Future Financing for Forests
At ANZ we believe that companies that outperform environmentally and socially, as well as financially, will be more successful long term and deliver sustainable shareholder value. We apply this approach to our own operations, and are integrating social and environmental considerations into our lending and investment decisions.

Forests represent a major social and economic resource in many countries where ANZ operates. ANZ has well established relationships with companies involved in forestry activities as well as associated downstream processing businesses.

We acknowledge the value of forest industries and are committed to supporting businesses in their efforts to meet customer demands for responsibly produced timber and associated products and we actively support clients in their efforts to continuously improve operational performance.

ANZ’s Forests Policy is one of a series of sector and issue specific Social and Environmental Management Policies and Guidelines developed to provide the basis for our engagement and decision making.

The value of forests as both a source of livelihood and as a natural resource often means that the forest sector is at the forefront of activities to balance the competing interests of economic development and environmental and social sustainability.

Worldwide, forests provide employment for more than 60 million people. Increasingly though, forests are being recognised as a frontline resource in efforts to mitigate greenhouse gas emissions and the forest sector is experiencing new challenges including: competitive pressures, changes in industry structure, urban expansion, agricultural development, extractive industries and rising demand for alternative commodities. Furthermore, the complexities of climate change are introducing pressures into the forestry sector because forests are at risk from the effects of changes in precipitation and storm intensity.

Managed sustainably, ANZ believes that forests will continue to generate significant opportunities for future business growth providing both economic development and improvement in living standards.

ANZ Forests Policy

ANZ’s Forests Policy sets out the approach we will employ when evaluating business opportunities with our clients that involve forest resources or have a significant potential impact on forest integrity and/or biodiversity.

The Forests Policy applies to products and services ANZ provides to business clients and commits us to:

- advocate and encourage the adoption of internationally recognised, credible sustainable forest management (SFM) certification as a best practice approach;
- take into account relevant and meaningful natural resource management principles and industry frameworks for good practice in both our client’s and our own due diligence processes;
- ensure an environmental and social impact assessment is undertaken to inform the operational environmental and social management requirements;
- recognise as good practice the integration of social aspects in feasibility assessments and impact mitigation plans, including broader socio-economic considerations through effective consultation with local communities;
- seek independent assurance that any large scale forest-based business activities meet the requirements and expectations of ANZ’s Forests Policy.

For clients whose business model strives for best practice and continuous improvement in performance, the policy will provide the basis for us to identify opportunities to collaborate for further advantage.
Tailored Solutions for the Forest Sector

Our clients are facing new challenges and opportunities with conventional market solutions no longer able to meet the demands and expectations of the rapidly evolving external environment. By understanding our clients’ business needs, and focusing on their strategic goals, we are able to respond with customised solutions.

Many clients are seeking sophisticated capital structures to utilise their balance sheets more effectively. When a client approached us recently to discuss a growth opportunity, we structured a solution that responded to their specific requirements and objectives. The resulting transaction included underwriting both debt and equity for the acquisition of land for plantation forestry. Through the creation of a separate entity, we were able to remove the landholding assets from the client’s balance sheet, and structure a long term lease for the life of the plantation through to harvest.

Maximising Your Opportunities

In 2007, global markets for carbon were valued at more than $64 billion. As society responds to the challenges of climate change and the increasing demands on our natural resources, managing forests for their value as both a source of wood and fibre, as well as their store of carbon and role in ecosystem services, is creating new business and financial market opportunities.

Increased demand for palm oil as a commodity has introduced new challenges for its sustainable production, particularly for our clients in Asia Pacific. In 2007, a client approached ANZ to finance the acquisition and expansion of an existing palm oil plantation. ANZ’s approach was guided by our Forests Policy which requires conformance with acceptable international standards. By consulting selectively with other clients, independent experts and major environmental groups, ANZ was able to help the client complete the transaction while enabling higher performance to meet emerging market demands.

At ANZ, we are at the forefront of the emerging carbon market, and have the expertise and credentials to help our clients benefit from unlocking the carbon value of their assets as well as mitigating any potential future liabilities. We are pleased to be able to support our clients to embrace a complex and uncertain future with confidence.

We are one of Australia’s leading banks in the provision of risk management products, including carbon markets, and are building this capacity in the Asia Pacific. We partner with clients to manage risks and facilitate opportunities to achieve their carbon objectives. Our goal is to make a real difference to our clients – and the environment – by offering solutions that achieve enhanced commercial outcomes.

New business models are emerging that are commercialising previously undervalued or overlooked commodities including ecosystem services (freshwater, biodiversity and carbon sequestration) and non-timber forest products (pharmaceuticals and natural produce). Existing clients and new entrepreneurs are entering these markets and investors globally are increasingly attracted to these opportunities.
Contacts
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