Trajko Slaveski: Opening speech on the conference on *Climate Risks and Financial Stability: Navigating Today's Challenges and Tomorrow's Opportunities*", Skopje, 25 November 2025

Ladies and Gentlemen,

It is a privilege to welcome you to this conference, organized by the National Bank in cooperation with the Green for Growth Fund. Our focus today is climate and environmental risks—an area that may sit outside the traditional scope of central banking, yet increasingly shapes our core mandates.

Climate-related risks are already influencing the economic and financial system in profound ways. Physical risks—such as floods, wildfires, and heatwaves—are disrupting production, damaging infrastructure, and straining public finances. Transition risks are reshaping business models and market expectations as economies move toward lower-carbon pathways. These developments affect inflation dynamics, investment decisions, credit quality, and asset valuations. For central banks, climate risks can no longer be treated as external factors. They have direct implications for price stability and financial stability, and must therefore be incorporated into our analytical and supervisory frameworks.

The Network for Greening the Financial System's Declaration, released at COP30 in Brazil earlier this month, highlights the growing macroeconomic and financial risks associated with delayed climate action. In this Declaration, 146 central banks and supervisors, along with 23 observers, warn that a three-year delay in climate action could more than double transition costs—from 0.5% to 1.3% of global GDP by 2030. The Declaration also calls on financial institutions to integrate climate and nature-related risks into their strategies by using scenario analysis, adopting credible disclosure standards, and developing transition plans.

Although climate risks have not traditionally featured in banks' risk frameworks, they can translate into material financial risks. For this reason, central banks have, in recent years, played a guiding role in helping banks identify, measure, and manage climate-related risks within their strategies and balance sheets. This does not mean that central banks are assuming responsibility for climate policy or replacing global standard setters. Our mandate remains clear: to safeguard price and financial stability—objectives increasingly affected by environmental developments.

Allow me to briefly touch on the regulatory dimension, which lies at the heart of today's discussions. The European approach, often a reference point for our own region, has followed a staged path. Regulators first issued guidelines, recommendations, and supervisory expectations outlining how banks should identify, measure, manage, and report climate-related risks. Banks were then required to conduct self-assessments, prepare action plans, and follow supervisory feedback cycles. These efforts have significantly strengthened risk management practices: while in 2022, one-quarter of European banks had no climate-related risk management in place, this fell to just 5% by the end of 2024. Over the same period, the share of banks demonstrating leading practices in some areas increased from 3% to 56%. This soft-law approach has now evolved into binding rules, with a new regulatory package taking effect in 2026. It introduces enhanced requirements for managing ESG risks, including the development of prudential transition plans.

Supervisors are also incorporating climate considerations into their review methodologies. Updates to the Supervisory Review and Evaluation Process now integrate ESG risks within assessments of business models, capital adequacy, funding, and liquidity. Meaningful assessment requires quantifying climate risks through scenario analyses and stress tests. This is why many central banks require banks to build climate stress-testing capabilities, while also running top-down system-wide exercises.

At the same time, the European Union is working to streamline sustainability reporting and due-diligence requirements, as part of a broader effort to simplify regulation and support long-term competitiveness. As the European Central Bank has emphasized, the challenge is to retain the economic and financial benefits of sustainability reporting, while ensuring the framework remains proportionate.

Our own approach to climate-related risks aligns closely with international good practice. We have adopted a Medium-Term Plan for Climate Change Action that sets out a consistent, structured framework across key functional areas. Our Guidelines on Managing Climate-Related Risks define clear supervisory expectations regarding banks' strategies, governance, and risk-management processes. Through a three-phase approach—self-assessment, action planning, and supervisory dialogue—we are establishing a coherent and predictable path for banks to strengthen their practices. We have revised our credit-risk regulations, introduced new reporting and disclosure requirements, and integrated climate-risk assessments into our annual Financial Stability Report. Our current priorities include developing climate scenarios and stress tests and refining our risk-based supervisory framework to better capture climate exposures.

Data gaps remain a major obstacle for both banks and regulators. To address this, we have developed a green dashboard and begun publishing green finance data. Together with the European Investment Bank, we conducted survey-based research to evaluate corporate climate preparedness in our economy. The findings show significant gaps: only 5% of companies have formal climate strategies, and many do not yet anticipate meaningful revenue impacts from climate change. Physical risks—particularly in agriculture, mining, and manufacturing—are viewed as substantial, while transition preparedness is limited.

Overall, awareness of climate risks is improving across regulators and the banking sector. Strong joint efforts are essential to ensure that the financial system is resilient and capable of supporting the transition to a greener economy. The global financing gap is substantial, and there is broad consensus that the private sector must play the leading role. According to IMF analysis, the private share of climate finance in emerging markets and developing economies must rise from 40% to 90% by 2030. This underscores the need for coordinated action by governments, international institutions, and domestic financial systems.

Let me conclude by reiterating that central banks and the financial sector are not the first line of defense against climate change. Yet climate risks affect the achievement of our mandates and shape the risk profile of financial institutions. It is therefore essential that we continue advancing our work—particularly in challenging times—rather than stepping back.

Thank you to all the participants for contributing with your expertise and insights. I wish you a productive conference and meaningful discussions that will support progress in this important area.