funds are also present, and their responses carry significant weight when viewed through an AUM lens.

AUM data was collected in bands rather than exact figures, which means approximate weighted results can be calculated using the midpoint of each band as a proxy for the respondent's assets. However, aggregate AUM-weighted results were considered but not presented, because just two respondents sit in the above R1tn band and together they would account for approximately 37% of total weighted AUM, making any weighted aggregate figure too sensitive to the responses of specific institutions to be meaningful. Instead, in the sections covering development investments, manager evaluation and RI policy adoption, a supplementary callout box disaggregates findings between large funds (R50bn and above) and mid-market funds (below R50bn). These breakdowns are based on respondents who provided both an AUM band and an answer to the relevant question, so the denominators differ slightly from the full sample figures used in the main analysis. The directional pattern is consistent across all three sections. Large funds show materially stronger practice on every measure examined. Where the gap is largest, it is noted and its implications for policy and industry support are drawn out.

# How to use this report

The report is structured in two parts. The first presents the survey findings in sequence, covering respondent profile, RI identity and adoption, developmental investment, the responsibility debate, governance and maturity, manager and consultant relationships, and tools and resources. The second synthesises what the data shows, what the roundtable added, and what the combined evidence implies for action. Readers primarily interested in the data should work through Part 1. Readers primarily interested in the implications should start at Part 2. The recommendations are designed to stand on their own and can be read without the full context, though they are better understood in that context.

The evidence in this report is honest about the gaps. It is also honest about the foundations: a sector with genuine commitment, significant capital, a proven developmental track record, and a cohort of leading practitioners who demonstrate that the destination is within reach. What stands between where the sector currently is and where it needs to be is a question of design. Design problems have solutions. The recommendations in this report propose areas in which each stakeholder can play a role in the design of an RI ecosystem that enables consistent practice.

# EXECUTIVE SUMMARY

South Africa's pension fund sector manages nearly R5tn in assets on behalf of millions of beneficiaries whose retirement security depends, in significant part, on the long-term health of the economy. In this context, RI represents the minimum requirement for effectively managing the risks that South African asset owners face: the systemic risks of poverty, inequality and unemployment, the governance risks of an institutional environment with a difficult recent history, and the transition risks of an energy system that must change while a social system holds together around it. This report examines how well South Africa's asset owners are meeting that requirement while generating a financial return. The answer is more complex than the headline figures suggest.

## The headline finding: intent is widespread, practice is uneven

Ninety-one percent of respondents describe their organisation as a responsible investor. Most have a formal RI policy. Most have incorporated ESG language into their manager mandates. At first reading, these are encouraging figures, but they describe the most engaged cohort of South African asset owners and even within that cohort, the gap between stated commitment and verifiable practice is significant.

Some concerns: 43% of respondents have no independent mechanism for evaluating whether their managers are delivering on their ESG mandates; only 35% require any form of climate risk reporting from their managers; 58% do not report any ESG metrics to their beneficiaries; only five of 105 respondents hold a dedicated ESG, responsible investment or sustainability role; and 19 respondents from corporate pension or retirement funds said they do not consider themselves asset owners at all. These findings highlight a structural gap between the stated commitment, implementation and accountability.

## The implementation gap is operational

The most important thing to understand about this gap is that it does not persist because funds are indifferent to responsible investment or resistant to it. The survey finds strong RI identity, genuine developmental orientation and a clear appetite for support. The gap is operational. It sits in the space between having a policy and living it, between instructing a manager to consider ESG and being able to verify that they do, between placing ESG on the board agenda and making governance decisions that change investment practice.

The reasons for that gap are structural. Most South African pension funds, particularly in the mid-market that makes up the bulk of this sample, operate without any dedicated ESG capacity.

**91%**
describe their organisation as a responsible investor

**43%**
have no independent mechanism for evaluating manager ESG delivery

**35%**
require climate risk reporting from managers

**58%**
do not report ESG metrics to beneficiaries

## Why the gap persists

Responsible investment competes for the attention of principal officers and trustees who carry the full range of fiduciary and administrative obligations simultaneously. External consultants are, for most mid-market funds, the primary and sometimes only source of ESG expertise but the quality of that expertise varies considerably across the sector, and most funds lack the internal knowledge to evaluate what they are receiving. The regulatory framework, built on Regulation 28's requirement to consider ESG factors and CRISA 2's voluntary principles, does not specify what adequate consideration looks like, leaving a wide compliance band that some funds fill with sophisticated practice and others use to do very little.

**< 5%**

hold a dedicated ESG, RI or sustainability role

**66%**

have a development mandate of some kind but only 20% have an explicit one

**80%**

agree asset owners are responsible for RI, yet 43% do not independently verify manager delivery

## The terminology problem

A consistent theme across both the survey's open-text responses and the roundtable is that the language of responsible investment creates its own barriers. The term ESG carries negative associations in certain South African boardrooms that the underlying concept does not warrant. Some respondents and roundtable participants described deliberate decisions to move away from "ESG" terminology entirely, using sustainability or long-term risk management instead and finding that boards engage more readily as a result. The absence of a shared, formally adopted South African definition of ESG produces genuine inconsistency in how responsible investment is understood, implemented and evaluated across the sector.

> When every board is working from its own interpretation, the sector cannot build shared standards, shared data or shared accountability.

## Developmental investment: the proof of concept and its limits

South Africa occupies an unusual position globally. Its pension funds are expected to generate risk-adjusted returns for beneficiaries while policy frameworks and public officials increasingly position them as a critical source of long-term capital for infrastructure and economic development, particularly in the context of constrained public finances[1].

The survey shows that most funds carry some form of developmental orientation - 66% have a development mandate of some kind but only 20% have an explicit one. The majority interpret fiduciary duty narrowly, as a duty focused on financial returns, even though Regulation 28 recognises responsible investment as an aspect of trustees' fiduciary duty and frames that duty around members' best interests rather than returns alone.

1. This "dual mandate" has been explored in the broader body of academic and policy literature which conceptualises pension funds as providers of "patient capital" capable of supporting long-term infrastructure investment, particularly in emerging markets facing fiscal constraints (Inderst & Stewart, 2014). Within this literature, South Africa is frequently cited as a case where regulatory frameworks seek to balance fiduciary duties with developmental objectives, reflecting a model where institutional investors are expected to contribute to national development without compromising member outcomes.

They support development only when conditions make it commercially viable and do not treat it as a formal obligation. The consequence is that the same mandate language produces very different outcomes, depending on how individual boards interpret and prioritise it.

The roundtable was direct about the barriers to scaling developmental investment beyond the areas where it has already succeeded. South Africa's renewable energy experience has demonstrated that institutional capital flows toward developmental outcomes when the conditions are right. Water infrastructure, port logistics and social housing present the same developmental need but a different institutional environment. This includes longer return horizons, less established project structures and greater dependence on state entities whose governance has, in some cases, undermined investor confidence. The barrier is institutional trust. What the sector needs is better deal architecture – standardised due diligence frameworks, transparent project governance and credible anchor investors capable of reducing the risk premium for those that follow.

## Who bears responsibility, and who is doing the work

The survey reveals a clear consensus on where responsibility for responsible investment sits: with asset owners and their managers. Eighty percent of respondents agreed that asset owners bear primary responsibility for ensuring assets are invested responsibly and a similar proportion said the same of asset managers. It becomes more complicated when set against the finding that 43% of respondents are not independently verifying whether their fund managers are delivering on it.

The manager relationship is the most consequential accountability gap in this survey. Asset owners, particularly at the mid-market, are less resourced, less technically equipped and more dependent on external expertise than the managers they appoint. In that asymmetry, what appears as RI delivery can sometimes be only RI description. A fund that cannot independently assess whether its manager is integrating ESG has delegated not just the implementation, but the accountability for responsible investment. The most direct lever available to close the gap between mandate and practice is to build the oversight infrastructure that would enable funds to make that assessment.

## What needs to happen?

The recommendations in this report are structured for four stakeholders, representing three audience groups.

- For the FSCA and National Treasury, the most important step is establishing enforceable minimum ESG governance standards that define what adequate practice looks like at different fund sizes, alongside accelerating the Green Finance Taxonomy towards operational implementation for investment products.
- For industry associations, the priority is building the shared infrastructure the market cannot provide independently: a South African responsible investment terminology framework that builds on the existing CFA/GSIA/PRI global definitions, segmented operational toolkits for different fund sizes, minimum ESG competency standards for asset consultants, and a structured peer learning programme that makes the practices of leading funds accessible to the mid-market.
- For asset owners, the recommendations are equally direct: define what ESG means for the fund rather than delegating the definition, build independent verification into manager mandates, invest in board expertise as a governance requirement and shift beneficiary reporting from compliance to genuine engagement.
- For the PRI, the most valuable contributions are localised guidance, ongoing convening and the longitudinal tracking that would allow the sector to measure its own progress.

# SOUTH AFRICA'S RESPONSIBLE INVESTMENT (RI) LANDSCAPE

South Africa ranks 16th among 22 major pension markets globally, with total pension assets of approximately R4.8tn at the end of 2024[2], representing 63.7% of GDP. That concentration of long-term capital makes the pension fund sector the dominant force in the domestic investment landscape, and the primary vehicle through which RI either takes root or does not. The sector is anchored by the Government Employees Pension Fund (GEPF), Africa's largest pension fund with assets of R2.69tn and more than 1.2 million active members (GEPF, 2025). Beyond the GEPF, the market consists of thousands of corporate and non-corporate retirement funds ranging from large multi-employer umbrella funds to small standalone funds with fewer than a hundred members. Insurance companies, development finance institutions and a small number of sovereign and reserve funds complete the institutional landscape, though pension funds account for the majority of assets.

The sector's key industry bodies perform distinct but complementary roles. Batseta, the Council of Retirement Funds for South Africa, represents principal officers and trustees. The Institute for Retirement Funds Africa (IRFA) serves retirement fund practitioners across the continent. The Association for Savings and Investment South Africa (ASISA) represents asset managers, collective investment schemes and life insurers, whose long-term insurance assets reached R4.5tn at the end of 2024 (ASISA, 2026). The South African Venture Capital Association (SAVCA) represents private equity and venture capital fund managers, who hold R233bn in total funds under management at the end of 2024 (SAVCA, 2025). The Asset Owners Forum of South Africa, established in 2021 with Batseta at the helm, counts South Africa's largest pension funds among its founding members and, in its first two years, saw its members collectively commit R5.7bn to South African infrastructure (AOFSA, 2022).

## The regulatory framework

The regulatory foundation for responsible investment in South African pension funds is Regulation 28 of the Pension Funds Act (Act No. 24 of 1956), as amended in 2022. Regulation 28 requires fund boards to consider any factor that may materially affect the sustainable long-term performance of their assets, explicitly including Environmental, Social and Governance (ESG) factors, before making or while holding an investment. This requirement, typically embedded in a fund's investment policy statement, was the mechanism through which ESG considerations first entered mainstream pension fund practice in South Africa. The FSCA's Guidance Notice 1 of 2019 provided early operational content to this requirement, setting out how funds are expected to integrate ESG considerations into their investment policy statements and governance frameworks.

However, the regulation is enabling rather than prescriptive. It does not specify how funds must respond to ESG factors, only that they must consider them. That distinction has produced a wide spectrum of compliance. Some funds have developed structured ESG integration frameworks with defined processes, manager expectations and reporting obligations, while others satisfy the requirement with a single line in an investment policy statement and little evidence of substantive follow-through. The survey findings in this report reflect that spectrum.

2. Thinking Ahead Institute (2025) Global Pension Assets Study 2025. London: Thinking Ahead Institute, in collaboration with WTW Montevideo Research Services, p. 8. (Accessed: April 2026).

The Code for Responsible Investing in South Africa (CRISA 2), issued in 2022 and effective from February 2023, is the current voluntary standard governing responsible investment practice for asset owners, asset managers and service providers. Its five principles are:

1. **ESG integration**
   Investment arrangements and activities should reflect a systematic approach to integrating material environmental, social and governance factors.
2. **Stewardship**
   Investment arrangements and activities should demonstrate the acceptance of ownership rights and responsibilities diligently, enabling effective stewardship.
3. **Collaboration and capacity building**
   Acceptance and implementation of the principles of CRISA 2 and other applicable codes and standards should be promoted through collaborative approaches and targeted capacity building throughout the investment industry.
4. **Governance**
   Sound governance structures and processes should be in place to enable investment arrangements and activities that reflect and promote RI and diligent stewardship, including proactively managing conflicts of interest.
5. **Disclosure**
   Investment organisations should ensure disclosures are meaningful, timeous and accessible to enable stakeholders to make informed assessments of progress towards the achievement of positive outcomes.

Endorsed by ASISA, Batseta, the FSCA, the GEPF and the Institute of Directors in South Africa, CRISA 2 acknowledges candidly that action from the investment community has lagged both in urgency and scope. Without mandatory signatory registration or robust external scrutiny, its effectiveness depends on the willingness of funds to take it seriously.

The Principles for Responsible Investment (PRI) is the world's largest voluntary framework for RI, with over 5,000 signatories globally (PRI, 2025). Its six principles commit signatories to:

1. Incorporating ESG issues into investment analysis and decision-making
2. Acting as active owners
3. Seeking appropriate disclosure from investees
4. Promoting the principles within the investment industry
5. Working collaboratively to enhance their effectiveness
6. Reporting on their own activities and progress

South African signatories span asset owners, asset managers and service providers, and include several of the country's largest institutional investors. PRI membership confers both a reputational signal and a set of structured accountability obligations, including annual reporting against a detailed assessment framework that benchmarks signatories' RI practices against global peers.

In the South African context, the PRI serves as a complement to the domestic regulatory and voluntary frameworks rather than a substitute for them. Where Regulation 28 establishes the legal floor for ESG consideration and CRISA 2 sets out the voluntary standard for responsible investment practice, PRI membership situates South African institutions within a global accountability architecture and provides access to internationally developed guidance, tools and peer networks. In practice, the two frameworks are mutually reinforcing: CRISA 2's five principles are broadly consistent with the PRI's own, and leading South African funds increasingly reference both in their investment policy statements and public disclosures.

The FSCA is now moving beyond guidance into more enforceable territory. South Africa's conduct regulator is shifting ESG oversight from high-level guidance into enforceable conduct standards, placing sustainability claims under the same scrutiny as financial disclosures and product marketing. Mandatory corporate sustainability disclosure requirements, aligned with the ISSB framework, are under consideration. In parallel, the FSCA is exploring appropriate sustainability-related disclosure expectations for pension funds and collective investment schemes. A new holistic reporting prudential standard for Regulation 28 compliance is also in development, moving beyond the current exception-based approach towards more proactive supervision (Phillips et al., 2024).

Compared with international frameworks, South Africa's regulatory architecture is notably voluntary and principles-based. The European Union's Sustainable Finance Disclosure Regulation, which has applied since 2021, imposes mandatory entity- and product-level ESG disclosure requirements on asset managers, pension funds and insurers, classifying financial products across three categories based on the degree to which sustainability is integrated into their objectives. The United Kingdom's Stewardship Code, to which South Africa's CRISA was compared at its inception, operates on an apply-or-explain basis but with more rigorous reporting expectations and external assessment by the Financial Reporting Council.

# South Africa's unique ESG materiality

> The ESG issues that matter most in South Africa are not as simple as being a local version of the global RI agenda. They are shaped by conditions that have no direct parallel in the markets where most ESG frameworks were designed.

The social dimension carries significant weight. Three decades after democracy, South Africa remains on an unsustainable development path characterised by the triple challenge of high poverty, inequality and unemployment, alongside greenhouse gas emissions that rank it among the world's top 20 emitters (van Doesburgh & Winkler, 2025). Unemployment, inequality and poverty are not peripheral social concerns for asset owners; they feed directly into political risk, labour market instability, the sustainability of investee companies and the long-term economic environment on which beneficiary retirement security depends. For South African asset owners, social factors carry financial materiality in ways that are sometimes underappreciated in frameworks built for European or North American markets.

The just energy transition adds a further layer of local complexity. South Africa's energy mix remains approximately 74% coal-based[3], while its export basket is under-diversified and dominated by resource-intensive, carbon-heavy industries (van Doesburgh & Winkler, 2025). The transition away from coal cannot happen in isolation from its social consequences where hundreds of thousands of jobs and entire communities (principally Mpumalanga) depend on the coal economy.

For institutional investors, this means climate risk cannot be assessed through a simple carbon lens. It requires simultaneous consideration of employment, community resilience and the pace of industrial transition, all of which affect both investee company sustainability and the societies in which beneficiaries live.

Transformation is a distinctly South African ESG consideration with direct financial materiality. Broad-based black economic empowerment credentials, board diversity, ownership patterns and supply chain transformation all affect a company's regulatory standing, access to government

3. Centre for Renewable and Sustainable Energy Studies (CRSES) (2024) SA Electricity Made Visual. The CRSES dataset records coal's share of total electricity generation from the national system at 73.8% for the 2023/24 financial year. This figure refers to electricity generation only; coal's share of South Africa's total primary energy supply, which includes liquid fuels and industrial use, is higher.

contracts and the social licence to operate. Governance risks in South Africa extend beyond board composition to encompass the performance of state-owned enterprises, political risk and institutional integrity. Finally, infrastructure sits at the intersection of ESG risk and investable opportunity, where shortfalls in housing, water, energy and transport are simultaneously threats to economic stability and, through instruments such as infrastructure bonds, potential avenues for long-term, return-generating investment.

# The development finance nexus

South Africa's pension fund sector occupies an unusual position globally. Asset owners of significant scale are expected to generate risk-adjusted returns for beneficiaries while simultaneously supporting the country's development agenda. This dual expectation is embedded in the regulatory architecture and in the mission statements of the sector's largest institutions.

The GEPF operates both a Responsible Investment policy and a separate Developmental Investment policy, the latter focused on targeted investments that contribute to positive economic, social and environmental outcomes while earning returns for members (GEPF, n.d.). The Public Investment Corporation (PIC), which manages the GEPF's assets, had R3tn in AUM as of March 2025 and is Africa's largest asset manager. It is required to invest 90% of assets domestically. As such, the GEPF functions as the single largest investor on the Johannesburg Stock Exchange and is a structural anchor of South African capital markets (Mahlaka, 2022).

The practical significance of this nexus extends beyond the GEPF. South Africa's government faces well-known fiscal constraints, with limited capacity to fund infrastructure investment from the budget. Pension funds have begun filling part of that gap through coordinated vehicles such as the Asset Owners Forum of South Africa. But the tension between developmental objectives and fiduciary duty remains unresolved for many funds, particularly smaller ones without dedicated investment capacity.

> Boards that interpret fiduciary duty narrowly tend to see developmental investment as a constraint on returns. Those who take a longer view, recognising that a dysfunctional economy threatens the retirement security of their own beneficiaries, reach a different conclusion.

# RI, ESG integration and developmental investment

RI, ESG integration and developmental investment are related but distinct concepts, and the distinction matters for how the findings in this report should be read.

**RI** is the overarching framework. It encompasses the full range of approaches through which investors incorporate non-financial considerations into their practice, including ESG integration, screening, thematic investing, impact investing and active ownership.

**ESG integration** is a specific analytical technique within that framework. It is defined by the PRI as the systematic incorporation of material environmental, social and governance factors into investment analysis and portfolio construction alongside, not instead of, traditional financial analysis (PRI, 2025).

**Developmental investment**, as applied in the South African context, refers to the deliberate allocation of capital towards outcomes that address the country's challenges in ways that generate financial returns alongside positive social and economic impact. These are not the same thing, but in South Africa they are more tightly bound together than in most markets.

A fund that integrates ESG factors systematically is, almost inevitably, engaging with the country's developmental challenges as investment-grade risks and opportunities: governance challenges at state-owned enterprises, the costs of energy instability, and the financial materiality of social unrest.

> The RI lens and the developmental lens converge because South Africa's material ESG risks are the country's development challenges.

That convergence is important context for interpreting the survey data that follows. Several respondents use the terms responsible investment, ESG integration and developmental investment interchangeably. This terminological looseness is consistent with a well-documented pattern in the South African RI literature: the same practices go by different names, and different practices sometimes share the same name (Eccles and Viviers, 2011; Sandberg et al., 2009). Where respondents describe themselves as being a responsible investor because they allocate to infrastructure bonds or characterise their ESG approach as being compliant with Regulation 28, the underlying commitment may be genuine, but the conceptual looseness makes it harder to assess the depth and consistency of practice across the cohort. The survey was designed to probe underneath self-identification where possible, and the analysis that follows draws on both quantitative responses and open-ended answers to distinguish between funds in which responsible investment is a structured, implemented framework and those in which it remains, for now, a statement of intent.

# PART 1
# SURVEY FINDINGS

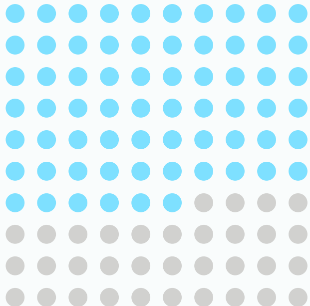
This section sets out what the survey tells us about responsible investment among South African asset owners. It draws on responses from 109 participants, the majority of them principal officers, trustees and others carrying fiduciary responsibility at retirement funds. Because two-thirds of respondents manage retirement savings, the findings speak primarily to the institutions that hold the bulk of the country's long-term institutional capital.

The analysis moves from who the respondents are to what they do. We begin with the shape of the sample, organisation type, assets under management, and the roles respondents hold. We then turn to how funds identify themselves, why they have adopted responsible investment and what they do once they have. The picture that emerges is one of broad commitment in principle alongside a persistent gap between stated intent and demonstrable practice, a gap the rest of the report examines in detail.

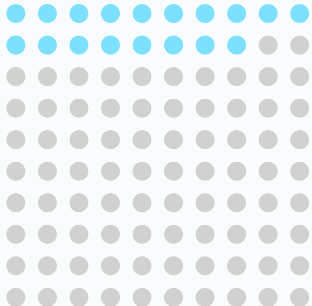
A note on reading the figures. Each chart reports the number of respondents who answered that particular question (n), rather than the full sample, because not every participant answered every question. Where a finding turns on a specific concept, RI, ESG incorporation or active ownership, the surrounding text explains how the term is used so the data can be read on its own terms.

# Organisation type

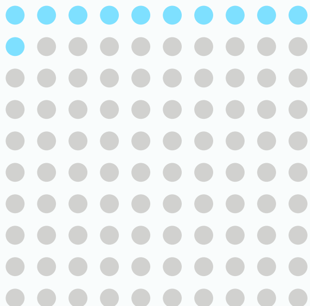
Two thirds of respondents manage retirement savings on behalf of employed South Africans, making this a survey of the sector that holds the majority of the country's long-term institutional capital.



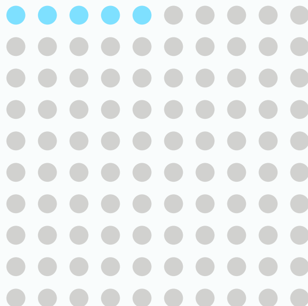
**66%**
Corporate pension or retirement fund



**18%**
Other (including family offices and trade unions)



**11%**
Non-corporate pension



**5%**
Insurance company

N=101
Each dot represents 1% of respondents. "Other" includes family offices (1%) and trade unions (1%).

Corporate pension and retirement funds account for two thirds of the sample, which is consistent with the survey's focus on asset owners in the South African retirement system.

Non-corporate pension funds add a further 11%, bringing the combined pension fund share to 77%[4]. This category covers retirement funds that sit outside a single private employer, principally public-sector funds and umbrella funds – two very different kinds of institution. Public-sector funds serve government and state employees and are established under their own statutory or public governance arrangements rather than a private employer's board, the Government Employees Pension Fund being the largest example. Umbrella funds are commercially sponsored multi-employer funds in which many unrelated employers participate under a single legal and governance structure, rather than each running a standalone fund. The survey did not ask respondents to identify which of these sub-types they belonged to, so the 11% cannot be split between them. Insurance companies contribute 5%, reflecting their role as significant institutional investors in South Africa as well.

The 18% captured under "other" is worth recognising. These respondents occupy roles adjacent to asset ownership, consultants, legal practitioners and beneficiary fund administrators, whose views on responsible investment carry weight because they directly influence how funds think and act, even without formal fiduciary responsibility. Family offices and trade unions each contributed one respondent.

The dominance of pension funds shapes most of the analysis that follows. The sample is, in this respect, well-matched to the problem. These are the institutions where the responsible investment question is most consequential and most contested.

4 The survey did not capture fund sub-type as a structured option. The only direct signal comes from free-text "other" write-ins: two respondents identified as public-sector (the Government Employees Pension Fund and a local government entity) and two as umbrella funds. These appeared in the "other" category rather than within the 11% non-corporate group, so they indicate that both institution types are present in the sample but do not support a numerical split.

# AUM size distribution

| | |
|---|---|
| R1tn and above | 2% |
| Between R500bn and R1tn | 1% |
| Between R100bn and R500bn | 9% |
| Between R50bn and R100bn | 6% |
| Between R1bn and R50bn | 52% |
| Between R100m and R500m | 13% |
| Between R50m and R100m | 1% |
| Between R1m and R50m | 9% |
| Prefer not to say | 6% |

The sample skews heavily toward the mid-market. More than half of respondents manage between R1bn and R50bn.

N=97
Each dot represents 5% of respondents.

The sample is concentrated in the mid-market. Only three respondents manage assets above R500bn.

This distribution is significant because fund size is one of the strongest predictors of RI capacity. Large funds, those above R50bn, typically have dedicated investment teams, can afford specialist ESG consultants and carry enough weight to set meaningful requirements in their manager mandates. Funds in the R1bn to R50bn band, which make up the bulk of this sample, generally operate very differently. They rely almost entirely on external managers and consultants, have minimal internal ESG expertise and struggle to exercise meaningful oversight of how their managers implement responsible investment in practice.

The findings throughout this report should be read with that context in mind. The barriers, the gaps and the requests for support that dominate the survey responses are, in large part, the barriers of mid-market funds trying to do more with limited internal resources.

# Position or role within the organisation

| | |
|---|---|
| Principal officers | 36% |
| Other | 27% |
| Trustees/board | 16% |
| Consultants/advisors | 11% |
| CEO/CIO | 5% |
| ESG/RI roles | 5% |

> The 5% in dedicated ESG or RI roles suggests that responsible investment is overwhelmingly led by generalists – but because the survey captures who responded rather than how each fund is staffed, this reflects the people in the room, not proof that specialist staff are absent.

N=105
Each dot represents 5% of respondents.

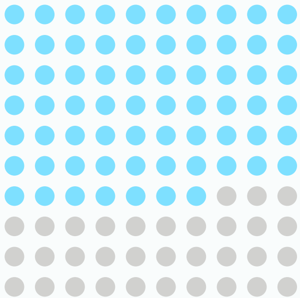
Principal officers make up 36% of respondents, the single largest group. Trustees and board members account for a further 16%, giving fiduciaries a combined share of 51% of the sample. Consultants and advisors represent 11%, reflecting the significant role that external practitioners play in shaping how funds think about and act on RI. C-suite executives contributed 5%.

The figure that stands out is at the bottom: only 5% of respondents held a dedicated ESG, RI or sustainability role. In a sample of 105 people, that is five individuals. Among the respondents, the overwhelming majority are generalists carrying broad fiduciary responsibilities across governance, administration, member communication and investment oversight simultaneously. This may point to a structural pattern in which RI decisions sit with generalists rather than dedicated specialists, though the survey reflects who completed it rather than the full staffing of each fund, and a fund could employ an ESG specialist who was not the respondent. Responsible investment competes for their attention against a long list of other priorities.

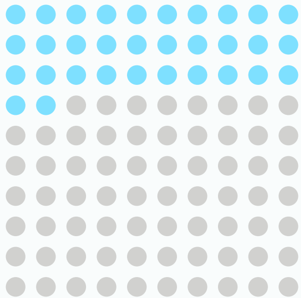
This has a direct bearing on what the rest of the survey reveals. When respondents report limited capacity for ESG integration, difficulty monitoring manager ESG practice or uncertainty about how to apply RI frameworks, this is consistent with a setting in which specialist RI knowledge sits with only a small minority of the people responsible for implementing it. The 11% consultant share also signals an important issue: for many funds, external advisors are the primary and sometimes only source of RI expertise.

# Asset owner identity

19 corporate pension or retirement funds said they are not asset owners. Pension funds are asset owners by definition under the PRI framework provided in the survey. This gap between formal status and self-identification has direct implications for governance accountability and RI adoption.



**67%**
identify as asset owners



**32%**
do not identify as asset owners

N=93
Each dot represents 1% of respondents. One percent responded *I'm not sure*.

Respondents were asked directly whether they consider their organisation to be an asset owner. 62 said yes, 30 said no and one gave a qualified answer. A striking detail is that 19 respondents from corporate pension or retirement funds said they did not consider themselves asset owners. The responses suggest that some trustees and principal officers do not fully identify with the concept or its associated responsibilities. How a fund views its own identity shapes how it approaches governance, manager oversight and responsible investment, so this is not a trivial finding.

They hold assets on behalf of beneficiaries, make high-level investment decisions and are responsible for managing capital over the long term. The PRI definition provided in the survey describes them precisely.

This disconnect matters because a trustee or principal officer who does not identify their fund as an asset owner is less likely to accept the responsibilities that come with that status, including setting RI requirements in manager mandates, exercising active ownership and taking accountability for how ESG factors are considered in investment decisions.

Among the minority who did not identify as asset owners, there appears to be a tendency to see the fund as a passive vehicle that simply appoints managers, rather than as the principal actor responsible for investment outcomes. This mindset, where it exists, is a meaningful constraint on RI practice. It should not be overstated: most respondents did identify as asset owners. But the pattern is consistent enough with other findings in this report, on manager oversight and delegation, to be worth taking seriously.

# Positioning of asset owner activities

| | |
|---|---|
| Asset owner activities integrated within overall investment or finance functions | 23% |
| Decentralised structure with asset owner activities reporting through intermediate management | 19% |
| Other | 16% |
| Separate division or subsidiary handles asset owner activities with independent reporting line | 16% |
| Centralised structure with asset owner activities directly reporting to the CEO | 16% |
| Hybrid structure with some asset owner functions centralised and others decentralised | 10% |

The relatively even spread across structures shows a sector still working out where responsible investment belongs. Only 16% have given it a dedicated, independently accountable function; most have absorbed it into existing structures where it competes for attention.

N=93
Each dot represents 5% of respondents.

Dedicated ESG structures are not very common. Most funds embed responsible investment within existing investment or finance functions rather than establishing it as a standalone capability, and a significant share operate with decentralised arrangements where ESG sits across multiple reporting lines with no single point of accountability.

This has implications for accountability. In more mature asset owner markets, governance structures have tended to converge on a recognisable pattern: responsible investment has a clear organisational home, a defined reporting line and a senior individual or committee answerable for it[5]. That convergence is what we mean by established best practice. It requires that someone be identifiable as responsible, that mandates can be set and monitored against a standard, and that implementation can be evidenced to the board and beneficiaries.

South African funds, by contrast, have largely arrived at their current arrangements through a mix of historical accident, resource constraints and organisational design choices rather than a deliberate RI governance strategy.

5. This pattern is codified in the requirements of the Principles for Responsible Investment (PRI), the leading global standard for asset owners. PRI signatories must designate one or more individuals with responsibility for implementing the principles, establish senior-level commitment and accountability for responsible investment and report annually on implementation through the PRI Reporting and Assessment process; the 2025 Reporting Framework makes a Senior Leadership Statement mandatory for all signatories. The PRI does not prescribe a particular organisational structure, but it does require an identifiable owner and senior accountability (PRI, 2021; PRI, 2025a).

The answer is not that every fund should adopt an identical structure. Funds differ in size, complexity and resourcing, and they will reasonably house responsible investment in different ways; a small fund cannot be expected to build the standalone capability that a large one can. What matters is where responsibility for responsible investment lies and whether it extends to the investment decision itself. MOBILIST's work on investment flows to emerging and frontier markets draws the same distinction at the level of practice: it separates funds that pursue genuine ESG integration, where ESG considerations are built into the investment decision-making process, from those for which ESG is a screen or a marketing overlay (MOBILIST, 2023a). The lesson for South African asset owners is that the governance question is: "Is someone accountable for it and does it shape how capital is actually allocated?" A fund that embeds responsible investment in its core investment process, with a clear owner, is better placed than one that has created a dedicated ESG function but kept it to one side of the decisions that matter.

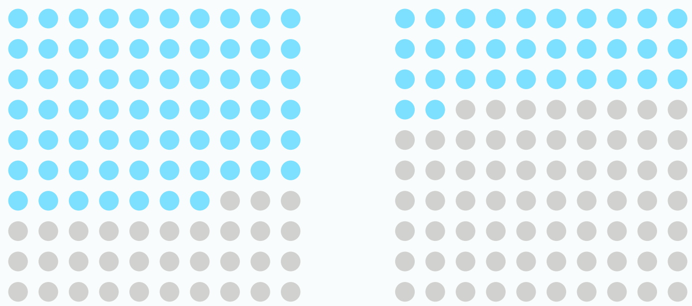
The 28 non-responses to this question are also worth noting. One possibility is that they reflect funds where responsible investment activities are not formally structured at all, with trustees making collective decisions without a defined organisational framework beneath them. This is a plausible reality for many smaller funds. It may equally reflect survey fatigue, a question that respondents found did not map onto how their fund is organised or a reluctance to describe internal arrangements. A fund that had simply absorbed responsible investment informally might well have selected "other", rather than leaving the question unanswered. The non-responses are therefore best treated as a gap in the data rather than as evidence of any single organisational reality, and we draw no firm conclusion from them on their own.

The data gathered in this survey do not permit a robust test of the relationship between governance structure and RI maturity. The question on organisational structure yielded too few usable responses to support meaningful cross-tabulation against indicators such as RI policy status, manager mandate design or ESG evaluation practice. What the distribution of structures does suggest, however, is that South African asset owners are organised in meaningfully different ways and the literature on institutional investment governance offers reason to expect that those differences matter for responsible investment outcomes[6].

6. Clark and Urwin (2008) and Stewart and Yermo (2008) establish the relationship between governance structure and long-term investment outcomes in pension funds more broadly. Amel-Zadeh and Serafeim (2018) find that governance quality specifically predicts the rigour of ESG integration. None of these studies directly examine South African funds, and the survey data do not permit a formal test of the relationship in this sample. The claim is offered as a hypothesis consistent with the literature rather than a finding of this research.

# Industry association membership

34% of respondents belong to no industry association. These funds are likely more isolated from peer learning, RI guidance and policy engagement and more dependent on their asset managers and consultants as their primary source of RI knowledge.

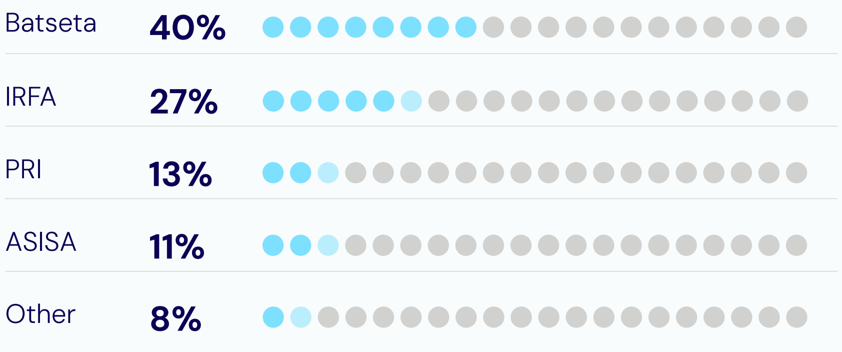


**66%**
are members of at least one industry association

**34%**
are not a member of any industry association

N=90
Each dot represents 1% of respondents.

## Association breakdown




N=90
Each dot represents 5% of respondents.

Sixty-six percent of the respondents who answered this question belong to at least one industry association. Batseta is the dominant affiliation with 25 respondents, reflecting its role as the primary body for principal officers and trustees in the South African retirement fund sector. The Institute for Retirement Funds Africa follows with 17, the PRI with eight and the Association for Savings and Investment South Africa (ASISA) with seven. Several respondents belong to more than one body, which is why individual counts exceed the total member count.

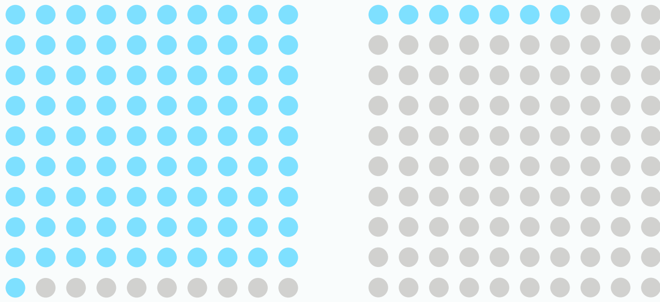
The Batseta dominance also tells a story about where RI conversations are concentrated. As the body for principal officers and trustees, Batseta's engagement with responsible investment directly shapes how fiduciaries think about their obligations. The relatively small PRI signatory count reflects the limited direct engagement between South African asset owners and global RI frameworks, a gap that this research was partly designed to address.

The 34% without any affiliation is the more consequential figure. Voluntary frameworks like CRISA 2 depend on industry associations to translate principles into practice and provide guidance to funds that lack internal expertise. Where that association is absent, voluntary frameworks tend to miss the funds that need them most.

# RI identity and adoption

Respondents were asked whether they would describe their organisation as a responsible investor, based on the PRI's definition* provided. 91% of respondents said yes. That is a meaningful result. It suggests the concept is not contested in this cohort. But a definition provided in the question is not the same as a definition the fund has internalised and built its governance around.

N=57
Each dot represents 1% of respondents.
One responded "not applicable".



**91%**
said *yes*

**7%**
said *no*

* Responsible investment involves taking sustainability and governance-related factors into consideration in order to protect and enhance long-term value for clients and beneficiaries and, in some instances, to achieve sustainability objectives. It spans all stages of the investment process, from developing investment beliefs to stewardship, investment decision-making and reporting.

Investors consider a wide range of sustainability and governance-related issues as part of their decision-making. Many have long analysed issues such as board structure and executive remuneration, while new issues are continually emerging, for example artificial intelligence, which raises a range of environmental and social considerations.

Among the 57 respondents who completed this section of the survey, 91% described their organisation as a responsible investor under the PRI definition provided. Four said no and one gave a not-applicable answer.

The true rate across all respondents is lower. Of the 109 who participated, fewer than half positively self-identified as responsible investors, a more cautious reading of the headline figure. The drop-off itself is a finding, though its precise meaning is uncertain. It may reflect survey fatigue, but it is at least as likely to reflect the discomfort of funds that were uncertain whether they could honestly claim the label, which is a more consequential signal than indifference[7].

What the 91% does confirm is that among funds actively thinking about RI, self-identification is strong. What we should keep in mind as we continue to analyse these findings is whether that identification translates into substantive practice.

7. The survey recorded 57 responses to the responsible investor self-identification question from a total of 109 participants. The reasons for non-completion of this section are not known. Drop-off in survey completion is consistent with multiple interpretations including fatigue, perceived irrelevance and discomfort with the question and these cannot be distinguished from the data alone. The characterisation of drop-off as a finding should be read as an informed hypothesis rather than a demonstrated conclusion.

# Motivations for adopting an RI approach


N=97
The values represent the number of respondents selecting each motivation. Respondents could select multiple motivations.

The top three reasons describe RI as an obligation. The bottom of the chart tells the complementary story: reputation, client demand and competitive pressure barely register.

Fiduciary duty is the dominant driver, selected by 39 respondents. Long-term ESG risk management follows at 35, and alignment with organisational values at 30. Regulatory compliance and alignment with global norms such as the PRI were each cited by 25 respondents, leadership and board commitment by 24 and meeting beneficiary or trustee requirements by 23.

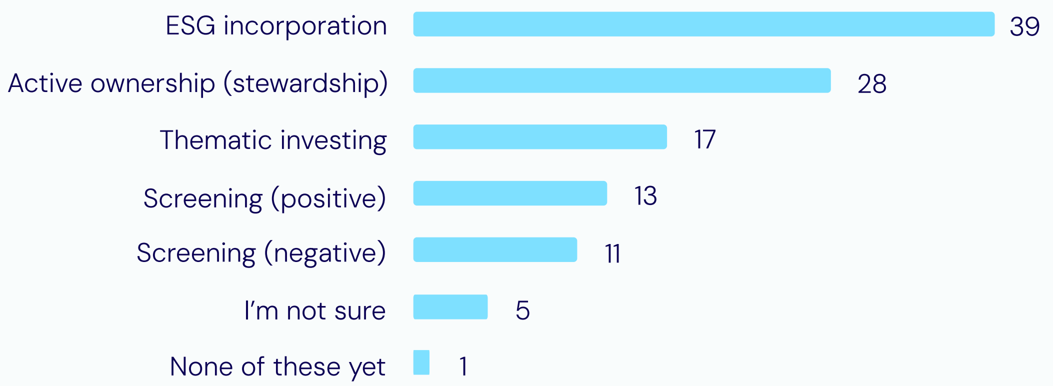
The figure that demands attention is that only 22 respondents cited evidence that RI improves risk-adjusted returns. In a room of investors, the financial performance case ranks below fiduciary duty, risk management, organisational values, regulatory compliance, global norms, board commitment and beneficiary requirements. This is not necessarily a problem. Fiduciary duty and risk management are sound, durable rationales for RI. But it reveals something important about how the responsible investment conversation is framed in South Africa.

Duty-led adoption is less resilient than performance-led adoption when it faces competing pressures. A trustee who adopted RI because regulation seemed to require it, or because the board committed to it as a values statement, is more likely to deprioritise it when resources are tight, when a new board arrives or when a difficult market environment forces hard choices.

A trustee who genuinely believes RI produces better long-term risk-adjusted outcomes has a more durable internal rationale. Building that evidence base and communicating it effectively to South African boards and trustees is one of the most important things the sector could do to deepen adoption.

At the bottom of the chart, reputational and brand considerations drew only seven respondents and societal expectations drew 10, suggesting that external pressure has so far played a limited role in driving adoption. South African asset owners are not yet feeling the same level of beneficiary or public scrutiny on RI that has accelerated adoption in European markets[8] (Borgers and Pownall, 2014; Hammond et al., 2023).

# RI activities




N=51
Values represent the number of respondents selecting each activity.

ESG incorporation and active ownership account for the bulk of RI activity. Screening and thematic investing, which require more deliberate portfolio construction decisions, are significantly less common.

ESG incorporation leads at 39 respondents, with active ownership and stewardship second at 28. Thematic investing was selected by 17 respondents, positive screening by 13 and negative screening by 11. Five said they were unsure which activities applied to them and one reported none yet.

The shape of this chart maps closely to how most South African pension funds are structured. ESG incorporation, at its most basic, means instructing asset managers to consider ESG factors in their investment process. Active ownership, similarly, is often carried out by managers on the fund's behalf through proxy voting and engagement. Both activities can be adopted without any direct internal ESG capability, which explains why they dominate.

Screening and thematic investing tell a different story. To screen a portfolio, a fund needs a view on which sectors or companies it wants to include or exclude, and the governance processes to implement and monitor that. Thematic investing requires identifying specific ESG themes and allocating capital deliberately to them. Both demand a degree of internal conviction and capability that many mid-market funds have not yet developed.

8 The role of beneficiary and civil society pressure as a driver of RI adoption varies considerably across European markets and is most clearly documented in the UK, the Netherlands and the Nordic countries. The claim is not intended to characterise European markets uniformly.

The gap between the top two activities and the rest is a reasonable proxy for the gap between passive and active responsible investment in South Africa.

The five respondents who said they were unsure which activities apply to them are worth noting. These are people who identified their organisation as a responsible investor in the previous question but cannot clearly describe what their fund actually does in practice. That uncertainty points directly to the implementation gap we address in the next section of this report.

# 1. The implementation gap

**60%**
of boards discuss ESG at every meeting or quarterly

**27%**
have not identified ESG risks in their portfolio at all

**9%**
did not know whether ESG risks had been identified

The headline self-identification rate of 91% masks a significant gap between what funds say they are and what they can demonstrate in practice. That gap is clearest in the survey's open-ended responses.

Asked how their organisation defines ESG risks and opportunities, respondents produced a wide spectrum. Some offered structured, thoughtful frameworks. Others wrote a single word. Several did not attempt a definition at all, instead pointing elsewhere.

> "As a board, ESG is managed by the investment house."

> "We do not define it. Delegated to the investment managers who report back to the board annually."

One respondent captured the isolation that characterises many smaller funds:

> "We rarely discuss it because I am basically working alone."

This delegation pattern reflects a broader tendency among mid-market South African funds to treat RI as something that happens inside the asset manager rather than the fund itself. The fund sets a policy or incorporates RI language into its investment policy statement, then waits for managers to report back. What managers actually do with ESG factors, how consistently they apply them and whether the outcomes align with the fund's intentions often go unexamined.

The board discussion data points in the same direction. Although 60% of respondents said their boards discuss ESG at every meeting or quarterly, frequency is not a measure of governance quality. What matters is whether those discussions drive decisions about manager mandates, investment policy or reporting requirements.

## Barriers to RI adoption

Among non-adopters, the barriers seem to be practical rather than philosophical. No respondent cited leadership opposition or client resistance as a reason for not adopting RI practices. The barriers identified are about data, capacity and regulatory clarity, things the market and the regulator could in principle address.

The lack of reliable local ESG data is the most frequently cited barrier among non-adopters. This is consistent with what adopters say about where they need support: data acquisition and management ranked second among all support needs, behind reporting and compliance. The problem is that the data for local assets, particularly for unlisted investments, fixed income and smaller listed companies, is patchy, inconsistent and expensive to access. This constraint reflects both the general gap in ESG data coverage between emerging and developed markets (Morningstar Sustainalytics, 2022; MOBILIST, 2023b) and the specific disclosure challenges of the South African listed market (Bogdanov, 2025)[9].

Capacity-wise, several respondents described situations where a single person carries RI responsibility alongside a full generalist workload. Skills development and capacity building ranked among the top four support needs across the full sample, alongside technology and automation tools. The picture that emerges is of funds that understand what responsible investment requires but cannot resource it adequately.

Regulatory uncertainty runs through the open-text responses repeatedly.

> "More information by the regulator."

> "The regulator must issue a directive in this regard."

> "Possibly a combination of regulatory requirements and incentives."

There is an appetite, at least among the more engaged cohort this survey captured, for clearer regulatory direction. The current framework, built on Regulation 28's requirement to consider ESG factors and CRISA 2's voluntary principles, leaves too much to individual interpretation. Some funds use that flexibility to develop sophisticated RI frameworks. Others use it to do very little and remain technically compliant.

The open-text responses also surface a perception problem that regulatory clarity alone will not fix. Several respondents noted that RI and development investing are associated in some boardrooms with lower returns and government-directed investment.

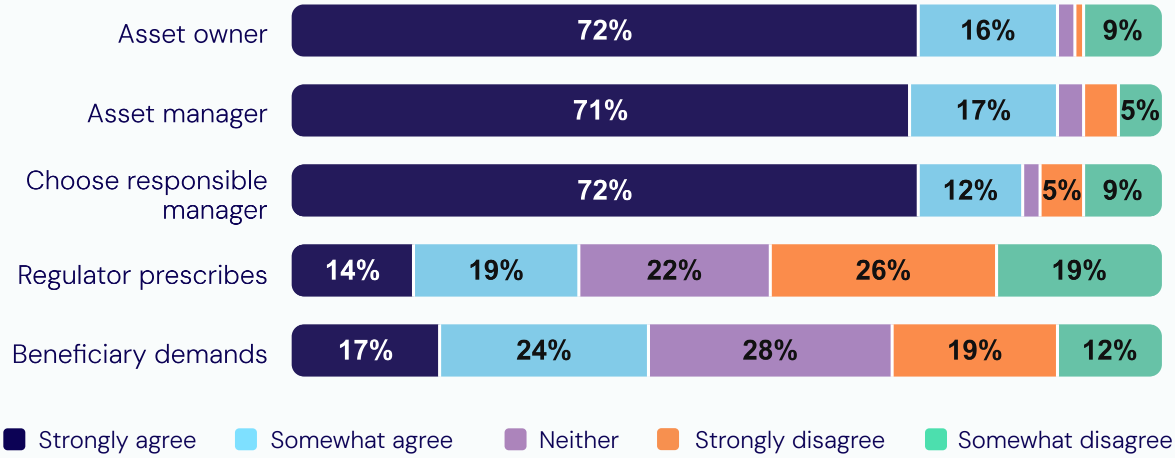
> "Demonstrate that RI will generate a legitimate return and not be influenced by political agenda."

> "Better understanding of these portfolios, as there is a perception that investing in these type of portfolios will result in lower returns as they tend to relate these to government projects."

This conflation of RI with politically directed capital allocation is a reputational obstacle that the sector needs to address directly and with evidence.

9 The data gap is most acute for unlisted assets and fixed income instruments, where third-party ESG rating coverage is limited or absent entirely, and for smaller JSE-listed companies below the threshold at which major ESG data providers typically collect and verify disclosures. The FSCA's climate disclosure research for the financial sector, undertaken by the IFC in 2024/25, confirmed that the majority of collective investment scheme managers provide no meaningful climate-related disclosure, which gives some indication of the upstream data environment facing pension fund investors.

## Who bears the responsibility for RI?




N=52

Segments below 5% are unlabelled. Asset owner: Neither 2%, Somewhat disagree 2%. Asset manager: Neither 3%, Somewhat disagree 3%. Responsible manager: Neither 2%.

South African asset owners are confident that they and their managers bear primary responsibility for responsible investment, and that selecting a responsible manager is their central lever for meeting that responsibility.

The top three statements describe a coherent accountability model: 88% agree that asset owners bear primary responsibility for ensuring assets are invested responsibly, and the same proportion say it of asset managers; 84% agree owners should exercise that responsibility partly by selecting the most responsible manager available. Owners hold ultimate responsibility, managers carry it out, and manager selection is the primary governance lever.

Consensus dissolves on the regulator statement. Only 33% agree it is the regulator's role to prescribe how assets should be invested responsibly; 45% disagree and 22% sit in the middle. This is the most contested question in the survey. It reflects a genuine tension between the instinct to self-govern and the practical reality that voluntary frameworks have not produced consistent implementation across the market. The open-text responses suggest that many of those in the disagreeing camp are not opposed to regulatory direction in principle; they are sceptical of prescription as the primary mechanism, preferring clearer guidance and incentives over mandates.

Beneficiary responsibility spread across all five positions with no majority anywhere. Twenty-eight percent were neutral, 41% agreed in some measure and 31% disagreed. This spread reflects the structural reality of South African pension fund beneficiaries: they are the ultimate principals, but they lack the information, tools and mechanisms to exercise meaningful agency over how their savings are invested.

## The philosophy for asset manager incorporation of RI

| | |
|---|---|
| ESG for risks and opportunities | 59% |
| Governance of ESG issues | 57% |
| Asset managers determine ESG use | 54% |
| Valuations of investment companies | 46% |
| Engaged for risk/opportunities | 43% |
| ESG controversies | 39% |
| Client reporting | 37% |
| Exclude or tilt | 22% |

Each dot represents 5% of respondents. Respondents could select multiple philosophies.

> The top three responses sit within two counts of each other, which means the sample is almost evenly split between funds that have internalised an ESG philosophy and funds that have outsourced it.

Twenty-five of 46 respondents indicated that asset managers are to determine their own use of ESG factors, the third most selected option. Active integration philosophies dominate but delegation without clear parameters is almost as prevalent, pointing to a significant oversight gap.

The two leading philosophies, ESG for risks and opportunities (27 respondents) and governance of ESG issues (26), reflect a sophisticated understanding of what responsible investment is meant to achieve. The first treats ESG factors as financially material inputs to be identified and weighed alongside traditional financial analysis. This is the approach the PRI terms ESG integration, the most established form of ESG incorporation under Principle 1, which commits signatories to incorporate ESG issues into investment analysis and decision-making (PRI, 2025). The second, governance of ESG issues, refers to the oversight arrangements through which a fund ensures ESG factors are acted on: the policies, mandates, reporting lines, and accountability that determine whether ESG analysis feeds into decisions. Both treat ESG factors as inputs into investment analysis rather than as a separate overlay, which is broadly consistent with how CRISA 2 and Regulation 28 frame the obligation.

The third most selected option is the one that requires attention. Twenty-five respondents indicated that asset managers are to determine their own use of ESG factors. In a sample of 46, that is 54%. This is not a marginal position. It means that for more than half of the funds represented (and that responded to this question), the ESG mandate amounts to an instruction to the manager that ESG matters, followed by a delegation of all discretion over how that instruction is interpreted, implemented and reported.

Delegation is not inherently problematic. Asset owners routinely delegate investment decisions to managers. The problem is delegation without accountability. When a fund leaves ESG implementation entirely to the manager's discretion, it has no basis for evaluating whether the manager is doing it well, no mechanism for holding the manager to a specific standard and no way of demonstrating to its own board or beneficiaries what responsible investment actually means for the portfolio.

The lower selection rates for exclusion or tilting (10) and client reporting (17) are also notable. Exclusion requires a deliberate policy position on which sectors or companies are unacceptable, and the governance to implement it. Client reporting requires structured ESG data flowing from managers to owners to beneficiaries. Both are capabilities that many mid-market funds have not yet built, and the chart reflects that gap.

## Evaluating asset manager ESG delivery

| | |
|---|---|
| Rely on manager self-reporting | 28% |
| Quantitative ESG metrics against benchmarks | 22% |
| We don't formally evaluate this | 15% |
| Qualitative assessment | 13% |
| Third-party ratings | 9% |
| Other | 9% |
| Independent due diligence questionnaire | 4% |

N=46

Each dot represents 5% of respondents.

Self-reporting is the most common evaluation method. Together with those who do not formally evaluate managers, 20 respondents have no independent mechanism for assessing whether ESG mandates are being delivered.

Twenty of 46 respondents for this question either rely on manager self-reporting or do not evaluate at all. Only 10 use quantitative ESG metrics against benchmarks. For funds that have incorporated ESG into manager mandates, the absence of independent verification makes those mandates difficult to enforce.

This chart is one of the most consequential in the survey. Eighty-three percent of respondents said ESG integration is incorporated into their manager mandates. Yet when asked how they verify that managers are actually delivering on that requirement, 13 respondents said they rely on manager self-reporting and seven said they do not formally evaluate it at all. Together that is 43% of those who answered this question with no independent assessment of manager ESG performance.

## Fund size and manager ESG evaluation: where the accountability gap is concentrated

The 35% of respondents with an independent mechanism for evaluating manager ESG delivery and the 43% with no independent evaluation are aggregate figures that conceal a sharp divide by fund size. Among funds managing R50bn or more (N=8 with AUM data), 62% use an independent evaluation mechanism and only one relies on self-reporting or has no formal evaluation at all. Among funds managing below R50bn (N=36 with AUM data), 31% have an independent mechanism and 50% rely on self-reporting or conduct no formal evaluation.

The accountability gap in manager oversight is not evenly distributed across the sector. It is concentrated in the mid-market.

| | **Large funds ≥ R50bn** (N=8) | **Mid-market funds < R50bn** (N=36) |
|---|---|---|
| Has independent evaluation mechanism | 62% (5 of 8) | 31% (11 of 36) |
| Self-reporting or no formal evaluation | 13% (1 of 8) | 50% (18 of 36) |

Note: Independent evaluation is defined as the use of quantitative ESG benchmarks, third-party ratings or an independent due diligence questionnaire. Includes only respondents who provided both an AUM band and an answer to the evaluation question. The full-sample figures (35% independent, 43% no independent, n=46) are the primary findings reported in the main analysis.

Self-reporting is not evaluation. A manager who tells their client they are integrating ESG has every incentive to present that activity in the most favourable light. Without independent data, the fund has no basis for challenging that account. The 10 respondents who use quantitative ESG metrics against benchmarks are in a meaningfully different position. They have a defined standard, measurable outcomes and the information needed to hold managers accountable.

Several funds described a combination of annual report-backs, investment committee presentations and general engagement with managers as their evaluation approach. One noted reliance on a multi-manager to report back on underlying managers, which adds a further layer of delegation. Another described an annual responsible investment due diligence process, which is a more structured approach but still dependent on manager-provided information.

The practical consequence of this gap is significant. Asset owners who cannot independently verify manager ESG delivery are structurally unable to distinguish between managers who are genuinely integrating ESG and those who are describing it well. In a market where ESG credentials are increasingly used as a marketing tool, that distinction matters enormously for beneficiary outcomes.

## Climate risk reporting requirements

| | |
|---|---|
| No, but considering | 36% |
| No | 22% |
| Yes, comprehensive climate reporting | 22% |
| Yes, basic climate metrics required | 13% |
| Not applicable | 7% |

Respondents were asked whether they require their asset managers to report on climate risks in their portfolios. Each dot represents 5% of respondents.

More than half of the sample requires no climate risk reporting from its managers, and a further 36% are considering it, suggesting the barrier is capacity and structural commitment.

With the FSCA moving towards mandatory climate disclosure requirements, this gap between current practice and regulatory direction is likely to close, but the transition will require significant capacity building across the sector.

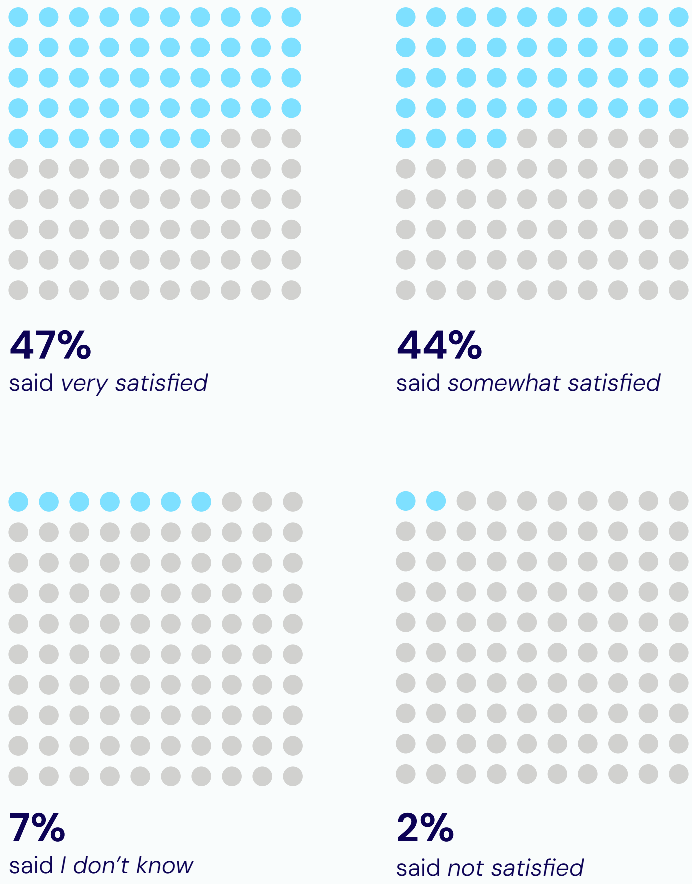
Climate risk is the area where the gap between global regulatory momentum and South African asset owner practice is most visible. The FSCA's sustainable finance programme is moving toward mandatory climate disclosure requirements aligned with IFRS S1 and S2. The Prudential Authority has issued guidance on climate risk governance for banks and insurers. Internationally, climate reporting is rapidly shifting from voluntary to mandatory across major markets. Yet two-thirds of the funds in this sample either do not require climate risk reporting from their managers or are only beginning to consider it.

The 36% who are considering it is an important signal. This suggests these funds are not opposed to climate reporting; they are in the process of deciding what to require and how to evaluate it. That transition will demand data standards, manager capability and internal capacity that most mid-market funds do not currently have. Without standardised climate metrics for South African assets and clearer regulatory guidance on what adequate climate disclosure looks like, the "considering" cohort risks remaining in that position indefinitely.

The 7% not applicable likely reflects funds invested entirely in liability-driven or money market instruments with limited climate exposure in the conventional sense. For the remainder, climate risk is a material consideration regardless of asset class, given South Africa's coal dependency, its just transition commitments and the physical climate risks that already affect infrastructure and agricultural investments.

## Asset owner satisfaction with manager RI approaches

High satisfaction with manager RI approaches is consistent across almost the entire sample. 91% satisfaction looks like a strong endorsement of asset manager RI practice in South Africa. Set against Figure 13, it requires a more careful reading. The most common method for evaluating manager ESG delivery is manager self-reporting.




Each dot represents 1% of respondents.

Ninety-one percent express some degree of satisfaction with their managers' RI approach. Read alongside the previous question on performance evaluation, where 43% have no independent evaluation mechanism, this figure likely reflects limited visibility rather than genuine performance assessment.

The 43 respondents who expressed some degree of satisfaction with their managers' RI approach are split between 47% very satisfied and 44% somewhat satisfied. Only one respondent was not satisfied and three said they did not know.

Forty-three percent of respondents have no independent mechanism for evaluating manager ESG delivery (Figure 13). Twenty-five out of 46 said they leave ESG implementation entirely to the manager's discretion. In that context, a 91% satisfaction rate is more likely to reflect the absence of a clear benchmark than the presence of strong RI delivery.

Meaningful satisfaction requires a standard against which performance is measured. Where funds have defined clear ESG expectations in their mandates, collect structured data on manager ESG outcomes and benchmark that performance against peers, satisfaction becomes an informed judgement. Where funds rely on annual report-backs, manager self-assessment and qualitative impressions, it reflects comfort with the relationship rather than confidence in the outcomes.

This is not a criticism of the managers. South African asset managers, on balance, have made significant progress on ESG integration, as the Alexforbes Manager Watch data and Just Share's benchmarking work show. The concern is on the oversight side. Asset owners who are broadly comfortable with their managers' RI practice, without the tools to verify it independently, are exposed to the risk of being told a good story rather than receiving good outcomes.

## ESG on the board agenda

| | |
|---|---|
| Quarterly | 34% |
| Every board meeting | 27% |
| Annually | 18% |
| Ad-hoc when issues arise | 17% |
| Never/rarely | 2% |

N=83
Respondents were asked how frequently their board or trustees discuss ESG matters.
Each dot represents 5% of respondents. Two percent responded "not applicable" which is excluded from chart.

Regular board discussion of ESG is encouraging as a baseline. The 17% who discuss it only when issues arise are at least describing a reactive but real engagement. The more consequential gap is between the 61% who discuss it regularly and the much smaller proportion who can demonstrate that those discussions have changed anything.

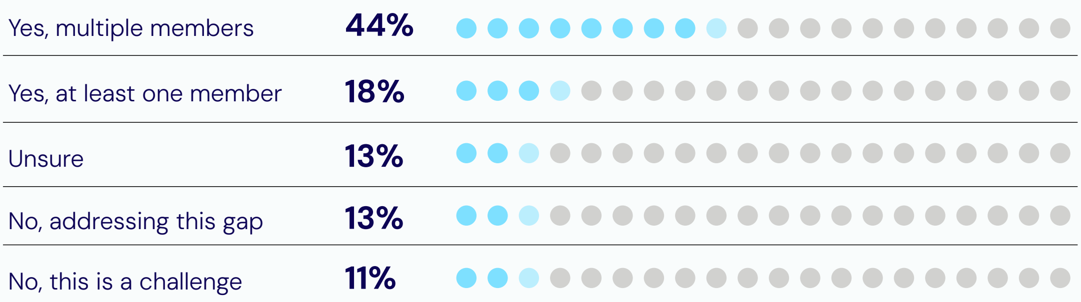
The headline figure is encouraging but needs qualification. Board discussion frequency is a governance input, not a governance outcome. A fund that puts ESG on the agenda every quarter but never translates those discussions into decisions about manager mandates, investment policy or reporting requirements has fulfilled the procedural requirement without producing the substantive action that responsible investment requires.

The 35% who discuss ESG annually or ad hoc are a more immediate concern. Annual discussion, at best, means ESG is reviewed once a year and then set aside. Ad hoc discussion means it surfaces only when a specific controversy or regulatory prompt forces it onto the agenda. Neither approach provides the sustained governance attention that ESG integration requires, particularly as the regulatory landscape evolves and the range of ESG considerations facing South African funds continues to broaden.

The question drew 83 of 109 possible responses. Survey non-response can reflect several things, but it is also consistent with a pattern documented in ESG survey research more broadly where more active or ESG-aware respondents are more likely to complete surveys in full, and less engaged respondents are more likely to skip questions or exit early (Amel-Zadeh and Serafeim, 2018). The finding cannot be confirmed from this data alone, but it is worth noting alongside the rest of the survey's evidence on governance maturity[10].

10 The suggestion that non-response may correlate with lower ESG governance maturity is a hypothesis consistent with the broader survey evidence, not a demonstrated finding. Researchers should note that the "other" category of respondents comprising consultants, administrators and legal practitioners who may have skipped this question because it was not applicable to their organisational type, which would weaken the ESG-maturity interpretation of the non-response rate.

## Board ESG expertise




N=45
Respondents were asked whether their board or trustees have sufficient ESG expertise to oversee RI.
Each dot represents 5% of respondents.

The headline figure looks reasonable. Forty-four percent have multiple members with ESG expertise – a meaningful governance foundation. The 13% actively addressing the gap is the most encouraging figure in the chart – awareness followed by action is what governance improvement looks like.

Among the 45 respondents who answered this question, 62% reported at least one board member with relevant ESG expertise, split between 44% with multiple members and 18% with at least one. Twenty-four percent reported a gap, either actively addressing it (13%) or acknowledging it as a challenge (11%). Thirteen percent were unsure.

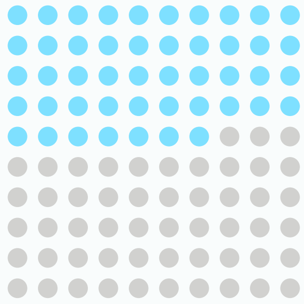
The more important number is the 64 respondents who did not answer this question at all. This is the highest non-response rate of any substantive question in the survey. Funds that have invested in board ESG capability are more likely to be aware of it and willing to describe it. Funds where ESG expertise is absent or underdeveloped are more likely to skip a question that would require them to acknowledge that gap. The non-response is therefore likely to be concentrated among funds with the weakest board ESG expertise, meaning the 62% figure applies only to the more engaged half of the sample.

The Batseta RIO Guide and the PRI Academy's[11] dedicated trustee course provide accessible pathways for trustee ESG development. The board expertise gap documented in this survey suggests that uptake has been uneven and that availability of resources is not, on its own, sufficient to close it. Formal ESG training for trustees and principal officers, whether through structured programmes or practical peer learning, remains one of the most consistently cited needs across the survey's open-text responses.

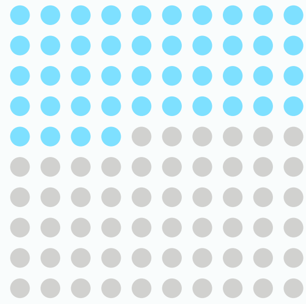
11 The FSCA's Guidance Notice 1 of 2019 referenced the RIO Guide directly, giving it quasi-regulatory status as a practical implementation tool for South African pension funds.

## ESG risk identification in the portfolio

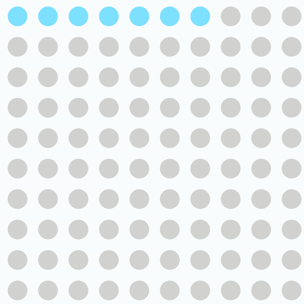
Identification of ESG risks is the prerequisite for everything else. The 64% who have done this work are the cohort from which meaningful RI governance can develop. Thirty-six percent have either not identified ESG risks or don't know if they have.



**64%**
said *yes*



**27%**
said *no*



**9%**
said *I don't know*

N=70
Each dot represents 1% of respondents.

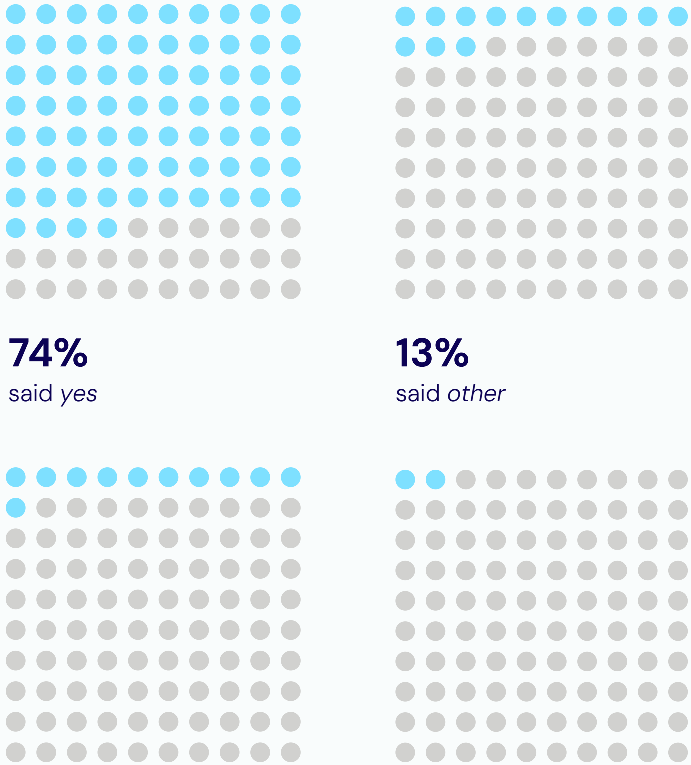
Sixty-four percent of the 70 respondents who answered this question confirmed they have identified ESG risks and opportunities in their portfolio. Twenty-seven percent said they have not and 9% said they did not know.

The qualitative responses to the ESG definition question mentioned earlier make the nature of this gap clearer. When asked how their organisation defines ESG risks and opportunities, the answers ranged across a wide spectrum. Some funds produced detailed, structured frameworks that cited specific ESG factors with clear links to portfolio implications. Others wrote a single word. Several explicitly delegated the question to their asset managers. A meaningful number described ESG risks in general terms. A fund without a working definition of ESG has no basis for determining which risks in its portfolio qualify as ESG risk. The definitional gap and the identification gap are the same gap, expressed at different stages of the investment process.

This definitional inconsistency across the industry has practical consequences. Without a shared understanding of what ESG risks look like in a South African portfolio, funds cannot set consistent expectations for managers, benchmark their identification work against peers or communicate meaningfully about what they are managing. South Africa's specific ESG risk landscape, including poverty-linked social instability, the just energy transition, transformation obligations, governance risks and physical climate risks, requires contextualised identification frameworks that most funds have not yet developed. The open-text responses show that the more sophisticated funds in the sample understand this. The gap is in the middle and lower end of the market.

## RI policy adoption

Respondents were asked whether their organisation has an RI policy. Seventy-four percent said yes – a high adoption rate. It reflects genuine intent, but a policy is the minimum condition for responsible investment governance.



**74%** said *yes*

**13%** said *other*

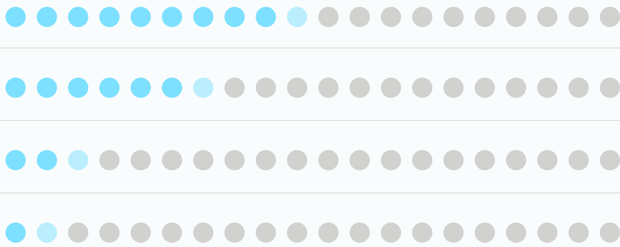
**11%** said *no*

**2%** said *coming in the next 12 months*

Each dot represents 1% of respondents.

### When was the policy adopted?

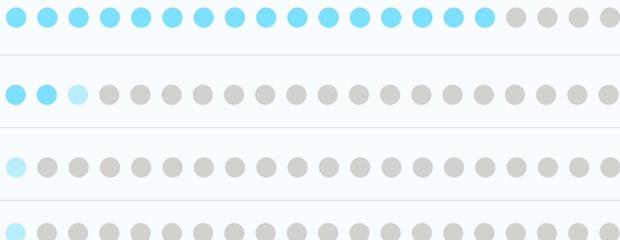
| | |
|---|---|
| Over 5 years ago | **47%** |
| 1-3 years ago | **32%** |
| 3-5 years ago | **12%** |
| Within the last 12 months | **9%** |



Each dot represents 5% of respondents.

### When was the policy last reviewed?

| | |
|---|---|
| Within last 12 months | **80%** |
| 1-2 years ago | **13%** |
| Over 2 years ago | **4%** |
| Never reviewed | **2%** |



N=46
Each dot represents 5% of respondents.

Among the 46 respondents who reached this section, 74% have a standalone RI policy and a further 13% embed RI considerations within their investment policy statement. Eleven percent have no policy at all and one respondent said a policy is coming within the next 12 months. Taken together, 87% of respondents have some form of documented RI commitment.

## Fund size and RI policy adoption: the gap is real but narrower here

Policy adoption shows the smallest gap between large and mid-market funds of the three measures examined. Among funds managing R50bn or more (N=10 with AUM data), 90% have a standalone responsible investment policy. Among funds managing below R50bn (N=35 with AUM data), 69% have a standalone policy.

Two things follow from this. First, the mid-market policy adoption gap is the most tractable of the three, since policy development is primarily a governance commitment rather than a resource-intensive operational change. Second, and more importantly, the relatively high policy adoption rate across both groups reinforces the report's central argument: the implementation gap is not primarily a policy gap. Most funds have made the formal commitment.

| | **Large funds ≥ R50bn** (N=10) | **Mid-market funds < R50bn** (N=35) |
|---|---|---|
| Standalone RI policy | 90% (9 of 10) | 69% (24 of 35) |

Note: Includes only respondents who provided both an AUM band and an answer to the policy question. Responses describing RI embedded within an investment policy statement are excluded from this row; including them raises both figures marginally. The full-sample figure (74% standalone, n=46) is the primary finding reported in the main analysis.

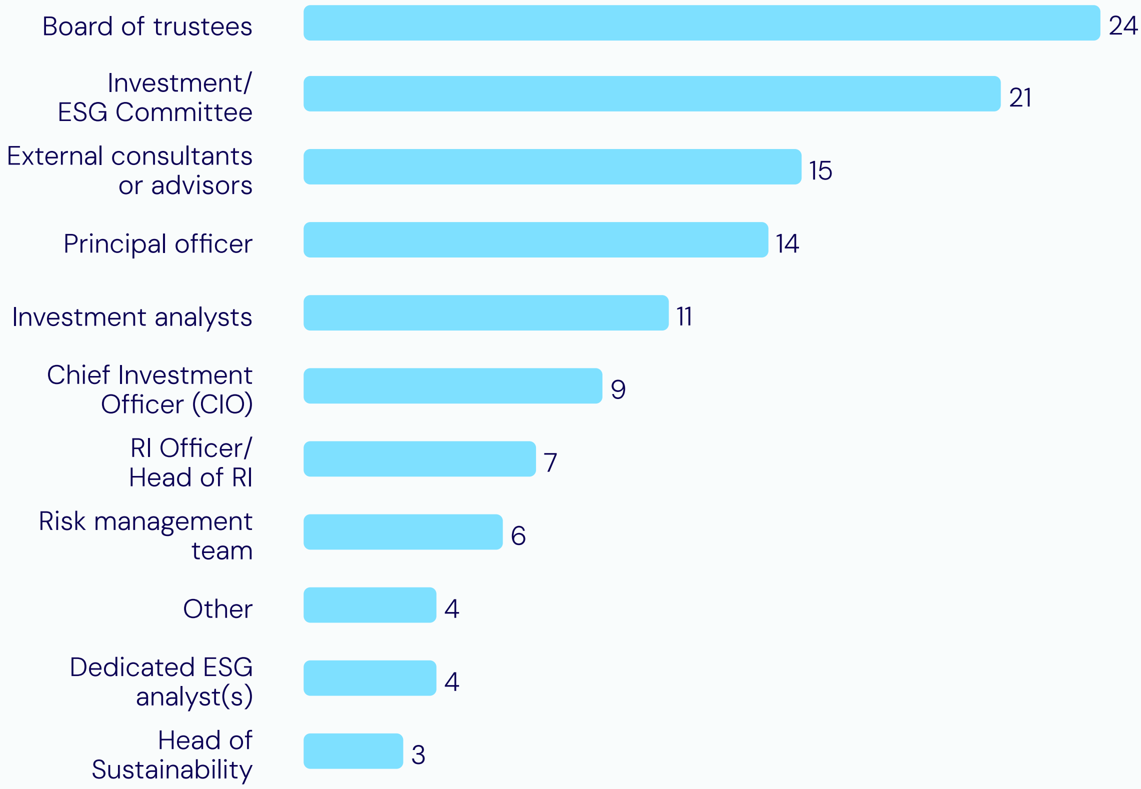
The adoption timeline shows that this is not a recent phenomenon among the more engaged funds. Forty-seven percent adopted their policy more than five years ago, suggesting that leading practitioners have been building RI frameworks for the better part of a decade.

Thirty-two percent adopted theirs between one and three years ago, reflecting a wave of adoption that coincides with the increased regulatory attention following the 2022 amendments to Regulation 28 and the launch of CRISA 2.

Eighty percent reviewed their responsible investment policy within the last 12 months and only one respondent has not reviewed their policy since inception. This finding confirms that most funds with a policy are returning to it periodically, which is a necessary condition for the policy to be functional. The survey did not ask what those reviews involved or what they produced and that is a meaningful limitation of this study.

Two caveats apply. First, only 46 of 109 respondents reached this question, and the same selection bias applies. Policy adoption across the full sample is lower, probably significantly so. Second, having a policy and implementing it are different things. A well-maintained RI policy that is not reflected in manager mandates, investment decisions or beneficiary reporting has limited practical value. The implementation data examined in subsequent charts test whether the policy commitment translates into practice.

## Who is responsible for RI policy implementation




0 respondents selected "no dedicated role".

Responsibility is widely distributed, but specialist ESG roles are rare. Only four respondents named a dedicated ESG analyst and three a head of sustainability. External consultants (15) outnumber all dedicated internal ESG roles combined, confirming that for most funds, specialist RI capability sits outside the organisation rather than within it.

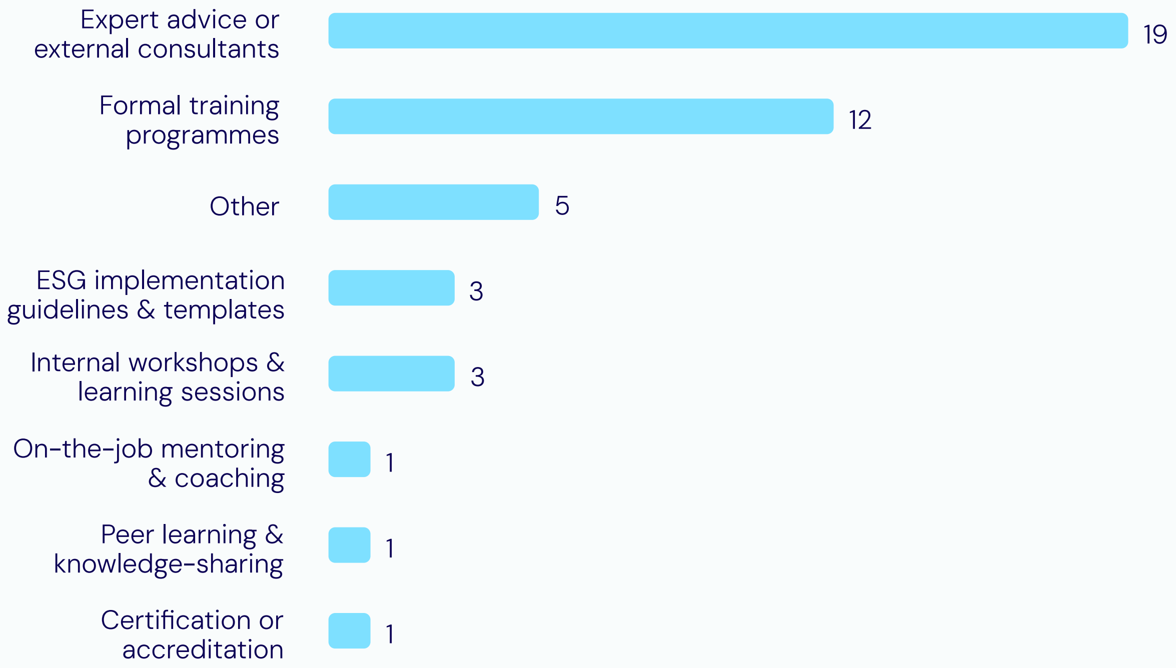
The board of trustees leads at 24 respondents, followed by the investment or ESG committee at 21. External consultants rank third (15), ahead of the principal officer (14) and investment analysts (11). The chief investment officer was named by nine respondents. Dedicated internal ESG roles sit at the bottom: the RI officer or head of responsible investment (seven), risk management team (six), ESG analyst (four) and head of sustainability (three).

RI implementation rests mainly with governance bodies and the principal officer. These generalist roles carry fiduciary and administrative responsibilities well beyond responsible investment, meaning RI must compete with trustee training, benefit administration, regulatory compliance, member communication and investment monitoring for attention.

Fifteen respondents identified consultants as responsible for implementing RI policy, more than double the number naming any dedicated internal ESG role. For many mid-market funds, the consultant effectively serves as the RI function, creating a dependency on the consultant's continuity and capability.

The limited presence of dedicated ESG roles aligns with the AUM concentration. Specialist capacity requires scale, which most South African pension funds lack. This strengthens the case for shared resources, industry tools and collaborative platforms that give smaller funds access to ESG expertise without requiring each to build it internally.

## How does the organisation ensure RI competence?




Respondents could select multiple methods. 0 respondents selected "regular performance reviews".

External consultants are the primary competency mechanism for 42% of respondents. Formal training programmes, including the PRI Academy, were cited by 12. No respondent uses regular performance reviews or competency assessments. The absence of any structured internal competency framework in most funds leaves RI capability entirely dependent on the quality and continuity of external relationships.

Funds that rely on consultants to implement RI also rely on consultants to supply the expertise needed for that implementation. This is a rational response to the resource constraints most mid-market funds face, but it creates a fragile dependency. Consultant relationships change. The RI landscape evolves. A fund whose entire ESG competency lives in an external relationship has no institutional memory, no internal capability to evaluate what the consultant recommends and no way to maintain RI practice if that relationship ends.

The absence of performance reviews and competency assessments is notable. In most governance contexts, competency assurance requires not just access to knowledge but some mechanism for verifying that knowledge is current and being applied appropriately. No respondent has built that mechanism. This means that even where formal training has occurred, there is no process for testing whether it has translated into improved practice.

Formal training at 12 respondents is encouraging in absolute terms, but represents only 27% of the 45 who answered this question. Given the scale of the ESG knowledge gap identified across the survey, particularly at board and trustee level, this suggests that the available training resources, while useful, are not yet reaching the majority of the people who need them.

77% of respondents who answered this question have received some form of training or legal guidance on fiduciary duty in relation to ESG factors. But the split between basic awareness (56%) and comprehensive training (21%) is the more important detail.

## Fiduciary duty training on ESG

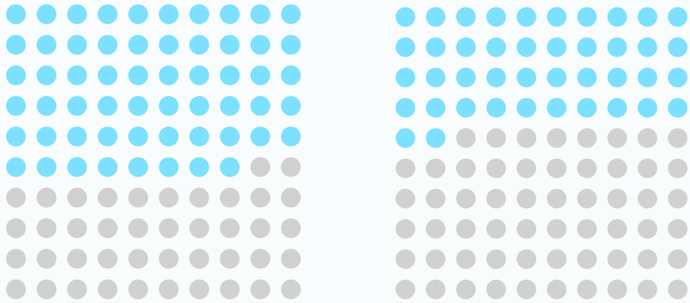
Basic awareness training typically covers the broad principle that ESG factors are relevant to fiduciary duty, and that Regulation 28 requires funds to consider them before investing. This is a necessary starting point. It is not sufficient for trustees and principal officers who are expected to set ESG expectations in manager mandates, evaluate manager ESG performance, oversee RI policy implementation and make judgements about developmental investment.

Comprehensive training, by contrast, equips trustees with the analytical tools to interrogate ESG claims, understand the specific ESG risks material to their fund's portfolio and asset classes, and exercise meaningful oversight of the RI practices they are formally responsible for. Only 21% of respondents have reached that level. Given that this is again the most engaged cohort in the sample, the proportion across all 109 respondents is likely lower.

The 9% who have received no training and the 9% who are not sure also warrant attention. Trustees and principal officers without any ESG-related fiduciary training are in a structurally weak governance position. They are expected to oversee RI practice without the knowledge base to evaluate what good practice looks like, which creates both governance risk for the fund and personal liability exposure for the individuals involved.

## Beneficiary reporting

Respondents were asked whether they report ESG metrics to beneficiaries. 58% do not report any ESG metrics to their beneficiaries. Of the 42% who do, reporting clusters around stewardship and proxy voting outcomes, climate and carbon metrics, and social and transformation indicators.

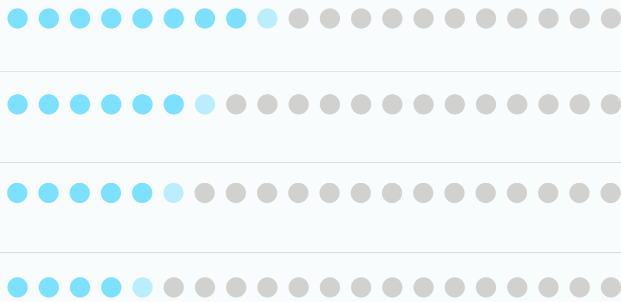


**58%** said *no*

**42%** said *yes*

Each dot represents 1% of respondents.

## What ESG metrics are reported?

| | | |
|---|---|---|
| Stewardship/proxy voting outcomes | **44%** |  |
| Climate and carbon metrics | **33%** | |
| Social and transformation indicators | **28%** | |
| General/broad ESG | **22%** | |

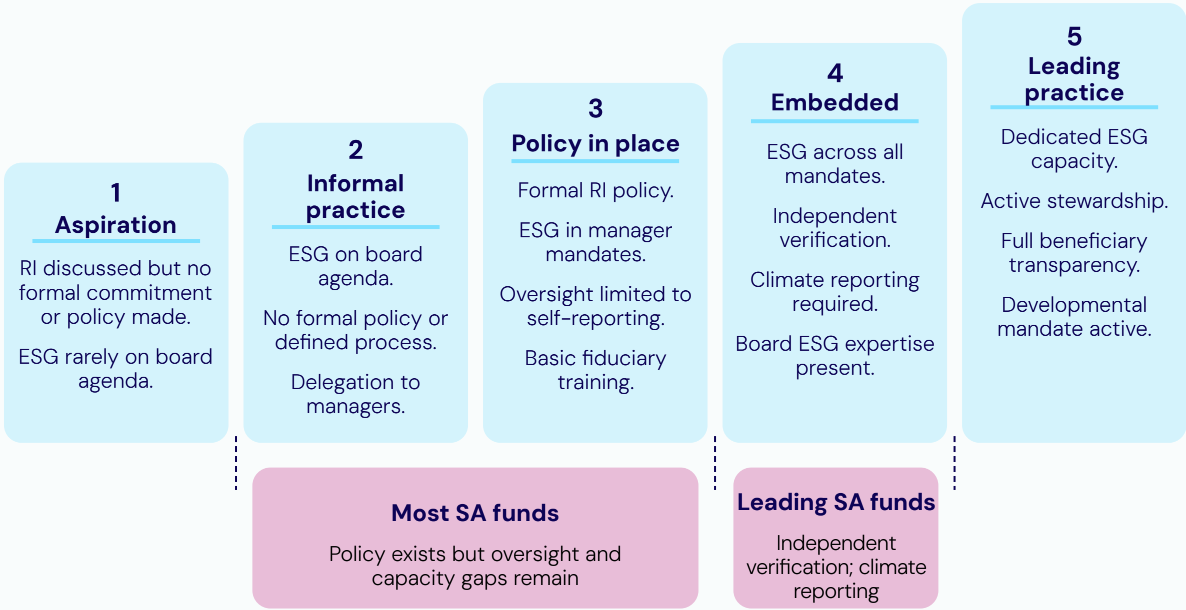
Each dot represents 5% of respondents. Respondents could select multiple metrics.

The qualitative responses reveal the nature of what is being reported. Several funds cited proxy voting records, engagement outcomes and ESG scoring as the primary content. Others mentioned climate risk awareness, transformation metrics and broad responsible investment narratives in annual reports or member newsletters. One fund described a full socioeconomic impact report covering healthcare, education, renewable energy and job creation.

ESG reporting to beneficiaries is driven by compliance expectations and regulatory norms rather than by a deliberate strategy to inform or empower members. Proxy voting disclosures reflect the active ownership requirements of CRISA 2. Climate metrics reflect emerging regulatory direction from the FSCA. Transformation indicators reflect broad-based black economic empowerment obligations.

This matters because beneficiary agency, as discussed in this report, is currently a weak driver of RI adoption in South Africa. If beneficiaries are to become a more active force in demanding responsible investment from their funds, they need information that is accessible, relevant and actionable. Compliance-led reporting, produced primarily to satisfy regulatory expectations, does not provide that. Building genuine beneficiary transparency is one of the most underdeveloped areas of RI practice in the South African pension fund sector.

# 2. The RI maturity spectrum




The spectrum maps five stages of RI development, from aspiration through informal practice, formal policy, embedded practice and leading practice. It is a diagnostic tool for understanding where a fund sits and what the next step looks like[12].

The survey data place most South African asset owners between stages two and three. They have moved beyond aspiration: ESG is on the board agenda, most have a formal policy and the majority have incorporated ESG language into manager mandates. But the transition to stage three in full requires independent verification of manager ESG delivery, structured board ESG expertise, active risk identification in the portfolio and meaningful beneficiary reporting. The data show that most funds have not completed that transition.

A small but significant cohort, including the larger, more resourced funds and the handful with dedicated ESG capacity, is approaching stage four. These funds require climate reporting from their managers, use quantitative benchmarks to evaluate ESG delivery, have multiple board members with relevant expertise and apply their RI policy across all asset classes. They are not numerous, but they demonstrate that substantive RI practice is achievable in the South African context.

The path from stage two to stage three is primarily about operationalising what already exists on paper: turning policy commitments into measurable manager expectations, turning board discussions into governance decisions, and turning self-reported ESG metrics into independently verified outcomes. The path from stage three to stage four requires investment in capacity, internal or shared, that most mid-market funds cannot currently afford alone.

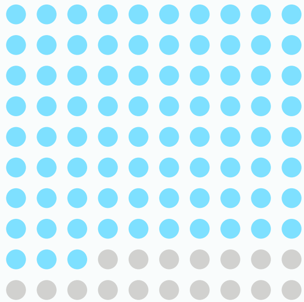
This is the clearest argument for collective action: shared ESG data infrastructure, peer learning forums, standardised due diligence tools and pooled stewardship resources that allow smaller funds to access stage-four capabilities without each having to build them independently. The next section examines what that support architecture could look like.

12 The five-stage maturity spectrum used in this survey was developed by Krutham for the purposes of this research. It draws conceptually on the ESG maturity literature, including staged implementation frameworks used by the Batseta Responsible Investment and Ownership (RIO) Guide and comparable multi-stage ESG maturity models in international practice. The stages are designed to reflect the South African pension fund context specifically, where the distance between aspiration and embedded practice is the central governance challenge the survey is designed to measure. The framework is not validated against an external benchmark and should be treated as a research instrument rather than a formal industry standard.

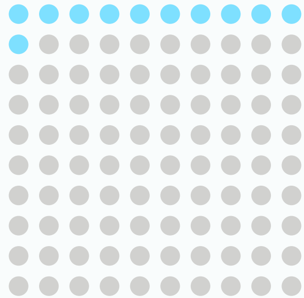
## ESG in manager mandates and consultant relationships

Respondents were asked whether ESG integration and active ownership are incorporated into the investment mandate(s) they have with their managers. 83% of the 46 respondents have ESG integration and active ownership incorporated into their manager mandates. 11% do not, and 7% are unsure.

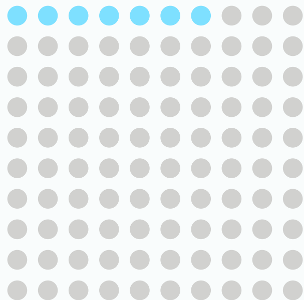
Each dot represents 1% of respondents.



**83%**
said *yes*



**11%**
said *no*



**7%**
said *I'm not sure*

The headline figure is encouraging. Most South African pension funds that have reached this stage of the survey have taken the basic step of instructing their managers to consider ESG factors.

The 11% who have no ESG in their mandates and the 7% who are unsure deserve attention. A fund that does not know whether ESG is in its manager's mandate effectively has no mandate in practice. And a fund with ESG in its mandate but no mechanism to verify delivery is in a structurally similar position.

## The consultant relationship

68% of respondents use an asset consultant. Of those, 59% have ESG incorporated into the consultant mandate, 34% do not and 6% are not sure. That uncertainty matters because consultants are often the primary channel through which mid-market funds access ESG expertise.

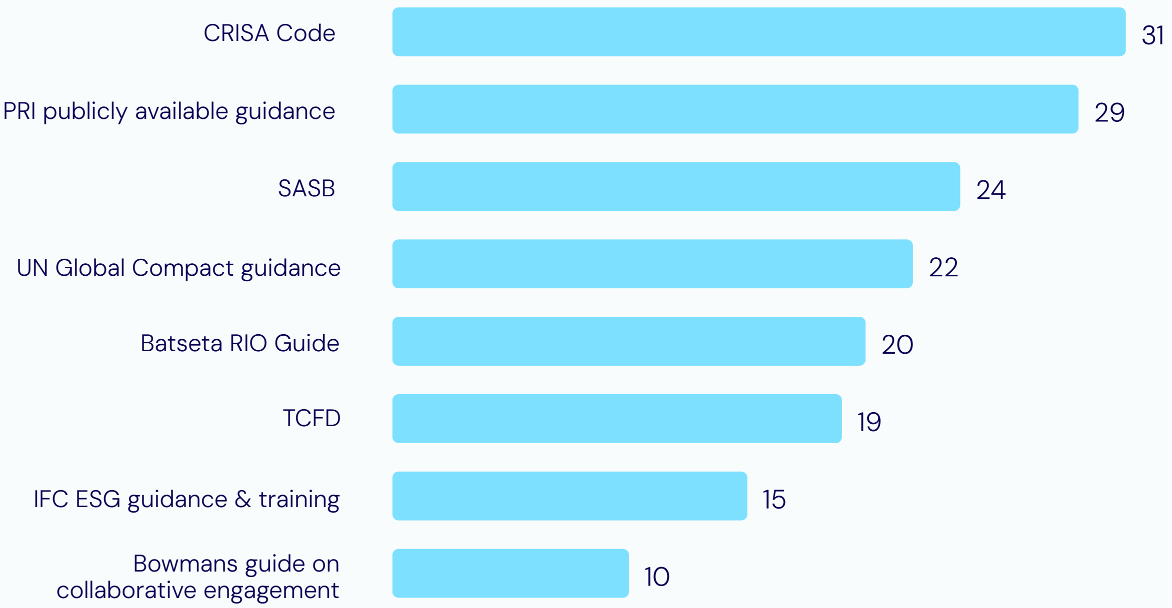
Among consultant users, 59% receive basic ESG services and 22% receive comprehensive ESG services. A further 9% would like ESG input but do not currently receive it, while 6% said ESG is not part of the mandate at all.

The distinction between basic and comprehensive services is important. Basic ESG support typically covers manager selection, policy review and ESG credentials. Comprehensive support goes further, helping funds design ESG strategy, define frameworks, assess manager delivery against metrics and advise on stewardship.

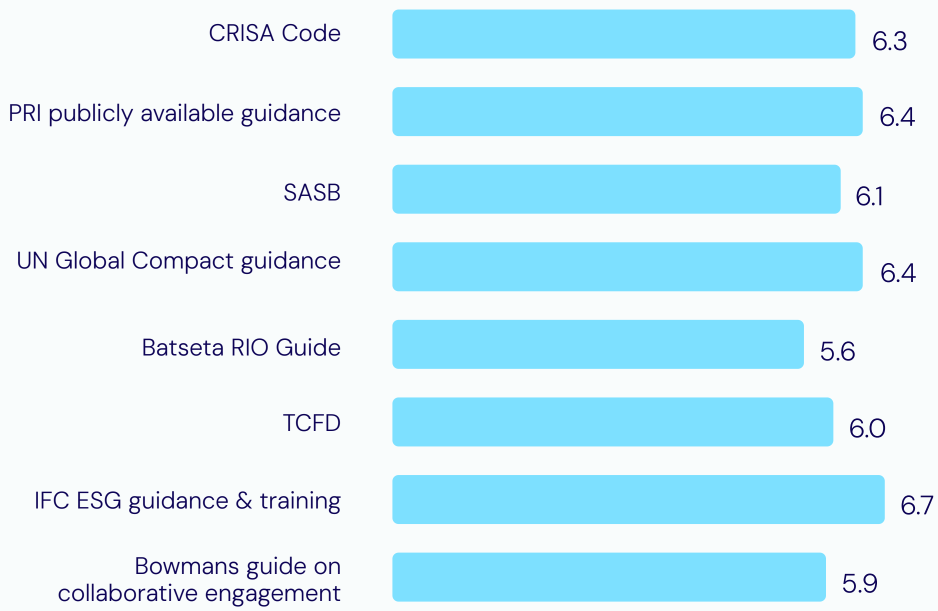
For funds without internal ESG capacity, consultant capability directly shapes RI practice. Raising the floor of consultant ESG expertise is therefore one of the most direct levers available to industry associations and regulators seeking to improve RI implementation.

# 3. Tools, resources and capacity

## Familiarity with RI tools/resources




## Perceived usefulness of RI tools/resources




Average usefulness, scale 1–10.

Familiarity is widest for the frameworks embedded in regulation and manager mandates, CRISA 2 and PRI guidance, yet no resource rates above 6.7 out of 10 on usefulness.

CRISA 2 and PRI guidance are the most widely known frameworks, at 72% and 67% awareness respectively among the 43 respondents who reached this section. Their reach reflects the channels through which they are distributed: both are referenced in regulatory guidance, promoted through industry associations and embedded in the language of manager mandates. Among those who know them, they rate them at 6.3 and 6.4 out of 10 for usefulness.

Usefulness is rated only by the respondents who said they were familiar with each framework, so the score reflects the experience of users rather than the whole sample, and the ratings for the least-known resources rest on the smallest bases. On that measure no framework clears 6.7 out of 10: even the most widely known tools, CRISA 2 and PRI guidance, sit at 6.3 and 6.4, while the locally tailored Batseta RIO Guide rates lowest at 5.6. Awareness has not translated into resources that practitioners find genuinely workable.

SASB and the UN Global Compact follow at 56% and 51% awareness. TCFD sits at 44%, a figure that is lower than might be expected given the FSCA's stated direction toward mandatory climate disclosure. That gap between regulatory momentum and practitioner awareness is itself a finding: the frameworks that will matter most for near-term compliance are not yet embedded across the majority of funds in this sample.

The Batseta RIO Guide for example, the most directly applicable South African practitioner resource for retirement funds, is known by 47% of respondents and rates lowest on usefulness among those familiar with it at 5.6 out of 10. The Bowmans guide on collaborative ESG engagement is known by only 23%. Both are resources designed for the mid-market funds that make up the bulk of this sample, which raises concerns about their limited reach and modest usefulness ratings. The tools most tailored to the audience they are meant to serve are not consistently reaching that audience, and those who do use them find them only moderately helpful in practice.

Across all eight frameworks, no resource scores above 6.7 out of 10 for usefulness. The IFC ESG guidance scores 6.7 but is known to only 35% of respondents. The pattern suggests something beyond a distribution problem. Even well-known frameworks are not regarded as highly practical. The open-text responses explain why: respondents want South Africa-specific content, local ESG data standards, templates they can adapt to their own governance structures, and peer-grounded guidance that translates global principles into workable practice for funds with limited internal capacity.

> "Create RSA ESG resources, benchmarks, templates, standardised climate data and scenarios," one respondent wrote. Another called for "localised, practical guidance that bridges the gap between global standards and South Africa's unique socioeconomic realities."

Most funds have made the conceptual commitment to RI; the gap is translating that commitment into mandates, manager expectations and verifiable outcomes.

## What asset owners say they struggle with

The most consistent theme across the open-text responses is not a lack of conviction about RI; it is a lack of the practical tools and institutional conditions needed to implement it. Several respondents described the challenge in almost identical terms, independently naming ESG and its practical application as their primary struggle. The emphasis on practical application is significant. Most funds in this sample have made the conceptual commitment. The gap is in operationalisation: how to translate a policy into mandates, mandates into manager expectations, and expectations into verifiable outcomes.

Data is the most frequently cited specific obstacle. Reliable, comparable and locally relevant ESG data for South African assets, particularly for unlisted investments, fixed income and smaller listed companies, is either unavailable or expensive to access.

> "We believe that responsible investing can be improved by having more access to ESG related data,"

one respondent noted.

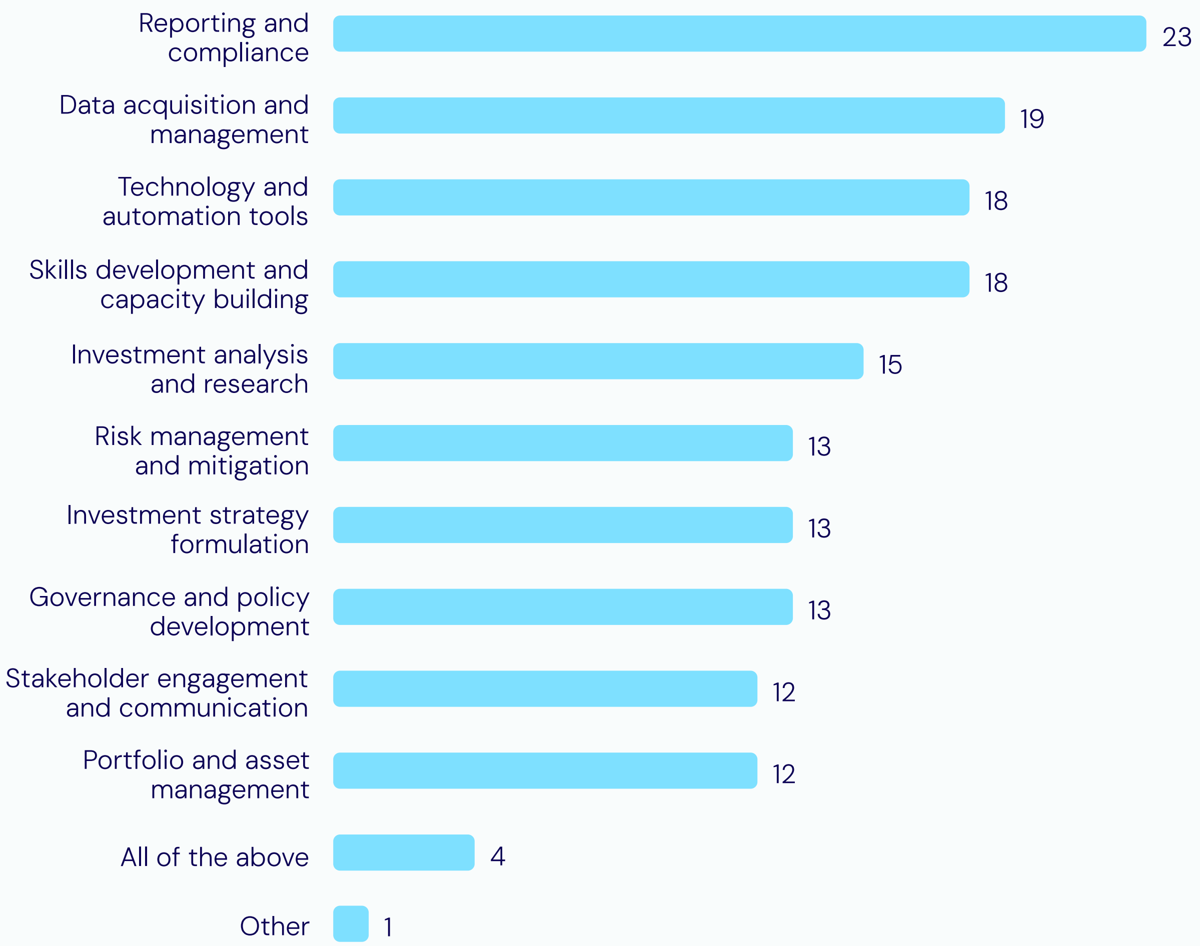
> "One of the problems we have recognised is that there is a lack of regulatory requirements for consistent and comparable data disclosure, which is a problem across sectors."

Without that data infrastructure, even funds that want to integrate ESG systematically cannot do so with any rigour.

A distinctly South African concern surfaces in one respondent's framing of the challenge: risk versus returns for blue-collar member funds. Funds whose membership is concentrated in lower-income workers face a specific form of pressure. Their members have limited retirement savings buffers and limited financial literacy, which makes trustees acutely sensitive to anything that might compromise returns. Responsible investment is still associated, in some boardrooms, with the risk of politically directed capital allocation and sub-market returns. "Demonstrate that responsible investment will generate a legitimate return and not be influenced by a political agenda," one respondent wrote. Until that perception is addressed with consistent, locally grounded evidence, it will continue to constrain adoption among a significant portion of the mid-market.

## Support needs by area

The four areas attracting the most support requests, reporting and compliance, data acquisition and management, skills development and capacity building, and technology and automation, share a common character. They are not investment skills. They are the infrastructure through which investment skills become operational. Reporting systems, data pipelines, trained staff and automated tools are the preconditions for systematic ESG integration. Their dominance over investment analysis and strategy formulation suggests that most funds in this sample do not lack a view on what RI should look like. They lack the institutional machinery to implement that view consistently.




Respondents could select multiple areas.

The top four needs (reporting and compliance, data acquisition, technology and skills development) describe a sector that knows what responsible investment requires but lacks the infrastructure to deliver it consistently. Notably, the bottom half of the chart is not empty: risk management, investment strategy, governance and stakeholder engagement all register significant demand. This is not a sector asking for help with one specific gap.

This has a direct implication for how support is designed. Training programmes that focus on ESG theory and investment frameworks will not move the needle for funds whose primary constraints are the absence of reporting templates, data subscriptions, and staff capacity. The sector needs practical, operational resources: standardised ESG reporting formats that mid-market funds can adapt without specialist support, shared data infrastructure that pools costs across smaller funds, and accessible skills development that equips principal officers and trustees rather than only investment professionals.

For many asset owners, ESG is embedded across portfolios rather than ring-fenced into labelled products.

## ESG-labelled products

The ESG-labelled product market in South Africa remains nascent. Among the 44 respondents who answered the question, fewer than half indicated any involvement with ESG-labelled products, and several described integration approaches rather than dedicated labelled products, noting that ESG considerations are embedded across their portfolios rather than ring-fenced into a specific vehicle.

Among those investing in ESG-labelled funds, named products included the Riscura Impact Fund of Funds, the Old Mutual Ideas Portfolio, the Ninety One South Africa Infrastructure Fund, Prescient's Clean Energy and Infrastructure Debt funds and Satrix ETFs with sustainability themes. Twenty-nine respondents said they do not invest in ESG-labelled funds at all, and eleven said they did not know. More than a quarter of respondents could not confirm whether any of their current fund exposures carry an ESG label.

This reflects a broader disclosure gap. South Africa does not yet have a standardised ESG product classification system equivalent to the EU's Sustainable Finance Disclosure Regulation, which requires funds to be categorised according to their sustainability characteristics. The FSCA is piloting a Green Finance Taxonomy and developing mandatory sustainability disclosure requirements aligned with ISSB standards, but these initiatives remain in development. In the interim, the boundary between genuinely ESG-integrated products and ESG-branded products is unclear, making it difficult for asset owners to screen, select and compare.

70% of respondents who answered this question said they would be interested in ongoing peer convening.

## Convening interest

Thirty respondents expressed interest in ongoing peer convening. The topics they named include practical ESG integration, data quality, climate risk and energy transition, stewardship, and measuring ESG outcomes against long-term returns. Several respondents called specifically for South Africa-specific content rather than the adaptation of global frameworks to local conditions.

> "More local and regional forums, teaching each other best practices and more practical shared experiences, discussions on sector-level ESG practices,"

one respondent wrote.

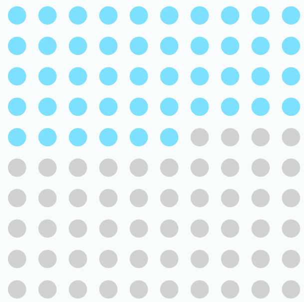
The appetite for peer learning is a meaningful finding. It suggests that the funds most likely to advance their RI practice are looking for structured opportunities to learn from each other, rather than relying only on regulatory mandates or market signals. Done well, convening could address several barriers identified in this report: building skills, creating shared reference points and strengthening peer accountability.

# 4. South Africa's development imperative and capital allocation

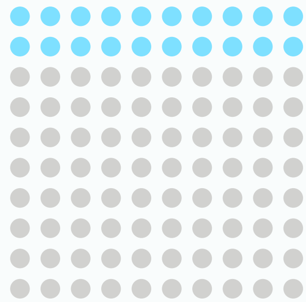
## Development mandates

Respondents were asked whether their organisation has a specific mandate or objective to contribute to South Africa's development needs. Two-thirds carry some form of developmental orientation but only one in five carries an explicit mandate that creates genuine accountability for developmental outcomes.

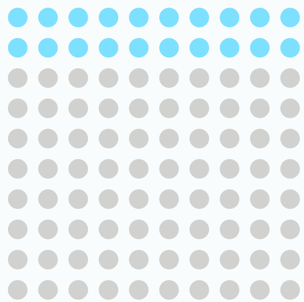
Each dot represents 1% of respondents.
Four percent responded "unsure".



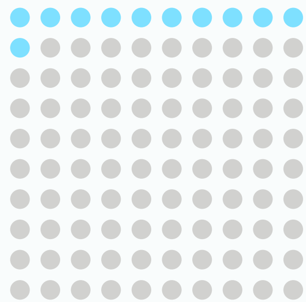
**46%**
said *yes, considered within fiduciary framework*



**20%**
said *yes, explicit developmental mandate*



**20%**
said *no, but interested in exploring*



**11%**
said *no, pure return focus*

The dominant response sounds like commitment but functions more like permission. It means development is something the fund will pursue if the risk-return profile is acceptable, not something it is formally required to deliver. Only one in five respondents carries an explicit mandate that creates genuine accountability for developmental outcomes. The gap between those two positions is where most of South Africa's developmental investment aspiration currently lives.

Sixty-six percent of the 85 respondents who answered this question carry some form of developmental orientation. But the breakdown matters. Only 17 respondents, 20% of the sample, have an explicit developmental mandate. The majority, 39 respondents or 46%, operate under a fiduciary-conditional framing: development is something they consider within their fiduciary framework rather than something they are formally required to pursue. A further 17 expressed interest in exploring a developmental mandate without yet having one, and nine described their focus as purely financial returns.

## Fund size and development investment: where the mandate concentration lies

The 20% of respondents with an explicit developmental mandate and the 66% with any developmental orientation mask a significant difference between large and mid-market funds. Among funds managing R50bn or more (n=17 with AUM data), 29% hold an explicit developmental mandate and 82% have some form of developmental orientation. Among funds managing below R50bn (n=62 with AUM data), 16% hold an explicit mandate and 65% have any developmental orientation.

The explicit mandate gap is the more significant finding. Explicit mandates translate into targeted capital allocation with defined objectives and accountability. Implicit orientation translates into opportunistic allocation when conditions allow. The concentration of explicit mandates in larger funds means that the developmental investment activity this survey documents is disproportionately driven by institutions with the scale and governance capacity to formalise it.

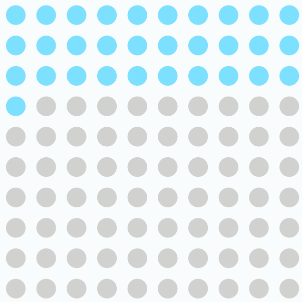
| | **Large funds ≥ R50bn** (N=17) | **Mid-market funds < R50bn** (N=62) |
|---|---|---|
| Explicit development mandate | 29% (5 of 17) | 16% (10 of 62) |
| Any development orientation | 82% (14 of 17) | 65% (40 of 62) |

Note: Includes only respondents who provided both an AUM band and an answer to the developmental mandate question. Large/mid-market split at R50bn. The full-sample unweighted figures (20% explicit, 66% any orientation, n=85) are the primary findings reported in the main analysis.

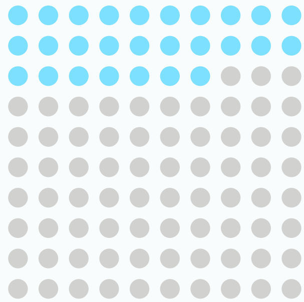
The fiduciary-conditional framing is important to understand in practice. For some funds it represents a genuine integration of developmental thinking into investment decision-making. For others it functions as permission rather than obligation: a clause in the investment policy statement that allows developmental investment if conditions are favourable but creates no accountability for whether it happens. The cross-tabulation of mandate type against capital allocation behaviour makes this visible. Funds with explicit mandates overwhelmingly allocate targeted capital. Fiduciary-conditional mandates produce mixed outcomes: some funds allocate deliberately, others opportunistically and some not at all. The same mandate language is producing very different outcomes depending on how boards interpret and prioritise it.

## Capital allocation to developmental instruments

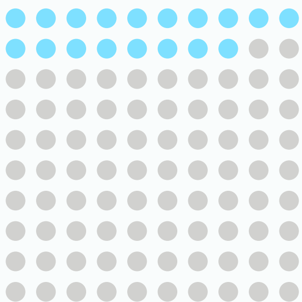
Respondents were asked whether they specifically allocated capital to developmental instruments. 58% of respondents allocate capital to developmental instruments but only a third do so with specific targets.



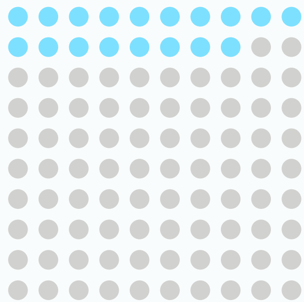
**31%**
said *yes, with specific allocation targets*



**27%**
said *yes, opportunistically*



**18%**
said *no, but considering*



**18%**
said *no*

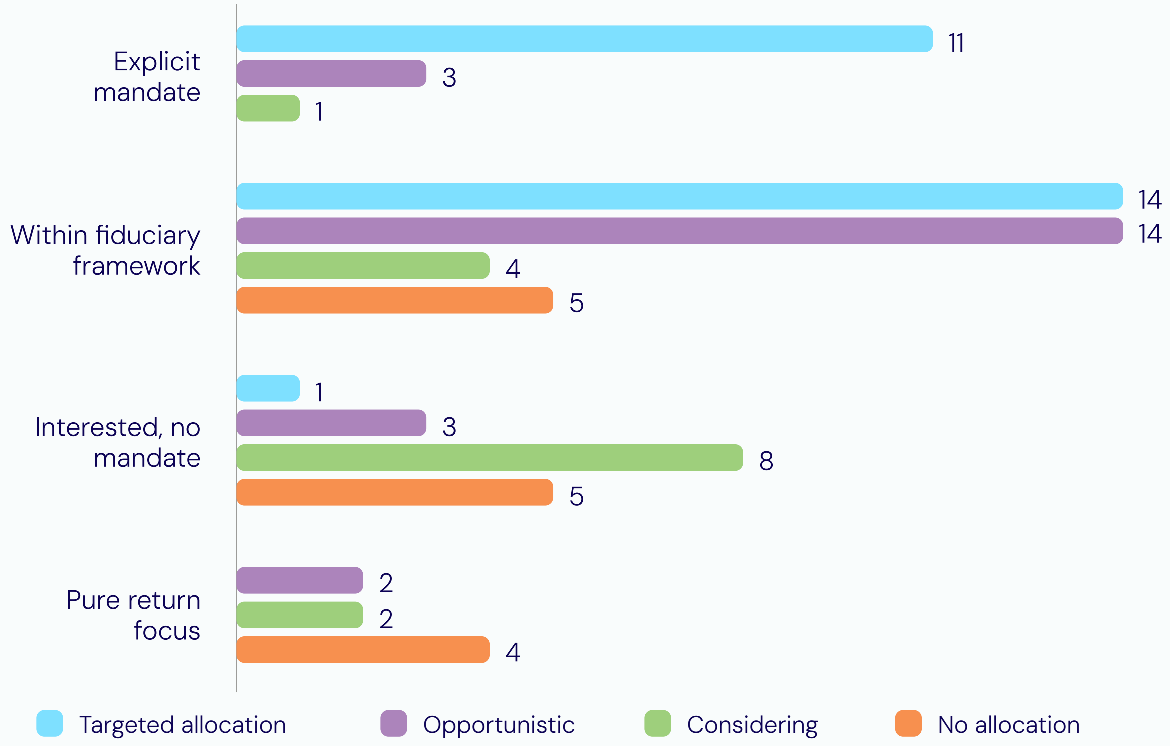
Each dot represents 1% of respondents.
Six percent responded “not applicable to our fund”.

Most funds with a fiduciary-conditional development mandate allocate opportunistically. The 31% with specific allocation targets are operating on a fundamentally different basis: they have decided in advance what portion of the portfolio should serve developmental purposes and built governance around that decision.

Fifty-eight percent of respondents allocate capital to developmental instruments. 31% do so with specific allocation targets and 27% allocate opportunistically when suitable vehicles become available. 18% do not allocate and another 18% are considering it, suggesting the cohort of developmental investors is likely to grow.

The targeted-versus-opportunistic split shows us that allocation requires a policy decision, a defined allocation percentage, a pipeline of suitable instruments and the governance capacity to monitor deployment. Opportunistic allocation requires none of these things systematically. It means investing when something suitable comes along, which is a reasonable starting point but not a reliable mechanism for directing significant capital toward developmental outcomes at scale.

## Mandate type vs capital allocation approach




This cross-tabulation shows how mandate strength translates into allocation behaviour. Explicit mandates produce the most concentrated targeted allocation. Fiduciary-conditional mandates produce mixed outcomes, some funds allocate deliberately, others opportunistically and some not at all. This suggests that the fiduciary-conditional framing is interpreted very differently across organisations.

## What developmental investment looks like in practice

The open-ended responses paint a consistent picture of where developmental capital flows. Infrastructure dominates, appearing across a wide range of respondents in various forms: infrastructure debt instruments, social infrastructure, transport sector investments, water and energy. Renewable energy and the energy transition feature prominently, reflecting the intersection of South Africa's infrastructure deficit and its decarbonisation commitments. Social housing, green bonds and B-BBEE-linked investments also appear regularly.

The qualitative responses reveal how funds think about the return case for developmental investment. Several respondents articulated a sophisticated rationale, citing energy transition returns, government-backed projects, illiquidity premia, mispriced assets and portfolio diversification into alternatives.

But the same responses surface the constraints that limit scale. Deal flow is thin, governance quality in investee entities remains a concern and the perception problem persists. As one respondent put it:

> "There is a perception that investing in these portfolios will result in lower returns as they tend to relate these to government projects and trust in government-run projects is very low."

## Governance, institutional and economic conditions as barriers

The barriers to greater developmental capital allocation are not primarily financial. The return case for infrastructure and developmental instruments, properly structured, is credible and is understood by the more sophisticated funds in this sample. The barriers are institutional.

Governance quality in project entities is the most consistent concern. Boards are willing to take illiquidity risk on long-dated infrastructure investments. They are far less willing to take governance risk on projects where oversight is weak, procurement is opaque or delivery is uncertain.

Policy continuity is a related concern. Long-duration infrastructure investment requires confidence that the regulatory and policy environment will remain stable over the investment horizon. South Africa's track record on this front is mixed, and funds with long institutional memories are cautious about committing capital to sectors where policy has historically been inconsistent.

The capacity of intermediary institutions matters too. Smaller funds lack the internal capability to conduct due diligence on complex unlisted instruments, monitor project execution and exercise meaningful governance over investee entities. Without that capacity, the risk of developmental investment is asymmetric: the downside of a failed project falls entirely on the fund and its members, while the upside is shared with the broader economy. For trustees managing fiduciary obligations while operating with limited internal capacity, this asymmetry is a genuine practical obstacle. Public-private partnership (PPP) structures, standardised due diligence frameworks and shared monitoring mechanisms have, in comparable markets, reduced the transaction cost and governance overhead that currently make developmental investment difficult for mid-market funds to access – and represent the most direct available lever for widening participation beyond the largest and best-resourced asset owners in this sample (International Energy Agency, 2021; World Bank, 2017)[13].

13 The evidence from comparable markets suggests that standardised project structures and shared due diligence frameworks reduce barriers for mid-market institutional investors, but that the quality of PPP design is critical. Poorly structured programmes can entrench investor scepticism rather than reduce it. The claim is offered as a policy hypothesis supported by international evidence rather than a finding specific to the South African context.

# PART 2
# INSIGHTS AND ACTION

The survey findings tell a coherent story. South African asset owners have made meaningful progress in committing to responsible investment but face structural, institutional and capacity constraints that limit how far that commitment translates into practice. This section synthesises what the data shows, what participants at the roundtable event said when they interrogated those findings, and what the combined evidence base implies for the sector going forward.

## Roundtable insights

The opening discussion moved quickly past questions of principle and into questions of delivery. Participants broadly agreed that the commitment to responsible investment exists across the sector in some form. The challenge is converting it into operational practice, and on that question the room was candid about the gaps.

The asset consultant relationship dominated the first theme. A consistent view emerged that consultants are the most important single lever for RI adoption, but that their role is currently neither well-defined nor well-executed across the sector. One participant also observed that the conversation around RI is often driven by one or two engaged individuals within a consulting firm or by one or two interested trustees on a board. The implication is that RI practice at many funds is dependent on the presence of specific individuals rather than on embedded institutional processes.

> "The level of knowledge to implement doesn't always sit with the asset consultant. We had to bring in a third party to really drive integration, and I find myself having more engagement with them than with the AC. There's a significant knowledge gap there."
>
> - Principal officer

Several participants described the PRI's definitional framework as genuinely useful in clarifying intent for boards and trustees who had struggled to distinguish between the various RI approaches in circulation. The point was made that the language of ESG itself creates friction in some environments. One participant from the insurance sector noted that their organisation had moved away from using the term ESG entirely, referring to sustainability instead and then unpacking the environmental, social and governance pillars separately. The reframing, they said, significantly reduced resistance at board level.

A more pointed observation surfaced around the commercial incentives of the asset management industry. Several participants expressed concern that what appears to be RI leadership from investment managers is often commercially motivated rather than driven by genuine fiduciary alignment. The fear is that asset owners, often less resourced and less technically sophisticated than the managers they appoint, are in a structurally weak position to interrogate what managers are doing with ESG factors, and that the manager's interest in retaining the mandate may lead to ESG being described more robustly than it is being practised.

The discussion converged on a shared diagnosis: RI is ultimately about investing in a way that considers and manages systemic risks. Getting lost in terminology and framework debates obscures this, and the most effective practitioners in the room had found ways to ground the conversation in terms their boards understood: risk management, return protection, long-term sustainability of the portfolio, rather than in the language of ESG frameworks that carry more conceptual baggage than practical utility in many South African boardrooms.

The governance discussion highlighted the tension between the desire for clear minimum standards and the concern about over-prescription. Participants described boards that are willing to act but uncertain about the minimum requirement, and boards that are using that uncertainty as a reason not to act. Several noted that in an environment of genuine ambiguity about regulatory expectations, some trustees default to the minimum they can justify rather than the standard they aspire to.

> "What's the bare minimum to comply with the FSCA? That's the question we get. Nobody wants to adopt unnecessary policies that stretch them too far and risk making mistakes."
>
> - Roundtable participant

The educational and definitional gap at trustee level was a recurring theme. Participants described the challenge of starting from different baselines across the same board, with some trustees arriving with sophisticated ESG frameworks and others encountering the concepts for the first time. The EPPF's approach was cited as an example of what the journey looks like in practice: not a solved problem, but a conscious, sustained effort to develop institutional knowledge over time. The consensus was that this kind of institutional learning is slow, requires repetition to embed and is disrupted every time board composition changes.

The most consistent finding across the survey is that the gap between stated RI intent and observable practice is an operational problem rather than one of attitude or conviction: it sits in the space between having a policy and living it, between instructing a manager to consider ESG and being able to verify that they do, between placing ESG on the board agenda and making governance decisions that change investment practice. Clark and Urwin (2008) identify this as the central challenge of pension fund governance: the distance between strategic commitment and operational execution. In the South African context, that distance is wide, and survey evidence identifies the principal reasons for it.

Twenty-five of 46 respondents indicated that asset managers are to determine their own use of ESG factors. This finding returns the accountability question to the manager without providing the fund with any basis to assess whether that discretion is being exercised appropriately. Of the remaining respondents, 13 said they evaluate managers' ESG delivery through self-reporting, and a further seven said they do not formally evaluate it at all. That is 43% of this sub-sample, with no independent mechanism to verify manager delivery. The 25 who delegate ESG determination to the manager sit in a different category but the accountability gap they describe is structurally the same.

This pattern reflects what Hawley and Williams (2000) describe as the "universal owner" problem in reverse: instead of exercising the ownership rights and responsibilities that come with being a large institutional investor, many South African funds are effectively contracting out those rights and responsibilities to their managers, without any mechanism for holding them to account. The consequence is that ESG mandates become aspirational statements rather than enforceable obligations.

# The consultant dependency

Asset consultants occupy a critical, often under-scrutinised role in the South African RI ecosystem. For the mid-market funds that make up the bulk of this sample, the consultant is often the primary, and sometimes the only, source of independent ESG expertise. Fifteen respondents named external consultants as responsible for implementing their RI policy, more than double the number who named any dedicated internal ESG role.

Roundtable participants identified the asset consultant relationship as the single most important lever for RI adoption, but also as one of the most inconsistent. The quality and depth of ESG capabilities vary significantly among consultants, and funds rarely have the internal expertise to evaluate what they receive. Where a consultant treats ESG as a compliance overhead rather than a substantive investment consideration, the funds they advise will reflect that. Where a consultant has invested in genuine ESG capability and frames it as integral to investment strategy, those funds advance more quickly.

# Language and terminology barrier

A theme that runs through both the survey's open-text responses and the roundtable discussion is the extent to which terminology itself creates barriers to adoption. The term ESG sometimes carries negative associations in some South African boardrooms that the underlying concept does not warrant. It is variously associated with political agendas, below-market returns, government-directed developmental investment, and a compliance burden imposed by international frameworks with limited local relevance. Several respondents noted that using different language – sustainability, long-term risk management, systemic risk – produces less resistance to the same underlying practices.

As Sandberg et al. (2009) have noted in comparable market contexts, the conceptual confusion surrounding responsible investment terminology creates genuine governance risk: boards that have not developed a shared understanding of what RI means for their fund cannot make coherent decisions about it, cannot evaluate whether their managers are implementing it and cannot communicate about it meaningfully to beneficiaries. The absence of a shared, formally adopted South African definition of ESG results in inconsistencies in practice across an investment system that requires coordination to function well.

# The developmental investment bottleneck

South Africa's developmental investment imperative sits at the intersection of the sector's most important tensions. The data show that most funds carry some form of developmental orientation, but that only a minority have translated that orientation into explicit, targeted mandates. The roundtable identified three structural constraints that limit scale: governance quality in project entities, the thin deal flow of investable vehicles outside renewable energy, and the capacity constraints of mid-market funds conducting due diligence on complex unlisted instruments without dedicated internal expertise.

Multiple roundtable participants described the energy transition as an area where developmental and financial objectives have successfully converged, in part because government backing, established legal structures, and a growing pipeline of private-sector vehicles have reduced the governance and execution risks that have historically deterred institutional investors. Water infrastructure and ports were consistently cited as the next challenge: longer return horizons, less established project structures and greater dependence on state entities whose track record has, in some cases, undermined investor confidence. The transition from success in renewable energy to success in broader infrastructure requires intermediaries capable of packaging these assets in forms that mid-market funds can access without each having to build the internal capacity to manage them directly.

# Regulatory clarity as the floor

The survey's open-text responses reveal an ambivalent relationship with regulation. On the one hand, there is a clear appetite for more prescriptive guidance: "The regulator must issue a directive in this regard" and "more information by the regulator" appear repeatedly. On the other hand, 45% of respondents disagree or are neutral on the proposition that it is the regulator's role to prescribe how assets should be invested responsibly. The roundtable clarified this apparent contradiction. Participants were not opposed to regulatory direction in principle; they were sceptical of mandate-based prescription as the primary mechanism and concerned about the compliance burden it would impose on smaller funds already struggling to meet existing requirements.

What the sector needs from the regulator, based on the combined evidence, is less a mandate than a floor: clear, specific, enforceable minimum standards for ESG governance that establish what adequate practice looks like, accompanied by practical guidance on how to meet those standards at different fund sizes. The current framework, built on Regulation 28's requirement to consider ESG factors and CRISA 2's voluntary principles, leaves too much to individual interpretation. As Van Zyl (2021) has argued in the context of South African pension fund reform, enabling frameworks that do not specify minimum standards tend to produce a wide distribution of compliance, with leading practitioners far ahead of the median and a long tail of near noncompliance that the framework cannot address.

Taken together, the roundtable explained the survey. The data showed that intent is widespread but implementation is uneven. The discussion showed why: RI progress in South Africa is being carried by individuals rather than institutions, described more clearly than it is verified, and governed by frameworks broad enough to accommodate almost any level of adoption. These are the same problems expressed differently across the consultant relationship, the manager accountability gap, the governance floor question and the developmental investment trust deficit.

Two things were notable about where the roundtable converged. The first is that none of the barriers participants described are immovable. The renewable energy experience demonstrated that when the institutional conditions are deliberately constructed, pension fund capital flows toward developmental outcomes at scale. The governance problem is not that South African boards are incapable of responsible investment. It is that they have not been given the tools, the floor standards or the peer accountability. The second is that the sector is not waiting. The funds that are furthest ahead have not waited for a common definition, clearer regulation or a mature developmental investment market. They have built within the constraints they face.

The recommendations that follow are grounded in both observations. They call on the industry to deliberately design the conditions that allow what already exists, the commitment, the capital and the development imperative, to function as a coherent system rather than as a collection of individual efforts.

# RECOMMENDATIONS

The recommendations below are grounded in the combined evidence of the survey data, the roundtable discussion and the published literature on responsible investment governance. They are structured for four audiences: the regulator, industry associations, asset owners and the PRI. Each set identifies possible areas for practical action within the current South African institutional context, derived directly from the implementation gaps identified in the survey, and does not prescribe actions or imply institutional endorsement by any contributor to this report.

## For the FSCA and National Treasury

1. **Consider establishing proportionate minimum ESG governance requirements for retirement funds.** While 80% of survey respondents agree that asset owners bear primary responsibility for RI, the survey also shows weak verification of manager ESG delivery, uneven board ESG capability and uncertainty about regulatory expectations (see section 2). Clear, specific minimum standards for what adequate ESG governance looks like, including board-level fiduciary training requirements, investment policy statement content and manager mandate disclosure, would set a floor without prescribing how funds above that floor must operate. Requirements should be proportionate to fund size, recognising that an R5bn fund cannot be held to the same operational standard as an R500bn fund.
2. **Consider accelerating the Green Finance Taxonomy and ESG product classification framework.** Less than half of survey respondents reported involvement with ESG-labelled products and more than a quarter could not confirm whether their existing exposures carry an ESG label at all – a structural gap rather than a knowledge gap among asset owners. A functioning financial product classification system would assist asset owners in more reliably screening, selecting and/or comparing ESG-labelled products. The FSCA's taxonomy pilot with 11 financial institutions is a necessary step that can be further built upon to accelerate uptake and use of the taxonomy. In a similar vein, more consistent and widespread sustainability disclosures and reporting by South African corporates would also support deeper levels of transparency in the market. This would further support the flow of capital to operations and activities in the economy that support sustainability outcomes.
3. **Explore South Africa-specific ESG materiality guidance for pension funds.** About 36% of survey respondents have either not identified ESG risks in their portfolios or do not know whether they have. Open-text responses point to a common cause: the absence of South Africa-specific resources, benchmarks, templates, and standardised climate data forces funds to interpret materiality on their own terms, producing inconsistent application of Regulation 28 across the industry. International frameworks such as TCFD and SASB were designed primarily for listed equity in developed markets and their application to South Africa's ESG risk landscape requires deliberate localisation. The FSCA, in collaboration with National Treasury and relevant bodies, could develop guidance on the ESG factors most material to South African retirement fund portfolios, referenced to Regulation 28's requirement to consider factors that may materially affect long-term performance of assets, giving trustees a shared reference point.
4. **Explore incentive structures for developmental investment in the mid-market.** The roundtable's analysis of why developmental investment has succeeded in renewable energy and stalled in other infrastructure classes points to the importance of catalytic conditions rather than simply commercial deal flow. National Treasury could consider whether concessional capital structures, tax incentives for long-duration infrastructure allocation or DFI programme partnerships could be designed to reduce the risk premium that currently deters mid-market funds from committing to other areas such as water, port and social infrastructure.

# For industry associations (Batseta, ASISA, IRFA)

1. **Developing a shared South African ESG definition and terminology framework could help close definitional gaps.** Batseta and ASISA, as the representative bodies for the two sides of the principal-agent relationship in this market, are well-positioned to lead a joint initiative to develop and promote a common vocabulary, consistent with both CRISA 2 and the PRI framework, but expressed in terms appropriate to South African institutional practice. Lessons may be learnt from the Responsible Investment Association Australia's Sustainability Classification initiative launched in 2024. This is distinct from a green finance taxonomy that classifies economic activities and investment instruments as green or not; it instead defines what responsible investing means as an investment practice. Such a practice definition framework is missing from the South African market.
2. **A structured peer-learning programme for trustees and principal officers could support implementation.** Roundtable participants expressed clear appetite for ongoing peer convening (see the PRI recommendations below), and industry associations could establish a structured peer-learning programme that makes the practices of leading funds accessible to the mid-market.

# For asset owners

1. **Clarify each fund's ESG definition in line with what has been recommended above, before delegating implementation.** The survey's most revealing finding is not that funds fail to act on ESG, but that many have not decided what ESG means for their specific portfolio, beneficiary base and risk profile. A fund that has not developed its own ESG definition cannot set coherent expectations for managers, evaluate managers' ESG performance, or communicate meaningfully about RI to beneficiaries. This is the foundational step, and it cannot be outsourced to the asset manager or consultant. The board and principal officer must own it.
2. **Strengthen independent ESG verification within manager mandates.** Funds should move from generic ESG language in mandates to specific, measurable requirements: climate risk reporting in a defined format, evidence of ESG integration in investment decision documentation, engagement and proxy voting records and ESG performance data against defined benchmarks. Self-reporting by managers, while a reasonable starting point, should be supplemented by independent data sources and structured evaluation processes wherever possible.
3. **Prioritise board and trustee ESG competency as part of governance oversight.** Basic ESG awareness training is a necessary starting point, but it is not sufficient for trustees expected to set manager expectations, evaluate ESG delivery and exercise meaningful oversight of RI practice. Comprehensive training that equips trustees with the analytical tools to interrogate ESG claims and understand the specific ESG risks material to their portfolio should be treated as a governance requirement. The PRI Academy and Batseta's training resources provide accessible pathways; the constraint is prioritisation.
4. **Move beneficiary reporting beyond compliance towards meaningful engagement.** Fifty-eight percent of respondents report no ESG metrics to their beneficiaries at all, and among the 42% that do, disclosures cluster around compliance-driven content rather than a deliberate strategy to inform or empower members. Treating beneficiary communication as a governance tool, not a reporting obligation, means designing reporting that is genuinely decision-useful: plain-language summaries, ESG outcomes linked clearly to financial performance, regular engagement touchpoints and materials tailored to different beneficiary groups. Funds that make this shift build a more engaged membership, firmer board-level commitment to responsible investment and a more resilient organisational culture around RI.
5. **Use consolidation and umbrella fund-structures as an opportunity to raise RI standards.** As retirement assets consolidate into commercial umbrella funds, the receiving entity's RI framework increasingly becomes the effective standard for the sector. Trustees and principal officers should treat RI capability as a material selection criterion, while umbrella-fund managers should strengthen governance, disclosure and verification so that consolidation improves rather than dilutes outcomes for members.

# For the PRI

1. **Consider developing localised, operational guidance for South African asset owners.** The survey's tools and resources data show that global PRI guidance is reasonably well known but only moderately useful in practice. The PRI, in partnership with Batseta and the FSCA, could deliver a South Africa-focused programme producing practical resources that address local ESG materiality, local regulatory requirements, data-infrastructure limitations and the specific capacity constraints of mid-market funds.
2. **Consider formalising ongoing asset-owner convening in South Africa.** Seventy percent of respondents who answered the question expressed interest in ongoing peer convening. This was confirmed independently at the roundtable, where participants named practical ESG integration, data standardisation, climate risk and outcome measurement as recurring topics of interest. Given the PRI's existing signatory relationships and international convening experience, this points to a role the PRI is well placed to play directly.
3. **Strengthen the South African evidence base on RI and investment performance.** Only 22 of the 57 respondents who answered the RI adoption question cited evidence that RI improves risk-adjusted returns as a reason for their adoption. This is the most fragile basis on which to build sector-wide practice: duty-led adoption is vulnerable to changes in board composition, regulatory interpretation and market conditions.
4. **Consider longitudinal tracking of asset-owner RI practice.** This is the first survey of its kind focused on South African asset owner RI practices. Its value as a diagnostic tool will increase significantly if it is repeated on a regular cycle. Annual or biennial tracking would allow the sector to measure progress, identify areas where the gap between intent and practice is closing and those where it persists, and hold industry-level commitments to account. The PRI is the natural home for this tracking function given its existing signatory relationships and assessment infrastructure.

The sequencing of the recommendations is intended to show how different parts of the ecosystem could contribute if they are taken forward: the regulator may help set the floor, industry associations may build the shared infrastructure, asset owners may operationalise their own commitments and the PRI may help close the evidence and support gaps that the market cannot close alone. No single set of actions is likely to meaningfully move the sector; progress will require coordinated consideration and action across the ecosystem.

What is also clear from the evidence is that the conditions for progress already exist. The capital is present. The commitment, at least among the more engaged cohort this research captured, is genuine. The regulatory framework, imperfect as it is, provides a foundation. What is missing is design – the shared definitions, the minimum standards, the accountability mechanisms and the practical tools that allow genuine intent to become consistent practice. The conclusion that follows draws together what the findings, the roundtable and the recommendations collectively imply about the direction of travel and the work that remains.

# CONCLUSION

South Africa's RI ecosystem has two problems, not one: conviction and capacity. Treating those as the same problem leads to the wrong diagnosis. Over 90% of respondents to this survey describe themselves as responsible investors. Most have a formal RI policy. Most have incorporated ESG language into their manager mandates. The conviction is there. What is missing is the operational infrastructure to give it substance: the shared definitions, the evaluation mechanisms, the board expertise, the manager accountability frameworks and the practical tools that turn a stated commitment into a verifiable practice. Addressing this is a design challenge.

The survey also reveals where the gap is widest. A small but meaningful cohort of South African asset owners demonstrates that structured, substantive, responsible investment is achievable in this market. They define their own ESG approach rather than delegating it. They require specific, measurable outcomes from their managers rather than accepting self-reporting. They have board members who can interrogate what they are told rather than approve what is placed in front of them.

> Their existence matters because it shows that substantive responsible investment is achievable in South Africa, within this regulatory environment, with these asset classes and under these fiduciary constraints. The question is what it will take to move the median.

The mid-market funds that make up the bulk of this sample are lagging in practice because they are under-resourced, working from inconsistent definitions, dependent on consultants whose ESG capability varies considerably, and are operating in a regulatory environment that requires ESG consideration without specifying what adequate consideration looks like. Those are structural problems that can be addressed by standards that establish a floor, tools that reduce the cost of implementation, shared infrastructure that spreads the overhead across the sector rather than requiring every fund to build it independently, and accountability mechanisms that create consequences for the gap between policy and practice.

The developmental investment dimension of this story deserves a specific observation. South Africa has already demonstrated, through the renewable energy experience, that institutional capital will flow towards developmental outcomes when the conditions are right. The GEPF and the Asset Owners Forum have shown that the sector's largest institutions are capable of coordinated developmental commitment at scale. What the survey and the roundtable make plain is that neither the proof of concept nor the leadership example has yet translated into consistent practice across the mid-market. The barriers are institutional: governance quality in project entities, thin deal flow in asset classes beyond renewable energy, limited intermediary capacity, and the absence of the standardised structures that would allow an R10bn pension fund to access developmental instruments without having to build the due diligence capability of an R500bn fund. Addressing those barriers is the most consequential set of interventions the sector could implement, not just for its own RI maturity but for the economy on which its beneficiaries depend.

This is the first survey of its kind to focus specifically on South African asset owners' perspectives on responsible investment. That carries two implications. The first is that the findings cannot be benchmarked against a prior year. There is no baseline against which to measure progress, no comparable dataset to test whether the patterns identified here are persistent or improving.

> The second implication is more important. The measurement problem is solvable.

If this survey is repeated, it becomes a tracking instrument. The implementation gap can be measured. The rate at which funds move from informal practice to embedded policy can be observed. The share of asset owners with independent manager evaluation mechanisms can be counted. Progress, or its absence, can be held to account. The sector's ability to demonstrate that it is moving in the right direction depends on its willingness to keep measuring where it stands.

Responsible investment in South Africa is not a niche commitment of the most sophisticated funds. It is the minimum required to manage the risks that South African pension fund beneficiaries actually face: the systemic risks of an economy under structural stress, the governance risks of an institutional environment with a difficult recent history, the transition risks of an energy system that must change and a social system that must hold together while it does. The funds that understand this are not practising responsible investment as an expression of values or a response to external pressure. They are practising it because the alternative is a less defensible fiduciary position. Getting the rest of the sector to that understanding is a governance, capacity and market design challenge. The evidence in this report suggests the sector is ready for it.

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