Mitigating and adapting to climate change

Climate change remains one of the most defining issues of our time, with the past decade being the hottest on record – affecting everything from ecosystems to economies. Although short-term geoeconomic tensions may at times overshadow shared long-term objectives, environmental risks remain the most serious global economic threat,[12] carrying implications for the SARB's mandate of ensuring price and financial stability.

The SARB is resolute in its commitment to tackling climate and environmental-related risks as part of South Africa's green agenda, aiming to maintain price and financial stability. The SARB's climate change work programme is coordinated by a steering committee and implemented by different departments in the central bank.[13]

Research and financial stability

During the review period, the SARB published a range of research examining the effects of climate change on Southern African countries, aiming to address knowledge gaps and support policy development.[14] The studies used diverse methodologies and analytical tools to provide fresh insights into climate-related risks and the macro-financial consequences of climate change in the SADC region. In its first climate risk stress test for 2024–2025, the SARB applied three long-term climate scenarios developed by the NGFS[15] to six systemically important banks.[16] The findings showed that all scenarios – current policies, delayed transition and Net Zero 2050 – result in below-trend GDP growth, with physical risks outweighing transition risks.[17]

Regulation and supervision

To address data gaps, the PA released updated climate disclosure guidance for banks and insurers, in line with the Basel Committee on Banking Supervision (BCBS) and International Association of Insurance Supervisors (IAIS) frameworks.[18] Effective disclosures are critical for risk pricing and for enabling risk comparisons among institutions. The PA continues to improve its internal supervisory approach to climate-related risks by developing climate risk indicators and approaches to integrating both qualitative and quantitative climate risk analysis in its supervisory risk assessment framework.

12 WEF, *Global Risks Report 2026*, January 2026.
13 SARB, Climate change webpage.
14 SARB, Climate-related research webpage.
15 Launched at the Paris One Planet Summit on 12 December 2017, the NGFS is a group of central banks and supervisors that voluntarily share and promote best practices in environmental and climate risk management within the financial sector.
16 SARB, *Financial Stability Review*, first edition, June 2025.
17 Physical risks are mainly economic losses from more frequent and more intense weather events. Transition risks are increasingly driven by the lack of a coordinated global response to climate change and the inaction or inability of financial institutions to recognise and prepare for future risks and climate-related regulations.
18 SARB, Climate-related risk webpage.

Capacity building, SARB green investments and Net Zero strategy

In the period under review, the SARB provided capacity building on climate and nature-related topics to employees and peers in the SADC region through webinars, peer-to-peer learning, presentations and workshops.

On the financial markets and investments front, following a €150 million investment in a green bond in 2024, the SARB has adopted an ESG Charter to guide the management of its investment portfolios.[19]

Internally, the SARB is developing an integrated ESG strategy and is undertaking a double materiality assessment[20] to inform sustainability reporting and disclosures.

Global coordination

Under South Africa's 2025 G20 Presidency, the G20 Sustainable Finance Working Group (SFWG) identified increasing funding for adaptation as a priority area. The SFWG recommended that financial institutions and corporations integrate adaptation and resilience into their transition plans and disclosures. The group also called for narrowing the insurance protection gap in developing countries by scaling disaster-risk finance and promoting public-private partnerships.[21]

In March 2026, the SARB hosted the NGFS Annual Meetings, engaging in discussions on key topics such as climate adaptation, integrating nature-related risk into supervisory practices, the impact of climate on monetary policy and short-term climate scenarios.[22] A climate conference, that involved academics and practitioners, was hosted on the sidelines of the annual meetings.

Looking *ahead:*

The SARB will continue engaging with financial institutions to resolve data challenges and embed climate risk into existing risk management frameworks and stress-testing capabilities. The 2026–2027 insurance common scenario stress testing exercise will feature a climate add-on to quantitatively assess insurers' resilience to acute physical climate risks, such as flood and drought, along with a qualitative component focusing on transition risk. Further research will explore the implications of climate risks for monetary policy and gaps in insurance protection. There will also be exploratory work on how financial institutions identify, manage and disclose nature-related risks.

19 SARB, 'Annexure F: Environmental, Social and Governance Charter', Gold and Foreign Exchange Reserves Management Investment Policy, February 2026.
20 Double materiality is a concept whereby organisations identify, assess, manage and disclose sustainability-related information, considering both financial materiality and impact materiality, which are interrelated. The approach expands the concept of materiality from a sole focus on financial impacts to also include impacts on its stakeholders, the environment and society, recognising that an organisation can both influence and be influenced by sustainability matters.
21 SFWG, G20 webpage.
22 NGFS, NGFS website.