

INQUIRY INTO THE PRUDENTIAL REGULATION OF INVESTMENT IN AUSTRALIA'S EXPORT INDUSTRIES

SUBMISSION TO THE JOINT STANDING COMMITTEE ON
TRADE AND INVESTMENT GROWTH

May 2021

INTRODUCTION

1. ANZ thanks the Joint Standing Committee on Trade and Investment Growth (**Committee**) for the opportunity to contribute to its inquiry into the prudential regulation of investment in Australia's export industries (**Inquiry**). With exports worth ~\$473 billion and constituting ~22% of Australia's economy in FY20, successful export industries are critical to the nation's prosperity.¹
2. We welcome the Inquiry's focus on asking if Australia's export industries are adequately supported by the regulation of our financial system. The Australian Banking Association (**ABA**) has provided a submission to the Committee to assist it with the Inquiry. This sets out the importance of exports to the Australian economy and explains various risks involved in banking. It also identifies how the climate has been identified as an emerging risk for banks.
3. To supplement the ABA's points, our submission sets out:
 - **ANZ's support for major Australian export industries**, including: financial exposure of \$14bn to resources and over \$30bn to agriculture;² recognition as Australia's top trade finance bank for 14 years running; and a unique presence through the Asia-Pacific region that we use to help customers access markets, including by taking small businesses and farmers overseas to make contacts and build export awareness; and
 - **How we are taking advantage of climate change's opportunities** by funding and facilitating at least \$50 billion by 2025 towards sustainable solutions for our customers to help them lower emissions and contribute to the Government's goal that Australia becomes a global low emissions technology leader.
4. To boost Australian exports, we strongly support the Government's agenda on free trade agreements and continue to talk to it about the benefits of digital trade initiatives (i.e. moving paper-based trade documents to digital form). The Committee's recent report on trade diversification is another important contribution towards healthy Australian export industries.³ Expanding the markets for Australia's exports will help underpin the success of Australian businesses. We would be particularly willing to assist the Government to build

¹ ANZ Research, Australian Bureau of Statistics

² See notes 6 and 7 below.

³ Joint Standing Committee on Trade and Investment Growth *Diversifying Australia's Trade and Investment Profile* (February 2021).

the '...Asia-capability of Australian exporters...'.⁴ As noted above, developing awareness of Asian market opportunities is something that we already do. We are located in key markets identified by the Committee, including India, Vietnam and Indonesia. We would welcome discussions with the Committee and the Government on how we could assist further in educating exporters on the opportunities throughout the Asia-Pacific region.

OUR SUPPORT FOR EXPORT INDUSTRIES

ANZ is a trade-focused bank

A global outlook

5. Businesses that export are central to ANZ's past and present. ANZ's predecessor, the Bank of Australasia, was chartered in 1834 to finance the export of wool to England at a time when sheep were the foundation of Australia's economic strength.
6. Today, our support for exporting businesses continues across a broad range of the commodities and services that contribute to Australia's economic success. This support reflects our strategic objective to help customers who want to move goods and capital around the Asia-Pacific region. Underpinning our objective is a banking network that spans over thirty markets, including a presence in key economies across Asia. With this network, we can connect Australian businesses with export opportunities around the globe.

Leading in trade finance

7. ANZ is a world leader in providing trade finance to exporting businesses. We were named the world's most innovative trade finance bank in 2021 and have now been Australia's top trade finance bank for 14 consecutive years.⁵ Our trade finance team has over 500 people. We provide our customers with financing and risk management services, like commodity and foreign exchange hedging.
8. We are bringing the benefits of innovation to our customers including through participating in a pilot Trade Information Network that allows buyers and suppliers to communicate trade information between themselves and permissioned banks. We are also modernising our trade financing technology and working with fintechs to solve challenges throughout the supply chain. Among these initiatives is exploring electronic bills of lading that will facilitate the digitisation of documents and streamline trade processes.

⁴ Ibid, recommendation 3.

⁵ See Global Finance Magazine 'World's Best Trade Finance Providers 2021' available at: <https://www.gfmag.com/magazine/february-2021/worlds-best-trade-finance-providers-2021>

9. ANZ is also the only Australian bank that has a team of export finance specialists dedicated to helping Australian exporters use the support of Export Finance Australia (**EFA**), the Australian Government's export credit agency. ANZ has a leading regional export finance business and more than 20 years' experience supporting Australian exporters in partnership with EFA, most recently in the food, agribusiness and tourism segments.

Our support for key export industries

10. ANZ banks a number of industries that have significant export orientation. Our support for these industries includes the following.
 - **Resources** – ANZ provides \$14.2 billion in support for resources companies globally.⁶ We are the leading resources bank in Australia. Reflecting our global outlook, we also have the largest presence of the domestic banks in China, Japan and Korea; these are Australia's major resource trading partners.
 - **Agriculture** – Our group-wide lending to farmers is over \$30 billion.⁷ The vast majority of our customers are either direct exporters of soft commodities, or participate in agricultural value chains that are engaged in the export of these commodities. Our largest exposures include export-oriented industries such as grains and oilseeds, red meat/protein, dairy, forestry, cotton, sugar and wool. ANZ has won Canstar's award *Bank of the year – Agribusiness* in Australia for five consecutive years since 2016.

We regularly take our commercial agribusiness customers (as well as small businesses) into Asian markets to help them make new connections and assist with market access and understanding. More than 150 farmers have attended these delegations over 2015-2019. We look forward to the resumption of these trips once international travel is again feasible.

- **Tourism** – We support customers in multiple sectors of the tourism industry. Our exposure to the industry is ~\$23 billion. We have worked with customers to support them, as needed, through the past year. This has included providing bridging finance until they receive JobKeeper payments, liquidity support, loan repayment deferrals or interest-only repayments. We've also used the Government's SME Loan Guarantee Scheme to assist tourism customers, and

⁶ Exposure at default; *ANZ 2021 Half Year Investor Discussion Pack* (5 May 2021), 112; available at: <https://www.anz.com/content/dam/anzcom/shareholder/2021-Half-Year-Investor-Discussion-Pack.pdf>

⁷ Ibid. Exposure is to 'Agriculture, Forestry, Fishing'.

welcome the Government's extension of the scheme in the form of the SME Recovery Loan Scheme.

- **Education** – We are a strong supporter of the nation's universities, with an exposure to the sector of just over a billion dollars. Throughout the impacts of COVID-19, we have provided additional liquidity, as needed, to support our education customers.
- **Manufacturing** – Manufacturing is an important component of Australia's exports. We currently have a \$40 billion exposure to this industry. It appears that the sector is recovering from COVID-19, with reported business conditions well above the long run average. The Government's measures are helping: the instant asset write-off policy is supporting orders for machinery and equipment, while HomeBuilder is driving a strong recovery in the manufacturing of building materials.

RESPONSE TO THE OPPORTUNITIES OF CLIMATE CHANGE

11. The ABA submission sets out the emerging regulatory expectations concerning the financial risks of climate change and how these fit into risk-based banking. Our November 2020 Climate Change Statement sets out how we are approaching these risks as well as the commercial opportunities of climate change (**Statement**).⁸
12. The Statement explains that we're supporting our 100 largest emitting customers on their response to climate change, sets out our \$50 billion funding and facilitation target and details how we're steadily reducing our financing for thermal coal through to 2030. By 2030, we will have been discussing our thermal coal position with customers for 15 years. Our engagement with our largest emitting customers does not apply to small and medium businesses, including in regional or rural areas, or farmers that export or service the domestic market.
13. Our commitment to fund and facilitate at least \$50 billion by 2025 will help our customers to use technology to lower carbon emissions and respond to the opportunities of climate change. Between October 2019 and March 2021, we funded and facilitated \$13.95 billion in sustainable finance transactions and, since 2015, this figure is more than \$32 billion in

⁸ This statement is available at:

<https://www.anz.com.au/content/dam/anzcomau/documents/pdf/aboutus/climate-change-statement.pdf>

total.⁹ Our funding for energy within this target was \$1.33 billion as of March 2021.¹⁰ We believe that gas has an important and widely recognised role to play in the transition to a low carbon economy. These actions will contribute to the Government's goal that Australia becomes a global low emissions technology leader.

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⁹ ANZ 2020 ESG Supplement 44 (available at:

<https://www.anz.com.au/content/dam/anzcom/shareholder/ANZ-2020-ESG-Supplement.pdf>)

¹⁰ 'Energy' means 'wind / solar / battery / transmission infrastructure / energy transition'. See ANZ 2021 Half Year Investor Discussion Pack (5 May 2021), 110; available at:

<https://www.anz.com/content/dam/anzcom/shareholder/2021-Half-Year-Investor-Discussion-Pack.pdf>