

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS (SECOND REPORT)

Australia and New Zealand Banking Group Limited

ANZ26QW: Fossil fuel reduction pathways

What risk assessment has the bank conducted of transition risks associated with regulatory action that may affect fossil fuel projects that the bank has exposure to?

Answer: We directly engage with customers in emissions intensive industries (for example, fossil fuel extraction) to discuss climate related and other risk as part of our due diligence processes.

Our risk assessment may examine, for example, exposure to physical climate risk, such as adverse weather events, impacting on their business operations. Transition risk may also be considered – customers in particular industries may be negatively impacted as a result of policy change as governments around the world seek to limit emissions in support of the Paris Agreement. We recognise that levels of risk exposure and potential impacts vary across industry sectors, and within individual businesses, and we build this variation into our industry risk assessment.

We assess our customers' exposure to climate risk by conducting portfolio analysis to identify changes in their financial position in those sectors most exposed.

We note a number of resource and energy companies, including BHP Billiton and AGL, have published reports on their resilience to policy scenarios related to regulation greenhouse gas emissions. These companies developed scenarios to 'stress test' their portfolio against a range of possible policy scenarios that may impact their business model and profitability. These disclosures help the bank to assess the potential transition risks on individual customers.