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SAICA DIFFERENCE MAKERS

FINANCIAL SERVICES NEWSLETTER

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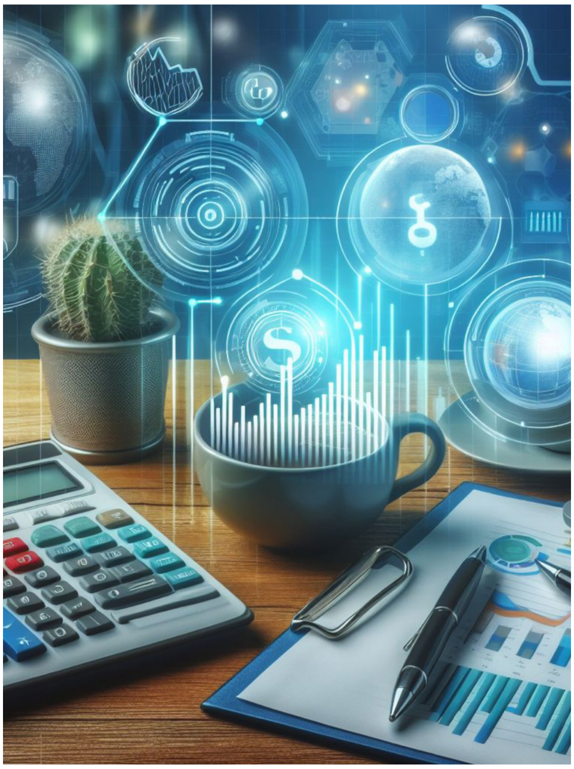

SAICA DIFFERENCE MAKERS

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SUSTAINABLE BANKING

in South Africa – part 1

Author: Belinda Carreira CA(SA), CCB.D: CEO at SustainableDNA and Usithandile Zikalala BA Hons: Consultant at SustainableDNA

Read the Article

In South Africa, sustainability reporting has evolved from being a primarily voluntary exercise to a more regulated requirement, particularly for large companies and financial institutions.

Enhancing reporting quality: transparency and international standards

The Johannesburg Stock Exchange (JSE) mandates listed companies to produce integrated reports, which encompass sustainability disclosures, in accordance with the King IV Report on Corporate Governance. At present, there is a growing trend towards mandatory disclosure, underscores the increasing importance placed on transparency and accountability in South African banks' ESG practices. Such regulatory shift aims to not only ensure that South Africa remains competitive in the changing global economy but also work to standardise reporting quality and ensure that stakeholders have access to consistent and comprehensive information about companies' sustainability efforts.

The quality of sustainability reporting by South African banks is paramount and ranks in equal, if not more, importance than the action that the companies take to implement their respective sustainability strategies to address issues related to nature, human capital and broader society, as well as the adeptness of their corporate governance practices. A major step that many banks have taken to produce comprehensive, accurate, and transparent reports that are accessible for all stakeholders to assess the banks' true sustainability performance is the adoption of both global and jurisdictional reporting standards and frameworks such as the Global Reporting Initiative (GRI), the Task Force on Climate-related Financial Disclosures (TCFD), and more recently the JSE's Sustainability and Climate Change Disclosure Guidance.

Figure 1 Comparative analysis of banks' alignment to global sustainability reporting frameworks

The variegated efforts to enhance alignment with international sustainability reporting standards within the banking sector play a monumental role in achieving good global standing and appeal to (international) investors, and in the same breath ensures consistency and comparability; this creates a robust foundation upon which the future of sustainability reporting practices among commercial banks in South Africa can be established.

Transparency in ESG reporting is as crucial for South African banks with ambitions to build trust and accountability as well as maintain a competitive edge, as the aforementioned efforts to align with international sustainability reporting standards. There is substantial evidence which suggests that independent third-party assessments of sustainability reporting can significantly benefit companies working hard to continuously improve the quality of their ESG/sustainability The Integrated Reporting & Assurance Services (IRAS) annual report on sustainable data transparency serves as a useful tool for benchmarking sustainability reporting effectiveness. The IRAS conducts an annual review of the ESG/Sustainability reporting of all the JSE-listed companies. The aim of the research is to identify which companies are meeting reasonable transparency and accountability expectations regarding material ESG impacts. The index measures and compares data related to 114 sustainability indicators:

- **Standard disclosures** – Refer to report assurance, a King IV checklist, alignment with the Global Compact or the Sustainable Development Goals (SDGs), etc.
- **Economic indicators** – Refer to profitability as well as compensation practices
- **Governance indicators** – Refer to board composition, diversity, and skills
- **Labour indicators** – Refer to the number of employees, employee turnover, training spend, etc
- **Health and safety indicators** – Refer to hours worked, number and frequency of fatalities and lost time injuries, etc.
- **Environmental indicators** – Address the consumption of water, energy, and waste and emissions data, etc, and
- **Corporate social investment / socio-economic development indicators** – Examples are the total rand value of spend, a breakdown in terms of focus areas, etc.

Table 1 Results scored by commercial banks

Financial Services – Banking & Credit Services

Company	Overall Score	Standard Disclosures	Economic	Governance	Labour	Health & Safety	Environment	CSI/SED
Nedbank	93.27%	87.50%	93.33%	97.73%	92.86%	80.00%	92.50%	100.00%
Absa	87.98%	100.00%	93.33%	97.73%	92.86%	80.00%	92.50%	56.67%
Standard Bank	79.33%	81.25%	93.33%	97.73%	75.00%	25.00%	70.00%	90.00%
Finbond	69.71%	12.50%	73.33%	79.55%	100.00%	90.00%	40.00%	80.00%
Investec	66.83%	75.00%	80.00%	95.45%	50.00%	20.00%	52.50%	73.33%
Transaction Capital	65.38%	50.00%	76.67%	93.18%	71.43%	30.00%	57.50%	50.00%
First Rand	60.10%	62.50%	86.67%	93.18%	42.86%	0.00%	30.00%	80.00%
Capitec	55.29%	37.50%	80.00%	88.64%	71.43%	0.00%	45.00%	26.67%
RMB Holdings	26.44%	25.00%	60.00%	65.91%	14.29%	0.00%	0.00%	0.00%
Average	67.15%	59.03%	81.85%	89.90%	67.86%	36.11%	53.33%	61.85%

Source: IRAS Sustainable Data Transparency Index Report 2023, p 114

Based on the above indicators, an assessment was made of how well Sustainable Data Transparency Index (SDTI) indicators were reported on by the companies researched. The table above shows the results scored by some of the commercial banks mentioned in this article. Moreover, it is designed to help establish areas of specific concern that may require additional support for companies wishing to enhance not only their reporting, but also their management of key issues.

Conferring with comparative analyses of this nature can in future helps uncover areas needing improvement, and set realistic, competitive goals. This process fosters a culture of continuous improvement and innovation, helping banks enhance their sustainability practices. In a sense, these analyses also offer a performance benchmarking for South African banks. Performance benchmarking is crucial for banks in South Africa as it allows them to measure their sustainability efforts against industry standards and peer institutions. In a rapidly evolving regulatory landscape, performance benchmarking ensures that South African banks remain at the forefront of sustainable banking practices, driving positive environmental and social impact.

The path forward for sustainable banking in South Africa

The sustainability journey of South African banks reflects a broader shift towards integrating ESG principles into the core of business operations, reflecting a deep commitment to environmental stewardship, social responsibility, and robust governance. As these financial institutions continue to enhance their reporting practices and align with international standards, they play a crucial role in driving positive environmental and social change. For stakeholders, this progress underscores the importance of monitoring and holding banks accountable, ensuring that the commitment to a sustainable future is steadfast and impactful.

South African banks' sustainability efforts are not just a testament to their corporate responsibility but also a critical driver of long-term growth and stability. As the world grapples with environmental challenges and social inequalities, the banking sector's leadership in ESG practices will be instrumental in shaping a more sustainable and equitable future.

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ARTICLES

SUSTAINABLE BANKING

in South Africa – part 2

Author: Belinda Carreira CA(SA), CCB.D: CEO at SustainableDNA and Usithandile Zikalala BA Hons: Consultant at SustainableDNA

Read the Article

Sustainability has become crucial in global finance, emphasizing transparency and accountability. South African banks have significantly integrated sustainability into their operations, driving growth while addressing environmental, social, and governance (ESG) challenges.

In this article, we delve into the sustainability efforts of some of the largest banks in the country, examining their initiatives, sustainability reporting practices, and the alignment thereof with international standards, in a reporting landscape that is in constant evolution. The aim here is to provide a comprehensive overview of how South Africa's major commercial banks are contributing to a more sustainable future.

South Africa has advanced significantly in sustainable finance, establishing the South Africa Sustainable Finance Initiative in 2017 through the National Treasury. This initiative unites regulatory bodies, industry associations, and stakeholders to create a sustainable finance framework. In 2020, the National Treasury released a Technical Paper on Financing a Sustainable Economy, promoting voluntary sustainable finance and stakeholder engagement while urging financial institutions to align with environmental, social, and governance (ESG) principles.

Responsible lending is vital for financial stability and economic growth, with South African banks, particularly larger ones, crucial in providing credit. These banks must balance profitability with social responsibility by assessing borrowers' creditworthiness, ensuring affordability, and avoiding predatory practices. They have successfully supported sustainable economic development by funding ESG-aligned projects; the 2023 Climate Policy Initiative noted that commercial private sources, mainly banks, contributed 92% (R103 billion annually) of the country's climate finance flows.

South Africa's major banks increasingly prioritize ethical investment, integrating ESG factors into their decision-making processes, considering environmental impact, social inclusivity, and corporate governance. Ethical investment directs capital to projects and companies with strong ESG performance. Absa Group Limited, for instance, was the largest funder of renewable energy assets in Africa in 2022, as noted in their 2023 Climate Report. By offering ESG-focused investment products, banks enable customers to align their portfolios with their values.

While progress has been made, challenges persist. Some banks face pressure to balance short-term profits with long-term sustainability. Striking this equilibrium requires robust risk management frameworks, innovative financial products, and collaboration across the industry. Additionally, banks must address climate-related risks, such as exposure to fossil fuels and physical climate impacts.

Reducing the Carbon Footprint

The urgency of mitigating climate change is a reality that South African banks are increasingly recognizing. Banks are adopting sustainable energy solutions and waste management practices, such as solar panels, energy-efficient lighting, recycling, and paper usage reduction, to minimize operational costs and environmental impact, aligning with global sustainability goals. Globally, banks prioritize carbon footprint reduction by sourcing energy from renewables, installing solar panels, optimizing energy use through smart technologies, and promoting telecommuting. South African banks, including Absa, FirstRand, Investec, Nedbank, and Standard Bank, have set ambitious environmental sustainability targets, as shown in the table below.

	Net Zero Target	Decarbonisation Pathway	Carbon Reduction Target	Energy Reduction Target	Renewable Energy Target
absa	✓	✓	✓	✓	✓
CAPITEC BANK					
Discovery Bank	✓				
FirstRand	✓	✓	✓		
Investec	✓				
NEDBANK	✓		✓	✓	✓
	✓				

This benchmarking demonstrates that while many South African banks are making strides in their efforts to minimise the carbon footprint generated by their operations, there is still room for more comprehensive and uniform commitments across the sector. While banks contribute to global sustainability goals and build stakeholder trust through transparent reporting, the Integrated Reporting & Assurance Services (IRAS) Sustainable Data Transparency Index found that environmental performance in the South African banking sector has been poorly reported, indicating room for improvement in planning, execution, and reporting of environmental issues, despite efforts in recycling, digital banking, and proper electronic waste disposal.

Financial Services – Banking & Credit Services

Company	Environment	Energy	Carbon	Water	Waste	Management
Absa	92.50%	92.86%	100.00%	100.00%	75.00%	100.00%
Nedbank	92.50%	100.00%	100.00%	100.00%	62.50%	100.00%
Standard Bank	70.00%	64.29%	90.00%	50.00%	100.00%	0.00%
Transaction Capital	57.50%	50.00%	90.00%	25.00%	25.00%	100.00%
Investec	52.50%	35.71%	90.00%	75.00%	50.00%	0.00%
Capitec	45.00%	28.57%	100.00%	0.00%	25.00%	50.00%
Finbond	40.00%	28.57%	20.00%	50.00%	100.00%	0.00%
First Rand	30.00%	14.29%	80.00%	50.00%	0.00%	0.00%
RMB Holdings	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Average	53.33%	46.03%	74.44%	50.00%	48.61%	38.89%

Source 1: IRAS Sustainable Data Transparency Index Report (2023, pg 122)

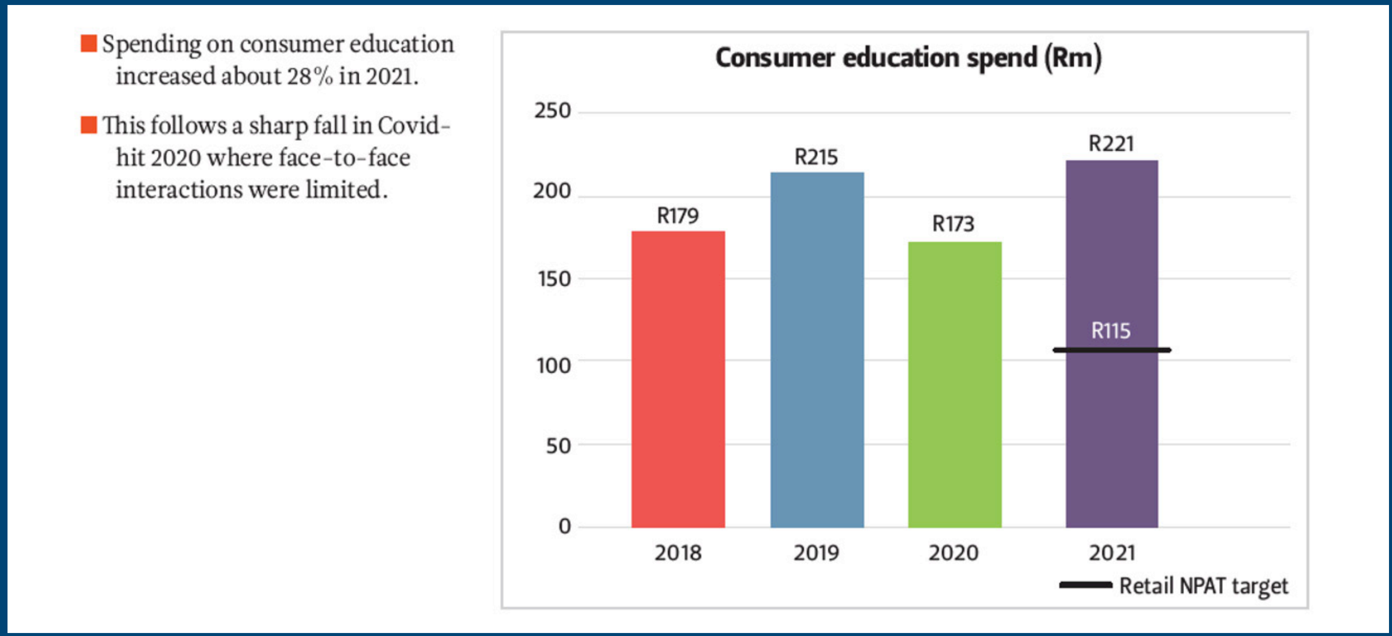
Financial Inclusion & Community Development

South Africa continues to grapple with entrenched economic challenges post-apartheid, with alarming rates of poverty, inequality, and youth unemployment, notably affecting black women at rates of 50.47% and 41% respectively. These pressing issues underscore the imperative for collaborative efforts among all stakeholders to address the multifaceted challenges in society. The National Development Plan 2030 identifies private enterprise, including the banking sector, as crucial partners in fostering inclusive economic prosperity.

Financial inclusion stands as a cornerstone of South African banks' ESG strategies, ensuring equitable access to essential financial products and services such as savings, credit, insurance, and digital payment solutions. This inclusivity is vital for marginalized and underserved communities, supported by regulatory frameworks like the Financial Sector Conduct Authority's Financial Inclusion Strategy and National Treasury policies. Such measures not only empower individuals to manage their finances effectively, invest in their futures, and protect against financial instability but also play a pivotal role in poverty alleviation and economic advancement.

Key national policies, including the Financial Services Sector Code under the Broad-Based Black Economic Empowerment Act and the National Consumer Financial Education Strategy, guide banks in their strategies for enhancing financial inclusion. The Banking Association South Africa's 2023 Transformation Report highlights initiatives by banks such as Capitec's issuance of R1 billion in shares to empower previously disadvantaged employees, exemplifying a commitment to broad-based empowerment.

SUSTAINABILITY BANKING CONT.



Source 2: BASA Transformation Report (2023, pg 15)

Additionally, efforts to expand physical banking infrastructure and leverage digital technologies aim to increase access to financial services in remote and underserved areas, thereby bolstering economic resilience and social well-being across South Africa's diverse communities.

Championing Diversity & Inclusion

Diversity and inclusion both within the workforce and corporate governance structures is another area where South African are at the forefront. Efforts to ensure gender parity, racial diversity, and inclusivity in hiring practices are evident.

Banks emphasize leadership diversity, aiming for balanced representation of women and minority groups in executive roles. The BASA report shows major banks have significantly improved their B-BBEE scores, demonstrating a commitment to transformation. Black voting rights in banks have reached 32%, exceeding the 25% target, and black economic interest has reached 26%, surpassing the target.

Management control has improved, with black directors on bank boards increasing to 39%, though the 50% target remains unmet. Black women in leadership roles have also increased, with black women making up 23% of bank board members and 21% of top senior management positions, approaching the 25% targets.

Skills development is crucial for maintaining a pipeline of black junior and middle managers for future senior roles. Banks have significantly contributed to enterprise development, despite a recent decline in spending. Empowerment financing has grown, particularly in supporting black-owned enterprises, highlighting the sector's commitment to economic transformation.
South African banks focus on ensuring diverse boards with varied skills, experiences, and backgrounds, enhancing decision-making and reflecting a commitment to fair representation. This emphasis on diversity extends to board composition and leadership roles, fostering an environment where diverse voices are valued. Such practices align with global trends, underscoring the importance of inclusive leadership for sustainable growth.

South African Banks address various ESG issues through multifaceted initiatives. They include striving for responsible lending practices and ethical investment portfolios, setting ambitious targets for reducing greenhouse gas emissions, enhancing social equity through community investments, and ensuring robust governance structures. These initiatives are not just about compliance but also about driving genuine progress toward sustainability. Stakeholders must monitor and hold banks accountable to ensure a steadfast and impactful commitment to a sustainable future.

South African banks' sustainability efforts are not only a reflection of their corporate responsibility but also a critical factor in driving long-term growth and stability. With the world facing environmental challenges and social inequalities, the banking sector's leadership in ESG practices will be crucial in shaping a more sustainable and equitable future.

Video: Transition from JIBAR to ZARONIA

The South African Reserve Bank (SARB) is spearheading the transition from the Johannesburg Interbank Average Rate (JIBAR) to the South African Rand Overnight Index Average (ZARONIA). This shift aims to align South Africa's financial markets with global standards by adopting a more robust and reliable reference rate. ZARONIA, based on actual overnight transactions, promises to enhance market integrity, reduce manipulation risks, and foster greater confidence in financial instruments.

Zakhele Nyandeni CA(SA), Director of Financial Services at BDO South Africa, explains the transition from JIBAR to ZARONIA. He highlights the reasons behind the transition, the implications for financial institutions, and the steps being taken to ensure a smooth transition. Nyandeni emphasizes that ZARONIA's adoption will bring South Africa in line with international best practices, similar to the global shift from LIBOR to risk-free rate.

> **This emphasis on diversity extends to board composition and leadership roles, fostering an environment where diverse voices...**

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SAICA'S RETIREMENT FUNDS PROJECT GROUP'S LEADERSHIP

Meet the SAICA Retirement Funds Project Group's leadership trio

Read the Article

In the world of retirement benefits, the SAICA Retirement Funds Project Group (RFPG) plays the role of middleman in fostering collaboration among industry stakeholders, auditors, regulators as well oversight bodies such as the Actuarial Society of South Africa (ASCA) and the Independent Regulatory Board for Auditors (IRBA).

With Adele Roux, Ronel van Graan, and Geraldine Pelser at the helm, the RFPG works tirelessly to improve the retirement experience for everyone involved.

The Trio

Adele Roux – Chairing the vision for a member-centric approach in the RFPG

Adele Roux, currently serving as the Principal Retirement Benefit Consultant at Alexforbes, holds the role of the chairperson of the project group. With a career characterised by dedication, expertise, and a commitment to member-centric solutions, Adele brings a unique perspective to the group.

Adele's journey in the financial services industry began with her articles at a small firm in the Free State, followed by a role as an Audit Senior at PwC. During her eight-year tenure at PwC, Adele refined her skills and expertise in auditing retirement funds and administrators. It is during this period that she became a member of this project group, aiming to enhance her professional development and contribute to industry-wide initiatives. Over the years, Adele has been involved in a number of interesting projects, including the revision of the Regulatory Reporting Requirements for Retirement Funds in South Africa (the RRR).

In 2014, Adele made a shift in her career, moving into employee benefit consultancy at Absa Consultants and Actuaries. This transition allowed her to explore new avenues for creating future-fit solutions for clients while remaining dedicated to protecting the interests of retirement fund members.

As the chairperson of the project group, Adele envisions adopting a member-centric approach that addresses the diverse needs of stakeholders within the industry. Through her leadership, Adele aims to protect retirement fund members' best interests and to ensure they are well-informed about their retirement benefits.

Beyond her professional endeavours, Adele finds joy in embracing her creative side, whether it's through crafting with friends or experimenting with new recipes in the kitchen. This balance between professional excellence and personal fulfilment is a testament to Adele's holistic approach to life and work.

> This transition allowed her to explore new avenues for creating future-fit solutions for clients...

Geraldine Pelser – A journey of collaboration and improvement

Geraldine Pelser, the Head of Operational Risk, Compliance, and Forensics at Alexforbes, brings a wealth of experience and commitment to collaboration and improvement to the project group. With a career guided by the principle of leaving everything better than she found it, Geraldine's journey in the financial services industry has been marked by a relentless pursuit of excellence.

Throughout her professional trajectory, Geraldine has championed the power of teamwork and continuous improvement. From her days as a young professional at PwC to her current role at Alexforbes, she has consistently sought opportunities to collaborate with others and drive positive change. As Simon Sinek famously said, 'Great leaders are willing to sacrifice their own interests for the good of the group.' This sentiment resonates deeply with Geraldine, fuelling her passion for making a meaningful impact within the project group.

In her role as the co-deputy chairperson of the project group, Geraldine brings a fresh perspective and a relentless drive for excellence. She envisions a team that is swift, responsive, and adaptable to the challenges faced by the industry. By staying informed about emerging trends and guidance, Geraldine aims to be a change-maker who leaves a lasting legacy for future generations.

Beyond the boardrooms and risk assessments, Geraldine embodies a commitment to happiness and kindness in all aspects of her life. Whether she's immersed in a challenging risk assessment or spending quality time with loved ones, Geraldine approaches each day with a positive attitude and a desire to make a difference. It's this balance between professional excellence and personal fulfilment that fuels her passion for excellence.

Ronel van Graan – A decades-long commitment to the pension fund industry

Ronel van Graan, the Deloitte Pension Fund Leader in South Africa, stands as a pillar of excellence and dedication within the retirement fund industry. With over two decades of experience and a passion for ensuring financial security for retirees, Ronel plays a pivotal role in driving positive change within the project group.

Ronel's journey in the pension fund industry began with a firm resolve to make a difference. As an Audit Partner at Deloitte, she manages a diverse portfolio of retirement funds, ranging from large, self-administered funds to those administered by benefit administrators. Her keen eye for detail and commitment to providing high-quality audits ensures that proper financial records are maintained and providing recommendations that enhance the efficiency and effectiveness of retirement fund management.

Beyond her professional endeavours, Ronel is an avid Comrades road runner, embodying the same determination and resilience in her personal pursuits as she does in her professional life. Her dedication to pushing her limits on the pavement mirrors her commitment to excellence within the retirement fund industry.

As the co-deputy chairperson of the project group, Ronel brings her wealth of experience and expertise to the forefront of project group initiatives. As a longstanding member of the project group, she has contributed her insights to various projects and sub-task groups, engaging on other matters of interest and participating in other projects of the RFPG.

In her role as co-deputy chair, she aims to ensure that the project group serves as a conduit between the regulatory authorities, auditing professionals, and other key stakeholders providing a platform for dialog and collaboration.

CONCLUSION

Adele Roux, Ronel van Graan, and Geraldine Pelser share the dedication, expertise, and vision necessary to drive meaningful change within the retirement fund industry. As they continue their journey of collaboration and improvement, they embody Nelson Mandela's words: 'What counts in life is not the mere fact that we have lived. It is what difference we have made to the lives of others.'

> As a longstanding member of the project group, she has contributed her insights to various projects and sub-task groups, engaging on other matters...

PROFILES

FROM RURAL FARM SHOP TO CA(SA) JOLENE VISSER'S JOURNEY

Jolene Visser CA(SA)
Loss Adjustor at Lloyd Warwick International South Africa (Pty) Ltd

Read the Article

A birthday present I remember receiving from my parents around the age of five was an antique cash register. To me, it was the perfect gift. My parents raised me in their rural Free State farm shop, and for the first time in my life, I was able to ring up the transactions of my imaginary butchery for which my imaginary customers who queued up for my imaginary gourmet mincemeat. Back in the '80s everything was paper driven, and so once a week when my dad would leave for Bloemfontein's wholesalers, I would have an opportunity to accompany him to the bank and complete bank slips of all kinds and colours to record my business' imaginary takings. Once we were back on the farm, all of the slips (including my own) would be filed. Eventually, I was allocated one of the shop's real cash registers so I could ring up real transactions on Saturdays. It was the busiest day of the week as it was the farm workers' day off. As a reward for helping in the shop, I was awarded 10% on the sales I rang up on my allocated register. Soon my 'play' bank slips were replaced by real ones. Once I had enough money, I leased shelf space from my parents to display products that I procured during the weekly Bloemfontein outing. I bought and sold products that were different from the daily necessities my parents sold, focusing more on goodies and toys for children. Eventually, I had the 'stadsjapies' paying for horse and horse cart rides on their train excursion to the farms to visit the local monthly farmer's market run by my mom. My parents raised me to have an entrepreneurial aptitude. From an early age I was influenced and motivated by them to understand business, self-employment, business risks, and the like, and the concepts of budgeting, saving, borrowing and interest did not escape me. This entrepreneurial aptitude shaped me into the person I am today.

MY PATH FROM LEARNER TO CA(SA)

Having been exposed to business and business principles from such an early age, my academic choices naturally steered me towards a career in business and accounting. But towards the end of my high school years, I envisioned myself becoming an advocate one day, which meant I would need to pursue a degree in law, not business. I ended up enrolling for the Bachelor in Accounting and We join Jolene Visser on her CA(SA) journey. PROFILE | Jolene Visser CA(SA) Bachelor in Law (BAccLLB) course, which, at the time, had been newly launched by the University of Stellenbosch. I could now study towards obtaining both a degree in accountancy and law, without having to rush my decision as to which field I wanted to pursue a career in. Ultimately, life decided that I will end up in the accounting space, and so it happened that I became a qualified CA, working in the forensic accounting and investigations field until I shifted my focus to loss adjusting in early 2021.

HOW I DISCOVERED THAT 'LOSS ADJUSTING' WOULD BE MY NEXT CAREER PATH

About ten years after first dipping my toes in forensic services, I dealt with an insurance dispute and the opposing party was coincidentally represented by a loss adjuster. This allowed me an opportunity to gain insight into work loss adjusting entails. What I learned intrigued me and I soon discovered that the skillset I had acquired and developed as a forensic accountant is beneficial to the role of a loss adjuster. Before I knew it, accepted a position as a loss adjuster.

WHAT DO I ENJOY MOST ABOUT MY NEW CAREER PATH

Loss adjusting feels like the perfect juncture for my embedded business acumen, forensic experience, love for law and professional qualification. The professional world of commercial insurance was new to me when I transitioned into loss adjusting, and I find it an extremely interesting world. My speciality is major and complex business interruption claims, which deals with the loss of profits when an organisation suffers damage under its insurance policy. I also enjoy having to critically consider the numbers presented in a claim; to consider the numbers in the context of various factors: the loss-causing event, economic factors affecting the business that are unrelated to the loss-causing event, whether the overall picture makes sense in the bigger scheme of the operation, its industry and the economy, etc. I also get in-depth exposure to various industries. As commercial claims can arise in any type of business, it affords the loss adjuster the opportunity to gain experience in a variety of industries. In the major and complex claim arena, no two claims will ever be the same. You may apply similar approaches or considerations (at least to some extent), but the intricacies of each claim will always differ, thus keeping each claim interesting. Of course, the value I add when working as a loss adjuster is bolstered by the technical training and ongoing professional development required by SAICA to ensure my knowledge remains relevant and up to date as a chartered accountant. As an added bonus, I still get the opportunity to work as a forensic accountant from time to time, which means that I did not have to close one door in order to open up another.

ADVICE FOR YOUNGER CAs(SA)

My advice is to always keep these three things in mind:

- Be open to change; it is, after all, the only constant. Change may not always be comfortable, but it can catapult you into a new, more rewarding part of your professional journey.
- Look ahead, far head. Look beyond the traditional roles associated with the accounting profession. There are endless opportunities to deploy your skills as a chartered accountant – you just need to be open-minded and curious enough to find them.
- Get a mentor. Mentors have provided me with immeasurable knowledge and guidance over the years, which made so many tough decisions much easier and provided a framework to consider problems within – a framework that comes from an experienced mind. A mentor must have experience, someone in the more mature ranks of life, and must be someone who you trust and to whom you can speak freely. Having the right mentor not only guarantees you reliable navigation in uncertain times, but it will also equip you to pay it forward to your own mentee one day. A win for all!

Directive: Loss absorbency requirements for additional tier 1 and tier 2 capital instruments

This Directive directs banks to comply with the requirements relating to loss absorbency and the relevant trigger events for capital instruments, in addition to existing regulations.

Contractual and statutory requirements: In the issuing documentation or contractual terms and conditions for additional Tier 1 and Tier 2 capital instruments issued (or to be issued), banks must clearly indicate:

- Whether these instruments will be written off or converted into the most subordinated form of equity upon a trigger event, at the discretion of the CEO of the PA.
- That such instruments could either be statutorily or contractually bailed-in at a specified trigger event.

Conversion Details: For instruments that provide for conversion into the most subordinated form of equity, banks must include:

- The number of shares or a formula to determine the number of shares in the most subordinated form of equity to be received by instrument holders at conversion; and
- The conversion price, which must be determined as the greater of:
  - The arithmetic mean of the closing price of the shares on each of the five consecutive dealing days prior to the date of the trigger event; or
  - A floor price of 20% of the shares' closing price at the same date as issuance of the capital instrument.

Proposed Directive: Completion of regulatory return relating to capital adequacy and leverage form BA 700

This proposed Directive aims to guide banks on completing and submitting the BA 700 form relating to capital adequacy and leverage and provide specific instructions and interpretations to ensure consistent reporting of capital adequacy and leverage across banks.

The proposed Directive includes:

- Revisions to the BA 700 Form: Aligning with amended Regulations relating to Banks (Regulations).
- Output Floor Calculation: Requirements and transition arrangements for phase-in percentages as per Regulations 38(2)(g) and (h) of the Regulations.
- Leverage Ratio Exposure Measure: Refinements to the definition, including modifications for derivatives and updates for off-balance sheet exposures.

These requirements and conditions will be effective from **1 July 2025.**

Minimum readiness and attestation requirements for the implementation of the revised market risk and credit valuation adjustment frameworks

This communication outlines the readiness and attestation requirements for banks implementing the Basel Committee on Banking Supervision's revised market risk and credit valuation adjustment frameworks as set out in appendices A to C.

- **Appendix A:** Minimum requirements for banks' internal implementation readiness process before submission to the PA.
- **Appendix B:** Governance processes for approving submissions to the PA.
- **Appendix C:** Minimum criteria for areas to be detailed in post-implementation review reports.

Banks are strongly encouraged to fully utilize their resources, capabilities, and governance to comprehensively address the minimum implementation requirements in this communication.

Proposed Directive: Returns to be submitted to the Prudential Authority

On 12 April 2024, the PA issued a Proposed Directive - Proposed amendments to Regulations to all banks and their auditors, informing stakeholders that, in support of the Umoja System Implementation Project, it had decided to propose the removal of all Banks Act returns (BA returns) and the related completion instructions from the Regulations. Going forward, all BA returns and their completion instructions will be issued as Directives or determinations under Prudential Standards. As a result, banks are instructed to complete and submit the specified financial, risk-based, and other returns in accordance with the requirements outlined in this proposed Directive. Banks are required to comply with these requirements starting from 1 January 2025.

Proposed Directive - Proposed amendments to Regulations relating to Banks

To ensure the legal framework for regulating and supervising banks in South Africa remains relevant, the PA issued two drafts of proposed amendments to the Regulations relating to Banks on 12 September 2022 and 21 September 2023. These drafts incorporate the remaining components of the Basel III post-crisis regulatory reforms. After reviewing feedback and engaging with stakeholders, the PA updated the proposed amendments and issued specified clauses for a final round of consultation.

Key components of the Basel III post-crisis reforms include:

- Revisions to the standardized approach for credit risk
- Revised Internal Ratings-Based (IRB) approaches for credit risk
- Streamlined operational risk framework
- Refinements to the definition of the leverage ratio exposure measure
- Introduction of an output floor capital requirements

Proposed amendments to the Regulations relating to Banks – Deletion of BA Returns

The PA proposed the deletion from the Regulations of all BA returns and the related instructions for their completion, with effect from 1 January 2025, to facilitate and support the ongoing work related to the Umoja System Implementation Project. In the future, all BA returns and the related instructions will be issued as Directives or determinations under Prudential Standards.

Criteria for identifying outlier banks in relation to interest rate risk in the banking book

This Guidance Note outlines the criteria used by the PA to identify outlier banks based on their exposure to interest rate risk in the banking book. The PA will use the sensitivity of a bank's Economic Value of Equity (EVE) to determine outlier banks. This involves calculating the maximum loss from six interest rate shock scenarios and dividing this loss by the bank's Tier 1 capital. This ratio must not exceed 15% of the bank's Tier 1 capital.

Banks exceeding this threshold are identified as outliers and may face further supervisory actions, including:

- Reducing exposure to interest rate risk in the banking book (IRRBB) by hedging or other appropriate means

BANKING CONT.

- Imposing additional capital requirements.
- Specifying constraints on internal risk parameters used by the bank
- Improving the bank's risk management framework

Invitation for comment - Draft amendments to the Commercial Paper Exemption Notice, 1994 (CP Exemption Notice)

On 30 August 2023, the PA concluded public consultations on the draft amended CP Exemption Notice. This included a Position Paper explaining the rationale behind the proposed amendments and an industry survey to gather input on potential benefits and unintended consequences. After considering feedback from the consultation and survey, the PA made further amendments to the draft.

Due to substantial changes, the PA decided to conduct additional consultations on the revised draft to ensure transparency. Following this, a final round of consultation will be held before seeking the Minister's approval. Once finalized, the amended CP Exemption Notice will be published, repealing the CP Exemption Notice, 1994.

The Johannesburg Interbank Average Rate (JIBAR): Code of Conduct, Governance Process and Operating Rules

This document establishes a code of conduct, governance process, and operating rules for the JIBAR in South Africa. It emphasizes that personal integrity and professional conduct rely not only on written rules but also on the commitment of individuals to the spirit of the Code of Conduct. The Code of Conduct will be assessed on a continuous basis for improvement and relevance. Compliance will be overseen by the Reference Rate Oversight Committee (RROC), chaired by the Deputy Governor responsible for Financial Stability.

INSURANCE

Review of the regulatory framework for the distribution of funeral insurance in South Africa

The Financial Sector Conduct Authority (FSCA) and the Prudential Authority (PA) (the Authorities) issued this joint communication in response to concerns from the funeral parlour industry regarding funeral insurance regulations.

The communication aims to:

- Clarify the current regulatory position
- Highlight specific issues raised by the industry and authorities
- Outline an inter-regulatory project to review the distribution framework of funeral insurance in South Africa

The Authorities invited stakeholders to participate in this project to ensure an inclusive and proportional regulatory framework that protects policyholder interests and promotes sustainable market growth.

Request for information in respect of Board members of Retirement Funds

The Financial Sector Conduct Authority (FSCA) has requested Principal Officers of all Funds to submit current regulatory information on trustees. This will enable the FSCA to assess compliance with the Trustee Training Toolkit (TTK) and take appropriate regulatory action for non-compliance. The FSCA plans to publish a list of non-compliant trustees as an initial step after receiving the information.

FSCA General Notice 1 of 2024 – Determination of fees charged by the Financial Sector Conduct Authority (FSCA)

After a thorough public consultation process, the FSCA issued General Notice 1 of 2024. The determination details the fees imposed on financial institutions in respect of the functions of the FSCA. This determination became effective on 1 October 2024.

Supervisory Guidance: Clarification on relevant considerations related to valuation exemptions

The FSCA issued this communication to clarify the process for applying for an exemption from sections 9A (Appointment of a fund valuator) and 16 (Investigation and reporting of financial condition requirements) of the Pension Funds Act, 1956 (Act No. 24 of 1956).

Application for a Valuation Exemption:

- If a fund's board believes their fund qualifies for an exemption, they may apply for it under Section 9A and 16 of the PFA. The conditions for exemption are detailed in Board Notice 59 of 2014, which includes the necessary forms for the board and valuator to complete and certify as part of the application.
- The FSCA will review the application along with the fund's rules and annual financial statements on a case-by-case basis.
- The FSCA's decision will be formally communicated.

Relevant Considerations in Exemption Applications:

- Exemptions are granted only to funds with intrinsically lower risk due to their operation, as these funds will have less oversight without regular financial condition reports.
- The exemption request pertains to a specific statutory actuarial valuation report at a specific date, which must align with the fund's financial year-end and cannot be more than three years after the previous statutory actuarial valuation report.

Request for information on administration fees relating to the Two-Component system

The FSCA requested that all administrators and self-administered funds submit information regarding the administration fees related to the two-component system. This information request aims to assist the FSCA in determining the administrative fees or charges incurred by members withdrawing from the savings component, as well as how these fees are calculated. The FSCA intends

> The FSCA will review the application along with the fund's rules and annual financial statements on a case-by-case basis.

RETIREMENT FUNDS CONT.

to publish a report based on the collected information. Failure to comply with the information request by the specified deadline constitutes an offence and may result in fines or imprisonment.

Determination of Conditions for Legacy Retirement Annuity Policies to be excluded from the Two-Component System

Section 1 of the Income Tax Act (Act No. 58 of 1962) defines a legacy retirement annuity policy as "any policy held by a retirement annuity fund entered before 1 September 2024 with a pre-universal life or universal life construct, subject to such conditions that the Financial Sector Conduct Authority may determine". The FSCA, in accordance with the definition, has determined the conditions for these policies to qualify for exemption for purposes of the definitions of "retirement component" and "savings component".

To qualify for exemption, the following conditions must be met amongst others:

1. The policy must have been entered into before 1 September 2024 and be closed to new members.
2. The policy must be a binding contract that cannot be changed without agreement from all parties.
3. The benefits must include:
    - A sum insured at death or retirement, increased with regular bonuses, with no cash benefit on early withdrawal; or
    - A death benefit related to the accumulation of retirement contributions, with premiums for the sum at risk deducted from regular and accumulated contributions, based on the policy's experience with contributions and investment returns.

Exemption of funds from certain provisions of the FSRA Conduct Standard No.1 of 2019 (PFA)

The FSCA published a general exemption for funds from certain provisions of the FSRA Conduct Standard No.1 of 2019 (PFA) - Conditions for amalgamations and transfers in terms of section 14 of the Pension Funds Act (S14 Conduct Standard). Specifically, funds are exempted from paragraph 3(1)(b) of the S14 Conduct Standard and other related paragraphs insofar as they relate to the use of forms in the Appendices to the S14 Conduct Standard. However, funds must still use the relevant forms as attached to this notice in accordance with the relevant instructions as a condition of this exemption.

Exemption of Pension Funds from Certain Requirements of Prudential Standard 1 of 2024

The FSCA published an exemption for pension funds from certain requirements of Prudential Standard 1 of 2024 - Regulation 28 Quarterly Reporting Requirements for Pension Funds (Prudential Standard). This exemption applies to paragraphs 2(1) and 3(2) of the Prudential Standard, insofar as it relates to reporting of non-compliance or breaches for the second quarter of 2024 (1 April to 30 June 2024). As a result, pension funds were not required to submit the Regulation 28 report for the second quarter of 2024. Reporting under the Prudential Standard began in the third quarter of 2024 (1 July to 30 September), with Regulation 28 reports for the third quarter due within 90 days after 30 September 2024.

Two-Component System considerations for defined benefit funds

The FSCA issued this guidance to ensure consistency in applying the two-component system for defined benefit members or those with a defined benefit underpin.

The Revenue Laws Amendment Act, 2024, which amended the Income Tax Act, 1962, came into effect in June 2024, details the components for funds with a defined benefit structure as follows:

- Retirement Component: Two-thirds of the member's pensionable service.
  Savings Component: One-third of the member's pensionable service.
- Vested Component: A once of amount of 10%, limited to R30,000, transferred to the savings withdrawal component.

The two-component system requires converting pensionable service to a monetary value. This calculation must ensure financial neutrality for both the fund and the member. The reduced service should be clearly communicated to the member.

A fund that is unable to allocate contributions as specified, would require the FSCA's approval of the use of an alternative method of allocation.

Draft forms to be determined in terms of FSRA Conduct Standard 1 of 2019 (PFA) – Conditions for amalgamations and transfers in terms of section 14 of the Pension Funds Act, 1956 (Act No. 24 of 1956) (PFA) (FSRA Conduct Standard 1 of 2019)

The FSCA issued this communication to inform stakeholders about the draft forms determined under various paragraphs of FSRA Conduct Standard 1 of 2019. Additionally, the FSCA clarified the treatment of section 14 transfers during the transition to the Two-Pot system, addressing the allocation of seed capital, savings withdrawal benefits, and transfer values across components. These changes aim to ensure consistent treatment across the retirement fund industry while providing clear communication to members to manage their expectations.

Online Submission of Report in terms of Paragraph 3(c) of Conduct Standard 1 of 2022

The FSCA issued instructions for stakeholders regarding submissions required under paragraph 3(c) of FSCA Conduct Standard 1 of 2022 (RF): Requirements related to the Payment of Pension Fund Contributions (Conduct Standard). The FSCA noted that many submissions from retirement funds did not adhere to the prescribed format or contained incorrect information, rendering the uploaded file inaccessible.

To address this, the FSCA issued these instructions in Annexure A attached hereto, providing detailed guidance on how to correctly complete the template and the proper method for uploading the file and any additional documents.

NEWSLETTERS

MEDICAL SCHEMES

Circular 46 of 2024: Proposed levies for medical schemes 2025/26

The Council for Medical Schemes (CMS) has proposed a levy of R51.49 per principal member per year for the 2025/26 levy year. This amount will be paid in two equal instalments, the first by 30 April and the second by 30 June. This represents a 6% increase in the levy.

Circular 45 of 2024: Annual Statutory Returns development for the 2024 financial year

The CMS sought industry comments on additional information and statistics considered relevant for inclusion in future Annual Reports. The Annual Statutory Return is the principal data collection tool that informs the CMS' Annual Report. It is important to note that the CMS may take several years to collate enough information to conduct a relevant analysis of the data.

Circular 43 of 2024: Standard guidelines on the format of business plans submitted to the Council for Medical Schemes

The CMS engaged the industry on the requirements of IFRS 17: Insurance Contracts and its impact on schemes' business plans and management accounts, following numerous stakeholder requests for further guidance on aligning management accounts with annual financial statements.

IFRS 17 introduced the following key changes:

a. Remapping of various line items: CMS proposed that schemes remap their business plans and management accounts to align with IFRS 17, resulting in changes to key indicators/statistics.
b. Mutual entity definition
c. Changes in how the incurred claims provision was calculated
d. Introduction of risk adjustment for non-financial risk
e. Disclosure of Liability for remaining coverage (LFRC) and Liability for incurred claims (LIC) reconciliations

The CMS sought to engage with the industry to assess the effect of these changes on schemes' business plans and monthly management accounts.

Circular 38 of 2024: Authorisation of Auditors and IFRS Advisors 2024

The final version of the Standards for the 2024 Authorisation of auditors and IFRS advisors remained unchanged from the prior year. All audit firms, individual auditors, and IFRS advisors who were previously granted authorization for the audit of medical schemes for the financial year ending 31 December 2023 automatically had their accreditation extended to include the audits for the financial year ending 31 December 2024. No application forms or annual declarations were required for these authorizations.

However, due to ICT-related issues encountered by the CMS, applications for new audit firms, new individual auditors, and new IFRS advisors were replaced by a manual Microsoft Forms (MS Forms) submission.

Circular 32 of 2024: Analysis of industry responses to the AQI publication

The CMS issued a circular to provide a summary of the industry's feedback and its response regarding the proposed use of Audit Quality Indicators (AQIs) as a replacement for the current CMS auditor accreditation model.

Comments received from stakeholders highlighted:

- The AQI report only included firms accredited by the JSE, and some firms auditing medical schemes might not be accredited, limiting their ability to provide relevant AQI data.
- There was support for a phased, proportional implementation of AQIs, with some indicators introduced first, allowing for practical assessment and adjustment as data is gathered.

The CMS outlined its next steps, which include further stakeholder engagement to:

- Finalize the set of AQIs.
- Further clarify the definitions of indicators where necessary.
- Agree upon a phased approach where necessary.

Circular 28 of 2024: Extension of Phase 2 submission – Demarcation Exemption Renewal Framework

The CMS required insurers to submit information on conducting the business of a medical scheme. The Demarcation Regulations, effective from 1 April 2017, excluded primary healthcare and hospital indemnity products, which providers of these product are deemed to be conducting the business of a medical scheme, as defined in the Medical Schemes Act (MSA).

In March 2017, the Council for Medical Schemes (CMS), in consultation with the National Department of Health (NDOH), National Treasury (NT), and the Financial Services Board (FSB), issued an Exemption Framework as transitional arrangement whilst the Low-Cost Benefit Option (LCBO) Guideline for medical schemes was being developed.

This was valid from 1 April 2017 to 31 March 2019. Due to delays in finalizing the LCBO Guideline, the CMS issued a Renewal Exemption Framework from 1 April 2019 to 31 March 2021, which was extended by another year to 31 March 2022 due to the COVID-19 and the inability to engage stakeholders. The exemption period was further extended to 31 March 2024.

In November 2023, the CMS submitted the LCBO Report to the Minister of Health of Health, who proposed a one-year exemption extension from 1 April 2024 to 31 March 2025.

The Exemption Framework aims to protect existing policyholders and does not restrict rights under section 8(h) of the MSA. The CMS encourages insurers to register and comply with all relevant regulatory requirements.

> The CMS sought to engage with the industry to assess the effect of these changes on schemes' business...

Prudential Communication 13 of 2024 - Regulatory returns submission management Umoja Project Phase 2

This Prudential Communication aims to prepare financial institutions for submitting regulatory returns via the Umoja platform. Financial institutions are requested to formulate strategic responses by developing work programmes geared towards readiness for the implementation of specific regulatory returns as per the dates stipulated in Prudential Communication 8 of 2024.

These work programmes require:

- Conceptualizing appropriate governance and oversight structures.
- Mobilizing teams to perform relevant development activities, especially for machine-to-machine regulatory return submissions.

The Prudential Authority (PA) encourages financial institutions to start generic data point modelling processes, as noted on the PA Transformation Programme webpage. These processes are a critical step towards the overall submission process for machine-to-machine regulatory return submissions.

Joint Communication 6 of 2024 - Preparations towards the transition from JIBAR to ZARONIA

The Prudential Authority (PA) and the Financial Sector Conduct Authority (FSCA) (the Authorities) issued this communication to ensure that senior executives and boards of financial institutions understand the risks associated with transitioning from the Johannesburg Interbank Average Rate (JIBAR) to the South African Overnight Index Average (ZARONIA), and are taking appropriate actions to facilitate this transition before the final JIBAR cessation.

Boards of financial institutions should develop approved plans and assessments that consider an appropriately wide range of scenarios and impacts, including, but not limited to:

- Identifying the institution's JIBAR-related exposures
- Quantifying, monitoring, and reporting these exposures throughout the transition
- Developing a product strategy that includes creating and/or adopting ZARONIA-based products
- Assessing financial accounting and taxation impacts
- Establishing a governance framework with senior executives to oversee the transition

The Authorities will monitor the transition risks and provide further guidance as needed.

Prudential Authority extends its 2021-2024 Regulatory Strategy until 31 March 2025

The Prudential Authority (PA) regulatory strategy outlines its regulatory and supervisory priorities, key outcomes, and guiding principles for overseeing financial institutions. As part of the South African Reserve Bank (SARB), the PA plans to extend its current strategy until 31 March 2025. This extension will allow the PA to align its next regulatory strategy with the SARB's 2025–2030 Strategy, which is being developed to adapt to the evolving economic and financial landscape and provide strategic direction for the SARB and its stakeholders.

For more details, you can review the Prudential Authority Regulatory Strategy 2021 – 2024 here.

Draft Determination Relating to Foreign Collective Investment Schemes Soliciting Investments in the Republic (Draft Determination)

The Financial Sector Conduct Authority (FSCA) published the Draft Determination concerning Foreign Collective Investment Schemes (CISs) soliciting investments in South Africa. CISs in South Africa are governed by the Collective Investment Schemes Control Act (CISCA), which differentiates between local and foreign schemes. Due to various developments and challenges in the approval process, it was important to review and update BN 257 to align with international best practices.

The draft Determination outlines principle-based requirements for the conditions under which foreign CISs can advertise and solicit investments in South Africa. It also specifies the format for applications for approval under section 65(1) and the conditions that foreign schemes must meet.

Notice of invitation for comments - Prudential Authority Budget, Fees and Levies Proposals for 2025/2026

The PA, in accordance with the provisions of sections 239(1), 240, and 98 of the Financial Sector Regulation Act, 2017 (FSR Act), published it budget, estimates of expenditure, fees, and levies proposals by the Prudential Authority for the 2025/26 financial year for public consultation.

The draft budget, along with the projected estimates for 2026/27 and 2027/28 financial years, is based on the business objectives of various departments within the PA, aligned with broader long-term Strategic Objectives. The estimated total cost for running the PA in the 2025/26 financial year is R1.846 billion, with the SARB contributing R1.272 billion. Direct costs amount to R937 million, of which 61% will be recovered through levies and fees charged to the regulated sector.

Additionally, the PA proposed 4.9% increase in Levies and Fees, reflecting the projected average CPI announced by the SARB Monetary Policy Committee.

Determination of the effective date of Joint Standard 2 of 2024 - Cybersecurity and cyber resilience requirements

> ...risks associated with transitioning from the Johannesburg Interbank Average Rate (JIBAR) to the South African Overnight Index Average (ZARONIA), and are taking appropriate actions to facilitate...

The FSCA and the PA issued a Joint Notice determining the effective date of the Joint Standard on cybersecurity and cyber resilience for financial institutions. This Joint Standard outlines the requirements for sound practices and processes related to cybersecurity and cyber resilience.

At a high level, the Joint Standard aims to:

- Ensure that financial institutions establish sound and robust processes for managing cyber risks.
- Promote the adoption of cybersecurity fundamentals and hygiene practices to preserve the confidentiality, integrity, and availability of data and IT systems.
- Ensure that financial institutions undertake systematic testing and assurance regarding the effectiveness of their security controls.
- Ensure that financial institutions establish and

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REGULATED ENTITIES CONT.

- maintain cyber resilience capability to be adequately prepared to deal with cyber threats.
- Provide for notification by regulated entities of material cyber incidents to the Authorities.

The Joint Standard will come into effect on 1 June 2025.

Prudential Authority Annual Report 2023/24

The PA published released its Annual Report for the 2023/24 financial year, highlighting key achievements and activities. The report detailed the PA's efforts in maintaining financial stability, enhancing regulatory frameworks, and promoting sound financial practices.

KEY HIGHLIGHTS:

- Regulation and Supervision: Strengthened regulation and supervision of financial entities.
- Regulatory Updates: Introduced new regulations and amendments to improve oversight and compliance.
- Cybersecurity: Published a Joint Standard on cybersecurity and cyber resilience (Joint Standard 2 of 2024).
- Climate Risk Management: Developed regulatory and supervisory approaches to climate risks, including four climate guidance notices.
- FATF Greylisting: Addressed action items following South Africa's greylisting by the FATF, conducting 19 risk-based inspections.

For more detailed information, you can access the full report here.

"The FSCA and the PA issued a Joint Notice determining the effective date of the Joint Standard on cybersecurity and cyber resilience for financial...

International Valuation Standards (IVS) to become freely available from January 2025

Starting January 2025, the latest edition of the International Valuation Standards (IVS) will be freely available online via the IVSC's website. This move aims to support the global adoption and implementation of these standards.

Key Points:

- **Accessibility:** The IVSC's decision to make IVS publicly accessible underscores its commitment to promoting consistent valuation standards worldwide.

- **Member benefits:** Despite the public availability of IVS, the IVSC will continue to offer exclusive benefits to its members and sponsors. The subscription-based IVS Online platform will continue to provide access to previous editions, translated documents, red-line versions, and thought leadership materials.

This move is expected to strengthen the credibility and effectiveness of valuation practices globally, supporting their vital role in financial markets and beyond.

Join the Internation Valuation Standards Council (IVSC) Academic Forum

The IVSC Academic Forum is open to specialists in valuation and those from complementary disciplines like business and sustainability. This platform allows academics to influence the development of International Valuation Standards (IVS), enhance professionalism in the valuation field, and provide thought leadership to shape global valuation practices.

Key Objectives of the Academic Forum:

- Amplifying the academic voice in ivs evolution
- Fostering global collaboration and dialogue
- Strengthening thought leadership and knowledge sharing
- Building professional and educational links
- Advancing research in emerging areas

Prudential Valuation for Real Estate

The IVSC published an update on the latest developments from the IVSC Tangible Assets Board following the publication of the statement on Prudential Property Value: Our Efforts to Ensure Transparency and Consistency in July 2023. IVSC members and stakeholders are advised that, starting 1 January 2025, the requirement to provide a Property Value for secured lending within the EU will be implemented. This follows the approval of the Basel 3.1 definition into the new Article 229(1) Capital Requirements Regulation (CRR) by the Council and European Parliament.

The valuation of immovable property shall meet all the following requirements:

- The value must be appraised independently
- The value must be appraised using a prudently conservative valuation criteria
- The value must be documented clearly and transparentlyThe value must not exceed the market value where it can be determined
- The property value must not exceed the average value over the last six years for residential property or eight years for commercial property, or the value at origination, whichever is higher.

For calculating the average value, institutions must use at least three data points observed at equal intervals over the reference period.

IVSC Perspectives Paper – ESG and Real Asset Valuation

This Perspectives Paper examines the growing importance of Environmental, Social, and Governance (ESG) factors in valuing tangible assets. It addresses recent updates to the International Valuation Standards (IVS), including the new ESG Appendix in IVS 104, and highlights the increasing focus on ESG by market participants and regulators.

Key Themes explored in this paper:

- Incorporating ESG in Valuation Practice: The paper explains how ESG criteria can affect the valuation of assets like real estate, infrastructure, and commodities. It offers practical advice on identifying and measuring ESG factors and their impact on asset value
- Regulatory Landscape: With global regulations such as the EU Taxonomy and IFRS Sustainability Disclosure Standards, the paper emphasizes the need for valuers to stay updated on regulatory changes and integrate these into their valuations
- Valuation Methodologies: The paper discusses how traditional valuation methods (market, income, and cost approaches) can be adapted to include ESG factors
- Challenges and Opportunities: It acknowledges the difficulties in quantifying ESG impacts and suggests a pragmatic approach, using existing standards and professional judgment

The paper aims to encourage confidence in incorporating ESG concepts into valuation practices

IVSC Perspectives Paper – Making Intangibles More Tangible

The IVSC released the final paper in its Perspectives Series on Intangible Assets, titled "Making Intangibles More Tangible: Series Lessons." This paper consolidates insights from the series, highlighting the growing importance of intangible assets like human capital, brand value, technology, data, and customer relationships in today's global economy.

VALUATIONS CONT.

Key Takeaways:

- Importance of Intangibles: Since September 2021, the series has emphasized the significant impact of intangible assets on value creation, despite their underrepresentation in traditional financial reporting
- Valuation and Disclosure: The final paper revisits major findings and emerging guidance, particularly for customer-related assets, advocating for enhanced disclosure regimes to better reflect the true value of intangibles
- Timely Insights: As global financial reporting standards evolve, the paper argues for more granular and transparent disclosures to bridge the gap between financial statements and the economic reality of intangible assets

IVSC continues to lead in providing thought leadership and guidance, encouraging ongoing dialogue among valuation professionals, standard setters, and stakeholders on capturing the value of intangible assets in the modern economy.

The International Valuation Standards Councils (IVSC) Agenda Consultation 2024

The IVSC published its 2024 Agenda Consultation, aiming to shape the future of the IVS. This consultation invited feedback from stakeholders, including valuation practitioners, Valuation Professional Organisations (VPOs), financial institutions, investors, academics, corporations, and regulators, on key valuation topics that are crucial for the ongoing development IVS.

The Agenda Consultation document highlighted the following key themes for consideration:

- Environmental, Social, and Governance (ESG): Exploring the impact of ESG factors on valuation processes and the need for additional standards
- Technology in Valuation: Focusing on the integration of technologies like machine learning, data processing, and automated valuation models in valuation practices
- Valuation Risk: Emphasizing the procedures and controls necessary to manage valuation risk and ensure appropriate valuations

The Agenda Consultation sought feedback on the valuation topics the IVSC's Technical Boards should address as part of its current agenda and any additional topics that it should be prioritized for the future.

The International Valuation Standards Council (IVSC) Perspectives Paper: Inspection of Tangible Assets

The IVSC released this Perspectives Paper authored by their Tangible Assets Board, focusing on the inspection of tangible assets in the valuation process. This paper delves into the benefits and challenges of various inspection methods, including traditional physical inspections and technology-based virtual assessments.

Key Points:

- Inspection Methods: The paper discusses the scrutiny of physical inspections, especially during the COVID-19 pandemic, and the rise of technological alternatives for conducting inspections
- Guidance and Best Practices: It aims to stimulate discussion, provide guidance, and gather feedback to establish best practices and standards in line with the IVS
- Global Perspective: Contributions from experts worldwide offer a comprehensive view, enhancing transparency and consistency in valuation processes

This paper supports the valuation community by offering insights and practical guidance to ensure reliable and accurate valuations.

> The IVSC Academic Forum is open to specialists in valuation and those from complementary disciplines like business and sustainability. This platform allows academics to influence the development of International Valuation Standards (IVS), enhance professionalism in the valuation field, and provide thought leadership to shape global valuation practices.

PAST SEMINARS AND EVENTS

In 2024, we hosted a series of important industry seminars in the financial services sector. These events explored critical issues, emerging trends, and opportunities for professionals in each sector. Below is a summary of the major events and discussions that took place.

2024 SAICA Banking Seminar | 14 June 2024

The Banking Seminar centered around the future of banking in South Africa amidst rapid technological advancements, evolving regulatory landscapes, and shifting customer preferences.

Key discussions included:

- ***Regulatory Developments:*** The seminar examined the evolving regulatory framework for South African banks, including the SA Resolution Framework and the Regulatory Sandbox.
- ***Fintech:*** This session offered an overview of the rapidly evolving fintech landscape, emphasizing how technological advancements are transforming the banking industry. The presenter highlighted the implications of these changes for the future of banking, focusing on how fintech innovations are reshaping financial services, enhancing customer experiences, and improving operational efficiencies. The session underscored the necessity for banks to adapt to these technological disruptions to remain competitive in the evolving market.
- ***Panel discussion on sustainable finance:*** The panel covered several critical issues, providing deep insights into the integration of sustainable finance practices within South African banks. This comprehensive discussion provided valuable insights into how South African banks can integrate sustainable finance into their operations, address emerging challenges, and capitalize on opportunities for growth and development in the evolving landscape of sustainable finance.

This event provided a valuable platform for attendees to engage with industry experts and strategize on how banks can stay competitive in a rapidly changing market.

2024 Retirement Funds and Investment Management Webinar | 10 July 2024

This seminar focused on the changing landscape of retirement funds and investment management in South Africa.

Key discussions included:

- ***Sustainable Investing:*** The presenter emphasized a strategic and proactive approach to sustain investments. Key strategies include active ownership and shareholder engagement to advocate for better ESG practices. Mitigating risks involves understanding risk appetite and aligning investment decisions with risk tolerance to balance potential returns with acceptable risk levels.
- ***Attracting Investors:*** A panel discussion featured insights from CEOs of investment companies and the Regulator. They discussed how companies are leveraging technology to engage young, socially conscious investors and their strategies to appeal to both new and existing investors. The panel explored how AI and fintech are transforming investment landscapes, with companies integrating innovative approaches like Impact Farming to attract investors while contributing positively to communities. The Regulator focused on regulatory challenges, fostering innovation in fintech, and ensuring the accessibility and security of these new investment platforms for all population segments.

The seminar provided critical insights and strategies for fund managers to navigate these challenges, ensuring that they can adapt and thrive in a changing market.

2024 Insurance Webinar | 17 September 2024

The 2024 Insurance Webinar addressed key issues impacting the South African insurance industry, such as:

- ***Review of IFRS 17 Statements:*** Presenters provided an overview of how companies have implemented IFRS 17 in their 2024 financial statements (based on published 2024 annual reports), highlighting transition approaches, metrics used to assess liabilities, and the presenters' observations.
- ***Reinsurance:*** The role of reinsurance in managing catastrophic risks was discussed, particularly considering recent severe flooding and the increasing impact of climate change. The discussion covered the concept and importance of reinsurance in the insurance industry, its relevance in the South African context, and how reinsurance helps mitigate the financial impact of catastrophic events.

The event served as a platform for industry professionals to learn about the latest trends, regulatory updates, and strategies to navigate challenges in the insurance sector.

2024 Medical Schemes Webinar | 4 November 2024

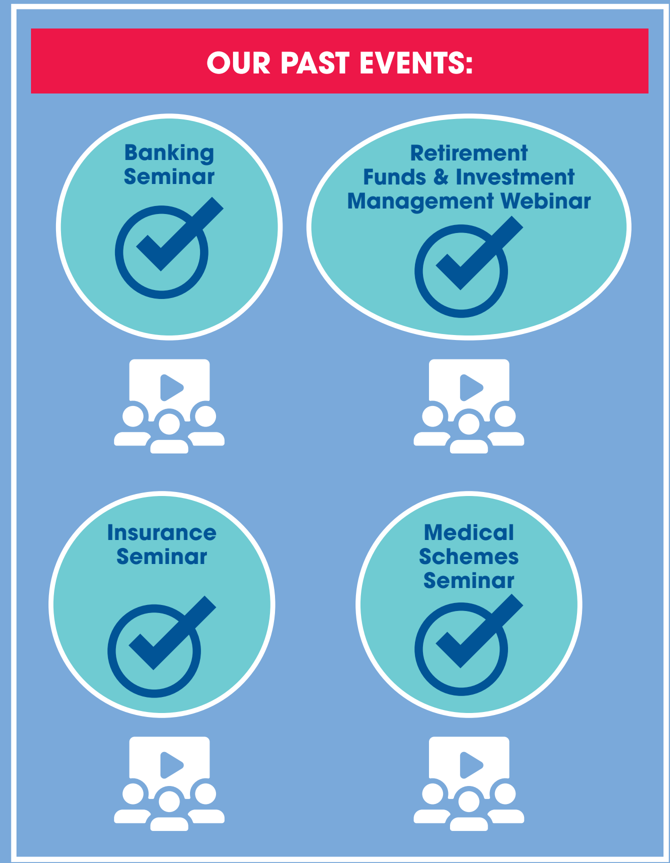
The Medical Schemes Webinar explored the evolving challenges in South Africa's healthcare system. This included:

- ***National Health Insurance (NHI):*** A senior executive from the Department of Health discussed the introduction of the NHI Act, its implications for medical schemes, and provided updates on its rollout. The discussion covered how the NHI will be implemented, the role of the Department, and the transition plans to ensure a smooth shift to the new system.
- ***IFRS 17 Implementation:*** A session on navigating the complex journey of IFRS 17 implementation provided insights on how medical schemes should approach this important regulatory change.

This comprehensive webinar equipped attendees with the knowledge needed to navigate the evolving landscape of medical schemes in South Africa, focusing on sustainability, risk management, and regulatory changes.

Conclusion and Future Outlook

As the year comes to a close, we extend our gratitude to all delegates, presenters, and hosts who contributed to the success of these events. The seminars facilitated insightful discussions and provided attendees with the latest industry knowledge, helping them navigate the complexities of their respective sectors. SAICA remains committed to delivering high-quality events with relevant topics and looks forward to continuing to support our members in 2025 and beyond.



THANK YOU FOR JOINING US!

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GENERAL

IFRS FOUNDATION WORK PLAN

- [Classification of Cash Flows related to Variation Margin Calls on 'Collateralised-to-Market' Contracts (IAS 7)]
- Updating IFRS 19 Subsidiaries without Public Accountability: Disclosures
- Recognition of Intangible Assets Resulting from Climate-related Expenditure (IAS 38)
- Assessing Indicators of Hyperinflationary Economies (IAS 29)
- Addendum to the Exposure Draft Third edition of the IFRS for SMEs Accounting Standard
- Amortised Cost Measurement
- Climate-related and Other Uncertainties in the Financial Statements
- Intangible Assets
- Second Comprehensive Review of the IFRS for SMEs Accounting Standard
- Statement of Cash Flows and Related Matters
- IFRS Accounting Taxonomy Update—Primary Financial Statements
- Equity Method
- Translation to a Hyperinflationary Presentation Currency (IAS 21)
- Dynamic Risk Management
- Management Commentary
- Post-implementation Review of IFRS 16 Leases
- Provisions—Targeted Improvements

MEET THE TEAM

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