



Contents

The FSCA's Prudential Standard on the draft Requirements Related to Regulatory Reporting and Audited Financial Statements for Pension Funds (Draft awaiting approval)

The Joint FSCA and PA report on Artificial Intelligence

What is IFRS?

The International Financial Reporting Standards is a set of principles and rules for reporting various transactions and items in the financial statements to ensure consistency, transparency, and comparability in financial statements across over 140 countries.

Legal & industry update – March 2026

In this publication we look at:

- The FSCA's Prudential Standard on the Requirements Related to Regulatory Reporting and Audited Financial Statements for Pension Funds (Draft awaiting approval)
- The Joint FSCA and PA report on Artificial Intelligence

The FSCA's Prudential Standard on the draft Requirements Related to Regulatory Reporting and Audited Financial Statements for Pension Funds (Draft awaiting approval)

The FSCA Prudential Standard on Regulatory Reporting and Audited Financial Statements for Pension Funds is a comprehensive overhaul of how South African retirement funds must prepare, audit and submit their financial reporting. Although the draft sets the effective date as 1 January 2026, the FSCA has delayed the implementation date to finalise the operational framework (templates, schemas and guidance) and to give the industry a realistic lead-time, rather than pushing immediate full enforcement from day one.

Background and reasons for change

As legislation and reporting requirements have evolved, the FSCA found a number of structural problems with the current reporting framework – which is built around Board Notice 14 of 2009 (Regulatory Reporting Requirements for Retirement Funds) and Board Notice 77 of 2014 (Prescribed Financial Statements Applicable to the Different Categories of Funds).

Key reasons for changes are:

- The current framework is fragmented and outdated.
- Previously only funds with assets over R50 million needed to produce full audited financial statements. This exemption has been withdrawn making sure that all members enjoy the same protections, regardless of fund size.
- Need to align with **International Financial Reporting Standards (IFRS)** and modern audit practice.
- The 2022 amendments to Regulation 28 introduced new reporting expectations, including explicit infrastructure reporting and expanded asset-spreading disclosure.
- The FSCA also wants reporting to support sustainability and ESG transparency, building on Guidance Notice 1 of 2019 on sustainability in investment policy statements.

The FSCA views consistent audited reporting across all funds as necessary to support earlier detection of problems and better supervisory intervention.

Most important changes introduced by the new standard

1. Scope and application

The standard applies to all pension funds registered under the Pension Funds Act, regardless of asset size.

2. Reporting concepts and framework

The objective of the financial statements is to provide decision-useful information on the financial position, performance and changes in the financial position, while reflecting the board's accountability for resources.

Audit requirements

The financial statements must be audited by the fund's appointed auditor in accordance with the **Independent Regulatory Board for Auditors (IRBA)** standards, and the auditor must issue:

- An audit opinion on the financial statements; and
- A Regulation 28 compliance report.

Funds may not describe their financial statements as complying with the regulatory reporting requirements unless they meet all the prescribed requirements.

Important to note:

The industry consultation report confirms that the previous audit exemption for funds with assets below R50 million, and the absence of any auditor requirement for funds below R6 million, will be withdrawn.

3. ESG, infrastructure and look-through reporting

The standard and associated schedules introduce expanded requirements for:

- Infrastructure investments, following the 2022 Regulation 28 amendments.
- ESG information, including structured questions and disclosures relating to the fund's Investment Policy Statement alignment with **Guidance Notice 1 of 2019**.
- Look-through reporting for pooled and insurance-wrapped arrangements, including guaranteed and partially guaranteed policies, to enable the FSCA to monitor underlying exposures and systemic risk.
- Schedule-based ESG questions and infrastructure classifications are new, and funds will need to obtain additional data from asset managers and insurers.

The FSCA acknowledges that ESG and infrastructure reporting is an evolving area and indicates that auditors should use IFRS S1 and S2 as a reference framework, with further regulatory guidance possible in future.

What is IRBA?

The Independent Regulatory Body for Auditors (IRBA) is a regulatory body in South Africa that oversees the auditing profession. Its main purpose is to safeguard the public by ensuring that financial statement audits are carried out with honesty and in compliance with the applicable standards.

FSCA Guidance Notice 1 of 2019 provide guidance to retirement funds on how their investment philosophy and objectives, in their investment policy statement, seek to ensure the sustainability of investments and assets. It sets out the FSCA's expectations regarding disclosure and reporting on issues of sustainability.

IFRS S1 and IFRS S2 are the first two sustainability disclosure standards developed by the International Sustainability Standards Board (ISSB) which came into effect for annual reporting periods starting on or after 1 January 2024.

The two standards are designed to work together:

- IFRS S1 sets the general standard for disclosing sustainability related risks and opportunities.
- IFRS S2 focuses specifically on climate related risks, including both physical and transition risks.

4. Expanded content and structure of financial statements

- The new standard prescribes a fuller set of components (including separate board and principal officer responsibility statements, expanded board reports, a more detailed membership reconciliation within the financial statements, enhanced cash flow and fair value disclosures, and structured regulatory and investment schedules).
- Membership reconciliation moves into the audited financial statements, meaning it becomes part of the audit scope, in contrast to the previous treatment where it formed part of the board report outside the audited statements.
- Cash flow reconciliation notes and more granular disclosures for benefits, transfers and contributions are introduced or formalised, making cash movement reporting more rigorous.

5. Standardised templates and data-rich schedules

Detailed reporting templates (including investment schedules, Regulation 28 schedules, ESG and infrastructure disclosures, and member and cash reconciliations) are removed from the body of the standard and issued as separate FSCA determinations and Excel-type templates.

Practical implications for boards and principal officers

From a governance and day-to-day perspective, boards and principal officers will need to:

1. Update accounting policies and reporting processes to align with the new framework, including explicitly documented departures from IFRS where prescribed.
2. Budget for audit and compliance costs for all funds, including small or terminating funds, and consider consolidation into umbrella arrangements where sustainability is a concern.
3. Engage early with administrators, auditors and asset managers to confirm system readiness, data availability (especially for look-through and ESG) and template population capabilities.
4. Strengthen oversight of reporting timelines to ensure that the six-month submission deadline is met once the standard takes effect.



The Joint FSCA and PA report on Artificial Intelligence

The joint FSCA and Prudential Authority (PA) report “Artificial Intelligence in the South African Financial Sector” is the first comprehensive regulatory overview of AI, including machine learning and generative AI, across South African financial institutions. Although published at the end of 2025, it must be noted that it draws on surveys done in 2024, meaning some findings may already be out of date.

The report found that AI adoption is already significant and unevenly distributed. Banks lead, with 52% of respondents actively using AI, followed closely by payment providers at 50%. While most institutions plan relatively modest investments of under R1 million, more than half of banks expect to invest over R20 million in AI technologies, reflecting their greater digital maturity and scale. Common use cases include credit risk modelling, fraud detection, customer service chatbots, personalised product recommendations, and, increasingly, generative AI tools for customer interaction, sales support and reporting.

Regulators highlight clear benefits in data analytics, operational efficiency, and the potential for more tailored and inclusive financial services. However, they stress that AI in finance is inherently high risk and must be deployed responsibly, with data privacy and protection (in the context of POPIA) identified as the most prominent concern. Other key risks include model bias and discrimination, opaque “black-box” decision-making, cyber and operational vulnerabilities, and potential impacts on financial stability if critical functions become overly dependent on complex models.

The FSCA and PA use the report to signal regulatory expectations rather than to introduce new binding rules. They emphasise robust AI governance frameworks, covering data governance, model risk management and board-level oversight, as well as clear disclosure where AI influences customer-facing decisions such as credit scoring or pricing. The report confirms a risk-based, technology-neutral and use-case-specific regulatory approach, with existing legislation and Treating Customers Fairly principles as the primary tools, and foreshadows further engagement through a follow-on discussion paper and ongoing policy development.

As a sidenote: Parliament is expected to release the SA National AI policy in the next 60 days.



This publication does not provide advice or legal opinion. If you have any questions/comments on the above, please contact your consultant.

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