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## Information on ANZ and forestry in Papua New Guinea

ANZ is aware of concerns about the practices of our PNG client, Rimbunan Hijau (RH), in relation to the legality of logging in PNG.

We recognise that our banking decisions can have both positive and negative impacts on communities and the environment and that we have an obligation to ensure those decisions are based on sound social and environmental standards.

### Independent assessment of legality

ANZ has met with the PNG Government and environmental NGOs on several occasions over the last 18 months to discuss concerns about RH's activities and the practices of the PNG timber industry generally. We have also openly discussed these concerns with the client directly.

RH has refuted claims of illegal logging activity in discussions with ANZ. The PNG Government has also provided ANZ with written assurances that the logging activities of RH are legal and comply with Papua New Guinea's Logging Code.

Stakeholder concerns about whether the activities of the PNG timber industry are legal will now be addressed by an independent assessment process. RH is playing a leading role in the development of this process.

Under this system, an independent and internationally recognised verification and inspection company will audit the log and timber production practices of all PNG timber industry association members to ensure they are operating under valid permits and in compliance with all laws and regulations.

The process will involve the setting of a minimum standard of conduct for the industry which is verified by the independent inspection company as legal. Stakeholders, including environmental organisations, timber importers and local communities will be involved in setting this minimum standard.

This is an important step in addressing the concerns of stakeholders about the legality of the PNG timber industry and we will continue to work with RH on future voluntary initiatives.

### ANZ Forests Policy

In addition, ANZ is currently developing a Forests Policy which will provide greater transparency about how ANZ approaches transactions that have the potential to impact on forests. ANZ has consulted widely on the drafting of the Policy with government, environmental NGOs, timber industry representatives and clients.

The Policy contains standards which go beyond the legal minimum in many countries in which ANZ operates. Importantly, it specifies activities that ANZ will not support, including activities which impact on areas protected by specified national legislation and international environmental treaties and conventions.

While it does not require clients to achieve certification under one specific forest certification scheme, the Policy's core standards provide a level of protection comparable with internationally recognised certification schemes.

Once it is finalised at the end of the third quarter of 2007, the Policy will be applied to both new and existing clients. The Policy will require ANZ to deny or withdraw financial support where a client is unwilling to commit to business practices consistent with the Policy.

*Updated: June 2007*