**KEVIN CORBALLY** | Chief Risk Officer

24 May 2024

Senator Hanson-Young
Committee Chair
Senate Standing Committees on Environment and Communications
Parliament House
Canberra ACT 2600

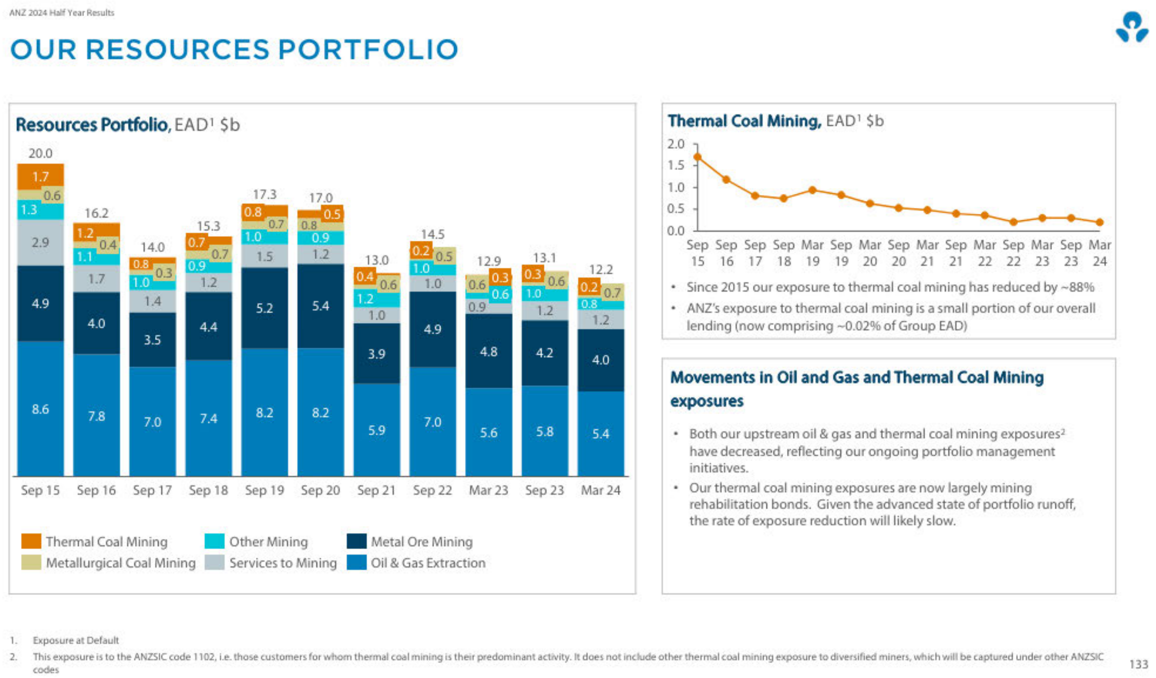
By email: ec.sen@aph.gov.au

Dear Senator Hanson-Young

Thank you for your letter of 13 May 2024 seeking clarification of my evidence at the public hearing of the Committee's Inquiry into Greenwashing on 22 April 2024.

To help clarify my evidence, the passage relating to transitioning our lending and our current lending exposure is extracted in the appendix to this letter.

My evidence in response to your questions regarding how we married our commitment to net zero by 2050 with our current lending exposures is largely based on detail from our 2024 half year results, extracted below.[1]




We are transitioning our lending portfolio to net zero financed emissions by 2050 in line with the goals of the Paris Agreement. This includes reducing our lending to the fossil fuel industry, in particular for oil and gas and thermal coal.

To support this reduction, we have a target to reduce our upstream oil and gas exposure at default (**EAD**) by 40% by the end of 2025 (based on our 2020 EAD).[2] Our oil and gas

[1] ANZ 2024 Half Year Results Investor Discussion Pack, p 133
[2] When financing oil and gas, we differentiate between the exploration for and extraction of oil and gas from the ground (upstream), transportation (midstream), and conversion into fuels (downstream).

target focuses on upstream because the upstream part of the value chain has the largest emissions footprint when Scope 3 product use emissions are included.

As shown in the extract above, since September 2015 our EAD to thermal coal mining has reduced by ~88% to $200 million as at March 2024[3] and we intend to reduce this to zero by 2030.[4] We focus on thermal coal mining because, as with oil and gas, this part of the value chain has the largest emissions footprint when Scope 3 product use emissions are included.

As at September 2015 our EAD to thermal coal mining, metallurgical coal mining and upstream oil and gas (exploration and extraction) was $10.9 billion. As at March 2024, the extract of our results above shows that our EAD had reduced by more than 40% to $6.3 billion.

We also report our EAD to the oil and gas value chain (including exploration, extraction, transport, refining and retail), coal mining (including thermal and metallurgical) and to electric utilities (including exposures to electricity generators that own or operate a mix of thermal and renewable generation assets as well as transmission and distribution infrastructure) in our Climate-related Financial Disclosures.

I acknowledge my evidence regarding ANZ's exposure to thermal coal, metallurgical coal and oil and gas would have been clearer if I had explicitly referenced thermal coal mining, metallurgical coal mining and upstream oil and gas.

For completeness, I note that my evidence was that in 2015 our exposure to oil and gas, thermal coal and metallurgical coal "was just over $10 billion" when it should have been "was over $10 billion". I also gave evidence that our exposure to metallurgical coal "has now been reduced to less than $600 million". Our half year results, released after the hearing on 7 May 2024, indicate that our EAD to metallurgical coal mining was $700 million as at March 2024.

Thank you for providing me an opportunity to clarify my evidence.

I look forward to following the inquiry's progress through to its reporting date.

Please let me know if we can assist the Committee with anything further.

Yours sincerely

**Kevin Corbally**
**Chief Risk Officer**

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[3] This exposure is to the ANZSIC code 1102, i.e. those customers for whom thermal coal mining is their predominant activity. It does not include other thermal coal mining exposure to diversified miners or metallurgical coal miners that produce thermal coal as a by-product (i.e. customers who are not classified as ANZSIC code 1102).

[4] We will continue to provide rehabilitation bonds for those existing customers with some thermal coal exposure to ensure their responsibilities with exiting mine sites are fulfilled. The purpose of a rehabilitation bond is related to environmental remediation and not financing of the coal mining activity itself.

**Appendix**

**CHAIR:** Thank you. Could I ask ANZ a question. You've committed to a goal of net zero emission by 2050, in line with the Paris Agreement. However, as we know, you continue to finance the expansion of parts of the fossil fuel industry, and the figures I have suggest that it's to the tune of $11 billion since the implementation of the Paris Agreement. ANZ has been referenced by a number of our other witnesses, identified as the largest lender to the resources sector amongst the big four banks. I'm interested in how you marry those two things. You have got a commitment to the goal of net zero by 2050, yet amongst the big four banks you're the largest lender to the resources sector, including the fossil fuel industry.
**Mr Corbally:** What we are committed to doing is transitioning our lending portfolio to align with the goals of the Paris Agreement. Whilst I'm not sure where the other numbers that you referenced have come from, what I can say is that since the Paris Agreement was signed in 2015 our exposure to the fossil fuels sector—so think oil and gas, thermal coal, metallurgical coal—has actually reduced by 40 per cent. So, as I said, I'm not sure where the numbers have come from, but I can categorically say to you that, in that period from when Paris was signed, we have reduced our exposure to the sector by 40 per cent.
**CHAIR:** What is the current exposure of your lending to the fossil fuel industry?
**Mr Corbally:** If you were to add those three sectors together, you're looking at roughly somewhere in the order of about $6 billion.
**CHAIR:** Okay. And you're saying that that's less than it was six years ago.
**Mr Corbally:** In 2015, nine years ago, it was just over $10 billion.
**CHAIR:** Okay, so it's gone from 10 to six.
**Mr Corbally:** Correct, roughly. It's on that basis, given that we're trying to transition the portfolio and we're reducing the exposure over a period of time—as I mentioned earlier, it's a little bit like our national transition. It's complex, it's difficult and it's going to take a number of years to achieve. That's what we've said, and we've set targets for both 2030 and 2050. In the case of the thermal coal sector, we've said we'll be completely out of the thermal coal sector by 2030. In the case of metallurgical coal, that exposure has now been reduced to less than $600 million. You're talking about 0.05 per cent of our total balance sheet.
**CHAIR:** What about the expansion of the gas industry? How much do you lend to the gas industry?
**Mr Corbally:** The gas industry is in the order of five-and-a-bit billion dollars.
**CHAIR:** So that's the bulk of it?
**Mr Corbally:** That's the largest component, oil and gas. Similarly, that exposure has reduced over the period by roughly in the order of 40 per cent as well.
**CHAIR:** Do you have a policy around moving from supporting or not having exposure to new fossil fuel projects?
**Mr Corbally:** What we have is we've got pretty clear pathways that are aligned with the Paris Agreement. In the case of oil and gas, it is a one-and-a-half degree aligned net zero emissions 2050 by the International Energy Agency, the IEA. It's aligned with that. We start at point A, which, for us, given we signed up to the Net-Zero Banking Alliance that I mentioned earlier, in 2021, is 2020 and it has a target, for example, by 2030. In the case of oil and gas, we've also got a target to reduce our exposure by 40 per cent by 2025. All our calcs, our methodology, all of our disclosures, are independently verified and assured by a third-party external auditor in accordance with the Australian Standards on Assurance Engagements, which is ASAE 3000.[5]

[5] Proof Committee Hansard, Senate Environment and Communications References Committee, Greenwashing, Monday 22 April 2024, p. 40-41 (including corrected transcription error highlighted in red)

THE SENATE

**SENATE STANDING COMMITTEES ON ENVIRONMENT AND COMMUNICATIONS**

13 May 2024

Mr Kevin Corbally
Group Chief Risk Officer
Australia New Zealand (ANZ) Banking Group
ANZ Centre Melbourne, Level 9
833 Collins Street
DOCKLANDS VIC 3008

via email:
cc:

Dear Mr Corbally

**Inquiry into Greenwashing—ANZ's Statements made during the Public Hearing on 22 April 2024**

On behalf of the Senate Environment and Communications References Committee (committee), I am writing to you in relation to evidence provided at the committee's public hearing into Greenwashing on 22 April 2024 in Canberra.

During the hearing I sought clarification on ANZ's current lending exposure to the fossil fuel industry:

> **CHAIR:** What is the current exposure of your lending to the fossil fuel industry?
> **Mr Corbally:** If you were to add those three sectors together, you're looking at roughly somewhere in the order of about $6 billion.
> **CHAIR:** Okay. And you're saying that that's less than it was six years ago.
> **Mr Corbally:** In 2015, nine years ago, it was just over $10 billion.
> **CHAIR:** Okay, so it's gone from 10 to six.
> **Mr Corbally:** Correct. It's on that basis, given that we're trying to transition the portfolio and we're reducing the exposure over a period—as I mentioned earlier, it's a little bit like our national transition. It's complex, it's difficult and it's going to take a number of years to achieve. That's what we've said, and we've set targets for both 2030 and 2050. In the case of the thermal coal sector, we've said we'll be completely out of the thermal coal sector by 2030. In the case of metallurgical coal, that exposure has now been reduced to less than $600 million. You're talking about 0.05 per cent of our total balance sheet.[1]

However, according to ANZ's latest Climate-Related Financial Disclosures, ANZ's reported lending exposure to the fossil fuel sector at September 2023 totaled $16.4 billion. This comprised $15.5 billion to the oil and gas industry and $900 million to the coal industry. In addition, ANZ financed $13.5 billion for electric utilities including exposure to thermal (fossil fuel) generation assets.[2]

Further, in relation to ANZ's transition of its lending to align with the goals of the Paris Agreement, you stated:

> **Mr Corbally:** What we are committed to doing is transitioning our lending portfolio to align with the goals of the Paris Agreement. Whilst I'm not sure where the other numbers that you referenced have come from, what I can say is that since the Paris Agreement was signed in 2015 our exposure to the fossil fuels sector—so think oil and gas, thermal coal, metallurgical coal—has actually reduced by 40 per cent. So, as I said, I'm not sure where

[1] Senate Environment and Communications References Committee, Proof Committee Hansard, Greenwashing, p. 40.
[2] ANZ, 2023 Climate-Related Financial Disclosures, pp. 44–45.

> the numbers have come from, but I can categorically say to you that, in that period from when Paris was signed, we have reduced our exposure to the sector by 40 per cent.[3]

However, ANZ reported that in 2016, the bank's exposure to the oil, gas and coal industry totaled $19.2 billion (comprising $17.7 billion in oil and gas and $1.5 billion in coal mining), representing a reduction of 14.5 per cent rather than 40 per cent over the period.[4]

Given these discrepancies, the committee asks that you provide written clarification of your evidence provided at the hearing in relation to ANZ's current lending exposure to the oil, gas and coal industry and its transition in aligning its lending with the net zero goals of the Paris Agreement by **Friday 24 May 2024**.

If you would like to discuss this matter, please contact the committee secretariat

Yours sincerely

**Senator Sarah Hanson-Young**
**Chair**

[3] Senate Environment and Communications References Committee, Proof Committee Hansard, Greenwashing, p. 41.

[4] ANZ, 2018 Sustainability Review, p. 39.