



100 Queen Street
Melbourne Vic 3000
www.anz.com

Update on ANZ and Gunns Limited's proposed Bell Bay Pulp Mill

ANZ is a potential financier of the proposed Bell Bay Pulp Mill in northern Tasmania. The mill is being proposed by Gunns Limited, an ANZ client since 1995.

Any project of this size and complexity involves many questions involving a wide range of stakeholders, with differing perspectives.

It is in our interest to ensure that all risks that potentially influence the long term financial viability of a project – including credit, social and environmental - are fully understood, and will be managed by the client over the long-term, before any financing decision is made.

This update is to clarify for our stakeholders our decision-making process on the Pulp Mill proposal, including which issues are relevant to us as a potential financier and how we will address these in accordance with the [Equator Principles](#).

Has ANZ made a decision?

ANZ has not made a decision on whether to finance the project and will only do so once we have considered our client's proposed compliance with all government conditions.

The Tasmanian Parliament approved a permit for the mill on 30 August. This approval carries with it detailed operational conditions for the proposed project. These conditions were based on the findings of two reports the Tasmanian Government commissioned on the pulp mill proposal – one looking at environmental aspects of the proposal and the other exploring the economic and social impact of the mill.

The Federal Minister for the Environment and Water Resources approved the project under the Environment Protection and Biodiversity Conservation Act 1999 on 4 October, subject to Gunns satisfying 48 [conditions](#). The [conditions](#) include effluent management measures and protection of wildlife and vegetation.

ANZ's decision making process

ANZ has commissioned an independent technical review of the proposed pulp mill to inform our decision. We will base our decision principally on the outcomes of this review and the project's ability to comply with all government approval conditions.

The review is testing the technical aspects of the mill's design and its overall feasibility with reference to engineering specifications, design plans and other supporting information.

As this project proposal involves significant social and/or environmental issues, the technical review will also include an assessment of the adequacy of measures proposed

by the company to manage these risks on an ongoing basis.

It is standard practice for ANZ to commission an independent technical review of project finance proposals. These reviews help us identify and manage the risks involved in a project financing. It is in our commercial interest to thoroughly assess and respond to all risks, including credit, operational, social and environmental, before we commit to finance. If not managed properly, such issues can threaten the long-term financial viability of a project by causing delays, costly changes to project design or cost overruns.

Ensuring our business decisions are also based on sound social and environmental standards protects our reputation and credibility among stakeholders.

Review of social and environmental issues

The social and environmental review that forms part of the independent technical review will examine:

- the evidence and other documentation from previous assessments of the pulp mill to confirm there has been a complete and accurate examination of potential social and environmental issues; and
- the conditions imposed on the development of the mill by the Tasmanian Parliament and the Federal Government.

The review is not a repeat or re-examination of government processes.

As a potential financier, our focus is on ensuring that any significant social or environmental issues posed by the mill have been identified and that those issues can and will be managed by the client.

The Equator Principles

As well as being part of our standard commercial decision making process, the independent technical review will help us confirm that our approach satisfies any obligations under the Equator Principles. ANZ adopted the Principles in December 2006 and they have provided additional structure and guidance to our decision-making process.

Due to its scale and potential impacts on surrounding areas, we are treating the proposed mill as a Category A (high potential social and environmental impact) project under the Equator Principles.

This means ANZ as potential financier must ensure there has been a comprehensive social and environmental impact assessment of the project and that the borrower has prepared an action plan which contains mitigation measures, corrective actions and ongoing monitoring measures necessary to manage the issues identified by the impact assessment.

The independent technical review will assess whether the project has fulfilled these requirements to date as well as directly satisfy the requirement that all Category A projects be subject to an independent review by a social and environmental expert before a financing decision is made.

What are the next steps?

The independent technical review is continuing.

ANZ will publicly announce its decision once our client responds to the Federal Government's conditions and seeks financing for the proposed mill.

October 2007