



Wesfarmers

social responsibility report
2005



Areas covered

Business management



Environmental



safety and health



Community



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Cover Image:

Organisations that benefit from our community contribution programme include the Clontarf Football Academy and the Australian Research Alliance for Children and Youth (ARACY), both dedicated to achieving better outcomes for young people (see page 7). ARACY's Executive Director, Professor Fiona Stanley AC, is pictured with (left to right) Alroy Gilligan, Vern Brockman, Philo Curley, Craig Sampi, Corin Greenwood and Carl McNeil.



I want to take the opportunity to restate our commitment to provide information which goes to the heart of our objective to operate in a sustainable way.

WELCOME

This is the first time I have had the pleasure of welcoming readers to the Wesfarmers Social Responsibility Report.

That being the case, I want to take the opportunity to restate our commitment to provide information which goes to the heart of our objective to operate in a sustainable way.

The much-debated concept of sustainability boils down, as far as we are concerned, to an approach in which financial success sits comfortably with a resolve to set high standards in a range of other areas. These include the decent treatment of employees, customers and suppliers, acting honestly and ethically in all dealings, doing what we can to minimise impacts on the environment and contributing to the community.

The decision in 1998 to start publishing a report of this nature was one of the most important initiatives in our 91 year history because it signalled a willingness to be accountable on these fronts. The ongoing challenge is to continue to improve both our sustainability performance and the standard of reporting and to do all we can to ensure that a culture of socially responsible behaviour permeates all levels in the organisation. This publication is an important part of the latter process as it highlights the impact of relevant issues.

Last year we took a significant step forward by aggregating data from across our very diverse group. We felt readers would benefit from a summary so that judgements could more easily be made about our overall economic, environmental and social impacts. By retaining that format it is possible for the first time to make year-on-year comparisons in a number of key areas, particularly with respect to environmental indicators.

While we do not have group-wide targets (apart from our long-standing goal to reduce accident rates by 50 per cent each year on the way to zero) some of the priorities set by the business units have been made more specific. And there have been other improvements as businesses gather more data and are able to fill in some of the gaps that previously existed.

REVIEW OF THE YEAR

In looking back over the year there were some pleasing developments.

Bunnings continues to make a major effort to enhance its environmental credentials. As well as its industry-leading plastic bag reduction campaign and its sustainability-focused wood and wood products policy, the business is vigorously pushing ahead with programmes aimed at better use of water, increased energy efficiency and greater recycling involving packaging and waste paint.

CSBP is making good progress in tackling the remediation of a contaminated former operational site at Bayswater, in Western Australia, and significant remediation work was done at one of the locations previously used by our Sotico forest products business.

Through our manufacturing and mining activities, and to an extent retail, we are a major energy user. Total energy use increased during the year, mainly due to the development of the Curragh North mine in Queensland and inclusion for the first time of data from our remote power generation business, Energy Generation. But there were some overall reductions in energy use at business unit level and in four out of the five businesses where an increase occurred there was actually a decrease in terms of use per unit of production or a similar measure. We are pleased to be one of a relatively small group of companies taking part in a trial of the Federal government's Energy Efficiency Opportunities programme ahead of the start of that initiative in 2006.

No one will ever be satisfied on safety until we achieve a completely clean sheet with respect to workplace injuries. But for the group as a whole it was really pleasing to note the decrease in both the number of lost time injuries and the Lost Time Injury Frequency Rate, despite almost a million extra hours being worked. That being said, our individual businesses still have big job in achieving their zero target and we cannot for a moment afford to relax our concentration on safety.

We support a broad range of community-benefiting organisations and this year contributed almost \$5 million through donations, sponsorships and other forms of assistance. This included \$250,000 for the victims of the tsunami disaster who were helped also by the magnificent efforts of Bunnings' employees in running a giant national sausage sizzle.

LOOKING AHEAD

As we do each year, there will be a review of the direction and nature of the report in which we take note of developments in the ongoing debate surrounding these issues. That review will certainly consider the findings of the Commonwealth parliament's Joint Committee on Corporations and Financial Services, whose inquiry into Corporate Responsibility and Triple Bottom Line reporting was continuing at the time of publication of this report. It will also benefit from comments and suggestions readers make and I would encourage you to let us know what you think, either by way of the reply-paid form inside the back cover or via the website.

Finally, I want to thank all our employees for the enormous amount of care they devote to the areas covered by this report. These are such sensitive issues that anything but meticulous attention to detail can have serious consequences. I think our people do an extremely good job in meeting the high standards we set and that the community expects us to maintain.

RICHARD GOYDER
Managing Director

About this report

TIMING

This report covers the financial year ended 30 June 2005. In a few cases, where there have been developments subsequent to the end of the reporting period, but prior to the printing deadline, we have included this information to make the report more time relevant.

WHAT WE COVER

All businesses wholly-owned as at 30 June 2005 are covered. As was the case last year, the Insurance division reports less extensively than the other major contributing business units because of the nature of its operations. Energy Generation, the renamed StateWest Power, is also included in an abridged format given its relative materiality within the whole group.

We continue to report in the "Other Businesses" section on progress in remediation of site contamination arising from the activities of our Sotico subsidiary, the last operating assets of which were sold in August 2004. We also report on work being done to address contamination linked to the operations of our former road transport business.

The report contains information on the 40 per cent-owned Air Liquide Western Australia which we manage. Brief reference is made to other businesses with which we are associated – the Australian Railroad Group, Bengalla coal mine, Wespine plantation softwood sawmill and the Queensland Nitrates ammonium nitrate plant. As we do not directly manage these operations we do not attempt to report on them. In all cases we provide links to websites for readers wishing to find out more about their activities.

SAFETY DATA

Readers will notice on the safety performance graphs a reference to statistics being for the year to 30 June but "as at 30 September 2005". This is because we adjust the numbers to take account of workers compensation claims lodged, or lost time that has been reported, up to 30 September relating to injuries sustained in the financial year under review, thus allowing for delayed impacts. It can mean that the numbers reported for a particular year have to be changed in subsequent reports.

The basis for calculating our main safety performance indicator – the Lost Time Injury Frequency Rate (LTIFR) – is outlined in the glossary on the inside back cover.

LTIFR numbers now include contractors unless otherwise specified in the reports of the individual businesses. Where it is possible to calculate an LTIFR for contractors – that is, where there is regular engagement and hours worked are available – the business is required to include this information.

GREENHOUSE GAS EMISSIONS

Greenhouse gas emissions information contained in this report is generally based on calculations done in accordance

with the Australian Greenhouse Office (AGO) Factors and Methods Workbook August 2004 version. Where there has been a material departure from the AGO methods, or where a source of emissions covered by the Workbook has been excluded, we have noted it and explained the reason. For simplicity this year we have given total emissions figures and not separated them into direct and indirect categories. Readers should note that some of the AGO's emissions factors have changed from time to time and, accordingly, year-to-year changes in emissions data may in part be due to this rather than a change in the performance of a business unit in relation to greenhouse gas emissions.

We have used average emission factors for New Zealand of 0.2466 kg CO₂/kWh and 52.8 kt CO₂/PJ for electricity and natural gas consumption, respectively, and an emission factor of 0.960 kg CO₂/kWh for electricity in Bangladesh.

Further information is available at www.greenhouse.gov.au.

REPORT PREPARATION

Data collection and report drafting is the responsibility of business unit environmental, safety and community relations representatives who are part of a Working Group convened by the Wesfarmers Corporate Office. Drafts are reviewed by the Corporate Office prior to detailed discussions with the contributing authors. This process ensures that ultimate ownership of the report lies with the business units.

VERIFICATION

The report's accuracy and completeness is critically important and every effort is made to ensure that all statements are properly authenticated.

After the discussions referred to above are complete and a final draft agreed, the business unit representatives are required to compile detailed checklists linking report content to documented source material or employee sign-off.

Representatives from our Corporate Solicitors Office and Group Risk Management department then conduct sample verification checks through site visits and desktop audits. They later prepare reports for senior management.

The internally-verified reports, signed off by the authors and senior management, are provided to independent assessors from the Snowy Mountains Engineering Corporation (SMEC). SMEC was engaged in 2000 to conduct the external verification process and to prepare a detailed report to business units and Wesfarmers Limited management. SMEC's findings on this report are published on page 92. Final sign-off by divisional managing directors occurs after conclusion of the external verification process.

The report's accuracy and completeness is critically important and every effort is made to ensure that all statements are properly authenticated.

AUDIT COMMITTEE

Board oversight of this report is delegated to the Audit Committee which gives final approval before publication.

FORMAT

The report format aims to increase the transparency of the document by requiring businesses to report under standardised headings. Occasionally items may not fit entirely logically under these classifications, but we believe the layout enables readers to more easily make cross-business comparisons. Not all of the categories appear in all of the reports. This means either that the heading is simply not applicable to a specific operation or that a business is unable to supply the necessary data. Gaps are thus identified and the businesses concerned are encouraged to consider whether these can be closed.

COMPLETENESS

We do not claim that this report provides 100 per cent coverage of our safety, environmental and community relations performance. There are gaps in our knowledge which will be reduced as our systems improve. This document is a best endeavours attempt to report openly and honestly based on our current state of knowledge.

GLOSSARY

Within each separate report we aim to eliminate as much jargon and technical terminology as possible and to spell out the names of organisations when they are first mentioned. We have used current names of government departments and other regulators even though their designations may have been different during the reporting period. A general glossary can be found on the inside back cover.

WEBSITE

The full report is also available on our website at www.wesfarmers.com.au. Additional hard copies can be obtained from the Public Affairs Department on (61 8) 9327 4251.

FEEDBACK

Please help us improve the report by sending your comments either on the form on the inside back cover or through the website.

The big picture - Wesfarmers' economic, environmental and social impacts.

The detailed business unit reports that appear later in this document contain a great deal of information about environmental and safety and health performance and community interaction.

In this section we aggregate some of the key data from those areas as well as providing a snapshot of our structure and economic impacts, the third leg in the triple bottom line approach to corporate accountability.

Economic

We are one of Australia's largest public companies with our head office in Perth, Western Australia. In 1984 we listed on the Australian Stock Exchange, a far cry from our beginnings as a farmers' cooperative in 1914. We are a very diversified organisation with major operating business interests in home and garden improvement products and building supplies; energy – including coal mining, gas processing and distribution and power supply; insurance; industrial and safety products distribution; chemicals and fertilisers manufacture; rail transport; and plantation forest products.

In the year to 30 June 2005 our company recorded a net profit of \$618 million and at the end of the reporting period we had a market value of \$15 billion. Other significant financial indicators are summarised in (*see Figure 1, below*).

Figure: 1

GROUP FINANCIAL INDICATORS

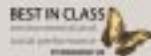
| | |
|---|-----------------|
| Net sales | \$8.0 billion |
| Cost of goods, materials and services purchased | \$5.8 billion |
| Payments to employees | \$950.0 million |
| Dividends paid to shareholders | \$680.0 million |
| Interest paid on borrowings | \$103.0 million |
| Income tax and other payments to governments | \$424.0 million |
| Increase in retained earnings | \$71.7 million |

More than 90 per cent of our revenues and earnings are derived from our Australian operations. We are not required to report separately on the financial outcomes of our New Zealand activities.



We are one of 17 Australian companies selected for inclusion in the Dow Jones Sustainability World Indexes (DJSI World) for 2006. This covers the top 10 per cent of the 2,500 biggest companies in the Dow Jones World Index in terms of corporate sustainability after assessment against economic, environmental and social criteria.

We have also been awarded "Best of Class" status by Storebrand Investments based on our environmental and social performance and have been included in the RepuTex Social Responsibility Investment index.



Environmental

It is hard to think of another major Australian company that in any way matches our industry and business sector diversity. That diversity and our geographic spread across Australia and New Zealand brings with it an extremely wide range of environmental challenges. The differing nature of these issues caused us to adopt a group environment policy which requires business units to develop policies and procedures relevant to their particular circumstances. All such policies have to take account of our overarching guideline which commits the company to "placing strong emphasis on protection of the environment".

The industry-leading initiative by our Bunnings business in imposing a levy on plastic bags continues to make a significant impact by reducing the volume of these potentially environmentally damaging objects in waste streams. We estimate that more than 20 million fewer such bags have been supplied since the levy began in September 2003. And more than \$147,000 has been donated to the Keep Australia Beautiful Council in support of its "Clean Site" programme. Customers who need containers for their purchases are offered more readily recyclable cardboard cartons or they can buy, at cost, reusable bags. More than one million such bags have been sold.

During the year, Bunnings began its "Waterwise" programme which will combine data collection to identify leaks and wastage with installation of water-saving devices and customer and employee awareness-raising, all aimed at reducing water usage.

The chemicals and fertiliser business unit, CSBP, won the Premier's Water Foundation Award, recognising its significant achievement in water management. At Premier Coal, a highlight was winning the State Environmental Award for Corporate/Business Leading by Example for its sustainability planning and management systems and work done rehabilitating former mined areas.

As reported in previous years, we have a group-wide preference for company-supplied vehicles to run on liquefied petroleum gas because of its environmental benefits over petrol and diesel.

GROUP ENVIRONMENTAL INDICATORS

Given the varied nature of our business activities it is hardly surprising that some are better placed to monitor and report

Figure: 2

| GREENHOUSE GAS EMISSIONS (CO ₂ -e tonnes) | |
|--|-----------|
| CSBP | 1,342,614 |
| Curragh | 623,089 |
| Energy Generation | 197,063 |
| Bunnings | 158,135 |
| Wesfarmers LPG | 147,450 |
| Premier Coal | 59,553 |
| Industrial & Safety | 30,752 |
| Kleenheat Gas | 17,513 |
| Insurance | 5,194 |
| Wesfarmers Group Total | 2,581,363 |

Figure: 3

| ENERGY USE (gigajoules) | |
|-------------------------|------------|
| CSBP | 11,050,351 |
| Energy Generation | 2,645,000 |
| Curragh | 2,226,142 |
| Wesfarmers LPG | 2,115,667 |
| Premier Coal | 609,327 |
| Bunnings | 570,224 |
| Kleenheat Gas | 217,313 |
| Industrial & Safety | 196,304 |
| Insurance | 37,488 |
| Wesfarmers Group Total | 19,667,816 |

Figure: 4

| WATER CONSUMPTION (megalitres) | |
|--------------------------------|-------|
| CSBP | 3,930 |
| Curragh | 2,476 |
| Bunnings | 688 |
| Premier Coal | 514 |
| Industrial & Safety | 62 |
| Wesfarmers LPG | 20 |
| Wesfarmers Group Total | 7,690 |

on environmental indicators than others – the coal mines and chemicals and fertiliser businesses, for instance, would be expected to have considerably more highly developed systems than, say, the retail or insurance operations. But we continue to improve data collection in an effort to provide information on significant issues, as listed below.

GREENHOUSE GAS EMISSIONS

As explained earlier in this report, we have based our measure of greenhouse gas emissions on Australian Greenhouse Office methodology.

Total direct and indirect greenhouse emissions for the group converted to carbon dioxide equivalents - we are giving the combined figure this year for ease of reference - were estimated at more than 2.5 million tonnes (*see Figure 2*). This compares with 2.2 million tonnes reported last year and 2.4 million tonnes in 2001/2002. As mentioned last year, we are gaining greater confidence in the accuracy of these numbers as our measurement and reporting processes improve. The group number this year includes for the first time a significant contribution from the Energy Generation remote power supply business, formerly known as StateWest Power. This relates to emissions from power stations built, owned and operated by Energy Generation.

ENERGY USE

Total estimated energy use for our group in 2004/2005 was almost 19.7 million gigajoules, an increase of 36 per cent on last year. Curragh's usage more than doubled with the development of the Curragh North mine and, as with greenhouse gas emissions, and on the same basis as mentioned above, we have included data from Energy Generation for the first time this year. Business-by-business usage is summarised in Figure 3.

WATER CONSUMPTION

This year we estimate use of scheme and bore water totalled 7,690 megalitres (*see Figure 4*). This excludes water used by our Kleenheat Gas business because many of its operating sites are leased and no adequate measure is available and the Insurance division, which is a low water user but does not measure consumption. Also, this total does not include recycled water used at the Curragh operations because of unreliability of measurement due to faulty meters. In the previous period this contributed about 44 per cent of total water use at Curragh. Last year's estimated total group consumption was 10,483 megalitres.

WASTE

We have incomplete records of waste generation. Kleenheat Gas and Insurance do not measure solid or liquid waste.

Liquid waste for these businesses and for our Industrial and Safety division is confined mainly to vehicle oils which are collected during servicing. Bunnings does not measure liquid waste volumes which are generated from food preparation in cafes, drainage from bin storage areas, infrequent washdowns of small hire equipment and rinsing water-based paint brushes. The total liquid waste figure includes discharges at CSBP's Kwinana complex only due to the difficulty of separating waste flows from other liquid streams, such as rainwater, at other locations.

With these qualifications, we estimate total solid waste at 340,413 cubic metres (compared with 384,460 last year) with liquid wastes of 1,086,588 kilolitres (964,980 kilolitres in 2003/2004).

NON-COMPLIANCE/PROSECUTIONS

We are not aware of any significant non-compliance with environmental regulations or any prosecutions relating to environmental issues during the year.

At CSBP, 14 potential non-compliances were reported to the Western Australian Department of Environment (DoE). The DoE has advised that no further action will be taken with respect to eight of these and six remain under consideration. No action was taken with respect to the two outstanding matters referred to last year.

Details of these matters and any other contact from regulators with our businesses on environmental issues are contained in their reports.

NATIONAL POLLUTANT INVENTORY (NPI)

All our Australian businesses that are required to report under the NPI mention this in their sections. Full details are available on the NPI website (www.npi.gov.au) but we have included reference to some of the more significant emissions in the relevant business reports to give readers an idea of the scope of this issue.

ENVIRONMENTAL EXPENDITURES

Last year we provided information on direct environmental expenditures (including salaries and specific project expenses) by those of our businesses for whom these outlays are significant - Curragh, CSBP, Premier Coal, Wesfarmers LPG and Kleenheat Gas. In 2004/2005 this amounted to \$6.9 million which includes also about \$180,000 spent on remediation relating to the activities of the forest products and transport businesses referred to below.

CONTAMINATION

Remediation of site contamination is an issue for some of our business units and details are provided in the relevant individual reports. The most significant of these involve

*Figure: 5***EMPLOYEE LOCATION**

| | | | |
|--------------------|--------------|-------------------------------|---------------|
| NT | 164 | Qld | 5,392 |
| TAS | 268 | Vic | 5,991 |
| ACT | 368 | NSW | 6,531 |
| SA | 1,009 | WA | 6,933 |
| New Zealand | 2,944 | Wesfarmers Group Total | 29,600 |

*Figure: 6***BUSINESS UNIT LOST TIME INJURY FREQUENCY RATES**

| Business Unit | 03/04 | 04/05 |
|--------------------------------|--------------|--------------|
| Bunnings | 14.6 | 11.8 |
| Curragh | 2.7 | 2.9 |
| Premier Coal | 7.0 | 12.7 |
| Kleenheat Gas | 0.0 | 1.4 |
| Wesfarmers LPG | 0.0 | 0.0 |
| Industrial & Safety | 5.3 | 4.3 |
| CSBP | 2.4 | 2.0 |
| Insurance | 2.3 | 1.7 |
| Energy Generation | 0.0 | 0.0 |
| Wesfarmers Group | 10.7 | 9.0 |

our CSBP chemicals and fertilisers business and the former forest products operations of Sotico. Financial provision has been made to cover the estimated cost of these activities.

CSBP is engaged in remediation of a former fertiliser site at Bayswater in Western Australia and of an ammonia/arsenic groundwater plume at its Kwinana site. In the case of Sotico, impacts of timber treatment plants at Pemberton and Manjimup are the focus of our efforts. Kleenheat Gas provides information this year on remediation arising from former retail fuel sites and we mention also work in progress at locations once used by our former road transport business

Social

OUR PEOPLE

We are a major employer with more than 90 per cent of our almost 30,000-strong workforce located in Australia and the balance in New Zealand (*see Figure 5*). A liquefied petroleum gas import terminal and distribution facility in Bangladesh, operated by a joint venture in which we are the majority partner, employs about 60 people. This year we paid out \$950 million in salaries, wages and other benefits.

We recognise the right of those we employ to negotiate individually or collectively with or without the involvement of third parties. We estimate that 36 per cent of our people are covered by some form of collective agreement. We do not keep records of trade union membership.

At the end of the year under review, 76 per cent of permanent employees held shares in the company with a take up rate of 94 per cent among eligible employees for the share scheme during the year.

Gender diversity remains an important issue. Around 42 per cent of our employees are women as are about 11 per cent of the top 900 positions in the company, including management and senior professionals. There are two female members on our 11-strong Executive Committee.

We have policies which apply across the group aimed at ensuring that each person has equal access to employment and the benefits of employment are based on the principle of merit. Each business unit is required to complete an annual report to the Equal Opportunity for Women in the Workplace Agency. These reports outline strategies implemented to enhance the representation of women in our businesses.

Given our autonomously-operating business unit structure, training is one of the issues within the direct responsibility of business units. For the whole group, our Executive Committee has adopted some key principles for the management of succession and development of employees.

These include a commitment to provide opportunities for employees to develop their careers in their particular businesses and across the broader Wesfarmers.

We have a Code of Ethics and Conduct that covers employee behaviour and while business units may adopt standards that best match their activities, they must embody the principles laid down in the group Code, which is available on our website.

SAFETY

Workplace safety is one of our highest priorities. We believe we have an obligation to do all we can to ensure the safe return from their job of everyone who works for our company. Part of the remuneration of our managing directors and some of those who report to them is linked to the achievement of safety targets.

We have a group target of reducing accident rates by 50 per cent each year towards a goal of zero. The primary measure we apply is the Lost Time Injury Frequency Rate (LTIFR) which is explained in the Glossary section at the end of this document.

As our Managing Director noted in his introduction to the report, there was an improvement in the group's overall safety performance. For the reporting period, the group LTIFR was 9, down 16 per cent on the 10.7 for the corresponding period in the previous year. There were 58 or 14 per cent fewer lost time injuries over the period. This improvement occurred despite an increase in total working hours of 2.4 per cent from 38,257,877 to 39,168,713. As mentioned earlier in the report, safety data is adjusted to include time lost between 30 June 2005 and 30 September 2005 relating to injuries occurring before the end of June.

On a business-by-business basis, Wesfarmers LPG did extremely well and maintained its zero LTIFR but none of the seven other major businesses covered in this report achieved the 50 per cent reduction target (*see Figure 6*). However, four of them improved their injury rate performance and the Air Liquide WA and Energy Generation businesses, which make brief contributions to this report, also performed very well in maintaining a zero LTIFR. There were no fatalities during the year. We encourage our business units to report other statistics that indicate their safety performance. Full details are available in their individual sections.

A review as to whether the LTIFR should remain the main group-wide safety measure has been completed and will be considered by senior management in the coming year. At the Board's request, a report on safety management was presented to its meeting in July 2005.

Figure: 7

| COMMUNITY CONTRIBUTIONS | |
|--------------------------------|---------------------|
| Wesfarmers Limited | \$ 2,266,641 |
| Business units | \$ 2,704,595 |
| TOTAL | \$ 4,971,236 |

NON-COMPLIANCE/PROSECUTIONS

Legal proceedings are continuing against Bunnings with respect to workplace safety issues at three locations in Queensland. Bunnings was prosecuted by WorkSafe Victoria over an incident at the Waurn Ponds store in July 2004 in which a delivery driver suffered a foot injury. After pleading guilty in September 2005 Bunnings was fined \$15,000 with no conviction being recorded. Action has been taken to address the safety issues related to these incidents.

Kleenheat Gas was fined \$5,000 in January 2005 after a prosecution relating to under-filling of containers.

Details of these and any other contact from regulators with our businesses regarding compliance on health, safety or consumer issues are contained in their reports.

GOVERNANCE

In our Annual Report (available at www.wesfarmers.com.au) we provide a very detailed account of the governance structure of Wesfarmers Limited. With the retirement on 12 July 2005 of Mr Michael Chaney, there are now 11 males and one female on our Board. Nine of the directors (including the Chairman) are non-executives.

The Board has adopted a Charter which requires it to have a majority of non-executive independent directors, a non-executive independent Chairman and to have different people filling the roles of Chairman and Chief Executive Officer. The Board considers that eight of the directors are independent.

Two standing Board Committees (Nomination and Remuneration; Audit) review matters on behalf of the Board and make recommendations. The Nomination and Remuneration Committee is responsible for the review of Board performance and in May 2005 the performance of the Board and its committees was evaluated through responses by directors to a detailed questionnaire.

We have enhanced our Continuous Disclosure procedures covering announcements to the Australian Stock Exchange and issued a new policy document in June 2005.

The 2005 Annual Report includes additional information on auditor independence and a comprehensive remuneration report.

COMMUNITY CONTRIBUTIONS

We believe that companies should make a contribution to the community above that which flows from jobs created and the returns delivered to shareholders.

In our case, assistance is provided in two ways – through donations by our parent company Wesfarmers Limited and from the businesses we own and operate. Support is given directly by way of sponsorships and donations, through in-kind contributions and by the involvement of their employees in fund raising activities. More than \$4.9 million flowed to community-benefiting organisations and causes in the 2004/2005 year (*see Figure 7*).

In addition, Bunnings contributed to the raising of another \$971,162 for charities and other community organisations through the use of its stores to promote these causes and the efforts of its employees. This includes \$237,000 raised in the giant sausage sizzle organised by Bunnings as part of the appeal to aid victims of the Asian tsunami disaster.

Under a policy approved by the Board, Wesfarmers Limited makes donations up to an annual ceiling of 0.25 per cent of before tax profit. It directs these funds in most cases to areas which have the broadest possible community reach, such as medical research and education. We believe this is the best way to maximise the benefits from the funds that can be made available.

One of our major current partnerships is with the Australian Research Alliance For Children and Youth (ARACY) which was formed in 2002. ARACY is a national collaboration of researchers, policy makers and practitioners from a broad range of disciplines focused on achieving better outcomes for children and young people. Its formation grew out of a concern that despite general increasing prosperity and high educational standards, there was evidence of adverse trends in health and wellbeing amongst children and adolescents in health, educational and other key areas of development.

We have continued our long-standing engagement with the Clontarf Football Academy in Western Australia which was established in January 2000 by former Australian Football League coach Gerard Neesham. The Academy uses football to help develop self-esteem and educational and employment opportunities for young Aboriginals. It operates from three locations and plans to open new centres in Albany and Broome.

This year's donations from Wesfarmers Limited include \$250,000 contributed to aid victims of the tsunami. We were one of the first companies in Australia to respond to this catastrophe.

WESFARMERS ARTS

We have established a national reputation as a strong supporter of the arts. This support is based on our belief that a flourishing cultural sector makes an essential contribution to the development of Australia as a sensitive, tolerant and prosperous society. During the year, we won an Australian Business Arts Foundation award in recognition of our innovative approach to arts sponsorship and a Western Australian government award acknowledging our 15-year partnership with the state's art gallery.

Direct assistance totalling about \$550,000 was provided to a range of leading performing and visual arts companies and organisations. The year saw the start of our four year partnership with the Perth International Arts Festival which involves the commissioning of five works encompassing dance, theatre, orchestral music, opera and the visual arts. The first work, by Finnish choreographer Jorma Uotinen, was performed by West Australian Ballet in February 2005. Two commissions will feature at each of the 2006 and 2007 festivals.

The two year national tour of "Sublime: 25 years of the Wesfarmers Collection of Australian Art" concluded with an exhibition at Bunbury in Western Australia in January 2005. Sublime was seen by almost 190,000 people in nine capital cities and regional centres across Australia.

POLITICAL DONATIONS

We believe that the democratic process is strengthened if political organisations, particularly those likely to be in a position to form government, have the resources to develop policy positions to put to the electorate. Financial contributions to parties can be made only by Wesfarmers Limited, not by any of our business units. During the year we donated a total of \$160,000 to the Liberal Party, the Australian Labor Party and the National Party. All donations are disclosed in November after the end of the financial year concerned to the Australian Electoral Commission which publishes this information on its website www.aec.gov.au.

08.

Bunnings



We are Australia and New Zealand's leading supplier of home and garden improvement products and building materials.

Sales during the year reached 4.1 billion dollars. At 30 June 2005 we had 131 warehouse stores and 81 smaller format stores with 10 new warehouse stores opened in the financial year and another eight under construction in Australia and New Zealand. In Western Australia we also operate one HouseWorks store and 17 WA Salvage discount variety stores. We employ about 22,000 people.

www.bunnings.com.au

(Above) Team member Sarah Waters at the Bankstown Airport warehouse in New South Wales.

04

Report priorities

- Improve safety performance by at least halving our LTIFR each year with zero LTIs our ultimate aim.
- **Not achieved.** Lost Time Injury Frequency Rate (LTIFR) reduced by 19 per cent from 14.6 last year to 11.8. Lost Time Injuries (LTIs) reduced 18 per cent from 365 last year to 309.
-
- Maintain our contribution to improve the social and environmental wellbeing of the communities in which we operate.
- **Achieved.** Contributed over \$2.6 million in direct donations and in-kind support. Participated in major events, including the National Tsunami Disaster appeal that raised over \$236,000 and conducted Community Fun Days supporting local schools, youth groups, support groups and service organisations. Our team members continued to volunteer their own time to support many of these community projects. Promoted energy and water reduction strategies to customers through store and web-based Do-It-Yourself brochures.
-
- Continue the implementation of our “BSAFE” safety programme, including specific training and hazard reduction strategies.
- **Achieved.** Implemented new region-based OHS and injury management structure. Completed revised manual handling training and two-day safety leadership workshops for store management teams in Australia and New Zealand. Developed a pilot safety behaviour training module for team members, with training planned for next year. Implemented traffic management plans, an on-line supplier safety accreditation course and product weight and handling icons. Implemented a new racking safety audit system.
-
- Continue to drive sustainability in our global timber and wood product supply chains.
- **Achieved.** Our Timber and Wood Products Purchasing policy is progressing towards the third year benchmark in December 2005 requiring suppliers to declare official documentation attesting to the legality of the forest operations from which the product is sourced and also identify the supply chain from forest source through to finished product.
-
- Progress our product stewardship goals, working with suppliers to develop sustainable product choices for our customers and continuing to reduce plastic shopping bags use.
- **Achieved.** Continued commitment to 10 cent plastic bag levy. More than 20 million bags were diverted from the waste stream since inception in September 2003 and more than one million reusable shopping bags sold. This year a further \$43,700 was raised through the levy and donated to the Keep Australia Beautiful Council to implement their “Clean Site” programme nationally. Distributed a national media release to major and local newspapers promoting the benefits of reducing plastic bag consumption. Continued involvement with Paintback™ paint recycling initiative in Western Australia with Dulux and the Department of Environment.
-
- Promote our sustainability objectives to our customers and team members to encourage positive environmental behaviours in their activities.
- **Achieved.** Promoted through presentations at seminars, direct involvement in public discussion forums and consistent engagement with our supply chain, industry partners and government and non-government agencies. Created dedicated “2004 Social Responsibility Report Card” which was given to all team members.
-
- Further improve environmental performance and eco-efficiency by implementing recommendations from the environmental audit and reducing resource consumption.
- **Achieved.** Implemented lighting controllers and standby energy reduction systems in 71 warehouse stores. Introduced a “Waterwise” programme and commenced water audits, review of water usage accounts and installation of waterless urinals.

05

Outcomes

attesting to the legality of the forest operations from which the product is sourced and also identify the supply chain from forest source through to finished product.

The two main safety areas on which we focused our attention during the year were implementing region-based occupational health and safety (OHS) and injury management teams to provide training and direct support to stores in achieving the Bunnings Safety Awareness For Everyone (BSAFE) objectives and implementing engineering and environmental safety improvements to improve safe systems of work and encourage positive safety behaviours. Completion of the safety leadership training for store management teams provided the knowledge and skills for managers to directly influence a positive safety culture. With creation of regional co-ordinator roles for both OHS and injury management, stores are now able to access a dedicated specialist safety resource for advice and support in the field.

We are currently upgrading forklifts with speed monitoring controls to reinforce safe operation. Traffic management controls including dedicated walkways and extra speed humps in car parks have been introduced to improve traffic flow and avoid conflict between vehicles and pedestrians.

Business management

TRAINING

We continued to invest in training and developing our teams to imbue the leadership and culture needed to support our safety and environmental goals. The continued professional development of our occupational health, safety and environment specialists was maintained through attending external seminars, conferences, training and peer networks.

A pilot on-line learning system known as the "Bunnings Learning Academy" is continuing with modules having been created and currently being tested for a number of safety, compliance and operational courses.

ENVIRONMENTAL

To improve our internal knowledge base, environmental specialists attended industry seminars and conferences covering themes such as dangerous goods storage, waste management and resource recovery, cleaner production and extended producer responsibility.

The Western Australian Water Corporation ran an awareness seminar, attended by seven management representatives from our merchandising, store operations and risk management teams, to support our adoption of a "Waterwise" programme.

HEALTH AND SAFETY

We have continued our commitment to safety training with greater emphasis on safe working behaviours through a variety of internal and external training courses that are relevant to potentially hazardous activities in our business. This supports the BSAFE objective "Nobody Gets Hurt" through a variety of subject material and formats that address the major hazard areas of our business, including:

- safety leadership training attended by 338 management team members;
- manual handling training delivered to 2,301 team members;
- new OHS inductions for 3,274 team members;
- forklift licence and refresher training attended by 492 forklift operators; and
- safety for team members pilot programme delivered to 268 team members.

Through our desire to learn as much as possible from a tragic forklift accident in 2002, we developed an audiovisual case

study for managers designed to deliver a very personal and powerful safety message. Every location manager received a personal mail-out to their home address containing an audiovisual re-enactment of the event. The accompanying letter from the Managing Director reinforced the duty of care responsibilities of management and the importance of providing a safe workplace so every person should return home safely to their families at the end of their shift.

The BSAFE accreditation for suppliers has continued to reinforce acceptable safe working practices and inform our supply partners of the potential hazards specific to our stores such as forklifts, manual handling and chemical storage. The course is now available on-line making it more easily accessible with 1,695 supplier representatives completing accreditation.

EMERGENCY

During the year, 394 team members attended a Bunnings-specific emergency management module provided externally by a national training provider to equip them to act as part of the store emergency/fire warden teams that operate at every site.

Compliance

ENVIRONMENTAL

We are not aware of any potential non-compliance during the year with environmental legislation or other environmental requirements.

To assist ongoing compliance we keep up to date with any changes in regulations by subscribing to a number of professional journals, Australian and New Zealand Standards and news alerts from state and federal authorities' websites. Advice notes on the impact of new legislation are also received from the Corporate Solicitors Office and other legal services we engage.

We seek open dialogue with the government agencies that regulate our business and share our industry experiences through group forums and public reviews of environmental regulations.

We are compliant with applicable legislation and codes of practice for retailers in the storage and handling of consumer-packaged dangerous goods. We see compliance as a minimum standard and regularly review our dangerous goods storage risk to improve our internal standards where appropriate.

NATIONAL POLLUTANT INVENTORY (NPI)

We do not use any of the substances listed under the NPI during the year and therefore we are not required to report under the NPI.

HEALTH AND SAFETY

We operate under health and safety legislation that varies between the regions in which we operate.

Initiatives such as externally-conducted risk assessments, safety committees, hazard inspections and internal audits assist us to identify and address any areas of risk or non-compliance.

We received 44 notices from relevant authorities covering safety-related issues ranging from traffic management, forklift safety, manual handling, house-keeping, storage of dangerous goods and management of asbestos-containing materials. The asbestos management issue occurred at our Erina North store in New South Wales and was subject to a \$1,000 penalty notice from WorkCover Authority New South Wales. All notices were resolved by the specified date.

The prosecution notice from Queensland Work Health Standards reported last year, relating to an incident in 2003 at our Mackay store has now been closed with the granting of an Enforceable Undertaking by the court. The three other prosecutions relating to incidents in 2002



(Above) Representatives from merchandising, store operations and risk management teams discuss the "Waterwise" programme.
From left: Dennis Conchie, Geoff Godden, Max Viskovich (Western Australian Water Corporation) and Andrew Head.

at our Caloundra store and 2003 at our Bundaberg store in Queensland, are still subject to ongoing legal proceedings. The potential hazards associated with these incidents have all been addressed.

In August 2005 Queensland Work Health Standards issued a prosecution notice for failing to provide a safe system of work, in relation to an October 2004 incident at our Compton Road store where a customer received an arm injury from falling merchandise.

The WorkCover Authority New South Wales commenced an investigation into alleged safety breaches at our Ashfield store. The alleged breaches relate to a forklift collision with storage racking. We are yet to receive formal advice as to the result of this investigation. We pleaded guilty in September 2005 to a charge brought by WorkSafe Victoria for failing to provide a safe system of work in relation to an incident at our Waurn Ponds store where a truck driver received foot injuries from a forklift. We were fined \$15,000 and no conviction was recorded. The potential hazards associated with these incidents have all been addressed.

LICENSING AND APPROVALS

We are not aware of any potential non-compliance during the year with licensing or approval conditions or other requirements, except as set out above under "Health and Safety".

Individual local government authority environmental requirements are addressed at the development application stage of each new site.

Dangerous goods storage licences or storage notifications are in place where required by applicable legislation. Where we are able to maintain storage limits below licensing cut-off levels we adhere to our internal risk management programme based on NOHSC: 2017(2001) and AS/NZS 3833.

Management systems

INTEGRATED MANAGEMENT SYSTEM

Integration of OHSE standards has been achieved across our business through the introduction of the BSAFE strategy.

Planning has been undertaken to further integrate existing risk management policies into the BSAFE programme.

The Senior Safety Leadership Team, represented by senior management from each functional area, continues to review strategic safety issues on a monthly basis. Safety standards have been integrated within our merchandising functions and store development plans with a safety review forming part of the internal planning process for new projects.

We are developing an internal OHS incident record management system to further our ability to monitor and report trends and issues across the business.

ENVIRONMENTAL MANAGEMENT SYSTEM (EMS)

As a result of the external environmental aspects and impacts audit conducted in June 2004 we now have a better understanding of our environmental risk profile.

As primarily a retail business, not engaged in wide scale manufacturing or processing activities, our key impacts result from electricity and water consumption, waste reduction and recycling. These areas have become the focus of our environmental management efforts as they present the largest opportunity to reduce the environmental impact of our sites.

Other less significant environmental aspects such as consumer-packaged dangerous goods, spillage containment, small-scale paint brush washing and storm water quality are well managed through existing internal procedures. These standards are maintained through updates and audits communicated to all locations and will be integrated within the BSAFE strategy in the next period.

We have reviewed the relevance of AS/NZS 14001 to our business and we will not be pursuing certification of an EMS. We will continue to manage our environmental performance as part of our overall OHS and sustainability framework, embedding the process in our daily operational procedures and routines.

QUALITY SYSTEM

Our OHSE programmes are subject to a number of internal and external quality assurance monitoring processes. A multi-layered system of self-assessments and ongoing

audit programmes ensures exceptions are remedied quickly. Minutes of safety committee meetings, injury registers and hazard inspection checklists are completed, reviewed and actioned by the relevant health and safety coordinators and complex, store or senior managers on a daily, weekly or monthly basis as appropriate.

An internal OHSE audit of all operational sites is conducted annually to target potential high risk areas. Audit results are scrutinised by the relevant senior manager and also the Senior Safety Leadership Team (SSLT) with actions and resources applied quickly to resolve issues and prevent recurrence. Management performance assessments and store bonus payments remain closely linked to a benchmark of 80 per cent compliance with these audits.

We aim to continuously improve our performance in this area by reviewing and updating the audit scope annually. With compliance levels well in excess of the 80 per cent benchmark last year, the scope of the audit programme was significantly upgraded to further lift performance. Both dangerous goods and safety aspects were integrated into a single audit scorecard with revised risk weighting applied to higher risk areas.

The new integrated audit criteria have influenced a drop in the overall compliance rating to 78 per cent (compared with the dangerous goods and OHS combined average of 94.5 per cent last year). Although we have achieved lower results in our audit rankings, the increased scope of the audits has delivered a more comprehensive assessment and increased opportunities to further drive safety and environmental improvements.

We have continued with our quarterly external audits on essential fire and life safety systems in stores and implemented independent racking integrity audits.

SAFETY MANAGEMENT SYSTEM (SMS)

Our BSAFE system was developed in 2003 and is continuing to drive safety culture across our business.

The OHS strategic plan defines 11 key areas, which are led and driven by a multifunctional senior management group that make up the Senior Safety Leadership Team (SSLT). This group meets each month to review progress of key areas against agreed targets, ensuring that appropriate actions are taken to address the issues.

To improve our ability to analyse OHSE incident trends and produce reports from aggregate injury data we are developing an internal risk management database. A revised incident reporting and accident investigation template has been developed to support the data capture which includes recording of near-miss incidents, injury type and activity involved as well as identifying root causes.

To ensure that each incident is fully investigated, all near-miss and non-LTI incidents are also reported to area managers and regional OHS coordinators and every LTI referred to each member of the SSLT.

With all senior management in Australia and New Zealand completing the safety leadership programme it has been extended to all store management teams, forming part of the standard training calendar. In the past year 338 managers completed this training.

The BSAFE manual, created as a central register for all safety standards and procedures at stores, continues to evolve with the addition of new safe working procedures and safety standards issued regularly. These modules assist team members in managing safety and each new module is discussed at monthly safety committee meetings for promotion to team members through toolbox sessions that are signed off and subject to audit.

The BSAFE system also covers the safety of our customers, suppliers and contractors who undertake work at our sites. All suppliers who work in stores must be BSAFE-accredited by having passed a safety induction programme and receiving a BSAFE badge that must be worn in stores.

OTHER MANAGEMENT SYSTEMS

Our BSAFE vision extends to providing a safe environment for our customers, including products that are safe to use.

We maintain a specific risk management system relating to customer incidents and product safety matters with all reported incidents centrally logged and investigated to ensure appropriate action is taken. We manage any issues that arise personally and directly with our customers in the first instance and where there is a need for further evaluation of any claim matters these are referred to our insurers.

As part of our trading terms our suppliers warrant that the product has been tested to any mandatory standards, is fit for purpose and provides instructions for safe use as appropriate, prior to going on range in one of our stores.

In relation to directly imported product we ensure that appropriate testing and evaluation has been undertaken by the overseas manufacturer and arrange independent testing to all mandatory Australian standards.

We investigate all reported issues of alleged product performance and work closely with our suppliers to address any opportunities for improvement that are identified. No significant product performance or safety issues were identified in this reporting period that would necessitate a public recall.

(Left) The high profile BSAFE (Bunnings Safety Awareness For Everyone) programme encourages positive safety behaviour.
 (Right) BSAFE-accredited electrical products supplier Corey Schumutter using a platform ladder to restock merchandise.





(Left) Timber doors labelled with the Forest Stewardship Council (FSC) certification (inset) which increases customer confidence in product sourcing. (Right) Heavy goods are clearly marked to warn team members and customers that two people are required to move these products.

POLICY

We continue to stand by our BSAFE commitment through its simple and powerful vision statement "Nobody Gets Hurt". Our aim is that no one is ever injured in our stores or elsewhere in our business operations. Our annual target is a reduction of at least 50 per cent in our LTIFR, with an ultimate aim of zero LTIs.

We are developing an overarching Sustainability Policy in place of the environmental policy referred to last year. This policy will be widely circulated throughout the business and posted on our website. The intent of the policy is to encapsulate the broad inter-linked sustainability goal of our operations being:

- socially acceptable;
- environmentally sound; and
- economically viable.

This policy will provide linkages to all our existing safety, community and environmental strategies, establishing a platform for our continued drive towards sustainable development in the future in these key areas:

- efficiency in use of energy, water and services;
- procuring products from suppliers who operate sustainably;
- assisting customers to make sustainable product choices;
- reducing unnecessary product packaging; and
- adhering to the "3R" principles of waste management (Reduce, Reuse, Recycle).

To better engage and communicate our sustainability objectives to our teams we have developed a colour magazine-style extract "2004 Social Responsibility Report Card". This report card was issued to all team members, highlighting our OHSE performance and inviting feedback on what we can do better. Editorials in our "Bunnings Banter" magazine have also been used as a tool to keep our team members informed of our sustainability goals.

Environmental



AIR (ATMOSPHERIC EMISSIONS)

Previous air quality assessments have been undertaken by external consultants at a cross section of our locations, including a large warehouse store, a smaller format store and a large distribution centre. These tests have indicated extremely low levels of volatile organic compounds, dust and particulates and carbon monoxide emissions that are substantially below NOHSC workplace exposure standards.

DUST

Wood dust is produced at most stores as a result of sawing for customers who request cut-to-length timber. Power saws are fitted with dust extractors and team members are required to wear supplied protective equipment during their operation.

Safe operating procedures to address the infrequent cutting of medium density fibreboard (MDF) products have been developed and are in place at all relevant sites as part of the BSAFE programme.

ODOUR

Odorous products such as manure, garden mixes and chemicals are sold in small consumer-sized sealed packages. Odour from these storage areas is managed through ventilation systems and close attention to housekeeping by removing or fixing broken or damaged packaging.

GREENHOUSE GAS EMISSIONS

Decreases in our greenhouse gas emissions reported below are largely as a result of improved measurement of recycling volumes, eco-efficiencies in the business to reduce electricity consumption and reduced landfill waste at our sites.

Our greenhouse gas emissions were estimated to be 158,135 tonnes of carbon dioxide equivalent, down 6.8 per cent on last year, and this equates to 3.8 tonnes of carbon dioxide equivalent per hundred thousand dollars of sales, down 16 per cent on last year.

The only other source of greenhouse gas emissions that we have not included is waste disposed off-site from our WA Salvage business in Western Australia.

The greenhouse gas emissions were largely due to electricity consumption at our stores, distribution centres and support centres (approximately 78 per cent) and waste disposed off-site (approximately 16 per cent).

Although we are unable to calculate the indirect emissions associated with the third party transport of stock into our stores and distribution centres, we recognise the need for efficiencies within our supply chain logistics. We have undertaken a detailed review of our supply chain and have implemented a Centralised Return Centre model to process all store-based returns for suppliers from a single location. We have also made improvements in our own imported stock supply chain and we are testing a model for the cross-docking of deliveries of applicable stock from suppliers into our stores. The commercial benefits derived from reduced transport costs suggest that a reduction in the amount of indirect emissions created by heavy vehicles involved in stock transfers should be an outcome of these programmes.

NOISE

Environmental impact studies are submitted to local authorities as required when a warehouse store development is undertaken. Previous assessments that have been undertaken do not rate noise issues as a significant environmental aspect.

Our complex managers work with neighbouring residents to adjust noise levels relating to traffic management and volume of our public address system whenever this becomes a local issue.

OTHER EMISSIONS

We are not aware of any emissions of ozone-depleting substances.

Waste

SOLID WASTE

Solid waste during the year consisted primarily of cardboard and plastic shrink wrap material that is collected on-site for recycling, as well as other plastics, steel and wood from damaged products and packaging and organic waste from food preparation and plant products.

Our total solid general waste stream during the year was estimated to be 283,923 cubic metres, up six per cent on last year. Of this amount, we estimated that 15 per cent was recycled and 85 per cent was disposed of as landfill, compared to six per cent recycled and 94 per cent landfill in the 2004 estimate.

Total solid waste disposed of to landfill per hundred thousand dollars of sales was estimated to be 5.9 cubic metres, down 10 per cent on last year.

The above figures do not include our WA Salvage business in Western Australia.

LIQUID WASTE

Liquid waste is produced from food preparation in cafes, drainage from bin storage areas, infrequent wash downs of small hire equipment and rinsing water-based paint brushes. Due to the small volumes and ad hoc nature of these activities we are not able to measure the total quantity of liquid waste we produced during the year.

Our waste disposal guidelines do not permit any liquid waste to be discharged to storm water.

Our store developments adhere to local requirements for:

- wash-down sumps or separation units for capture of hydrocarbon run-off;
- draining of bin wash-down areas; and
- café grease traps to filter contaminants before drainage to sewer.

Waste management contractors collected the captured hydrocarbons and grease.

Mechanical paint mixing machines are in place at all locations, minimising the use of manual stirrers and rinsing water.

A minimal amount of water-based paint rinsing water is still produced by cleaning paintbrushes and stirrers. An analysis of this liquid has proven it to be non-hazardous for reuse in garden beds with the suspended solids filtered out and disposed of in general waste.

Clean up and disposal of leaking packages of chemicals products is handled in accordance with our hazardous waste disposal procedures where it is contained for removal to an approved disposal facility.

RECYCLING INITIATIVES

In partnership with major recyclers Amcor and Visy Australia all major sites have cardboard recycling systems with approximately 50 per cent of sites also recycling plastic shrink wrap.

In conjunction with Visy Recycling we have undertaken a review of existing recycling arrangements in Queensland, made improvements to collection facilities at stores and conducted management awareness training. It is expected that improved volumes of cardboard and plastics will be recovered through the revised arrangements.

This review of recycling will be applied to other regions over the next year to ensure our efforts to recycle are optimised.

We continued our support of the Paintback™ paint recycling programme and after two successful trials in Victoria we are now involved in a Western Australian-based trial in conjunction with Dulux and the Department of Environment. This model is utilising the Mindarie Regional Council landfill facility as a free drop-off point for waste paint that will then be recovered and reprocessed by Dulux

(Below) Patrick Pele wraps a pallet in plastic shrink wrap for despatch at the Lyndhurst Distribution Centre in Victoria.





(Above) Forklift adaptors such as this are used by Justin Eadie at the Lyndhurst Distribution Centre, allow a stack of products to be safely lifted and transferred.

into a quality recycled fence finish product that we will sell through warehouse stores in the northern metropolitan area. Further development of a sustainable paint recycling model is being progressed by EcoRecycle Victoria and we are continuing to work with our programme partners in that state to extend the Paintback™ concept.

We have implemented recycling of our used information technology and computer equipment by donating it the Young Mens Christian Association schools project that provides work experience projects for students. Upon commencement of our Centralised Return Centre all used information technology assets will be back-loaded from stores to the facility in Melbourne. This will increase our capacity to recover old equipment nationwide where it can be consolidated for recycling.

Our warehouse store in Dural in New South Wales took part in a three month "Ewaste" trial with the Hornsby Shire Council that involved the store acting as a drop-off facility for an "Ewaste" bin. Our store encouraged customers to bring their old computer equipment back to the store to be recycled.

We have also implemented a recycling programme for our company mobile phones with all units now being returned to a recycler that supports charity organisations.

We remain a signatory to the National Packaging Covenant and continue to progress our action plan strategies.

Land

FLORA AND FAUNA

In Queensland we have engaged in red imported fire ant (RIFA) compliance programmes to support the Queensland Department of Primary Industries' efforts to control this pest. In Victoria, RIFA agreements are also in place with the Department of Natural Resources and Environment to ensure all Queensland plant material is clear of infestation before reaching our stores.

We manage our ranging of plant species in conjunction with our suppliers to ensure that noxious or declared weeds are not introduced into stores that are in prohibited zones.

Resource usage

ENERGY

Energy use during the year related primarily to electricity consumption at our stores and vehicle fuel use.

Total energy consumption was estimated to be 570,224 gigajoules, up 9 per cent on last year.

Our total energy consumption per hundred thousand dollars of sales was estimated to be 13.9 gigajoules, up one per cent on last year. Energy sources are detailed below.

Fuel

Petrol, diesel and LPG accounted for 23 per cent of our total energy consumption by gigajoule. Our petrol, diesel and LPG consumption was estimated to be 1,011 kilolitres, 612 kilolitres and 2,774 kilolitres, respectively.

Electricity

Electricity accounted for 73 per cent of our total energy consumption by gigajoule. Our electricity consumption was estimated to be 116,350,625 kilowatt hours.

Natural Gas

Natural gas accounted for four per cent of our total energy consumption by gigajoule. Our natural gas consumption was estimated to be 21,823 gigajoules.

WATER CONSUMPTION

Water use during the year related primarily to nursery irrigation systems and kitchen/washroom facilities. The decreases reported are largely as a result of improved consumption measurement with some minor influence from our "Waterwise" programme that commenced in early 2005 as detailed in the case study on page 21.

Total water consumption was estimated to be 688 megalitres, down 19 per cent on last year.

Our total water consumption per hundred thousand dollars of sales was estimated to be 17 kilolitres, down 25 per cent on last year.

This is the first year we have been able to consolidate our water usage accounts across the entire store network resulting in more accurate consumption data than previous years.

Our water source is primarily scheme water. We are unable to measure the quantity of ground water used by a small number of sites to reticulate landscape garden areas or the volume of water recycled onto landscape gardens.

Scheme water irrigation systems for the plant nursery areas are controlled through an automated pre-set timer system. Where specific restrictions apply to nurseries, we have implemented additional procedures to ensure we minimise water use and comply with regulations.

REUSE AND RECYCLING

Five sites (Mile End in South Australia, Cannington and Morley in Western Australia, Minchinbury in New South Wales and Mackay in Queensland) reuse storm water run-off from the nursery to water landscape gardens or recycle back through the irrigation system. Opportunities to expand water reuse are being explored.

Figure: 1

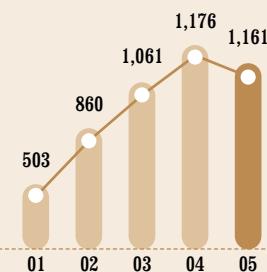
LOST TIME INJURY FREQUENCY RATE*

1 July 00 – 30 June 05 (as at 30 September 05)
*Contractor hours and LTIs not included



Figure: 2

NUMBER OF WORKERS COMPENSATION CLAIMS



DISCHARGES TO SURFACE AND GROUNDWATER

We conform to all local council requirements for car park, nursery and storm water drainage.

We have procedures in place at stores to minimise the risk of accidental release of nutrient run-off or leaking chemicals into the storm water system. Reminders on correct storage of bulk fertilisers and soils are sent to stores to maintain focus on this area.

safety and health



LOST TIME

Our Lost Time Injury Frequency Rate (LTIFR) was 11.8 (compared with 14.6 last year) see Figure 1, and during the year, there were 309 LTIs. Due to a transcription error the LTI number for 2004 has been corrected from 347 to 365. Our Average Time Lost Rate (ATLR), which provides a measure of the severity of such injuries, was previously reported in 2004 as 75.7 days lost per million hours worked. This year our method of reporting ATLR is based on the average number of actual days lost due to an LTI which was 4.97 (compared with 4.38 last year).

Our continued focus on this area is delivering a reduction in LTIs, with the greatest improvement being a 43 per cent reduction in Victoria. We believe that an overall LTIFR reduction of 22 per cent was attributable to the continued implementation of our BSAFE strategy. This strategy is expected to deliver a sustainable improvement in all injuries statistics as its implementation continues. These statistics do not include contractor hours and injuries. As noted elsewhere in this report, all suppliers who undertake work in stores must be BSAFE-accredited by having passed a safety induction programme. As we have very few full-time contractors we do not believe that contractor hours and injuries would materially affect our LTIFR.

All lost time injuries are reported to senior management within 24 hours. Safety statistics are distributed and discussed by management and location safety committees each month and, in addition, each month our Managing Director chairs a Senior Safety Leadership Team meeting where LTIs are reviewed. These statistics are reported at all Board meetings.

WORKERS COMPENSATION

There were 1,161 workers compensation claims reported, relating to occurrences during the year, compared with 1,176 last year (see Figure 2).

Hazard and risk

PROGRAMMES

The BSAFE safety leadership training programme has now been completed by all management teams at store level and has become part of the standard training calendar. With a strong emphasis on safety behaviour and leadership commitment to safety, this two-day course is establishing the stronger safety culture we have been pursuing.

We have continued to review and update safe work procedures in consultation with our team members and have developed nine new procedures for potential hazards including working at heights, electrical safety, tagging and isolation, safe cutting of MDF, chemical spillages and emergency preparedness.

The product weight and handling icon-marking system for bagged or boxed product weighing 20 kilograms or heavier now has a high profile on our packaged goods. This system aims to reduce workplace injuries by raising awareness of safe handling and storage of these heavy products in conjunction with warning stickers reminding of the need for two-person lifts with certain bulky goods.

Traffic management plans have been completed in all sites through the installation of speed humps, pedestrian walkways and exclusion zones.

EMERGENCY RESPONSE

Contingency plans are in place to address major accidents or security breaches.

Emergency response guidelines for a range of chemical spillages are in place and are accessible at every location.

We endeavour to have an adequate number of our team members trained in first aid to ensure that someone is available to assist at any time in each of our stores. We conduct audits to test whether adequate first aiders are available and more team members are trained where required.

We use the services of trauma counselling professionals to support any team member or customer involved in a serious incident at one of our stores.

We completed a revision of store emergency management plans including the conduct of annual fire drill exercises. This has now been implemented at all stores as part of the BSAFE Manual. These standard procedures are designed to provide structure and ongoing training to improve our capacity to manage a serious event that may have an impact on our business, our team members and the community.

Emergency warden training courses facilitated by external training providers were attended by 394 team members.

MATERIALS HANDLING AND STORAGE

Materials handling involves the unloading of deliveries and the moving and stacking of palletised merchandise onto shelves or high-rise storage areas at our stores and distribution centres.

A variety of material handling devices are provided to ensure this takes place safely and efficiently, including specially designed trolleys for customers to move heavy bagged product, long lengths of timber or plants safely around our stores. The step-through design of our check-out counters and cordless hand-held scanners at all points of sale allow cashiers to scan heavy items in the trolley and avoid manual handling.

The rollout of electric pallet jacks has been accomplished for all warehouse sites which greatly reduces the amount of exertion required to shift pallets on the floor compared to manual pallet jacks.

A comprehensive traffic management plan incorporating designated unloading bays, forklift curfew and exclusion zones, signage and pedestrian line marking has been designed for each of our stores to safely manage the movement of trucks, forklifts and pedestrians in our yards and drive-through areas. Implementation of these traffic management plans is now completed. A new flexible bollard walkway system is currently being piloted at three sites to further improve the safety for pedestrians and vehicle movements in our drive-through areas.

In support of safe forklift driving behaviours we are currently installing speed-monitoring alarms on forklifts. This system alerts the operators when they are approaching the speed limit and activates an audible alarm if the limit is exceeded.

"The step-through design of our check-out counters and cordless hand-held scanners at all points of sale allow cashiers to scan heavy items in the trolley and avoid manual handling."

Our Lyndhurst distribution centre in Victoria has been recognised as having best practice safety systems to manage the high volumes of semi-trailers docking and unloading goods. A "dock lock system" using hydraulic trailer anchors and signal lights holds trailers firm to prevent any movement during unloading and the automatic dock-levelling ramp adjusts to ensure the safest access into the trailer for forklifts. Portable extraction fans are also used to blow fresh air into the cargo containers during unloading.

To achieve safety and efficiency in dispatching goods to stores the distribution centre uses a slip-sheet device attached to the forklift. This allows a stack of product to be safely lifted from one pallet and transferred without the need for lifting and carrying. All pallets are shrink-wrapped before dispatch using an automatic machine that rotates the pallet whilst applying a tight film of wrap, binding the product firmly to the base of the pallet.

RISK ASSESSMENT

A risk assessment was undertaken of our high-rise racking and storage standards to ensure that the highest possible degree of safety applies in this area at all times. Outcomes implemented from this review include introduction of independent engineering assessments of racking every six months, upgrading of training in the use and maintenance of racking systems for our teams and maintenance and safety inspection record systems.

External and internal risk assessments are used to assist in determining appropriate action to address potential hazards. Assessments may be undertaken when a new potential hazard is identified in the business, such as a new product on range, or as part of an accident investigation or recognised change in an existing potential hazard.

These assessments are a valuable tool in assisting us to target efforts on higher-risk areas and implement commercially sound, practical solutions that are relevant to the level of risk.

(Left) Upgraded signage, road marking and speed humps, like these at the Nunawading store in Victoria have been introduced to improve safety.
 (Right) Ross Patterson using an electric pallet jack, designed to reduce manual handling exertion, at Botany in New Zealand.





(Above) Team members from the Bunnings Warehouse at Mt Maunganui in New Zealand helping to rebuild the interior of an elderly resident's home damaged by floods in the Tauranga Region.

Other documented assessments conducted in the last year include asbestos management, acid storage and handling, and LPG decanting.

Of the nine Australian sites mentioned last year believed to have contained asbestos, eight external risk assessments were completed with one further site due for completion in August 2005. Of the eight New Zealand sites mentioned, one has been closed and inspections have been carried out at the remaining seven. A model for improved site-specific management plans is being developed to improve maintenance and emergency procedures at all locations that contain asbestos.

EMPLOYEE WELLBEING

The wellbeing and personal fitness of our team members is integral to their health and safety in the workplace and their ability to perform at their best.

We continued our commitment to our team's personal wellbeing through the following programmes:

- smoke-free workplace policy with "Quit" smoking workshops for team members;
- annual influenza injections offered to every team member;
- subsidised yoga and circuit training programmes for our support centre teams in Perth and Melbourne; and
- nutrition, relaxation massage and self defence classes held at our store support centre in Queensland.

Bicycles are also provided at our Melbourne support centre for our teams to use during their breaks.

Our commitment to providing a positive work environment by ensuring that it is free from all forms of inappropriate discrimination or behaviour has been supported with the implementation of an anonymous reporting hotline.

Designed to encourage reporting of any illegal, unethical or unsafe behaviour the programme known as "Bhonest" is managed independently by external consultants.

With the size of our store network it is a challenge for us to ensure we closely engage with all those who take an interest in our business. We do this through stores getting involved in the local community through our store-based community involvement programme and engaging at a regional and national level with major stakeholders.

FEEDBACK/COMPLAINTS

We provide a feedback tool at every location through "How Did We Do?" cards, promoted at the front of the store.

A recording and reporting system ensures that every comment is forwarded to our executive team for reply if requested.

We have further enhanced this feedback system through the upgrade of our website providing customers the ability to give feedback on-line or contact us directly. We received a total of 14,745 customer responses with comments being 70 per cent positive and 30 per cent negative.

Through our subscription to an independent customer complaint website we are also able to receive alerts when any comments are posted that relate to our business.

We continue to receive letters of thanks and appreciation from customers, communities, government agencies and non-government organisations. We also receive letters requesting assistance or a response to various community or environmental issues. We respond to all of these in a direct and timely way to encourage open lines of communication.

Any customer complaints made on our website or in-store are personally followed up by the complex or store manager or a senior manager as required. We received 110 written complaints from customers relating to alleged product performance or damage to property. We personally engage our customers in an attempt to resolve any dissatisfaction and, where this is not possible, claims are lodged with our insurers. During the year, 21 such claims were lodged.

LIAISON WITH AUTHORITIES

We remain proactive in engaging and establishing open working relationships with authorities that regulate our business and the non-government organisations that take an interest in our operations.

Good working relationships have continued during the year with environmental protection and waste management agencies. We have worked closely with the DoE in support of the Paintback™ programme.

To share our sustainability vision we have taken part in presentations at the City of Sydney "Plastic Bag Free" round

Community



STAKEHOLDERS

Our stakeholders include our team members, our customers, our suppliers and other contractors, relevant government agencies, the local communities in which we operate, and shareholders in our parent company, Wesfarmers Limited.

Our philosophy is to proactively establish open dialogue with our stakeholder group and encourage feedback and comment as to our performance.

table in NSW, the WA Waste Management Conference, a Curtin University Cleaner Production seminar, an Australian Conservation Foundation discussion group on extended producer responsibility and the official launch of the Western Australian Paintback™ programme. We have found this to be a very positive experience, encouraging ongoing meaningful dialogue with a large cross section of our stakeholders. To support the Commonwealth Department of Heritage and the Environment's stance on reducing single-use plastic shopping bags we have continued to heavily promote alternatives to plastic at all stores. Since the programme commenced in September 2003 we have reduced the number of bags used by our customers by more than 20 million and sold over one million reusable bags.

The funds raised by our 10 cent plastic bag levy have contributed more than \$147,000 to the Keep Australia Beautiful Council directly supporting growth of their industry award-winning "Clean Site" programme into a national scheme. This programme is aimed at the DIY (Do-It-Yourself) builder and building trades to encourage good water, waste and litter management at building sites.

ACTION GROUPS

We continued an open dialogue with interested parties in the ongoing implementation of our Timber and Wood Products Purchasing policy, including the Greenpeace organisation regarding forest practices in the Asia-Pacific region.

To support the development of the Greenpeace Good Wood Guide 2005, we took part in a survey and provided to the best of our ability an extensive list of products for inclusion in the guide that are either Forest Stewardship Council-certified, verified plantation products or made from recycled timber.

Communication

NEWSLETTERS AND REPORTS

A wide variety of internal communication tools were used to ensure that safety and the environment remained front-of-mind workplace issues.

We produce a weekly human resources bulletin that is used to circulate safety, hazard and environmental information to all locations.

We have continued to develop the new format of our in-house magazine, "Bunnings Banter", to showcase each store's activity in relation to community and environmental programmes. Personal messages from our Managing Director and General Managers promoting safety and community support feature regularly in this magazine.

To better engage and communicate our sustainability objectives to our teams we have developed a specific colour magazine-style extract titled "2004 Social Responsibility Report Card". This report card was made available to all team members, highlighting our OHSE performance and inviting feedback. This report card will be an ongoing format for keeping our team up to date with our sustainability objectives.

WEBSITE

Our website (www.bunnings.com.au) has undergone significant enhancements. Relaunched in October 2004 the website now provides us with an effective tool to engage our customers on improving safety and security and reducing environmental impact through sustainable living and product choices.

As a home page feature we have developed detailed information on saving energy and reducing water use around the home and links to specific project pages providing information on:

"We demonstrate our strong commitment to the communities in which we operate through a Community Involvement Strategy focusing on local, regional and national organisations."

- household heating, cooling and lighting;
 - reducing water use in the kitchen, laundry and bathroom;
 - home security; and
 - child safety in the home.
- All of these information pages provide links to energy and water efficient products, safety and security devices that are available in our stores.

An enhanced community page link on our website also contains information about our community support programmes, major charity sponsorships and environmental initiatives.

Since the relaunch of the website almost 1.9 million hits have been recorded including over 43,000 hits on our "In The Community" section.

COMMUNITY SUPPORT

We demonstrate our strong commitment to the communities in which we operate through a Community Involvement Strategy focusing on local, regional and national organisations.

During the year, we helped raise funds and contributed more than \$2.6 million to various charities and community groups throughout Australia.

(Below) Felicia Booth accepts a customer's donation during the national sausage sizzle which raised over \$236,000 for victims of the tsunami disaster.





(Above) Face painting is one of several free family activities provided in stores on community fun days.

At a local level we support many community groups active in health, youth development, the environment, education and community welfare. One way we do this is through our Community Fun Day programme where various community groups, youth groups and service organisations are invited to hold information displays and conduct activities at one of our warehouse stores.

The organisations are able to undertake their own fundraising with our stores providing a variety of free family activities such as face painting, jumpy castles, clowns and petting zoos. At the completion of the day donation cheques for \$1,000 are drawn and presented to five lucky organisations represented.

National programmes of which we are major sponsors include the "Bluey Day" (fundraiser for childhood cancer research), the Salvation Army Red Shield Appeal and Anglicare Angels.

At a state level we also support various children's hospital appeals. We also conduct fundraising appeals where we source, purchase and sell selected merchandise in our stores, donating all the proceeds to charity. Such appeals were held for the Alfred Hospital in Victoria and The Shepherd Centre for deaf and hearing-impaired children in New South Wales.

For the second year running we joined our suppliers Dulux in a Bushfire Fundraising programme donating five dollars from every can of Dulux 101 and Weathershield paint raising over \$200,000 to support training of volunteer fire fighters.

On 16 January 2005 we held a national sausage sizzle fund raising event for CARE Australia's Southern Asia Appeal. On this day 174 of our stores across Australia joined forces to host Australia's biggest sausage sizzle with \$236,616 raised to help survivors of the devastating tsunami in South East Asia rebuild their lives. Team members donated their time to run the sausage sizzle and we also donated sausages, bread and buns.

At our warehouse stores there is a strong local community focus with team members personally supporting their local community in many ways, including:

- providing expert advice or hands-on support to assist community groups with DIY projects;
- allowing local community groups to operate weekend fundraising sausage sizzles;
- acting as collection points and fundraising for various charities and community groups;
- personally taking part in charitable events and blood drives for the Red Cross; and
- sponsoring local children's sporting teams.

Our team members have donated their own time and skills to actively take part in supporting many community projects such as:

- Clean Up Australia day;
- conducting workshops for special needs children and seniors groups;
- painting rooms at children's hospitals and community buildings;
- building flower beds and vegetable gardens at primary schools;
- doing makeovers of community facilities; and
- performing backyard or room makeovers for needy members of the community.

Our team members at Mount Maunganui in New Zealand demonstrated their community commitment by assisting the relief effort for the recent flooding in the Tauranga region. With materials donated by the store, team members volunteered their time to completely rebuild the interior of an elderly resident's home that had been severely flood damaged.

At each of our warehouse stores free DIY clinics are offered to adults and children. In addition, specially coordinated "Ladies Nights" are conducted to introduce women to a range of DIY projects.

Children's workshops are also conducted at schools, community centres and major community event.

Each of our warehouse stores has a dedicated activity organiser with the role of managing store activities and local community involvement together with a budget and management reporting process.



Case Study

We are a high user of scheme water with a 2005 estimated total annual consumption of 688 megalitres in Australia and New Zealand. In December 2004 we commenced a "Waterwise" programme to reassess how we currently manage water and better understand the business issues.

The key strategies of the programme are:

- data collection and usage comparisons to identify gross leakage or wastage;
- investigating storm water recovery options;
- installation of water saving devices for existing appliances and reticulation systems; and
- promoting "Waterwise" concepts to our customers through in-store displays and team member awareness.

In February 2005 we engaged a consultant to undertake water audits at 11 sites across Australia and to advise on reduction strategies.

We are in the early stages of this programme, but significant improvements have been implemented.

In May 2005 a new design water-efficient reticulation system was installed at our Balcatta warehouse in Western Australia. The performance of this system and data gathered

(Above) The new water-efficient sprinkler reticulation system at the Balcatta warehouse nursery in Western Australia.

during the national water use assessment will be evaluated for application to new stores and upgrades.

In June 2005 we completed a national rollout of a waterless urinal system and dual flush conversion units to reduce water use and discharge into sewerage systems.

The annual water saved through 164 waterless urinals is estimated to be 52 megalitres, equal to about 431 domestic-sized swimming pools. The replacement of 115 single flush toilets should reduce toilet water use by 40 per cent.

We have also worked with the Western Australian Water Corporation in their water achiever programme.

Other ongoing activities include:

- evaluating water storage tank options for future development sites to reclaim and reuse storm water;
- designing a merchandising model to establish working rain tank displays in stores to promote rainwater reclamation;
- actively promoting "Waterwise" devices and plants in our store displays and catalogues;
- introducing water conservation themes in our free DIY clinics and on our website; and
- extending water audits to more warehouse stores.

Priorities for the future

- ◎ Improve safety performance by at least halving our LTIFR each year and substantially reducing non-LTIs.
- ◎ Continue to drive greater efficiencies in our use of energy, water and services and recycling and recovery of waste.
- ◎ Continue to drive the BSAFE programme and safety culture at team member level on the shop floor to strengthen safe acts and behaviours.
- ◎ Work with our suppliers to develop sustainability of supply chains and sustainable product choices for our customers.
- ◎ Provide our customers with access to information about environmentally friendly products and projects that can support sustainable living.
- ◎ Maintain our contributions to improve the social wellbeing of the communities in which we operate.

22.

Curragh



We operate the Curragh open cut mine near Blackwater, 200 kilometres west of Rockhampton in Queensland's Bowen Basin which produces high quality coking coal exported to steel makers and steaming coal supplied for domestic power generation.

Sales of seven million tonnes were above the previous year. Production from the Curragh North mine began in March 2005. We employ about 300 people.

www.curraghcoal.com.au

(Above) Occupational Therapist Janet Cawte explains correct seating posture to Dragline Operator John Graham.

04

Report priorities

- Implementation of an Environmental Management System.

- All hydrocarbon storage facilities brought up to current requirements.

- Fully integrate the environmental management of Curragh North into our systems.

- Achieve zero LTIs.

- Introduce a new safety culture programme.

- Continue to promote health and safety awareness to our employees and the community.

- Help establish a multi-disciplinary community health centre in Blackwater.

- Develop our own confined space training programme.

05

Outcomes

→ **Partially achieved.** Some aspects of the Environmental Management System have been implemented but further development of the entire system is required. Implementation will continue next year.

→ **Not achieved.** Capital expenditure of more than \$4 million has been budgeted to upgrade 12 facilities to the relevant standard. Upgrade projects will commence next year.

→ **Not achieved.** Some systems have been applied to both sites such as Permit to Disturb procedures. Additional system development is required prior to full implementation.

→ **Not achieved.** Four Lost Time Injuries with a Lost Time Injury Frequency Rate of 2.9.

→ **Achieved.** Our management team has completed Phase 1 and Phase 2 of the "ZIP" safety culture programme. Our employees and permanent contractors will attend training over the next 12 months.

→ **Achieved.** Monthly "Healthwise" magazine sent to employees' homes. Senior First Aid course conducted for employees and their families.

→ **Not achieved.** The first part of this project was to support a physiotherapy practice in the town for employees and their families. The physiotherapist commenced in August 2004. Money has also been allocated for the community health centre, however construction cannot commence until a government grant is approved.

→ **Not achieved.** This has not been started due to other priorities.

Overview

The main challenge facing our business on an ongoing basis is the safe operation of our mines in a sustainable way that minimises any adverse impact on the environment or the local Blackwater community.

In dealing with this challenge, the three main environmental areas on which we focused our attention during the year were the management and integration of activities at our new Curragh North mine with those at our existing Curragh mine, developing and implementing an Environmental Management System (EMS) and progressing upgrades of hydrocarbon facilities.

A number of minor environmental incidents and an external audit have indicated challenges in the application of our existing systems to our Curragh North activities. An action plan was developed which nominates required tasks, responsibilities and timelines to improve and standardise environmental management across new and old operations.

An external audit identified the need to maintain continuous improvement of our developing EMS. A review of policies and procedures has been partially completed and significant resources are being directed to accelerate progress of this work next year.

On-site hydrocarbon facilities were previously identified as not being compliant with relevant standards and our environmental authority. An action strategy was developed and implemented to upgrade these facilities. Work has commenced on assessment of our existing two megalitre diesel storage tank however we have not commenced construction of the new facilities planned on-site.

More than \$4 million of capital expenditure has been budgeted with work to commence on some projects in the second half of 2005.

The two main safety areas on which we focused our attention during the year were applying our existing safety procedures to activities at the Curragh North mine and crisis management.

We have developed a strong partnership with our contractors to ensure that their inductions work hand-in-hand with existing site procedures. A new ambulance has arrived onsite to provide emergency response for personnel working at the Curragh North mine.

On 15 June 2005, a full mock exercise ("Exercise Black Drop") was conducted to test all aspects of our crisis management and emergency response procedures. The exercise was the culmination of a series of training and preparatory activities and was central to our commitment to the highest standards of safety and emergency/crisis preparedness. The exercise required the establishment of the Crisis Management Team (CMT), the deployment of the Emergency Response Team (ERT), and interaction with a variety of key stakeholders, such as media, government agencies, emergency services, community groups, counselling services, family members, media advisors and legal advisors. The exercise allowed new members of these teams to be introduced to a crisis scenario and to practise crisis management, communication and decision-making skills.

Training

ENVIRONMENTAL

Following completion of our new environmental induction video in the previous reporting period, efforts were directed towards ongoing training of our existing workforce. Delivery of this training was primarily through toolbox presentations with specific topics covered. Topics presented included water management, disturbance to land, the Ornamental Snake and Squatter Pigeon (both endangered and native to our operational area) and weed management. We consider training to be an important part of raising workforce awareness of on-site environmental issues as well as an opportunity to interact with the workforce.

HEALTH AND SAFETY

A Five Year Refresher Training programme continued during the year. Topics covered included our Safety Management System (SMS), positive and effective isolation, fire safety and use of extinguishers, mine traffic rules, basic first aid/resuscitation, heat stress, manual handling, working at heights and Fitness for Duty (drugs, alcohol and fatigue). The programme was attended by 20 employees.

Personnel who are required to work in confined spaces must have a current qualification. Confined space training courses and re-certification courses are conducted during the year as required. Re-certification is required every 18 months. Sixty employees attended the re-certification courses and 24 employees completed the full course.

Courses covering risk management, accident investigation and communications were conducted for employees requiring supervisory skills and 25 attended this training.

A two-day Senior First Aid course, conducted by St John Ambulance, was attended by seven employees and 12 family members.

Training courses for our new Permit to Work Officers were held in June 2005 with 49 attending. The training course, conducted by an external provider, was designed specifically for us and focused on working in confined spaces, concealed services, project isolation, access to high voltage conductors and welding and cutting in hazardous locations.

EMERGENCY

As described in the Overview, Exercise Black Drop was conducted to test all aspects of our crisis management and emergency response procedures. This exercise was designed to build on exercises conducted in previous years and to complement training held in May for members of the Crisis Management Team (CMT) and their alternates. This training included crisis definition, the characteristics and principles of crisis management, our Crisis Management Plan and crisis management techniques. A 'war game' was also held to give participants hands-on techniques to manage a crisis on-site. The CMT also participated in both theoretical and practical media training.

A seven-member team competed in the Townsville Mine Rescue Challenge in August 2004.

Compliance

ENVIRONMENTAL

We are not aware of any potential non-compliance during the year with environmental legislation or other environmental requirements, except as set out below.

- Contaminated water and solids were transported less than 15 metres off-site due to a failure in one of our tailings lines. The incident was reported to the Environmental Protection Agency (EPA) and the area affected was cleaned up as soon as practicable given the nature of the material.
- Ponded stormwater was released along the Curragh North Central Access Road without prior quality assessment following a rainfall event. Minor volumes of sediment were transported off-site, but no significant environmental impact was experienced.

(Left) Kelvin Page controlling water movement between retention dams.
 (Right) Senior Engineer Projects Mac Adlam monitoring noise and vibration generated from mine blasts.



"All our substance emissions for last year were ranked by the NPI as 'low'."

Other minor non-compliances were identified associated with noise, vibration and dust impacts on the areas surrounding our operations.

Noise and vibration issues were identified following an external environmental audit which showed we had exceeded allowable limits under our Environmental Authority. This is covered in more detail under "Noise" later in this report.

High dust fallout levels were also noted in our monitoring network to be above allowable levels. Further detail is provided under "Dust".

NATIONAL POLLUTANT INVENTORY (NPI)

Emissions notifiable under the NPI were estimated for particulate matter, oxides of nitrogen, polycyclic aromatic hydrocarbons, fluoride compounds and cadmium and compounds. Data for the 2003/2004 reporting period was submitted to the EPA in August 2004. Detailed information is available at: www.npi.gov.au by searching for the "Curragh Mine" facility. All our substance emissions for last year were ranked by the NPI as "low".

HEALTH AND SAFETY

We are not aware of any potential non-compliance during the year with health and safety legislation or other health and safety requirements, except as set out below.

Although the statutory requirement is for tests at least every five years, our employees and permanent contractors are required to have a Coal Board Medical (CBM) at least every three years.

Each new employee or permanent contractor who does not have a current CBM is required to undertake the assessment. An annual health review is also a requirement for our employees and permanent contractors.

Non-permanent contractors are required to have a health assessment as part of the induction process.

We measure compliance with our alcohol policy through testing of all personnel entering the mine site on a particular shift. This shift is randomly nominated by the Executive General Manager. Personnel attending site induction are also breath-tested. A total of 46,569 tests were conducted with 132 positive tests.

(Below) Philip Kirk, Thiess Training Coordinator, conducts inductions for contractors working at Curragh North.



Everyone attending site induction and all those completing CBMs are drug-tested. Random drug testing is carried out via a computer-generated list. Ten tests per nominated shift are conducted with the shifts being selected by the Executive General Manager.

The total number of tests carried out during the year at site inductions was 2,040, with 45 positive tests recorded. A total of 252 random drug tests were conducted and 11 were positive.

Those people returning positive results to either alcohol or drugs screening were subject to disciplinary procedures which range from counselling to, ultimately, dismissal as provided by our Safety Management System. Special projects, such as shutdowns, may have additional alcohol and drug screening.

LICENSING AND APPROVALS

We are not aware of any potential non-compliance during the year with licensing or approval conditions or other requirements, except as set out above under "Environmental" or "Health and Safety".

Management systems

ENVIRONMENTAL MANAGEMENT SYSTEM (EMS)

Our EMS continues to be further developed to integrate our new operations as well as provide a more workable and user-friendly system for all our operations.

SAFETY MANAGEMENT SYSTEM (SMS)

The SMS and Standard Operating Procedures (SOPs) are "living" documents – that is, changes are made as issues are identified by audit procedures and employee consultation and risk assessment processes.

OTHER MANAGEMENT SYSTEMS

The SiteSafe database allows immediate recording of incident and injury data. The database is accessed through our intranet where standard forms are completed on-line by the person recording the incident or, in the case of an injury, by the site paramedic. Relevant information for each incident and accident is recorded and immediately stored in the database.

Statistical information can be retrieved from the database to indicate trends and problem areas.

Our WorkCover-accredited injury and illness rehabilitation policy and rehabilitation programme are communicated to new employees at induction. Our rehabilitation programme is provided to employees who have either work or non-work related injuries or illnesses.

POLICY

Our Environmental Policy has undergone its annual review and is displayed in prominent places throughout our operations. Our Health and Safety Policy was reviewed and circulated to personnel including contractors at induction and is displayed in prominent places throughout the workplace.

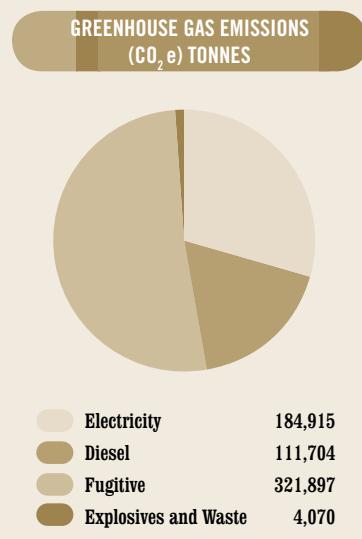
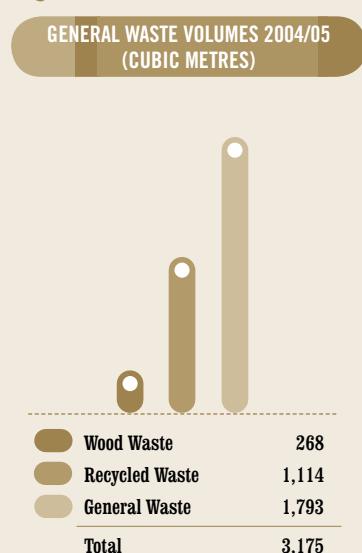
Environmental



Air (atmospheric emissions)

DUST

We monitor dust to gain an understanding of potential impacts we may have on the environment in which we operate. We monitor by fallout and high volume methods. Thirty-two of 204 dust fallout samples collected indicated dust concentrations greater than allowable levels. On further investigation, we identified that of 32 exceedences, 20 were attributable to excess dust and 12 were influenced by other factors. In the last year we received about 62 per cent of our average annual rainfall, slightly higher than the

Figure: 1*Figure: 2*

previous year. Low annual rainfall in recent times may have accounted for off-site sources contributing to some of the high dust levels recorded.

No exceedences were identified from monitoring using our high volume samplers.

GREENHOUSE GAS EMISSIONS

We have previously been a participant in the Greenhouse Challenge Programme and we are currently in the process of recommitting through a new Cooperative Agreement with the Australian Greenhouse Office.

Our greenhouse gas emissions were estimated to be 623,089 tonnes of carbon dioxide equivalent, up 15 per cent on last year, and this equates to 4.94 kilograms of carbon dioxide equivalent per BCMeq, down 3.5 per cent on last year. This figure included 7,644 tonnes of methane (CH₄) emissions.

The only other source of greenhouse gas emissions that we are aware of is related to waste disposed off-site and fuel used by our small passenger fleet and as we did not measure the relevant quantities we were unable to estimate associated greenhouse gas emissions.

The greenhouse gas emissions were largely due to fugitive emissions (52 per cent) electricity (30 per cent), diesel fuel (18 per cent) and explosives and waste disposal (less than one per cent) (*see Figure 1*).

NOISE

We complied with limits specified for noise, but we may have exceeded our maximum overpressure levels. We have historically measured noise and vibration impacts from blasting located in mining areas that are more likely to have an impact on nearby sensitive receptors.

As a result, the limits may not have actually been exceeded and we believe that additional and constant monitoring would assist in confirming our actual noise and overpressure impacts from a whole-of-site perspective. We have commenced a review of our blasting procedures and a capital approval process to improve our monitoring in this area and expect to see a marked improvement in data collection in the next reporting period.

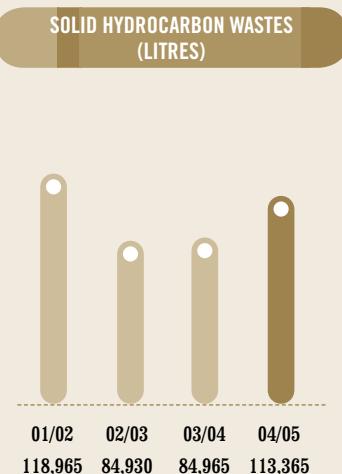
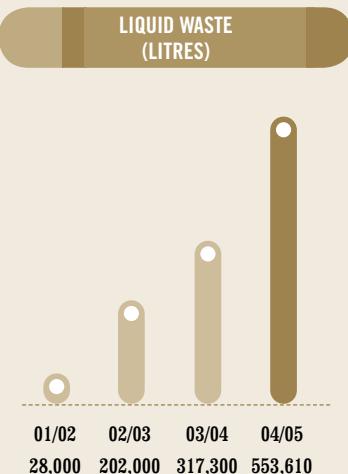
OTHER EMISSIONS

We had no emissions of ozone-depleting substances during the year.

We have not yet prepared our report to the NPI for the 2004/2005 reporting period or finalised our data estimates, however in 2003/2004 our three most significant emissions were particulate matter (2,800,000 kilograms to air), oxides of nitrogen (1,200,000 kilograms to air) and carbon monoxide (600,000 kilograms to air). Further information is available at: www.npi.gov.au. All our substance emissions for last year were ranked as "low" by the NPI.

(Below) Environmental Engineer Sara Cooke inspecting organic matter being trialled as a dust suppressant on the old tailings dam.



Figure: 3*Figure: 4*

Waste

SOLID WASTE

Solid waste during the year consisted primarily of general waste including packaging, plastics and other solid materials.

Our total solid general waste stream during the year was estimated to be 3,175 cubic metres, up 38 per cent on last year. Of this amount, we estimated that 1,793 cubic metres was general waste disposed of to landfill, 1,114 cubic metres was recycled and 268 cubic metres was timber waste disposed of to landfill (*see Figure 2*). Our on-site landfill is registered with the EPA.

Solid hydrocarbon wastes such as heavy grease, oily rags and hydrocarbon-contaminated soil with a total volume of approximately 113,365 litres was also disposed of in accordance with the EPA's requirements (*see Figure 3*).

Total solid waste disposed of to landfill per million BCMeq was estimated to be 16.35 tonnes, up 54 per cent on last year.

LIQUID WASTE

Liquid waste consisted primarily of waste oil and oily water. Our total liquid general waste during the year was estimated to be 553,610 litres, up 74 per cent on last year. Of this amount, 40.7 per cent is recycled and 59.3 per cent is disposed of to a licensed disposal facility (*see Figure 4*). The volume not recycled is significant and is due to the poor performance of our oil/water separation system in our lube bay. Research of both short-term and long-term solutions to mitigate this performance commenced when we became aware of the problem. If waste oil has greater than 15 per cent water content, it is unsuitable for recycling. A new oil/water separation system, the first of the short-term remedial solutions, will be operational shortly. Other short-term solutions have included segregation of waste oils before entering our current system, increased workforce awareness to reduce impacts of solid waste on our system and improving work practices associated with system maintenance. Design work has commenced on engineering improvements that are expected to provide a solution for the rest of the mine's operational life.

Total unrecycled liquid waste generation per million BCMeq was estimated to be 2,604 litres. Last year all waste oil was reported as recycled. This figure above will be used to determine the performance of our waste oil management system over the reporting period.

RECYCLING INITIATIVES

Other recycling initiatives include improved monthly reporting of our solid waste generation and management, the establishment of an on-site land farm to manage and remediate hydrocarbon contaminated soils and planning the provision of training to procurement staff to assist in minimising on-site waste generation by subscribing to a user pays principle. The implementation of these initiatives will also provide an opportunity to increase workforce awareness of waste issues.

We continued to reuse waste oil as a lubricant in our Coal Handling and Preparation Plant.

Recovery of scrap steel totalled 2,481 tonnes, up 63 per cent on last year. (Last year's total was incorrectly reported as 868 tonnes. It should have been 1,523 tonnes). This significant increase is due to collection of scrap steel generated from major work on our coal handling and preparation plant.

Land

FLORA AND FAUNA

We continue to sponsor flora studies on areas of rehabilitated land to monitor species emergence. This work, carried out by the University of Queensland's Centre for Mined Land Rehabilitation, will continue for at least another two years.

This year we recommitted to an additional five years of research into soil erosion and the sustainability of our land rehabilitation in a programme developed and run by the Queensland Department of Natural Resources and Mines. We have now been part of this programme for a total of 11 years, making this study the longest erosion-based project in Australia.

The knowledge and information we gain from the above research programmes enables us to develop a greater understanding of the likely long-term success of our land rehabilitation efforts.

A Peregrine Falcon's nest was identified in the highwall of one of our active mine voids at Curragh East. Once identified, and prior to further development, the nest was relocated by our Emergency Response Team. A nesting box was constructed and established nearby in consultation with the Queensland Parks and Wildlife Service and ongoing monitoring is conducted on a regular basis.

We completed a study into the significance of vegetation proposed for disturbance as a result of our mining

Figure: 5

WATER PURCHASED (MEGALITRES)

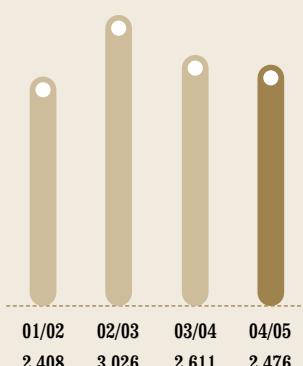


Figure: 6

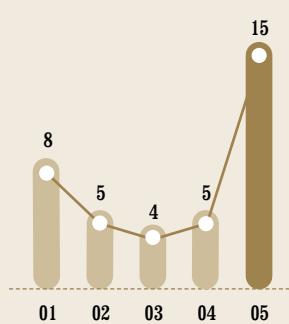
LOST TIME INJURY FREQUENCY RATE*

1 July 00 - 30 June 05 (as at 30 September 05)
*Contractor hours and LTIs included



Figure: 7

NUMBER OF WORKERS COMPENSATION CLAIMS



operations. The study by independent consultants was completed against guidelines specified for the assessment of ecosystems under the Commonwealth Environmental Protection and Biodiversity Conservation Act 1999. Most of the study area was not considered significant under the Act. Mine development has proceeded with strict controls placed on clearing and the conservation of two pockets of habitat considered of value.

With construction of the Curragh North mine infrastructure progressing rapidly, a number of fauna initiatives have been implemented. These include active monitoring of trenching for the water management system to identify any trapped wildlife, relocation of a number of turtles from a semi-permanent water body and relocation of a large wedge-tail eagles nest from an area affected by construction works, which on advice is assumed to be still in use and estimated as between 40 and 50 years old.

We are also committed to managing an area of land cleared of brigalow woodland (*Acacia harpophylla*) for our access road to Curragh North, rehabilitating an area of land cleared of brigalow woodland as a result of historic land use and preserving and maintaining a compensatory area of brigalow woodland at Curragh North. These commitments have been made under specific management plans in agreement with the Commonwealth Department of Environment and Heritage under the Environmental Protection and Biodiversity Conservation Act 1999.

Planning has commenced on the establishment of a walk path to relocate two draglines from the Curragh mine operations to Curragh North. The walk path project will consider flora and fauna impacts as well as rehabilitation requirements to minimise and correct any potential environmental consequences.

CONTAMINATION

Contaminated sites continue to be monitored and managed with our on-site landfill being checked every six months to identify any contaminant migration issues.

A former cattle dip at Curragh North was also assessed for contaminant presence. Organochlorine and arsenic contamination was identified and work is planned to manage this prior to disturbance by mining activities.

REHABILITATION

Since the 1983 commencement of mining, 5,623 hectares of land have been disturbed by mining and associated activities. Approximately 1,729 hectares have been disturbed as part of the development of Curragh North. Revegetation commenced in 1987 and 848 hectares

(or 15 per cent of the disturbed land) have now been rehabilitated.

During the year, 1,914 hectares of land were disturbed by mining and associated activities and 60 hectares were rehabilitated.

Resource usage**ENERGY**

Energy use during the year related primarily to the operation of draglines, our Coal Handling and Preparation Plant (CHPP) and diesel-operated equipment.

Total energy consumption was estimated to be 2,226,142 gigajoules, up 113 per cent on last year. This increase is due largely as a result of increased production at Curragh and the construction and commissioning of our Curragh North mine.

Our total energy consumption per million BCMeq was 17,660 gigajoules, up 79 per cent on last year.

Energy sources are detailed below.

FUEL

Petrol, diesel and LPG accounted for 72 per cent of our total energy consumption by gigajoule. Our diesel consumption was 41,372 kilolitres.

ELECTRICITY

Electricity accounted for 28 per cent of our total energy consumption by gigajoule. Our electricity consumption was 175 gigawatt hours. We incorrectly reported the figure as kilowatt hours instead of gigawatt hours in last year's report.

OTHER MATERIALS

Explosives were a major consumable with 24,493 tonnes used during the year, an increase of 13 per cent on last year.

The overall powder factor increased from 0.323 kilograms per BCM last year to 0.397 kilograms per BCM this year, a 23 per cent increase. Powder factor is the ratio of weight of explosives used to a blast unit of material.

Water**CONSUMPTION**

Water use during the year related primarily to haul road watering for dust suppression and for coal washing in our CHPP.

Total purchased water consumption was 2,476 megalitres, down almost one per cent on last year (See Figure 5). We are unable to calculate recycled water volumes this year due to a large number of water meters on-site not operating correctly.



(Left) Occupational Therapist Janet Cawte undertaking a work station ergonomic analysis to improve Alannah Starkey's work area.
 (Right) Steve Ward, Senior Health and Safety Coordinator, with students from the Blackwater North State Primary School with their 'safety' tiles for parents who work at Curragh. The tiles contain personalised safety messages and form part of a board displayed near the general mine entrance.

We have purchased six new water meters and are developing a water management plan which we expect will enable us to capture more accurately this data in future.

Our total purchased water consumption per million BCMeq was 20 megalitres, down 24 per cent on last year. Water used comprised purchased water, surface water taken from on-site retention dams, pit water and reused/recycled water.

REUSE AND RECYCLING

A full water management system of 19 retention dams holds the water that runs off from the CHPP and mining areas, pumped from the pit area or returned from the fine tailings pit.

Water from the retention dams is used by the CHPP and for dust suppression on haul roads. Water fill points for trucks engaged in dust suppression are located at four of the retention dams. Each water truck has the capacity of 75,000 litres.

DISCHARGES TO SURFACE AND GROUNDWATER

We had no discharges of water to surface or groundwater during the year.



LOST TIME

Our Lost Time Injury Frequency Rate (LTIFR) was 2.9 (compared with 2.7 last year) see Figure 6, and during the year, there were four LTIs. Our Average Time Lost Rate, which provides a measure of the severity of such injuries, was 17 (compared with 12 last year). These statistics include permanent contractor hours and injuries.

Safety statistics are distributed and discussed by management each month and reported to our Board every two months.

WORKERS COMPENSATION

There were 15 workers compensation claims reported, relating to occurrences during the year, compared with five last year (see Figure 7).

Hazard and risk

PROGRAMMES

Hazards are identified and assessed for risk and appropriate control mechanisms are put in place to ensure the health and safety of people at the mine. Appropriate training is provided so that employees have the necessary skills and knowledge to identify hazards and conduct risk assessments.

EMERGENCY RESPONSE

As outlined earlier in this report, a mock emergency exercise was conducted to test our on-site emergency response and crisis management procedures. The debrief and subsequent report outlined areas for improvement which will be incorporated into both the Emergency Response Procedure and Crisis Management Plan.

MATERIALS HANDLING AND STORAGE

The database used to register chemicals is Chem Alert. Our employees and contractors are advised about the system at induction. The database is accessible via our intranet and is updated when chemicals are either approved for use on site or removed from site.

RISK ASSESSMENT

A risk assessment form is available to all employees and contractors across the mine site. The form is designed for ease of use and is used where necessary to do a risk assessment on a task or to perform risk assessments on SOPs. It accords with AS 4360.

EMPLOYEE WELLBEING

An influenza inoculation programme was again offered to employees and 82 employees had injections. This programme was carried out by our nominated medical adviser who also visited the site during the year to consult with employees and management.

Occupational therapy services are provided at the mine on an average of four times a month. The occupational therapist reviews both work and non-work muscular skeletal injuries as well as assessing workstations and tasks.

A physiotherapist is now available for employees for work and non-work-related injuries. The physiotherapist is also used for pre-employment functional assessments and on-site training in areas such as manual handling.



STAKEHOLDERS

Our stakeholders include our employees, our customers, our suppliers and other contractors, relevant government agencies, the local Blackwater community in which we operate and the shareholders of our parent company, Wesfarmers Limited.

During the year we gained necessary regulatory approvals to transport up to 400,000 tonnes of coal by road to Stanwell Power Station, one of our major customers.

The coal haulage project was advanced to offset export losses that resulted from delays in producing and transporting coal under the contract to the Port of Gladstone.

Extensive stakeholder consultation was completed prior to haulage commencing and the project was completed without significant incident on 11 June 2005, having transported 234,450 tonnes.

We hold a strong interest in considering the cultural heritage of the traditional owners of the land on which we operate. During the reporting period, we completed extensive cultural heritage assessment and mitigation of the Curragh North mine.

Mitigation included the relocation and preservation of 12 scar trees which are of cultural significance to indigenous peoples.

FEEDBACK/COMPLAINTS

Two complaints were received during the reporting period. One was associated with damage to cattle grids from machinery being relocated to the Curragh North mine. The second was related to concentrations of dust deposited at a property adjoining our operations.

The coal haulage project, referred to previously, was established to allow stakeholders to provide open feedback throughout the project. On the completion of the project we had received a total of 29 telephone calls to our hotline number, mostly from motorists and also from residents along the haul route and our employees. The primary area of concern was related to traffic.

LIAISON WITH AUTHORITIES

We regularly liaise with our regulatory authorities including the EPA and the Department of Natural Resources and Mines. Our approach aims to maintain an open and transparent relationship to facilitate and maximise effective outcomes for all involved.

Communication

NEWSLETTERS AND REPORTS

Monthly health and lifestyle brochures are sent to employees' homes. Significant milestones, statistics and relevant information are passed on to employees by the Executive General Manager at safety meetings and on notice boards.

WEBSITE

Our website (www.curraghcoal.com.au) includes information about our operations for the community, including environmental, safety and health information relating to our business.

LIAISON GROUPS

We are a corporate member of the Queensland Resources Council, Fitzroy Basin Association, Greening Australia and the Central Queensland Mine Rehabilitation Group.

COMMUNITY SUPPORT

During the year we supported more than 46 community organisations and events. These included health, sporting, education, community and cultural activities.

RESEARCH

We continue to support several industry research projects through the Australian Coal Association Research Programme. As mentioned previously, we have participated in the rehabilitation erosion project for the past 10 years and we are committed to continuing this project with ongoing financial and in-kind support.

"During the year we supported more than 46 community organisations and events. These included health, sporting, education, community and cultural activities."

(Below) One of twelve culturally significant scar trees which were preserved by relocation.





(Above) Contract Operator Paul Lent (left) and Senior Environmental Engineer Josh Lobodin review completed tree grinding operations at Curragh North.

Case study →

We decided there was a real opportunity to achieve a more positive outcome with the green waste generated from tree clearing associated with the development of the Curragh North mine. Conventional methods in the coal mining industry generally involve stockpiling of cleared timber which is later burned.

In an effort to maximise the benefit of the cleared timber, we developed a work programme to grind the wood using a tub grinder and reuse the woodchips for positive environmental outcomes across the whole of the Curragh/Curragh North operations.

Woodchip generated has been used in a trial on our decommissioned tailings dam to minimise wind-generated dust by spreading a thin layer on the surface to prevent dry surface tailings from becoming airborne. We have also mixed the chip with topsoil to improve the long-term soil quality which we hope will assist in ensuring the viability of rehabilitation on the Curragh North mine.

Other uses planned include providing a resource in a site greening programme that will provide more amenable and dust-friendly work areas by establishing gardens at crib huts and in our Coal Handling and Preparation Plant. We also plan to offer some of this useful resource for community greening initiatives and by using the material as a cover on small areas of rehabilitation that may be particularly susceptible to water and wind erosion.

We have now developed a Green Waste Strategy to guide the management of any cleared timber on our operations. The strategy will provide for additional grinding of green waste in accordance with our mine planning and also provide, if required, for tightly conditioned burning or dumping of such waste which will be assessed on a case-by-case basis. This proactive approach allows us to maximise the use of a resource that would normally be lost if we followed conventional methods.

Priorities for the future

- Fully implement the Environmental Management System.
- Bring all hydrocarbon storage facilities up to current requirements.
- Fully integrate the environmental management of Curragh North into our systems.
- Zero LTIs.
- Continue promotion of health and safety awareness.
- Continue assistance to establish a multi-disciplinary community health centre in Blackwater.
- Fully implement the “ZIP” safety culture programme.
- Complete a site security upgrade.

Premier coal



We mine coal at the Premier open cut in Collie, about 200 kilometres south of Perth in Western Australia.

During the year we sold 3.3 million tonnes of low-sulphur, low-ash steaming coal, primarily to major power generating stations. We also supply coal for a variety of industrial and agricultural applications. We employ about 280 people engaged in overburden removal, coal production, plant maintenance, and site rehabilitation.

www.premiercoal.com.au

04

Report priorities

- Full environmental compliance. → **Achieved.** Full compliance with the current licences and conditions of operation.
- Progress rehabilitation of mined areas. → **Achieved.** Shaping and planting work not done due to production pressures, but progress was made with successful evaluation, research and development of end-use options.
- Value-added rehabilitation and mine closure outcomes. → **Achieved.** Progress made with Lake Kepwari development options and trials. Research and development into aquaculture progressed.
- Ensure focus on any community issues or concerns with our operations. → **Achieved.** All complaints responded to in writing.
- Review our EMS for improved integration with other business systems. → **Not achieved.** Awaiting implementation of Oracle business system.
- Reduce greenhouse gas emissions. → **Achieved.** Emissions of 59,553 tonnes of carbon dioxide equivalent, down 6.2 per cent on last year and down 10.1 per cent on a per BCMeq basis.
- A target of zero accidents. → **Not achieved.** We incurred seven Lost Time Injuries (LTIs) during the year and 228 other incidents compared with four LTIs and 184 incidents in 2004.
- Complete our Fitness for Work regime implementation. → **Not achieved.** Delayed due to negotiation of enterprise bargaining agreements (EBAs).
- Complete the review of our RiskMap safety standards and auditing systems. → **Not achieved.** Safety systems to be reviewed next year to align with auditable standards.

Overview

The main challenges facing our business on an ongoing basis are the safe operation of our mine in a way that minimises any adverse impact on the environment or the local community.

In dealing with these challenges, the three main environmental areas on which we focused our attention during the year were noise management, waste management and mine closure outcomes.

Blast noise and vibration remained a concern for our neighbours although our performance was well within compliance requirements.

Waste management included the minimisation of landfill and maximising recycling of wastes such as hydrocarbons, metals, tyres, paper, cardboard and plastics. Total solid general waste was reduced by 15 per cent and we came just short of our 90 per cent recycling efficiency target.

No additional land was disturbed by mining and associated activities and no land was rehabilitated. A major highlight for the year was winning the Western Australian State Environmental Award for Corporate/Business Leading by Example – with our submission titled “Sustainable Development at Premier Coal” - based on our sustainability planning, management systems and rehabilitation of former mined areas.

The two main safety areas on which we focused our attention during the year were risk assessment and updating our general safety induction programme.

We conducted risk assessments for our new coal handling plant extensions, access and egress on heavy mobile plant, and implementation and change management regarding hot seat change outs. These are a method of keeping mobile

05

Outcomes

digging and haulage equipment in cycle for the longest possible duration. The new production arrangements involved staggering the start times of each crew to effect a “hot seat change”.

The induction programme was revised to include department-specific inductions and safe work procedures. All maintenance personnel attended the revised general and relevant department-specific safety inductions.

Business management

Training

ENVIRONMENTAL

Environmental training is conducted at induction of new employees, visitors and contractors. In addition, our employees have undergone a five-hour environmental-awareness training programme and other job-specific environmental training. This was updated this year with a toolbox meeting release of a new pocket booklet.

HEALTH AND SAFETY

We continue to educate our workforce in regard to fatigue and drug and alcohol issues in preparation for full implementation of our Fitness for Work programme. Implementation of this programme was delayed because of lengthy negotiations on our new enterprise bargaining agreements. We also participated in the public health drug action week promotion and we conducted comprehensive health programmes relating to physical awareness and personal health.



(Left) New park-up bays established following risk assessments on heavy mobile plant.
 (Right) Members of the mine rescue team using testing fire fighting equipment.

We ran a monthly physiotherapy clinic as part of our injury management programme. This programme was aimed at musco-skeletal injuries incurred at work and off-site, ensuring that these injuries are not aggravated and advice is given covering issues such as task modification and strengthening exercises.

Free influenza shots were offered to employees with 29 employees (10 per cent of our workforce) taking up the offer.

We updated our general safety induction training presentation and re-issued the safety induction handbook and assessment for employees, contractors and visitors. The induction content encapsulates all topics covered in the previous system and now also includes evaluating hazards and assessing risks as well as personal safe-working behaviours. An assessment of knowledge and understanding has also been developed as part of the process of allowing contractors and new employees access to the site. Department-specific safety inductions have been reviewed and updated. We also revised our pit permit procedures.

Continuing on from risk assessments and the training conducted in the previous year, training in prevention of falls from height was completed.

EMERGENCY

During the year we conducted an emergency management risk assessment to identify our most likely potential incidents and consequences. This process enables us to plan for prevention and respond to our known high potential hazards.

We have a crisis and emergency management manual and procedures that specify contingencies for responsibilities and actions in the event of an emergency or crisis.

We maintained a level of first aid response skills amongst our employees by making first aid courses available during work hours. We conducted an on-site one-day basic workplace course training a total of 15 employees and we sent ten employees to off-site occupational first aid course. The total number of employees with current first aid qualifications stands at 65. We scheduled eight one-day training sessions for volunteer mine rescue emergency team members. These were spaced at approximately four weekly intervals and included people from various departments.

The membership of our mine rescue emergency team stands at 15 with three new team members starting in recent months. For existing members we conducted a series of refresher and update courses in line with the new Public Safety Industry Training Advisory Body (PSITAB) competencies. As the team members are spread across all

shifts, the purpose is to ensure each member can access, lead and control an emergency for any given shift configuration or call on off-shift team members or other organisations to assist. Our mine rescue training involved a number of scenarios including the use of breathing apparatus, search and rescue, fire fighting, advanced first aid, environmental response, rescue from height, depth and confined space. Part of our training routine also requires regular checks of all emergency and fire fighting equipment.

We met with the Collie Local Emergency Management Action Committee (LEMAC) as part of an annual review of its emergency plan. We were also part of a community emergency incident practice scenario involving a collision between a chemical truck and a light vehicle, necessitating closure of the Coalfields Highway. The exercise involved local police, emergency services and companies and organisations involved in the LEMAC group.

We maintained and serviced all fixed and portable fire systems in accordance with the Australian Standards to a high level of readiness. Our automatic systems are monitored 24-hours a day through a system which indicates any alarm systems or faults back to our Pit Controller. This also enables mine rescue team members to be automatically called through a voice system activated from either the maintenance supervisor's desk or pit control. We have an evacuation and public address system in our administration building.

Compliance

ENVIRONMENTAL

We are not aware of any potential non-compliance during the year with environmental legislation or other environmental requirements.

NATIONAL POLLUTANT INVENTORY (NPI)

Emissions notifiable under the NPI were estimated for substances listed on the NPI. Data for the 2003/2004 reporting period was submitted to the Department of Environment (DoE). Detailed information is available at: www.npi.gov.au.

"We maintained a level of first aid response skills amongst our employees by making first aid courses available during work hours."

All our substance emissions for last year were ranked by the NPI as "low". We have not yet prepared our report to the NPI for the 2004/2005 reporting period.

HEALTH AND SAFETY

We are not aware of any potential non-compliance during the year with health and safety legislation or other health and safety requirements.

We operate under the requirements of the Mines Safety and Inspection Act 1994 and Mines Safety and Inspection Regulations 1995, which were amended in April 2005. Leading up to the changes we sent selected personnel to attend government workshops and have also conducted training for managers and supervisors on-site. The changes to the legislation were as a result of Commissioner Liaing's report into health and safety within the Western Australian mining industry.

In accordance with regulatory requirements, we continued our Mine Workers Health Surveillance programme and renewed certification of hearing testing equipment.

All existing and new mine rescue team members were medically and physically assessed and considered fit to continue as team members to the requirements of the Department of Industry and Resources (DoIR).

We maintained communication and consultation through 11 elected safety and health representatives on our Occupational Health and Safety Committee. Elections were conducted to maintain representation across all departments. As required by the Mines Safety and Inspection Act 1994, nominations were called for those positions for which no elections had been held for two or more years. We now have four Safety and Health Representatives from Maintenance, four from Production and three from the Services and Support areas.

An audit of our chemicals inventory and ChemAlert database was completed and updated including a reconciliation of Material Safety Data Sheets stored in hard copy manuals across our site. The ChemAlert system assists in managing dangerous goods and hazardous chemicals storage and the separation distances of potentially reactive substances.

LICENSING AND APPROVALS

We are not aware of any potential non-compliance during the year with licensing or approval conditions or other requirements.

We fully complied with licence conditions and management plans covering water, noise, dust, blasting, forest management, clearing and rehabilitation.

Management systems

ENVIRONMENTAL MANAGEMENT SYSTEM (EMS)

We have a certified ISO14001-standard EMS which is designed to identify and manage any potential risks through procedures for key work activities and monitoring requirements. The EMS covers our government-approved environmental management programme and extensive legislative and licence conditions.

During the year, our second external surveillance audit was conducted resulting in ongoing certification. A number of "areas of concern" were identified as needing to be addressed through our corrective actions procedure. The audit report noted some areas of concern for our EMS and recommended further work in identification of environmental aspects, training and competency assessment for specific positions, internal auditing and emergency response training. These are not seen to be major failings of the system and have been, or are now being, addressed.

The auditors also noted that "Wesfarmers Premier Coal has a great asset in its personnel who throughout the audit demonstrated efficient, positive and innovative attitudes

which in turn has developed a pragmatic operations culture that 'gets on with it' which has produced good environmental performance".

Auditing of environmental procedures continued, as did monthly environmental reviews of the site.

As part of our ongoing commitment to the environment, we are a signatory to the Australian Minerals Industry Code for Environmental Management, the Commonwealth Government's Greenhouse Challenge programme and the Western Australian Cleaner Production Statement.

SAFETY MANAGEMENT SYSTEM (SMS)

Our SMS is the RiskMap Safety Management System made up of 66 standards.

Inspection systems form part of the weekly routines of our operations departments.

Our Occupational Health and Safety (OHS) committee meets monthly and reviews a range of topics, programmes and issues. Other committees such as the Maintenance Safety Review group meet approximately every four weeks to review and plan their respective area's safety and health activities.

An administration safety meeting group meets regularly and reviews safety standards in the administration and supply buildings and areas. Meetings are held monthly to provide feedback and a forum on safety issues for those who are based in these areas. Any issues that are not resolved at this group are referred to the OHS committee.

POLICY

Our Environmental Policy and Safety and Health Policy remained in place. The Environmental Policy was reviewed and is available on our website at www.premiercoal.com.au.

Environmental management remained one of our highest priorities. Our guiding policy principle is to take responsibility for minimising the impact of our operations on the environment and we acknowledge our accountability to all stakeholders. Information about our environmental performance is made available to stakeholders.

Environmental



Air (atmospheric emissions)

DUST

There were no dust complaints this year.

Dust at our mine is mainly generated on roads, dumps and cleared areas and is only a potential problem during the drier months of the year. Accordingly, monitoring is only necessary at those times. Results from our monitoring site include dust from the mine site and external sources. They are annualised, causing exaggerated levels in relation to our stated dust emissions.

Dust levels were well within licence conditions with a daily average level at nearby Buckingham of 36.2 micrograms per cubic metre, down slightly on last year (38.4), with a daily maximum of 81.9 micrograms per cubic metre. (see Figure 1).

Management strategies include minimised clearing and rapid rehabilitation when possible, tar sealing major road arteries and application of water to suppress dust on roads and operational areas.

ODOUR

Spontaneous combustion of coal occurs periodically in the mine and can cause an unpleasant odour but there were no complaints this year.

GREENHOUSE GAS EMISSIONS

We are a participant in the Commonwealth Greenhouse Challenge Plus Programme and have signed a Cooperative Agreement through to 2006.

Our greenhouse gas emissions were estimated to be 59,553 tonnes of carbon dioxide equivalent, down 6.2 per cent on last year, and this equates to 2.95 kilograms of carbon dioxide per bank cubic metre equivalent, down 10.1 per cent on last year (*see Figure 2*).

The only other source of greenhouse gas emissions that we are aware of is related to burning of residual forest waste after harvesting in the clearing process and as we are unable to reliably estimate the quantity of these emissions we cannot estimate associated greenhouse gas emissions. Consequently, we have also not included carbon credits associated with our rehabilitation of cleared land.

The greenhouse gas emissions were largely due to diesel usage (64.3 per cent) and electricity consumption (34.8 per cent).

NOISE

There were no complaints during the year for general mine noise and we were again able to achieve a low triggered blasting level average (104dB(L)), with no blast exceeding the legal limit of 125dB(L) (*see Figures 3 and 4*).

The highest recorded blast was 121 dB(L) while 97.9 per cent of the blasts were below 115dB(L). There was a 15 per cent decrease in the total number of blasts to 473 and the percentage of blasts triggering the monitor, set to trigger at 115dB(L), decreased by 14 per cent. The blasts triggering the monitor were largely at the eastern end of Pit 1 which is closer to the monitor and our neighbours at Buckingham.

There were seven complaints for blasting on our site for blast levels ranging from 98.5 dB(L) to 117.3 dB(L). Independent building condition surveys are on offer to all nearby neighbours, but to date no survey has attributed structural defects to our blasting.

OTHER EMISSIONS

We had no emissions of ozone-depleting substances during the year.

As previously mentioned, we have not yet prepared our report to the NPI for the 2004/2005 reporting period. However, in 2003/2004 our three largest emissions were particulate matter (1,400,000 kilograms to air), oxides of nitrogen (510,000 kilograms to air) and carbon monoxide (230,000 kilograms to air). Further information is available at: www.npi.gov.au. All our substance emissions for last year were ranked as "low" by the NPI.

Waste

SOLID WASTE

Solid waste during the year consisted primarily of metals and cardboard.

Our total solid general waste stream (not including scrap metals and tyres which are separated for recycling) during the year was estimated to be 1,108 cubic metres prior to compaction, down 15 per cent on last year. Of this amount, 42 per cent was recycled and 58 per cent was disposed of as landfill. Recycling efficiency for general waste improved by 0.3 per cent to 89.7 per cent, just short of our target of 90 per cent.

(Left) Environmental Engineer Peter Riley checking a new dust monitor. (Below Right) Tim Storer (kneeling) and Albert Gorman checking water quality at the aquafarm research site. (Top Right) Albert Gorman (left) and Paul Irving measuring silver perch at the aquafarm.

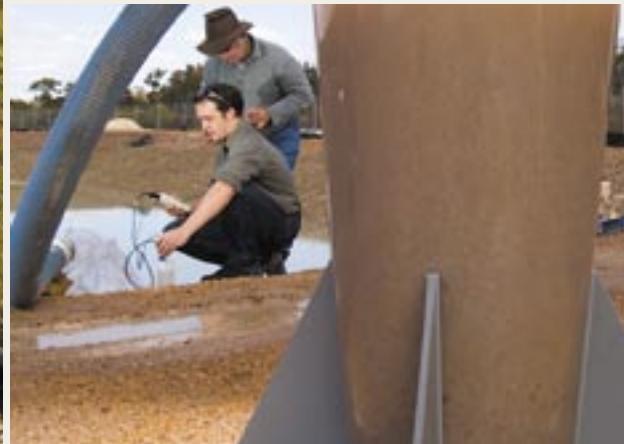


Figure: 1

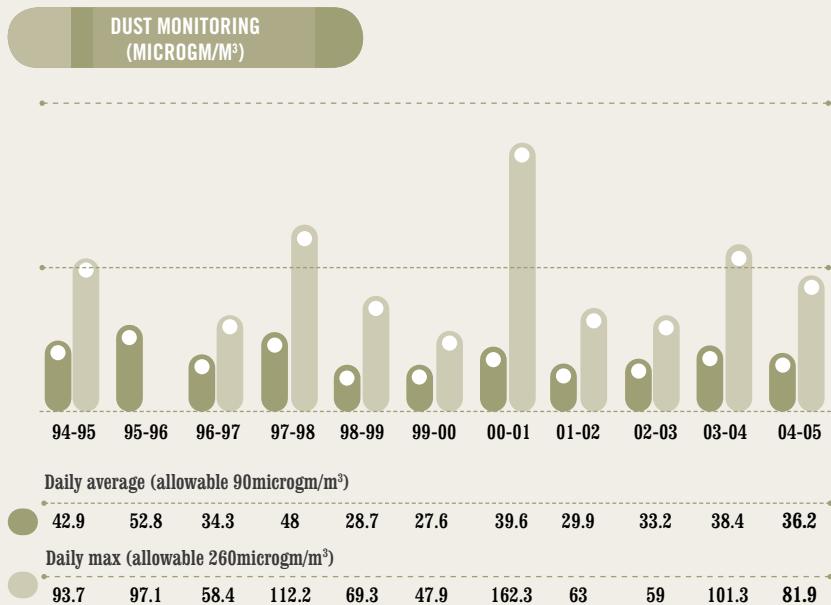


Figure: 2

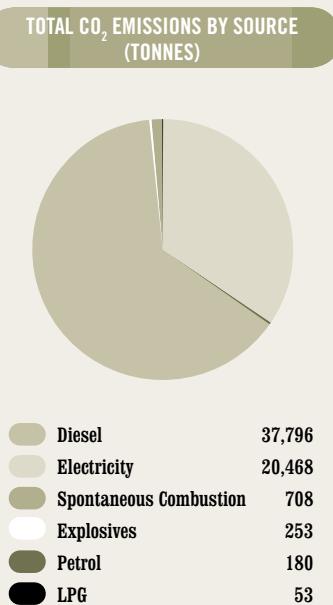


Figure: 3

PREMIER MINE BLASTING (BUCKINGHAM MONITOR)

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---------------|------|------|------|------|------|------|------|------|------|------|------|
| Total No. | 70 | 165 | 262 | 271 | 261 | 349 | 477 | 596 | 547 | 559 | 473 |
| Not triggered | 27 | 49 | 149 | 191 | 197 | 297 | 299 | 443 | 353 | 377 | 385 |
| No < 115 | 64 | 149 | 242 | 261 | 254 | 343 | 455 | 586 | 541 | 550 | 464 |
| % < 115dB | 91.4 | 90.3 | 92.4 | 96.3 | 97.3 | 98.3 | 95.4 | 98.3 | 98.9 | 98.4 | 98.1 |
| Average dBL | 110 | 106 | 106 | 106 | 101 | 102 | 102 | 101 | 104 | 102 | 104 |

Total solid waste disposed of to landfill per million bank cubic metre equivalents (BCMeq) was 32 cubic metres, down 13.5 per cent on last year.

LIQUID WASTE

Liquid waste during the year consisted primarily of hydrocarbons and these were captured by evacuation systems or the Dissolved Air Flotation (DAF) plant. This waste was transported to a local recycling plant where it was used mainly in the production of low-grade oils or fuel oil. A total of 167,650 litres was recycled, down 20 per cent on last year due to lower consumption. Oil filters were also taken for recycling.

RECYCLING INITIATIVES

In the maintenance and fuel bay area, the DAF plant treats run-off and vehicle wash down waters if required. The flotation system remained off-line during the year as the silt traps and oil skimmers produced adequate quality water.

The main infrastructure area was serviced for sewage by a treatment plant with treated water available for garden reticulation during drier periods.

Our main waste streams - including used oils, metal scraps, cardboard, paper, tyres and batteries - were all recycled.

Recycling is promoted through the provision of bins at work for employees' domestic requirements. We also continued to help drive the Collie Tidy Towns Programme which

was successful in winning the regional Tidy Town Award for 2004.

Land

FLORA AND FAUNA

Protection of surrounding forests remained a priority and there were no clearing operations during the year.

When clearing does occur, operational areas are mapped to determine dieback boundaries. Our procedures for clearing, topsoil removal/replacement and land rehabilitation minimise the risk of spreading jarrah dieback. Infected soils are kept separate for application only in areas with minimal risk of disease spread. Disturbed land is returned to stable, compatible bushland by using local native seeds and trees. Habitat logs are placed in rehabilitation areas to promote recolonisation of native fauna. Routine inspections identify improvement opportunities and permanent monitoring plots track vegetation uptake.

Faunal surveys of our rehabilitation sites are designed to assess small to medium-sized mammals, frogs, reptiles and birds. The rehabilitation is showing good recolonisation, providing habitat for a range of representative vertebrate species. A new survey is planned for this year to include new areas and check the progress of long-established rehabilitation. Research on birds as bioindicators is behind schedule and is currently being written up.

CONTAMINATION

No significant site contamination has been identified.

REHABILITATION

Since the 1950 commencement of mining, 2,618 hectares of land have been disturbed by mining and associated activities. Revegetation commenced in 1975 and 1,232 hectares (or 47 per cent of the disturbed land) have now been rehabilitated.

During the year, no land was disturbed by mining and associated activities and no land was rehabilitated (*see Figure 7*).

Successful rehabilitation work requires the careful planning and interaction of numerous processes. A key to our success is correct waste rock management with materials likely to generate acidic conditions buried deep in the dump or backfill profile. Final dump surfaces are covered with a one-to-two metre blanket of inert material and spread with topsoil ready for revegetation.

Rehabilitation at the closed Western 5 mining area in the Cardiff Sub Basin continued with in-fill planting undertaken using seedlings raised by the local Aboriginal Ngalang Boodja Nursery. Local school children assisted as part of National Tree Day.

Rapid fill of the WO-5B void (Lake Kepwari) continued with the programme designed to increase safety and enhance the final rehabilitation outcome. A further 3,374 megalitres of water were diverted, raising the lake level by 1.65 metres and filling it. Diversion has assisted acidity control considerably and it is expected that the void will stabilise at above 5pH – an acceptable level for active water sports. This programme reduced the natural fill time of 100 years down to five years, expediting the availability of the area which has a high potential for other valuable purposes such as tourism, recreation and aquaculture. The lake has a surface area of 103 hectares and should be well suited to water sports such as skiing and rowing. Premier Coal is part of the Lake Kepwari Working Group that is investigating development options.

Any recreational development in this area will complement the Collie Motorplex which is now an established driver-training and club motor sports centre. Based at the former Western 2 mine site, the Motorplex has successfully built upon existing mine infrastructure including workshops, other buildings and an extensive road network suitable for racing and training. The track underwent a major upgrade and expansion this year to accommodate a growing need for the facility.

Rapid fill of the WO-5H void also continued with the level raised a further 3.2 metres, compared with a rise of 3.7 metres last year. However, the temporary use of the lake as a water source for Western Power over summer and the effect of evaporation and leakage resulted in 2.2 metres net rise. Research continued at this site into aquaculture as a relinquishment option.

Resource usage

ENERGY

Energy use during the year related primarily to diesel for mobile plant and electricity for pumps, shovels and lighting.

Total energy consumption was estimated to be 609,327 gigajoules, down 0.6 per cent on last year.

Our total energy consumption per million bank cubic metre equivalent (BCMeq) was estimated to be 30,214 gigajoules, down 4.8 per cent on last year. Energy sources are detailed below.

FUEL

Petrol, diesel and LPG accounted for 88.5 per cent of our total energy consumption by gigajoule. Our petrol, diesel

and LPG consumption was 72 kilolitres, 13,889 kilolitres and 35 kilolitres, respectively.

ELECTRICITY

Electricity accounted for 11.5 per cent of our total energy consumption by gigajoule. Our electricity consumption was 19,405 megawatt hours.

OTHER MATERIALS

Explosives were a major consumable with 1,462 tonnes used during the year, a decrease of 39 per cent on last year. The decreased use of explosives reflected the reduced blasting requirement in areas we mined during the year.

The overall powder factor decreased from 0.19 kilograms per bank cubic metre (BCM) last year to 0.17 kilograms per BCM this year, a 10.5 per cent reduction. Powder factor is the ratio of the weight of explosives used to blast a unit of material.

Water

CONSUMPTION

Water use during the year related primarily to dust suppression (93.6 per cent of abstraction used by us) and process water (5.8 per cent).

Total water consumption was 514 megalitres, down two per cent on last year.

Our total water consumption per bank cubic metre equivalent (BCMeq) was 25.5 litres, down 5.6 per cent on last year. Our only water source was groundwater abstracted through bores.

All groundwater abstraction is licensed and monitored. During the year, 6.3 megalitres per day were pumped with a total abstraction of 2,288 megalitres (*see Figure 5*), down 34 per cent on last year. Of this total, 1,772 megalitres was available to be sent to local power stations – the major users in the area – thus helping to reduce overall abstraction in the Collie Basin.

Dewatering is required for safe and efficient mining in the Collie Basin. We are committed to making good any loss of water suffered by our neighbours.

To date, dewatering at the mine has not affected groundwater levels near private land or dwellings in the area.

REUSE AND RECYCLING

The main infrastructure area was serviced for sewage by a treatment plant with treated water available for garden reticulation during drier periods.

DISCHARGES TO SURFACE AND GROUNDWATER

We were licensed to discharge water off-site to the environment, but again we did not do so (*see Figure 6*). Despite the zero discharge, we continued to monitor adjacent river systems and maintained a database and management system for water quality, abstraction, discharge and regional waterway monitoring.

Overflow from Sump A was 1,213 megalitres. This flow was captured in the WO-5H void as part of the rapid fill programme.

An estimated 3,374 megalitres of water was released into Western 5B Lake as part of the rapid fill programme.



LOST TIME

Our Lost Time Injury Frequency Rate (LTIFR) was 12.7 (compared with 7.0 last year) see Figure 8, and during the year, there were seven LTIs. Our Average Time Lost Rate, which provides a measure of the severity of such injuries, was 28.6 (compared with 18.5 last year).

These statistics include contractor hours and injuries.

We achieved six months without an LTI between 9 December 2004 and 9 June 2005, but we did incur seven LTIs this year: a fractured wrist in a fall off a truck ladder; burns to legs when attempting to remove a radiator cap on a truck waiting for service; a neck injury following handling of a wash plant hose; two knee injuries when climbing a truck ladder; strained abdominal muscles; and a shoulder and upper arm injury when trying to dislodge a fuel hose handle on a refuelling truck.

Our Technical Services team achieved the rare distinction of having gone 10 years without an LTI. This group had many people come and go in that time, and has a broad range of service and skills and hence injury exposures.

Safety statistics were distributed and discussed by management each month and reported to our Board every two months.

All safety incidents were discussed at a weekly Hazard and Incident Review meetings to ensure investigations and follow-up actions are completed.

WORKERS COMPENSATION

There were 43 workers compensation claims reported, relating to occurrences during the year, compared with 42 last year (see Figure 9).

A regular review of all injury claims was conducted with our insurers to assess progress on outstanding claims and any injury rehabilitation plans. On-site injury management clinics were held to assess ongoing musco-skeletal injuries. We continued to use the services of rehabilitation and vocational service providers.

Our Occupational Health Nurse is accredited to WorkCover Western Australia as a workers compensation and rehabilitation coordinator. Our Occupational Health Nurse and Supply Administrator attended workshops on the new Workers' Compensation legislation. Our Occupational Health Nurse also attended a Return to Work Rehabilitation conference.

Hazard and risk

PROGRAMMES

Hazards and incidents were captured within our Hazard and Incident Reporting system. All hazards and incidents were reviewed with investigation outcomes and actions recorded in our Oracle Health and Safety Recording System. Any current reports and outstanding actions were reviewed twice weekly to monitor progress.

Our RiskMap standards specify the minimum requirements of our safety systems. A risk register has been developed using a rating system that identifies extreme and high-rated risks and for control and reduction of each identified hazard. Department safety audits are conducted on a regular basis.

Our fire detection and suppression systems and equipment are regularly serviced, checked and maintained. Since the annual service, dry powder extinguishers have been replaced with carbon dioxide extinguishers in all switch rooms. We are continuing a survey of fire suppression of our heavy equipment fleet. The purpose of the survey is to

Figure: 5

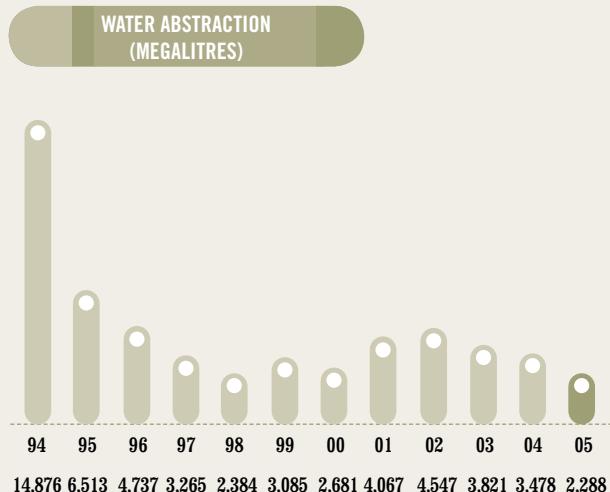


Figure: 6

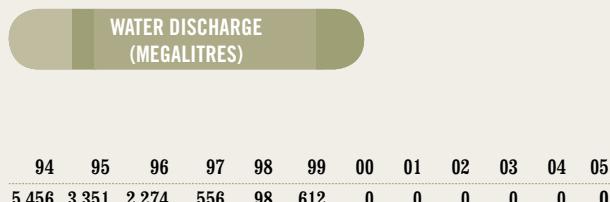


Figure: 7



*Figure: 8***LOST TIME INJURY FREQUENCY RATE***

1 July 00 - 30 June 05 (as at 30 September 05)

*Contractor hours and LTIs included



determine the adequacy of our systems to review our fire risk in light of new standards recently released.

We have evacuation signalling systems in our main buildings and switch rooms. Procedures for raising the alarm are part of our induction and safety meetings feedback.

EMERGENCY RESPONSE

A practice emergency procedures evacuation of the workshops and stores was conducted. Total evacuation time was four minutes and no issues were reported with the procedures.

Mines Rescue training was scheduled through 2005, with a structured plan for revising emergency skills in line with the new Public Safety Industry Training Advisory Body (PSITAB) competencies. An emergency skills self-contained breathing apparatus refresher course was conducted. We also conducted refresher courses in hazardous chemical response and breathing apparatus operations.

A practice emergency evacuation of the workshop and stores was conducted. No issues were reported with the procedures.

Twelve employees completed St John Ambulance occupational first aid course accreditation giving us 31 employees with advanced first aid skills and 34 with basic first aid skills.

MATERIALS HANDLING AND STORAGE

A register of hazardous substances and dangerous goods is maintained and audited annually. Any new chemicals are reviewed and assessed prior to being allowed on-site. Material Safety Data Sheets for each of our hazardous substances and dangerous goods items are maintained and available through ChemAlert Material Safety database.

RISK ASSESSMENT

During the year we conducted a number of risk assessments relating to either changes in plant, equipment or processes.

A risk assessment and control audit was conducted for changes to our coal handling plant following the construction of extensions for the production of a coarsely crushed coal product (nut coal). A team-based risk assessment was conducted to identify hazards and risks in the operation of this new plant.

An assessment was conducted also of our access and egress arrangements on and off mobile heavy equipment to ensure operators are aware of the methods and conditions in accessing their machines. This involved a local physiotherapist/ergonomist and a selection of operators.

In preparation for acceptance and implementation of a new enterprise bargaining agreement (EBA), a risk study was conducted to assess the process of achieving maximum production levels from a staggered shift roster system. The new production arrangements involved staggering

*Figure: 9***NUMBER OF WORKERS COMPENSATION CLAIMS**

the start times of each crew to effect a "hot seat change". Hot seat change-outs are a method of keeping mobile digging and haulage equipment in cycle for the longest duration possible.

Supervisors, foremen, operators and their safety and health representatives were involved in the design of the new rosters as well as the layout of roads and park-up areas needed to effect the changes. A video was produced to assist in the training and implementation of the new hot seat roster system. To date we are safely achieving the required production levels.

An assessment was made of the implementation of the Modular Mining auto-despatch system. This is a feature allowing automatic re-direction and matching of trucks to digging units to loading areas to effect the most efficient configuration. We needed to ensure the operators understood the different input codes required by the system in order to effect safe and higher levels of productivity.

In regards to emergency and crisis management procedures, we assessed the most likely threats in relation to our facility and updated our emergency plans to reflect these assessments.

Lastly, we updated our central Hazards and Risks Register to take account of all the risk assessments with the ability to rank the highest to lowest for continuing action and development of further risk reduction plans.

EMPLOYEE WELLBEING

We have health monitoring and promotion programmes in place to ensure our workforce is assessed and educated about health issues. Our health promotion during the year continued, focusing on strain injury prevention, weight loss and a smoke-free environment.

Blood pressure, cholesterol and diabetes checks were also offered as part of the federal government's awareness campaign on adult diabetes.

The HealthMap medical and fitness assessment programme continued to be offered to employees involving local medical practitioners and a physiotherapist providing free confidential "snapshot" reports of health status. Employees can either attend the HealthMap sessions on site or visit their own doctor. Employees assessed as being overweight were given the opportunity to participate in weight-loss group meetings at the Occupational Health Centre.

We participated in the public health QUIT smoking campaign by providing advice and information to smokers and non-smokers on the health risks associated with smoking. Diabetic risk assessments were conducted for operators.

Influenza inoculations were offered to all employees in the months of April to June 2005 with 29 taking up the offer.

ACCESS Counselling conducts our Employee Assistance Programme which is available to employees and their immediate family. This is a confidential service aimed at resolving or assisting with personal issues that may have an impact on work.

As part of National Diabetes Week we held a health promotion display and made information readily available to each area of the workforce to alert everyone to the risks of contracting diabetes.

We continued to issue the "Premier Coal Health and Lifestyle Newsletter" with our quarterly internal magazine the "Premier Post." The "Health and Lifestyle Newsletter" is another tool to raise awareness on being and staying healthy, at work, at home and during leisure and recreational activities. It provides plenty of useful information including regular articles on fitness, nutrition, exercise, alcohol, use of medications, interpersonal skills and other informative articles on maintaining physical and mental health.



STAKEHOLDERS

Our stakeholders include our employees, our customers, our suppliers and other contractors, relevant government and non-government agencies, the local Collie community, and shareholders in our parent company, Wesfarmers Limited.

FEEDBACK/COMPLAINTS

We received seven complaints for the year, up from five last year, all concerned with blasting. We responded to all complainants in writing explaining the circumstances and recorded levels.

LIAISON WITH AUTHORITIES

We have a senior manager to liaise with all authorities to ensure that relevant government agencies are kept informed of progress on existing issues and any new issues which arise.

The DoIR District Inspector of Mines visited the mine and met statutory managers, safety and health representatives, and safety, health and training staff.

We also hosted several tours for government agencies such the DoIR and the Department of Environment.

ACTION GROUPS

We are a member of the Local Emergency Management Action Committee (LEMAC), which is part of the Police and State Emergency Services plans. Each year LEMAC reviews the emergency services plan for the Collie region.

We are represented on various committees of the Chamber of Minerals and Energy, from the executive to subcommittees, allowing us to participate in discussion of issues concerning the mining industry in Western Australia. An important aspect was participation in the southwest region occupational health and safety committee. This committee hosts educational conferences as well as emergency skills competitions between local and regional mining companies.

We were also represented on the Chamber's conservation and land management committee, the Collie Coal Mines Environmental Committee, the South-West Environmental Forum, the Environment and Natural Resource Management Committee Mines Operation Group, the Collie River Restoration Group and the Western 5 Working Group.

Communication

NEWSLETTERS AND REPORTS

We report annually to a consortium of government departments through the Collie Coal Mines Environmental Committee.

Information on issues and achievements was distributed in our quarterly publication "Premier Post" which was sent to all employees and contractors and was widely distributed throughout the community.

We also distributed to all employees and on-site contractors a summary of operations through an email and mail-out called "Fortnightly Focus". This aims to keep employees and contractors up to date with key performance areas such as safety and the environment.

During the year, we hosted several mine visits including school groups and international delegations. We also held a Community Open Day in conjunction with Motoring Southwest and the South West Development Commission. This provided an opportunity to showcase Lake Kepwari and the motorplex. The day included skiing and wakeboarding demonstrations at the lake as well as drags and racing car displays at the race track.

Our intranet makes available to employees information, including environmental and safety standards and procedures.

WEBSITE

Our website (www.premiercoal.com.au) includes information about our operations for the community, including environmental, safety and health information relating to our business.

LIAISON GROUPS

We have a Stakeholder Consultation Group to provide a strong community interface and improve community awareness and involvement. This group provides assessments of this report – in particular the scope, clarity, design and ease of information access – and feedback on any community concerns with current and planned operations.

During the year, the Stakeholder Consultation Group was consulted on the proposed Collie B Power Station development proposal by the Collie Power Consortium of which Wesfarmers Energy is a member.

(Below) Water ski demonstrations at Lake Kepwari during Premier's Open Day.



The top four issues discussed were air quality, water supply, effluent disposal and greenhouse gas. The group did not raise any major concerns other than the need for wise water supply management for the power station, traffic management during construction and the need for more apprentices and aboriginal employment in the region (the consortium was subsequently unsuccessful in its bid to build the power station).

Several meetings were held with local residents particularly to progress the noise Regulation 17 application. The Buckingham community meetings provide a valuable opportunity to discuss their concerns and suggestions.

Participation in various committees, noted earlier, provides a regular opportunity to liaise with a wider audience.

COMMUNITY SUPPORT

The Schools Compact for Education Excellence continued with Amaroo Primary School. The aim is to deliver improved education opportunities for children through identification of areas of special need, projects that can support the school curriculum, business and school interaction, programmes to inspire and encourage gifted students and to support and assist disadvantaged students to achieve their full potential and meaningful work experience.

Work on the assessment of a future industrial park at Shotts near Collie continued.

This has the potential to encourage business development as well as a far more efficient utilisation of the energy produced by local power stations and our coal products. The project has attracted government funding through the South-West Development Corporation and LandCorp and we have provided the necessary land for future development.

Under our Safety Voucher fund a proportion of safety financial incentive awards managed by employees, contributed to community projects. Beneficiaries this year included sporting groups, disabled children, the Collie hospital, Scouts and the Collie Library. Because of our excellent safety performance, we contributed \$19,749 to the fund and \$8,248 was paid out by the fund to the Collie community. In addition, we have given \$68,346 as direct community contributions this year.

Premier Coal committed \$150,000 to the Collie Town Entry Precinct Interpretive Centre. This is to support a \$2.3m project to develop a major tourism and historic iconic attraction based on Collie's long association with coal mining, power generation, forestry and alumina.

RESEARCH

We continued to help run the Collie Centre of Excellence in Sustainable Mine Lakes through funding and management support.

The aquafarm at our former Western 5H mine site is being used for further research on production of marron and silver perch. It also will provide a base for long-term teaching and as a research centre for the local TAFE and the Centre of Excellence in Sustainable Mine Lakes. Monitoring of the Western 5B lake (Lake Kepwari) continued as part of the Centre's research into developing a predictive model for water quality and ecological development of mine lakes. This programme is helping define beneficial end uses and opportunities to attract capital developments.

We have a seven-year, \$100,000 a year, commitment to the Cooperative Research Centre for "Coal in Sustainable Development". Work being done under this project by Curtin University of Technology involves achieving better environmental and greenhouse performance through efficiency and waste management improvements.

SCHOLARSHIPS

Each year we provide tertiary scholarships such as the J A Ellis Scholarship and specific university scholarships.

Our scholarship at Curtin University supports postgraduate research into birds as bio-indicators in the jarrah forest in south-west Western Australia. The study is completed and covers a range of forest types including pristine, logged, burnt and dieback-infested as well as rehabilitation areas on our mine site. The results are currently being compiled.

We also sponsored the Joe Lord Memorial Scholarship at the Minerals and Energy Research Institute of Western Australia which supports research for the mining industry.

Premier is also contributing \$100,000 over four years to the Australian Institute of Mining and Metallurgy Education Endowment Fund.

We provided work experience to 13 high school and 10 TAFE students from the south-west region and paid vacation employment to 12 tertiary students. We also provided student awards for the local high and primary schools.

During the year we employed 15 apprentices ranging from those in the first year to those in the fourth year of their indentures.

AWARDS

A major highlight for the year was winning the State Environmental Award for Corporate/Business Leading by Example – with our submission titled "Sustainable Development at Premier Coal" and based on our sustainability planning, management systems and rehabilitation of former mined areas. Our work in this area, which also resulted in us winning a national Banksia Award in 2004, is a contender for the Department of Industry and Resources Golden Gecko Award for Environmental Excellence in the minerals and petroleum industries in Australia.

(Left) Volunteers who carry out restoration work on old rail carriages at the Collie Rolling Stock Sheds are supported by Premier Coal.
 (Right) Apprentice Boiler Maker/Welder Kiel "Enzo" Ferguson was awarded the Rotary Apprentice of the Year.





(Above) Car racing at the Collie Motorplex.

Case Study →

Areas on which former mine infrastructure is located pose a different challenge in achieving a value-added rehabilitation outcome. At the former Central Services Area (Western 2 mine), rather than normal decommissioning involving removal and/or selling existing facilities, we have taken a more creative approach.

This area has been turned into the Collie Motorplex, now run by Motoring Southwest.

The Motorplex is essentially a large recycling project with mine roads, offices, workshops and other facilities given a new role in motor sports and driver training. The complex attracts a large inflow of people and money to Collie.

The community has strongly embraced the development and has put in around 40,000 hours to renovate buildings and develop the site to a point where the complex is now valued at several million dollars. The community group has developed the buildings to include classrooms, a common room, sleeping quarters, kitchen facilities, ablution blocks, medical room, clubrooms, an administration centre, caretaker's residence, function room and a workshop currently leased to a suspension manufacturer.

The road network now includes a bitumen road training venue, gravel driver training venue, a race circuit and a drag strip, a skid pan, burn-out area, off-road skills course, hill climb circuit and pit area. The grounds include gardens, safety barriers, observer's box, picnic and barbecue areas, car parking area, camping areas and grassed corporate areas.

The Motorplex is used for a variety of motoring activities from youth driver training and production car testing to specialised driver training such as for off-road four wheel driving, heavy haulage driving, essential services such as fire rescue and ambulance, the armed forces and high-speed pursuit training for the Western Australian Police Force. Recreational activities include car and bike speed racing, rallies, enduro, motokhanas, hill climbs, drags, burn out events and vintage and veteran car events.

The development has provided additional economic diversity, created new jobs and provided social and educational opportunities.

Priorities for the future

- Achieve full environmental compliance.
- Maintain ISO14001 EMS standard.
- Develop refresher environmental training package.
- Reduce hydrocarbon spillage.
- Continue with development of "value-added" rehabilitation and mine closure outcomes.
- Progress rehabilitation of mined areas.
- Halve our LTIFR with an ultimate aim of zero LTIs.
- Implement Fitness for Work programme.
- Upgrade our internal safety audit and inspection system.
- Align Safety Management System (SMS) to an auditable standard.

Kleenheat gas



We are a major distributor of liquefied petroleum gas (LPG) to a broad range of domestic, commercial, forklift, autogas and industrial customers.

We operate in all states of Australia through a network of depots, company-operated branches, commissioned agents, dealers and franchisees servicing more than 15,000 bulk, 210,000 domestic, 6,000 forklift and 1,500 Kwikgas customers installations. Other activities include a liquefied natural gas plant at Kwinana in Western Australia and an LPG distribution facility in Bangladesh. We employ more than 500 people. This year we expanded our business to include Tasmania, with the purchase of Mobil's LPG business. Our activities in Tasmania include supplying cylinder LPG and servicing commercial and industrial customers with LPG from Victoria.

www.kleenheat.com.au

(Above) A trailer being loaded onto a ferry in Melbourne to supply bulk LP Gas in Tasmania.

04

Report priorities

- ① Maintain zero Lost Time Injuries. → **Not achieved.** We had one employee LTI and one contractor LTI.
- ② Conduct heavy vehicle driver training. → **Achieved.** 105 company and contractor drivers received heavy vehicle training.
- ③ Introduce further programmes to reduce manual handling risks. → **Achieved.** We trained 55 GasHouse employees in manual handling and introduced lifting devices to all GasHouses.
- ④ Improve energy efficiency at sites and in the transport of our product. → **Partially achieved.** Energy consumption per bulk tonne of LPG delivered up three per cent. However, 54 per cent of sites improved energy efficiency.
- ⑤ Implement recommendations of asbestos site assessments. → **Partially achieved.** Damaged asbestos at Myaree was removed. Quotes to seal asbestos at Pinkenba are being considered. Asbestos planned to be remediated at Camellia.
- ⑥ Install septic system at Pinkenba terminal. → **Achieved.**

05

Outcomes

Overview

The main challenge facing our business on an ongoing basis is the safe operation of our sites in a way that minimises any adverse impact on the environment or the local community.

In dealing with this challenge, the three main environmental areas on which we focused our attention during the year were training drivers in heavy vehicle use, undertaking truck and cylinder washing facility assessments and contaminated sites management.

The "Professional Operator - Heavy Vehicle Driving" training sessions covered information on safe driving techniques and minimising fuel consumption and were attended by 105 of our drivers.

Eighteen of 26 sites identified as having cylinder or truck wash facilities on-site were reviewed for compliance with the relevant environmental state and territory legislation.

Our Myaree site in Western Australia was remediated and our former Kwik Fuel Service station sites were investigated to determine the environmental impact associated with our leases. Remediation commenced where required.

The two main safety areas on which we focused our attention during the year were heavy haulage vehicle driver training and emergency and crisis management planning.

Following on from our defensive training for passenger vehicle drivers last year, we conducted the "Professional Operator - Heavy Vehicle Driving" training in all major operating centres.

We finalised a crisis management plan and conducted both terminal and desktop exercises to train our employees in the operation of the plan.

Our safety performance was disappointing this year, with two LTIs sustained. One, related to driver safety, reinforced the training programme for our heavy vehicle drivers. The other, concerning manual handling, resulted in re-training our GasHouse staff in manual handling safety.

Business management

Training

ENVIRONMENTAL

Environmental awareness training and separate environmental benefits of LPG training is delivered to new employees as part of the induction programme. The environmental awareness training covers statutory obligations, key environmental management practices and environmental incident reporting requirements.

Information on minimising fuel consumption in our heavy vehicle transport fleet, to reduce environmental impact, was included in the "Professional Operator - Heavy Vehicle Driving" course.

Our "Environmental Benefits of LPG" training was attended by 41 employees during the year.

HEALTH AND SAFETY

After the introduction of our Fitness for Work policy, random drug and alcohol testing was conducted in Darwin, Brisbane, Sydney, Melbourne, Adelaide and Perth operating locations. A total of 65 tests were carried out with four positive results. There were no positive test results for alcohol. Those returning positive results were required to submit a management plan against which their future conduct will be monitored. Breaches of such plans may result in disciplinary action, including dismissal.

EMERGENCY

We trained our National Emergency Response Communications System teams, focusing on the ability to deal with emergency situations. We held a desktop emergency exercise in November 2004 at our Swan Hill terminal in Victoria. Additionally, in conjunction with the Fire and Emergency Services Authority, we held an emergency exercise at our Kwinana gas terminal in Western Australia and a crisis management exercise at our Myaree office.

Compliance

ENVIRONMENTAL

Any changes to environmental legislation in the states and territories in which we operate are monitored through a company that specialises in environmental law. The company notifies us of any changes and has a website containing current environmental legislation. The annual environmental survey was completed for each of our sites. The results of the survey have been used in generating some of the data for this report.

We are not aware of any potential non-compliance during the year with environmental legislation or other environmental requirements, except as set out below.

A new septic system was installed at Pinkenba in January 2005 to meet the requirements of the local authority. This fully addresses the overflow issue referred to in last year's report.

Wastewater discharge practices that were not compliant with the relevant state legislation were identified in Victoria and New South Wales. Operational changes or upgrades will be undertaken during the next year to comply with the relevant legislation.

Eighteen of 26 sites identified as having cylinder or truck wash facilities on-site were reviewed for compliance with the relevant environmental state and territory legislation.

NATIONAL POLLUTANT INVENTORY (NPI)

LPG is a volatile organic compound that is reportable under the NPI if a threshold is triggered. The presence and use of all substances listed under the NPI was reviewed during the year for each type of operating site. We did not trigger any thresholds and therefore not required to report under the NPI.

HEALTH AND SAFETY

We are not aware of any potential non-compliance during the year with health and safety legislation or other health and safety requirements, except as set out below.

We had two outstanding improvement notices issued in Victoria, referred to in last year's report. We complied with one notice, relating to the management of change at our Swan Hill facility. The second notice, relating to storage quantities at our Deer Park terminal, was withdrawn by the Victorian WorkCover Authority.

As part of the Major Hazard Facilities oversight process, two improvement notices were issued by the Victorian WorkCover Authority for our Swan Hill terminal in April 2005. We complied with one notice which was issued to clarify the control of intrinsically safe electrical equipment in the terminal. We are working to comply with the other notice issued to improve our control of testing and data control for LPG vessel safety relief valves.

The Safety Report for our Brisbane gas terminal was subject to an audit by Queensland authorities in April 2005. Two directives were issued from this audit in addition to a number of recommendations. One was to undertake an assessment of risks associated with spark ignition forklifts used in hazardous zones. The other was to improve our existing system addressing management of change at the terminal. We are working to comply with both directives.

We have a system in place to ensure that small cylinders (nine kilograms and below) we supply for sale are tested and comply with the relevant Australian Standard at the time of supply and that customer-owned cylinders are not filled by us if they are out of date. We have a process in place which endeavours to ensure that LPG cylinders and vessels owned by us are tested and are compliant at the time of supply and when re-filled. However, at other times, there may be some cylinders and vessels which are out of date. We have no effective method of recording the number

of such cylinders or bulk vessels at any one time, but we are currently implementing a system to capture such data and track bulk vessels.

LICENSING AND APPROVALS

We are not aware of any potential non-compliance during the year with licensing or approval conditions or other requirements, except as set out below or above under "Environmental" or "Health and Safety".

We hold three site-specific environmental licences. These are required by the relevant statutory authorities for our Pinkenba terminal, our Mongla terminal in Bangladesh and our Kwinana liquefied natural gas (LNG) plant.

Approval was granted by the Kwinana Council during the year for the relocation and upgrade of the truck wash facility at our Kwinana terminal.

During the year, we were found to have breached Western Australian consumer protection legislation due to underfilling 8.8 kilogram (commonly referred to as nine kilogram) gas cylinders.

Immediate steps were taken to prevent any further underfilling and we were fined \$5,000 by the Rockingham District Court. The breach resulted in a review of our cylinder filling procedures, re-training of filling staff and a decrease in the stated net filling weight of cylinders from 8.8 to 8.5 kilograms.

Our gas terminals at Swan Hill and Kwinana continue to operate under approved Safety Reports for Major Hazard Facilities.

Management systems

INTEGRATED MANAGEMENT SYSTEM

Our Operations Management System (OMS) is an intranet-based system covering safety, quality and environmental management requirements. The system is reviewed on an ongoing basis and 39 of the 215 procedures were reviewed during the year to ensure relevance with current operations. The OMS includes links to codes of practice and regulators' home pages and health, safety and environment reference documents. The OMS is available to employees through our intranet system.

ENVIRONMENTAL MANAGEMENT SYSTEM (EMS)

Our EMS is an integrated part of the OMS and is consistent with the principles of the international standard ISO 14001. We have maintained our third party certification to AS/NZS ISO 14001 (Environmental Management Systems) at our Myaree and Kwinana sites since 1998. Third party certification has not been sought at any other sites.

QUALITY SYSTEM

Our Quality Management System is compliant with AS/NZS 9001. Surveillance audits were held at the Pinkenba and Myaree sites in the year and no non-conformances were identified.

"Any changes to environmental legislation in the states and territories in which we operate are monitored through a company that specialises in environmental law."

SAFETY MANAGEMENT SYSTEM (SMS)

We were subject to a triennial audit of our Safety Management System, in accordance with AS/NZS 4801 in May 2005 and no significant issues were identified. Certification was extended to our Brisbane terminal in June 2005.

OTHER MANAGEMENT SYSTEMS

As part of the ongoing implementation of our Oracle system, we developed and introduced a training database to replace older systems. The database is currently being used to capture health, safety and environment training.

We continue to use our compliance database to record information relating to drivers, trucks, terminals and contractors.

POLICY

We have formal policies for quality, safety, the environment and training. Each policy has been developed in accordance with the relevant Australian Standard. Our policies are displayed on our intranet and at our operating sites. The safety and environment policies are also available on the internet.

We introduced a compliance policy in June 2005. This policy is consistent with Australian Standard 3806 – Compliance Programs.

Environmental



Air (atmospheric emissions)

DUST

A dust suppressant was applied to the road surface at Deer Park in August 2004 addressing the issue referred to in last year's report.

The bitumen area at Kwinana was expanded as part of the truck wash facility upgrade, resulting in less area from which dust can be generated on the site.

ODOUR

In its natural state, LPG is odourless. For safety reasons it is necessary to add a small amount of ethyl mercaptan to give the gas a distinctive smell and to allow its presence to be easily detected should a leak occur. An odour release is associated with the venting of LPG to the atmosphere.

LPG emissions are minimised through the cylinder exchange programme and remnant gas recovery at our testing stations. During the year 107,923 cylinders were tested and our remnant gas recovery rate from tested cylinders remained constant at 2.2 kilograms per cylinder, with a record amount of 242 tonnes of LPG being recovered. The rate can be affected by the number of different cylinder sizes tested during a year and the amount of unused LPG in the cylinders. We did not record remnant gas recovery by cylinder size, but the numbers of each cylinder size tested are set out in Figure 1.

GREENHOUSE GAS EMISSIONS

LPG produces up to 15 per cent less greenhouse gas emissions than petrol. This was promoted through our "Environmental Benefits of LPG" training in an effort to increase LPG usage and decrease greenhouse gas emissions. As vehicles are changed over in the passenger fleet, LPG vehicles are purchased, wherever practicable, to minimise the fleet's greenhouse gas emissions. Dedicated LPG and dual fuel vehicles now constitute 99 per cent of our passenger fleet.

By integrating dual fuel and dedicated LPG vehicles into our fleet instead of solely running dedicated petrol vehicles, our greenhouse gas emissions are up to 248 tonnes per annum less than they would otherwise be.

Figure: 1

REMNANT GAS RECOVERY TESTS

| 2004/ 05 | |
|---------------------|----------------|
| CYLINDERS TESTED | |
| 9kg | 60,243 |
| 18kg | 4,061 |
| 45kg | 42,269 |
| 190/210kg | 1,350 |
| ANNUAL TOTAL | 107,923 |

We intend to have five prime movers and four rigid vehicles converted from diesel-powered engines to LNG-powered engines over the next three years. It is also proposed that 10 trucks be converted to the more fuel efficient Euro 4 diesel engines over the next year.

Our greenhouse gas emissions were estimated to be 17,513 tonnes of carbon dioxide equivalent, up two per cent on last year, and this equates to 34 kilograms of carbon dioxide equivalent per bulk tonne of LPG delivered, up 0.4 per cent on last year.

The only sources of greenhouse gas emissions that we have not included are contractor vehicle fuel use for fuel purchased from outlets other than preferred BP locations, waste disposed off-site and a small amount of natural gas used in office kitchens. As we did not measure these we were unable to estimate associated greenhouse gas emissions.

The greenhouse gas emissions were largely due to vehicle fuel use (approximately 82 per cent) and electricity consumption (approximately 18 per cent).

NOISE

We received no noise complaints.

OTHER EMISSIONS

We are not aware of any emissions of ozone-depleting substances such as chlorofluorocarbons (CFCs), halons, carbon tetrachloride, hydrochlorofluorocarbons (HCFCs), hydrobromofluorocarbons (HBFCs), methyl bromide or bromochloromethane (BCM).

Asbestos air monitoring was conducted at our Osborne Park GasHouse in January 2005. All results were below the detectable limit of 0.01 fibres per millilitre and therefore below WorkSafe Western Australia's limits for asbestos fibres in air.

Available literature on unflued heater emissions was reviewed during the year and a paper on Frequently Asked Questions in relation to unflued heater emissions is being prepared to assist employees in answering public queries on the issue.

Waste

SOLID WASTE

The type of waste generated depends on the nature and size of the operation. Unmanned depots do not produce any solid waste. Solid waste at other sites may include paper, cardboard, cylinders, valves, plastics, aluminium, glass and wood. The amount of solid waste generated is not measured but amounts of steel and brass sent for recycling are recorded.

LIQUID WASTE

Wastewater management was assessed at 18 of our 26 sites conducting cylinder or truck washing operations. Potential non-compliances at these sites will be addressed in the coming year. Waste oil is no longer generated at our Myaree site as the garage was closed down during the year. Some of our trucks are serviced at the Wandin terminal in Victoria. Waste oil is collected there by a contractor mechanic and taken to a recycling centre for treatment.

RECYCLING INITIATIVES

Approximately 57 tonnes of brass and 324 tonnes of steel were sent for recycling from our operations across Australia, compared with last year's 30 tonnes and 172 tonnes respectively.

This year we also commenced an improved recycling program for our office waste at Myaree.

The timber from the demolition of the Myaree cylinder-filling ramp was sold to an employee for reuse.

We also participated in the Cerebral Palsy Association mobile phone recycling programme.

Land

CONTAMINATION

Contamination is unlikely to result from our LPG operations as LPG vaporises at atmospheric pressure, preventing it from entering soil or water resources.

Some of the sites we lease in New South Wales are contaminated from previous uses. We received a letter from the Department of Environment and Conservation advising that land incorporating our Nowra site had been declared a remediation site in accordance with the *Contaminated Land Management Act 1997*. Shoalhaven City Council subsequently advised us that they intended remediating the site, but no remediation activities were undertaken during the year. The site we lease at Camellia is contaminated. It is concreted which assists in preventing incident rainwater from spreading the contamination.

The Myaree site was remediated. The underground waste oil storage tank and the impacted soil around this tank were removed. Groundwater bores were installed and water analysis indicated that no groundwater impacts likely to be associated with the underground waste oil storage tank were detected above drinking water guidelines. The impacted soil beneath the cylinder-filling ramp was removed leaving the area suitable for current commercial/industrial land use.

We reviewed the status of four sites formerly leased by us in Western Australia for the operation of Kwik Fuel service stations following expiry during the year of the final lease on the Osborne Park site.

The installation and monitoring of a final groundwater monitoring bore at a former site leased in Yokine indicated the groundwater was not contaminated.

Further testing of a site in Pinjarra, formerly leased by us, indicated that there was little evidence of lateral contaminant migration from the source point.

Biological remediation through in-situ technologies was undertaken at a site southeast of Perth resulting in reduced hydrocarbon impact on the groundwater. We intend to continue to remediate the site in addition to monitoring natural attenuation.

An assessment identified groundwater hydrocarbon impact subsequent to the conclusion of our lease at Osborne Park. An investigation was conducted into the likely cause of this impact. We will contribute to the remediation of the site if we are responsible for the contamination.

Resource usage

ENERGY

Energy use during the year related primarily to transporting LPG and electricity consumption at our sites.

To expand on the energy audits undertaken at the Niddrie regional office in Victoria and the Kwinana terminal last year, energy management reviews commenced at branches and terminals throughout Australia. The purpose of the reviews was to identify possible energy saving opportunities that may exist. Fourteen energy reviews were undertaken during the year.

Total energy consumption was estimated to be 217,313 gigajoules, up 4.8 per cent on last year.

Our total energy consumption per bulk tonne of LPG delivered was estimated to be 0.42 gigajoules, up three per cent on last year.

Energy sources are detailed below.

FUEL

Petrol, diesel and LPG accounted for 95 per cent of our total energy consumption by gigajoule. Our petrol, diesel and LPG consumption was 127 kilolitres, 4,792 kilolitres and 684 kilolitres, respectively.

Both the kilometres travelled and litres of diesel consumed, per tonne of bulk LPG delivered, have been determined. The kilometres travelled per bulk tonne of LPG delivered has been reduced from 26 last year to 20. The efficiency of diesel use has decreased with 9.2 litres of diesel being consumed per bulk tonne delivered compared with 8.9 litres last year.

A vehicle tracking and fatigue management software, "vTrack", was installed on 15 of our bulk tankers this year. The software displays in real-time the location and speed of a tanker and the time and distance that the vehicle has travelled. Transport efficiency improvements are resulting in changes being implemented to reduce the amount of kilometres travelled. The system will be installed on all of our tankers over the next year.

ELECTRICITY

Electricity accounted for five per cent of our total energy consumption by gigajoule. Our electricity consumption was estimated to be 2,888,588 kilowatt hours.

NATURAL GAS

We are not aware of any significant use of natural gas.

Water

CONSUMPTION

Water use during the year related to truck washing (undertaken at 38 per cent of our sites), cylinder washing (14 per cent of sites) and fire deluges (installed at 40 per cent of sites).

As many of our locations are leased properties without a site-specific water meter, water consumption was not able to be monitored.

Our water sources included:

- scheme water (used at 98 per cent of sites);
- groundwater abstracted through bores (two per cent);
- surface water taken from streams, rivers and rain catchment dams (four per cent); and
- reused/recycled water (six per cent).

REUSE AND RECYCLING

Fire deluge systems are erected above our bulk storage tanks where required. At Channel Island in the Northern Territory and Kwinana, the released deluge water flows back into a water storage dam for reuse.

Figure: 2

LOST TIME INJURY FREQUENCY RATE*

1 July 00 - 30 June 05 (as at 30 September 05)
*Contractor hours and LTIs included



New cylinder washing facilities were installed at Deer Park and Gepps Cross that recycle the water through the wash unit. A new truck wash facility that reuses the water was installed at Kwinana.

In the coming year new cylinder washing facilities incorporating the recycling of water will be commissioned at Kwinana, Winnellie, Camellia and Pinkenba.

DISCHARGES TO SURFACE AND GROUNDWATER

At sites other than Kwinana and Channel Island, the deluge water discharges to the natural ground surface.

safety and health



LOST TIME

Our Lost Time Injury Frequency Rate (LTIFR) was 1.4 (compared with zero last year) see Figure 2, and during the year, there were two LTIs. Our Average Time Lost Rate, which provides a measure of the severity of such injuries, was 1.7 (compared with zero last year). These statistics include contractor hours and injuries.

Safety statistics are distributed and discussed by management each month and reported to our Board every two months.

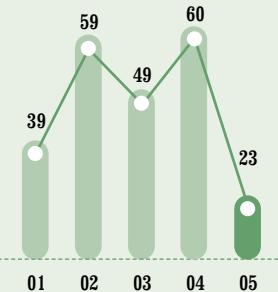
WORKERS COMPENSATION

There were 23 workers compensation claims reported, relating to occurrences during the year, compared with 60 last year (see Figure 3).

The large number of workers compensation claims, relative to LTIs, is a result of our high response injury management programme which results in many precautionary visits to medical practitioners for minor injuries.

Figure: 3

NUMBER OF WORKERS COMPENSATION CLAIMS



(Left) Compliance Manager Russell Purdy testing a Lyco Loader, a mechanical aid to help reduce manual handling injuries when loading heavy merchandise onto utility vehicles. (Right) Melissa Hewitt using a Lift Aide mechanical device to move heavy stock at the Myaree GasHouse in Western Australia.



Community



Stakeholders

Our stakeholders include our employees, our customers, our suppliers and other contractors, relevant government agencies, local communities in which we operate, and shareholders in our parent company, Wesfarmers Limited.

We again sponsored the Community of the Year Award in Western Australia and Victoria and the Regional Achiever Award in New South Wales.

We conducted a number of regional conferences in October 2004. The conference objectives were aligned to our business plan strategies and used round table discussions.

We held another series of conferences in May 2005 with 193 employees attending. The theme of these conferences was to build a customer-focused and high performance organisation. We again used the round table format to assist in achieving the objectives.

In conjunction with the Kwinana Industries Public Safety Liaison Group (KIPSLG) we presented an overview of our Kwinana operations, Safety Report and Quantitative Risk Assessment to members of the local community, other Major Hazard Facilities operators and government agency representatives in August 2004.

(Below) Kwik Gas cylinder processing in the new facility at the Kwinana gas terminal.



As foreshadowed last year, the damaged asbestos cylinder filling ramp at Myaree was removed. The asbestos cylinder filling shed at Pinkenba and damaged asbestos at Camellia is intended to be sealed this coming year.

Deficiencies with the paint spray booth at our Pinkenba site in Queensland, identified in last year's report, were rectified with the installation of a new spray booth using a water filter, rather than a fibre filter.

EMPLOYEE WELLBEING

We produced another employee calendar in the year. As with previous calendars, the theme was based on safety with this year having 'Safety Sam' as the focus.

The Safety Sam campaign also continued in the year with the focus on fitness for work, manual handling and safety meeting attendance.

Employees were again offered the opportunity to have influenza vaccinations with 105 taking up the offer. We also ran yoga classes for our employees, with 17 employees attending the sessions.

During the year, we assisted our dealer at Foster in Victoria to respond to a number of directives from the Victorian WorkCover Authority in relation to cylinder storage and handling. These directives were resolved successfully.

FEEDBACK/COMPLAINTS

Most customer issues are handled first by our Customer Service Centre (CSC) officers. If an issue requires further attention, the matter is dealt with by the CSC Manager, supervisor or other senior personnel. We also handled 230 written feedback issues during the year.

LIAISON WITH AUTHORITIES

We continue to maintain a working relationship with state, territory and federal government authorities to ensure we deal with any compliance issues that arise.

Communication

NEWSLETTERS AND REPORTS

We continue to distribute "Well at Work" newsletters to our employees. This year we have also distributed a "Week in Review" newsletter to our staff to replace older publications.

WEBSITE

Our website (www.kleenheat.com.au) includes information about our operations for the community, including environmental, safety and health information relating to our business.

LIAISON GROUPS

We remain a member of the Australian Liquefied Petroleum Gas Association (ALPGA). One of our senior executives is national president of the association and other staff have been elected to chairman positions in the New South Wales and Victorian branches. We also have representation on the ALPGA technical committee.

We remain a full member of the Kwinana Industries Public Safety Group and an associate member of the Kwinana Mutual Aid Group.

We continue to be a member of the Gateway Mutual Aid Group in Queensland.

"We again sponsored the Community of the Year Award in Western Australia and Victoria and the Regional Achiever Award in New South Wales."



Case Study

(Above) Directors Kevin (left) and Tony Sands (right) with the Hon Ian Campbell, Federal Minister for the Environment and Heritage, (centre) with one of Sands Fridgelines LNG-powered prime movers.

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Kleenheat gas

Liquefied Natural Gas (LNG) is being used as a fuel for the heavy-duty vehicle market in North America and the United Kingdom. Wesfarmers LNG has pioneered LNG as an alternative fuel for heavy vehicles in Australia.

The Caterpillar C-15 dual fuel engine has been developed to run on LNG with the assistance of a grant from the Australian Greenhouse Office (AGO) specifically for the Australian market, which requires a reduction of greenhouse gas emissions of greater than 5 percent above the C-15 diesel engine. Additional support from the AGO Alternative Fuels Conversion Programme has seen a number of fleet operators, such as Sands Fridge Lines in Western Australia and Murray Goulburn in Victoria adopting LNG versions of this engine.

Major environmental solutions companies, including SITA, have chosen the Cummins C-Gas-Plus 250-280hp dedicated LNG engines to power their refuse compactor vehicles. These engines are recognised by the AGO as reducing both greenhouse gases and particulates.

LNG is producing significant environmental benefits and is reducing the reliance on diesel. Based on current prices, LNG can reduce a company's fuel bill by up to 30 per cent compared to diesel. LNG can produce less greenhouse gases and toxic emissions than diesel and can reduce engine noise by significant amounts.

While this business is still in its early stage, the number of LNG vehicles on Australian roads is expected to increase from 32 in August 2005 to approximately 60 by the end of the calendar year, being powered with both the Cummins and Caterpillar engines.

Priorities for the future

- Contribute to the management of contaminated sites for which we are responsible.
- Install energy-efficient Euro4 engines and LNG engines in trucks.
- Progress cylinder facility upgrades at Kwinana, Darwin, Camellia and Pinkenba.
- Reduce our LTIFR to zero.
- Assess and review our compliance levels and formulate plans to address any issues.
- Progress training and awareness of Fitness for Work.

52.

Wesfarmers LPG



We own and operate a plant at Kwinana in Western Australia which extracts LPG from the natural gas stream in the Dampier to Bunbury pipeline.

Production was slightly lower during the year but plant capacity remains at about 350,000 tonnes per annum. We employ about 45 people.

www.wesfarmerslpg.com.au

(Above) Process Engineer, Robert Antony conducting a firewater pump performance test.

04

Report priorities

- No workplace injuries.
- **Not achieved.** We had two employee injuries and one contractor injury, each requiring medical treatment.
- LTIFR of zero.
- **Achieved.** Lost Time Injury Frequency Rate of zero for employees and contractors.
- Identification and control of hazards.
- **Achieved.** Use of site Permit to Work system. Hazard and Operability (HAZOP) studies conducted for the LPG export long circulation system and the mini LNG plant expansion.
- No significant release of hydrocarbons to the atmosphere.
- **Achieved.** No significant release of hydrocarbons to the atmosphere.
- Compliance with environmental noise regulations.
- **Achieved.** Noise measurements conducted confirm compliance following the completion of noise reduction projects.
- Meet reporting requirements of Contaminated Sites Act 2003.
- **Not achievable.** Contaminated Sites Act 2003 not yet proclaimed.
- Implement Fitness for Work (Alcohol and Drugs) policy.
- **Achieved.** Policy introduced on 1 August 2004. Initial drugs and alcohol screen testing and random drugs and alcohol testing completed.
- Continue environmental sampling to verify greenhouse emissions.
- **Achieved.** Sampling conducted on train one and train two recompressors and Ruston generator.

Overview

The main challenge facing our business on an ongoing basis is the safe operation of our plant which minimises any adverse effect on the environment and the local community.

In dealing with this challenge, the three main environmental areas on which we focused our attention during the year were compliance with the Environmental Protection (Noise) Regulations 1997, ensuring compliance with our Department of Environment (DoE) licence conditions and projects to divert LPG emissions from plant equipment to the flare.

We conducted noise measurements to assess and confirm compliance with the noise regulations, following the installation of an acoustic sound barrier on the gas turbine alternator (Ruston generator).

We received an infringement notice from the DoE as a warning for the discharge of dark smoke lasting in excess of four minutes in one hour in breach of the Environmental Protection (Unauthorised Discharges) Regulations 2004 and we had one other such incident, but no infringement notice was issued.

Projects to redirect minor LPG emissions which occur during the sampling of plant items by laboratory personnel for domestic and export products were progressed and completed this year.

The two main safety areas on which we focused our attention during the year were the ongoing protection of employees and visitors to our plant and compliance with the national standard for the control of major hazard facilities.

We continued our commitment to providing a healthy and safe workplace for all employees and visitors to the Kwinana extraction plant and our gas export facilities. Identification and control of hazards and prevention of incidents and injury remained the highest priority.

05

Outcomes

- **Not achieved.** We had two employee injuries and one contractor injury, each requiring medical treatment.
- **Achieved.** Lost Time Injury Frequency Rate of zero for employees and contractors.
- **Achieved.** Use of site Permit to Work system. Hazard and Operability (HAZOP) studies conducted for the LPG export long circulation system and the mini LNG plant expansion.
- **Achieved.** No significant release of hydrocarbons to the atmosphere.
- **Achieved.** Noise measurements conducted confirm compliance following the completion of noise reduction projects.
- **Not achievable.** Contaminated Sites Act 2003 not yet proclaimed.
- **Achieved.** Policy introduced on 1 August 2004. Initial drugs and alcohol screen testing and random drugs and alcohol testing completed.
- **Achieved.** Sampling conducted on train one and train two recompressors and Ruston generator.

We continued with the implementation of recommendations (approximately 65 per cent completed), following the last independent compliance audit of our Safety Report in September 2003, as part of our requirements as a major hazard facility under the national standard for the control of such facilities. An independent audit of our Safety Report will be conducted next year.

The existing lead and zinc soil contamination discussed in previous reports will be reported to the DoE when the Contaminated Sites Act 2003 comes into effect.

We conducted environmental sampling on plant gas-burning equipment to verify greenhouse gas emissions. Sampling indicated that the average oxides of nitrogen (NOx) emissions from the train one recompressor, train two recompressor and the Ruston generator were in line with expectations.

Our Fitness for Work (Alcohol and Drugs) policy was introduced in August 2004, with the policy being formally launched by the General Manager in September 2004 following an initial drugs and alcohol screening test on-site.

A highlight of this year's safety performance was our achievement of a zero Lost Time Injury Frequency Rate (LTIFR) for employees and contractors. We achieved two years LTI-free in February 2005 and this performance was recognised by presenting sports/travel bags to site personnel for their efforts.

Business management

Training

ENVIRONMENTAL

Our induction programme for all new employees and contractors addresses environmental awareness of their

work area with emphasis on response to product spillage and general housekeeping. There were 198 inductions carried out this year associated with planned maintenance activities and new projects. In addition, our training programme covers procedures for managing environmental licence conditions.

HEALTH AND SAFETY

We conducted voluntary health and fitness assessments for employees and long-term contractors as part of our two yearly programme. See the "Case Study" on page 59.

All employees and contractors must attend a safety induction programme before being allowed access to the process area to ensure that they are aware of hazards, work permit requirements, occupational health and safety and emergency response procedures.

All employees undergo vocational training to meet the requirements of their position with competencies measured against national standards (where available). In addition, a comprehensive competency-based training programme is in place for all process operators, involving demonstration of acquired competencies against internal and national standards. The review of the internal competency standards, including training workshops, continued this year to ensure that they matched current plant status. There were numerous changes made to the standards as a result of the review with approximately 35 per cent completed. This process is ongoing.

Our Fitness for Work (Alcohol and Drugs) policy was introduced in August 2004, with the policy being formally launched by the General Manager in September 2004, following an initial drugs and alcohol screening test on-site. A total of 110 random tests were conducted with three positive tests in breach of our policy. Those people returning positive results to either alcohol or illicit drugs screening were subject to disciplinary procedures which may range from counselling to, ultimately, dismissal as provided by our policy.

EMERGENCY

A comprehensive emergency response training programme is in place relevant to each employee's position. This includes basic, intermediate and advanced fire fighting, breathing apparatus training, search and rescue and fire ground command programmes. Training under this programme is conducted annually.

As part of our Safety Report requirements, 32 employees completed an advanced fire fighting course, 10 completed the fire ground command course and 15 went through the fire awareness and control programme.

Compliance

ENVIRONMENTAL

We are not aware of any potential non-compliance during the year with environmental legislation or other environmental requirements, except as set out below.

We received an infringement notice from the DoE as a warning for the discharge of dark smoke lasting in excess of four minutes in one hour in breach of the recently introduced Environmental Protection (Unauthorised Discharges) Regulations 2004. At the time of this incident, we were starting up our gas extraction plant after a two-day shutdown for maintenance activities. In this instance, a pressure activation switch failure and operator error meant that the flare air fan was not activated in time to disperse smoke at the flare. Our plant is designed for smokeless operation during normal operation, but not during upset and emergency circumstances.

We will continue to operate our plant in a way that minimises smoke during normal operation.

The DoE has also noted a smoke discharge from our flare on 5 January 2005, but no infringement notice was issued as the department did not time the discharge. This smoke was the result of an unplanned shutdown caused by a power supply failure. We believe that it lasted about five minutes.

NATIONAL POLLUTANT INVENTORY (NPI)

Emissions notifiable under the NPI were estimated for oxides of nitrogen, carbon monoxide, nickel carbonyl, heavy metals and associated compounds and particulate matter. Data for the 2003/2004 reporting period was submitted to the DoE. Detailed information is available at: www.npi.gov.au. All our substance emissions for last year were ranked by the NPI as "low".

HEALTH AND SAFETY

We are not aware of any potential non-compliance during the year with health and safety legislation or other health and safety requirements, except as set out below.

There are some minor levels of non-compliance with the Department of Industry and Resources (DoIR) licence conditions which are reported under Safety Management System below.

LICENSING AND APPROVALS

We are not aware of any potential non-compliance during the year with licensing or approval conditions or other requirements, except as set out above under "Environmental".

Our plant operated under licences issued by the DoE and the DoIR.

Management systems

ENVIRONMENTAL MANAGEMENT SYSTEM (EMS)

We do not have an EMS. Our greatest potential environmental issue is a significant hydrocarbons release. As this is also our greatest potential safety issue, our environmental policy and procedures are, in effect, managed through our Safety Report and our DoE licence conditions. We have an environmental policy covering the site.

QUALITY SYSTEM

Whilst we recognise that management of quality of our products is a key element of our business, we do not have a documented formal quality management system. We have a Quality Assurance system meeting the requirements of ISO 9001 for the testing, inspection and servicing of safety relief valves. These valves are tested at prescribed periods. An independent audit was undertaken in February 2005 and our certification continues.

SAFETY MANAGEMENT SYSTEM (SMS)

All health and safety policies and procedures are referred to in our Safety Report which is subject to independent and regular audit and overseen by the DoIR.

The status of action plan items following recommendations of a compliance audit of our Safety Report conducted in September 2003 were discussed and progressed with DoIR. A further compliance audit is scheduled for next year.

Specific health and safety procedures cover working with high voltage electricity, accident and incident investigation, manual handling, working in confined places, height safety and job hazard analysis.

All modifications to the operating plant are reviewed and approved by senior plant management prior to implementation. Procedures ensure that all changes are fully documented to allow independent audit and review.

POLICY

We are committed to providing a healthy and safe workplace for all employees and visitors to the Kwinana extraction plant and our gas export facilities. Identification and control of hazards and prevention of incidents and injury are of the highest priority. This is achieved through a consultative process which defines and implements training, policies and procedures for the wellbeing of all employees. The occupational health and safety committee includes our four elected safety and health representatives.

Environmental



Air (atmospheric emissions)

DUST

To control dust, large areas of grass have been planted and are maintained.

ODOUR

Propane and butane are naturally odourless. For safety reasons, we are required by legislation to inject low levels of ethyl mercaptan (odorant) into the gas. This gives it a distinctive odour allowing leaks to be detected. The injection system is closely monitored as even minor drips can give rise to offensive odours. Any leak is quickly repaired and spillage contained and neutralised. Two odour complaints were referred to us by industrial neighbours but on both occasions the odour was not released by us.

GREENHOUSE GAS EMISSIONS

Our greenhouse gas emissions were estimated to be 147,450 tonnes of carbon dioxide equivalent, up 13 per cent on last year, and this equates to 412 tonnes of carbon dioxide equivalent per day of production, up 12 per cent on last year. These increases are mostly due to adopting full fuel cycle emission factors for natural gas this year, rather than point-source emission factors which we previously used.

We have used a rate per day of production rather than a rate per tonne of production because our plant operating requirements mean that our greenhouse gas emissions are more or less constant irrespective of the amount of LPG produced and it is therefore a more meaningful measure when looking at reducing our greenhouse gas emissions.

This figure includes the following substance emissions:

- 131,355 tonnes of carbon dioxide (CO_2);
- 756 tonnes of methane (CH_4); and
- 226 kilograms of nitrous oxide (N_2O).

(Left) Process Operator, Greg Johnston testing the quality of water used for NOx reduction.
 (Right) Plant Chemist Jennifer Seneriratne sampling LPG for quality testing.



The greenhouse gas emissions were largely due to fuel gas consumption (approximately 84 per cent) and fugitive gas emissions due to gas turbine starter gas (approximately 11 per cent).

NOISE

The extraction plant operates 24 hours a day. There are numerous items of rotating equipment giving rise to a low level of background noise at the plant boundary. We conducted noise measurements which confirm compliance with the environmental noise regulations.

OTHER EMISSIONS

We are not aware of any emissions of ozone-depleting substances.

We have not yet prepared our report to the NPI for the 2004/2005 reporting period or finalised our data estimates, however in 2003/2004 our three most significant emissions were oxides of nitrogen (NOx) (330,000 kilograms to air), carbon monoxide (96,000 kilograms to air) and particulate matter (6,800 kilograms to air). Further information is available at: www.npi.gov.au. All our substance emissions for last year were ranked as "low" by the NPI.

There have been no environmental incidents involving significant release (defined as a release which may affect areas outside the plant) of LPG, natural gas or condensate to the atmosphere since the commencement of plant operations in 1988. There have been occasional minor LPG releases (defined as those contained within the plant) that have been quickly brought under control.

During plant shutdowns, or occasionally to control pressure in operating vessels, gas has to be released from the process plant. This gas is safely disposed of through combustion flares. The flare tips are continuously monitored in the control room via a closed circuit camera.

In the event of a high flaring rate, additional combustion air is fed to the flare tips to minimise the formation of black smoke.

"During plant shutdowns, or occasionally to control pressure in operating vessels, gas has to be released from the process plant."





(Left) Maintenance Technician Kevin Gohrt testing safety relief valves.
 (Right) Storeperson Justin Waddell taking an alcohol breath test on arrival at work.

Waste

SOLID WASTE

Solid waste during the year consisted primarily of general site waste.

Our total solid general waste stream during the year was estimated to be 759 cubic metres, up four per cent on last year. All of this is disposed of as landfill. There is no landfill of waste on-site.

Total solid waste disposed of to landfill per thousand tonnes of production was estimated to be two cubic metres, the same as last year.

LIQUID WASTE

Liquid waste during the year consisted primarily of used lubricating oil, seal oil and heat transfer oil.

Our total liquid general waste during the year was estimated to be 41,500 litres, up 248 per cent on last year. This increase was due to the removal of 37,000 litres of heat transfer oil from our gas-fired oil heater.

All of our lubricating oil, seal oil and heat transfer oil waste is collected by a contractor for recycling.

RECYCLING INITIATIVES

Paper and cardboard recycling bins continued to be used as part of our paper products recycling policy and about 78 cubic metres of paper and cardboard were removed by our waste management contractor.

Land

FLORA AND FAUNA

Extensive landscaping including trees and shrubs is maintained to improve the appearance of the facility and minimise dust.

CONTAMINATION

The existing lead and zinc soil contamination discussed in previous reports will be reported to the DoE after the Contaminated Sites Act 2003 comes into effect.

REHABILITATION

After completion of minor projects on the plant and associated facilities, excavated areas were filled and reinstated.

Resource usage

ENERGY

Energy use during the year related primarily to plant processes.

Total energy consumption was estimated to be 2,115,667 gigajoules, down two per cent on last year.

Our total energy consumption per tonne of production was estimated to be 6.8 gigajoules, up three per cent on last year.

Energy sources are detailed below.

FUEL

Petrol, diesel and LPG accounted for 0.07 per cent of our total energy consumption by gigajoule. Our petrol, diesel and LPG consumption was estimated to be 21 kilolitres, 18 kilolitres and seven kilolitres, respectively. We also sent 4.8 kilolitres of LPG to the flare during tanker loading operations.

ELECTRICITY

Electricity accounted for approximately one per cent of our total energy consumption by gigajoule. Our electricity consumption was estimated to be 7,477,800 kilowatt hours.

NATURAL GAS

Natural gas accounted for approximately 97 per cent of our total energy consumption by gigajoule. Our natural gas consumption was estimated to be 2,063,608 gigajoules.

Water

CONSUMPTION

Water use during the year related primarily to plant processes and general site amenities, such as kitchens and bathrooms.

Total scheme water consumption was estimated to be 20.3 megalitres, up 54 per cent on last year. This increase was due to the water treatment plant being off-line for about five months last year. Our total scheme water consumption per tonne of production was estimated to be 65 litres, up 62 per cent on last year.

REUSE AND RECYCLING

The majority of water used for deluge system testing is returned to the storage pond for reuse.

DISCHARGES TO SURFACE AND GROUNDWATER

Storm water run-off from the paved sections of the processing areas is directed to oil/water interceptors where any oil present is skimmed off and recovered.

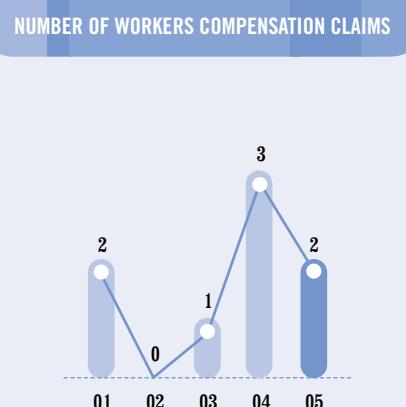
A licensed contract waste disposal firm removed all this oily water waste, totalling 10,450 litres.

Three bores operating on the site provide water for garden reticulation and for emergency response.

Figure: 1



Figure: 2



safety and health



Lost time

A highlight of this year's safety performance was our achievement for a second consecutive year of a zero Lost Time Injury Frequency Rate (LTIFR) with no LTIs during the year (see Figure 1). Our Average Time Lost Rate, which provides a measure of the severity of such injuries, was also again zero. We achieved two years LTI-free in February 2005 and this performance was recognised by awarding sports/travel bags to site personnel for their efforts. These statistics include contractor hours and injuries.

We did however have two employee injuries and one contractor injury during the year, each requiring medical treatment.

Safety statistics, including information on employees and contractors, are reported monthly to Wesfarmers Energy.

WORKERS COMPENSATION

There were two workers compensation claims reported, relating to occurrences during the year, compared with three last year (see above).

Hazard and risk

PROGRAMMES

Our plant has been designed to have a very low environmental, health and safety risk. All products will evaporate if released to atmosphere, leaving no soil or water-contaminating residues.

We conducted HAZOP studies for the LPG export long circulation system and the mini LNG plant expansion.

EMERGENCY RESPONSE

We have an Emergency Management Plan as part of our licensing requirements as a Major Hazard Facility. This plan describes the organisation and training of employees and

(Below) Dr Graham Bates performing a lung function test on Process Engineer Robert Antony (left) during employee health and fitness assessments held at the plant.



contractors to reduce the risk to personal safety and the surrounding environment in the event of an emergency.

An emergency desktop exercise involving a release of heat transfer oil and fire at the gas fired oil heater was carried out in December 2004. The exercise involved an injury to a long-term contractor, which results in a fatality, and role play to simulate our on-site emergency response with external resources including Wesfarmers Energy, emergency services, industrial neighbours and government agencies. The exercise facilitator's report concluded that we should have confidence in our emergency management capability.

Three site emergency muster point exercises were successfully carried out to test employee understanding of and compliance with emergency response procedures.

MATERIALS HANDLING AND STORAGE

We operate under an annual DoIR licence as a Major Hazard Facility covering the storage of dangerous goods, which includes LPG, condensate (pentane), liquefied natural gas (LNG), ethyl mercaptan (odorant), liquid nitrogen, flammable gas and flammable liquids.

RISK ASSESSMENT

As part of a project to increase our production of LNG a Quantitative Risk Assessment previously accepted by DoIR was reviewed and accepted for the mini LNG plant expansion. The DoE advised us that the increase to a six tonnes per day plant did not require a Works Approval.

We received acceptance from DoIR that an independent fire risk assessment and modifications to our firewater system meets the intent of AS 3846 (the handling and transport of dangerous cargoes in port areas), in order to ensure adequate firewater supplies during LPG export shipments.

EMPLOYEE WELLBEING

We continued with the implementation of our Fitness for Work (Alcohol and Drugs) policy. The policy, which includes provisions for alcohol and drug testing was introduced in August 2004.

Voluntary health and fitness assessments including skin checks were completed for employees and long-term contractors (see Case Study on page 59). This programme was also made available to employee partners at cost.

We continue to provide an Employee Assistance Programme which offers independent professional and confidential counselling to all employees and their immediate families.

We also have a childcare referral service to provide employees with advice about childcare services.

Voluntary flu vaccinations were offered to employees and long-term contractors.

"Three site emergency muster point exercises were successfully carried out to test employee understanding of and compliance with emergency response procedures."

Community



STAKEHOLDERS

Our stakeholders include our employees, our customers, relevant government agencies, the local Kwinana community in which we operate and shareholders in our parent company, Wesfarmers Limited.

Employees are encouraged to provide feedback on this report.

We are represented on the executive committee of the Kwinana Industries Public Safety Liaison Group which includes representatives from industry, regulatory authorities, local government authorities and the local community.

FEEDBACK/COMPLAINTS

Senior management handles any complaints from the community.

We maintain an environmental complaints register. Two odour complaints were referred to us by industrial neighbours but on both occasions the odour was not released by us.

LIAISON WITH AUTHORITIES

We maintain good working relationships with the DoIR and the DoE through our involvement with regular Safety Report meetings and communications meetings where we discuss our operations.

ACTION GROUPS

We are a full member of the Kwinana Industries Council (KIC) and its sub-committee the Kwinana Industries Public Safety Group (KIPS).

Member companies maintain a management system for response within the Kwinana industrial area to control emergencies that may arise within the boundaries of a member company site. Member companies have a mutual aid plan to integrate emergency management where appropriate. This plan allows member companies to obtain assistance from neighbours in the event of an emergency.

Communication

NEWSLETTERS AND REPORTS

Information is provided through the KIC as required. The 2004 Wesfarmers Social Responsibility Report was available to all employees and circulated to selected stakeholders.

We are involved in the Kwinana Industries Council Community Information Service which is a public phone-in system, established in partnership with KIC and the Western Australian police service, which enables the community to find out what is happening within the Kwinana industrial area.

WEBSITE

Our website (www.wesfarmerslpg.com.au) includes information about our operations for the community, including environmental, safety and health information relating to our business.

LIAISON GROUPS

We continue to be involved in the Kwinana Industries Public Safety Liaison Group. This group allows us to formally consult with state government departments and agencies, local government organisations and community interest groups in matters relating to our operations.



Case Study →

As part of our ongoing commitment to the health, safety and wellbeing of all employees and long-term contractors, health and fitness assessments were completed this year.

Participation in the programme is voluntary but everyone is encouraged to take part as medical conditions can be identified by the consultant and dealt with as appropriate. This year the participation rate was approximately 81 per cent.

The programme has been running every two years since 1993 and covers:

- blood testing;
- prostate checks for males 40 years of age and over; and
- health and fitness assessments which include medical checks of blood pressure, lung function, body composition analysis and general fitness.

(Above) Dermatologist, Dr John Crawford doing a skin assessment on Shift Controller Ricky Thomson as part of health and fitness assessments.

This year a consultant dermatologist conducted skin assessments using "Molemax" screening technology to identify any areas of concern and advised participants on their skin condition and any appropriate treatment.

A statistical report was produced which showed that approximately 33 per cent of participants had sun damage, pre-cancerous conditions or basal cell carcinomas.

Given that the programme has run for 12 years, it provides a good health profile for the consultant and participants to reference and compare their health and fitness levels over the years as approximately 36 per cent of our employees have been involved with this programme since it started.

Follow-up counselling sessions were completed which gives the participants an opportunity to discuss their results with the consultant who advises on appropriate ways to rectify any identified health risk or makes a referral.

Priorities for the future

- No workplace injuries.
- Lost Time Injury Frequency Rate (LTIFR) of zero.
- Identification and control of hazards.
- No significant release of hydrocarbons to the atmosphere.
- Meet reporting requirements of Contaminated Sites Act 2003.
- Conduct an independent compliance audit of our Safety Report.
- Continue Fitness for Work (Alcohol and Drugs) policy.
- Continue environmental sampling to verify greenhouse emissions.

06

60.

Industrial and safety



We are Australia and New Zealand's market leader in the supply of maintenance, repair and operating products and safety products.

With more than 250 outlets we trade in Australia as Atkins Carlyle, Bakers Construction and Industrial, Blackwoods, Motion Industries, Mullings Fasteners and Protector Alsafe. Our businesses in New Zealand are Blackwoods Paykels, Packaging House, NZ Safety and Protector Safety Supply. We employ about 3,300 people.

www.blackwoods.com.au
www.mullings.com.au
www.protectorsafety.co.nz

www.blackwoodspaykels.co.nz
www.bakers.net.au
www.packaginghouse.co.nz

www.motionind.com.au
www.protectoralsafe.com.au
www.nzsafety.co.nz

(Above) Customer Service Officer Ken Harris serving a customer at the new Blackwoods Trade Centre in Wollongong, New South Wales.

04

Report priorities

- ① Improve our safety performance by at least halving our LTIFR each year with a target of zero LTIs. → **Not achieved.** LTIFR of 4.3, down from 5.3 last year. There were 25 LTIs.
- ② Conduct training for the PeopleSoft OHSE module. → **Achieved.** A total of 333 managers, team leaders and employees were trained in the use of our new Incident Management System, PeopleSoft OHSE.
- ③ Implement an energy reduction strategy. → **Achieved.** Our Energy Management Procedure and Guidelines were launched in June 2005.
- ④ Establish accurate measurement systems for waste. → **Achieved.** All branches now have a documented waste management plan which includes provision for measurement of waste.
- ⑤ Conduct reviews of major dangerous goods storage areas. → **Achieved.** The dangerous goods stores in the distribution centres in all regions have been reviewed, with regions now at various stages of implementation.
- ⑥ Reduce the manual handling injury rate. → **Not Achieved.** There were 77 manual handling injuries compared with 75 last year. Of these, 61 were recorded in Australia, compared with 52 last year, and 16 were recorded in New Zealand, compared with 23 last year.
- ⑦ Identify opportunities to increase recycling. → **Achieved.** Using the estimated waste figures published in last year's report, we have identified recycling opportunities and we are currently undertaking a pilot project at our Blackwoods Smithfield branch which includes paper recycling initiatives.

05

Outcomes

Overview

The main challenge facing our business on an ongoing basis is the safe operation of our distribution centres and branches in a way that minimises any potential injury or harm to our employees and contractors and any adverse impact on the environment or the communities in which we operate.

In dealing with this challenge, the three main environmental areas on which we focused our attention during the year were storage of dangerous goods, establishing measurement systems for waste and the identification of recycling opportunities and the management of our energy consumption.

Our distribution centres hold the majority of our dangerous goods. In all regions we have undertaken a review of these dangerous goods stores, with the Western, Southern and New Zealand Regions now implementing changes, whilst the Northern and Central Regions will begin to implement any required changes in the coming year.

Our waste management systems at each branch were reviewed during the year with a view to implementing a method of measuring waste. We continue to liaise with waste contractors to assist in the measurement of our waste more accurately. Recycling opportunities were also identified. In Australia, a pilot project is being undertaken at our Blackwoods Smithfield branch in New South Wales which includes paper recycling initiatives and more environmentally friendly methods of waste disposal such as the introduction of a 23 cubic metre wood recycling bin. The aim of the pilot project is to formulate a suitable waste disposal and recycling procedure for our business. In New Zealand, a number of recycling initiatives have also been implemented.

This year was the first year we tracked the energy usage for all our branches. Data from this process enabled us

to identify an opportunity for reducing usage. An energy management awareness campaign was launched during the year, including quick tips on reducing consumption such as switching off lights and computers when not in use.

The three main safety areas on which we focused our attention during the year were conducting training in our new Occupational Health, Safety and Environment (OHSE) Incident Management System (PeopleSoft OHSE), reducing manual handling injuries and implementing emergency preparedness procedures.

PeopleSoft OHSE went live on 1 July 2004, allowing for incident details to be entered directly into the system. A total of 333 managers, team leaders and employees were trained in the use of the system throughout the year.

Manual handling is a prevalent risk within our business, and this year we concentrated on identifying a strategy to address it. This strategy consists of the introduction of a business-wide manual handling procedure and, consequently, the undertaking of manual handling risk assessments. The procedure has been made available to branches and will be implemented in the coming year through a training programme.

Emergency Preparedness Guidelines were made available to branches in December 2004, with all branches now having implemented emergency procedures.

In order to collect accurate safety, health and environmental data for each of our distribution centres and branches in Australia and New Zealand, an OHSE survey was conducted and surveys were returned from all our distribution centres and branches.

Unless otherwise stated, data provided is for our combined Australian and New Zealand businesses based on the survey responses.

Training

New induction procedures were implemented in Australia consisting of a specific OHSE induction and a branch induction.

Incident management training was conducted throughout Australia, including training in the use of PeopleSoft OHSE, as well as training in our Incident Reporting Procedure, Incident Investigation Procedure and Risk Management Procedure.

Toolbox Talk guidelines were released in Australia. The objective of "Toolbox Talks" is to provide an opportunity for management and employees to interact and discuss any OHSE-related issues informally. Sixty-one of our 250 branches now undertake "Toolbox Talks" on a regular basis.

ENVIRONMENTAL

Our induction programme includes information on recycling and reuse initiatives, the location and use of emergency spill kits and energy conservation. Our environmental policy and accountabilities are communicated to all new employees in our handbook and during induction.

In New Zealand, introductory training was conducted on the Environmental Management System ISO 14001 for our manufacturing employees.

HEALTH AND SAFETY

Our induction programme incorporates a section on health and safety with topics covered including OHS consultation, incident reporting and investigation, workers compensation and injury management, first aid, emergency procedures, manual handling, personal protective equipment, workplace amenities and other position-specific items.

All new employees were issued with a handbook which contains information on the Occupational Health and Safety Policy and accountabilities.

Our primary labour hire contractor, Skilled Engineering, conduct an induction with their personnel prior to them commencing work with us.

Training and education has continued to be undertaken for the policies and procedures that make up our integrated OHSE management system.

Forklifts are operated at the majority of our locations with varying levels of operator licensing requirements applicable. Accredited operator training for forklift licensing is undertaken where required and safe operating procedures are used to meet any site-specific training obligations. In those areas where formal licensing is not required, we have internal training to ensure operators are competent.

New South Wales WorkCover-accredited Occupational Health and Safety Committee Consultation training was undertaken in September 2004 with 11 employees attending.

In New Zealand, formal training was conducted during the year in the following areas:

- worksafe health and safety representatives;
- supervisor training;
- Accident Compensation Corporation employer training;
- back injury prevention;
- stress and fatigue;
- biosecurity awareness; and
- chemical hazards in the workplace.

In New Zealand, attendance at our public OHS seminars continued with 641 people participating during the year, including 59 of our employees.

EMERGENCY

Emergency Preparedness Guidelines were made available to branches in December 2004 and all branches have now implemented emergency procedures.

Branch action plans include an action item for Branch Managers to ensure an appropriate number of employees are trained in first aid.

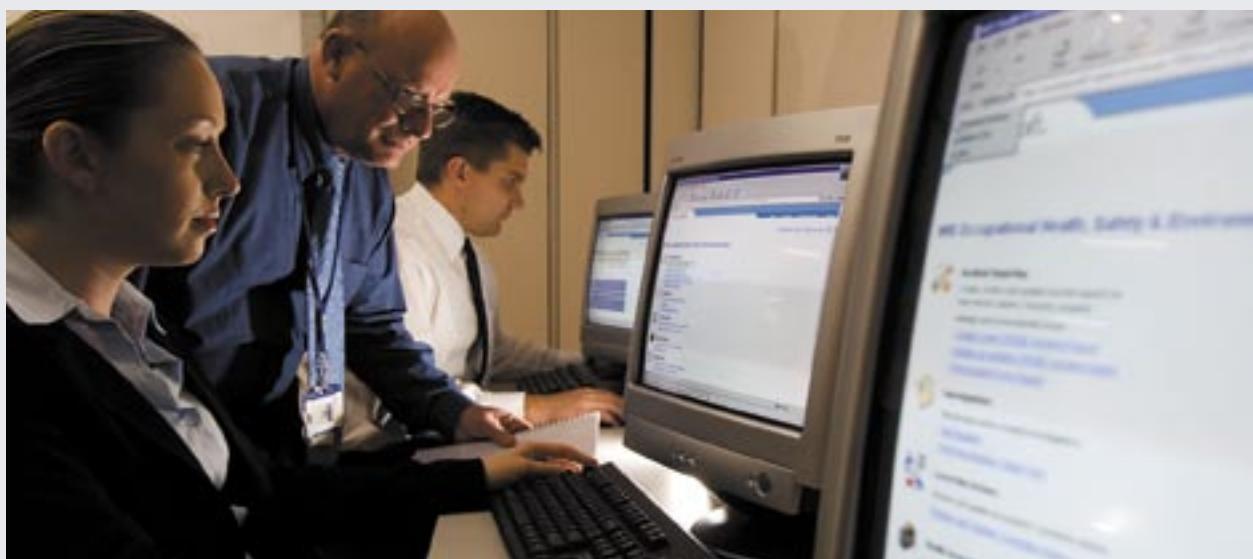
Training sessions in the correct selection and use of fire fighting equipment were conducted in our Southern, Northern and Western Regions. Fire warden training sessions were conducted in our Western and Northern Regions. Fire evacuation drills were conducted in our Northern, Southern and New Zealand Regions.

Compliance

ENVIRONMENTAL

We are not aware of any potential non-compliance during the year with environmental legislation or other environmental requirements, except as set out below.

(Below) OHSE Coordinator David Dawes (centre) showing Angela Harvey and Andrew Wickman how to use the PeopleSoft electronic incident reporting system.



An internal audit of our dangerous goods quantities and storage arrangements indicated that a thorough review was required and this has been undertaken in our major dangerous goods stores. Dangerous goods risks will continue to be analysed for all branches.

Whilst most of our branches in Australia provide spill kits where required, there are 51 branches not fulfilling this requirement. This is being addressed through the relevant branch action plans.

NATIONAL POLLUTANT INVENTORY (NPI)

We do not use any of the substances listed under the NPI during the year and therefore we are not required to report under the NPI.

HEALTH AND SAFETY

Our OHSE Action Plans address various compliance issues applicable to our operations around Australia and New Zealand including:

- electrical tagging and testing of equipment;
- training and appropriate licensing for moving plant;
- emergency response including fire extinguisher servicing and emergency signage arrangements;
- establishment of hazardous substances registers;
- implementation of an isolation lockout tag out procedure;
- development of manual handling risk assessments;
- traffic management plans;
- contractor management; and
- audits/inspections.

We are not aware of any potential non-compliance during the year with health and safety legislation or other health and safety requirements, except as set out below.

As reported last year, on 30 June 2004 the New South Wales WorkCover Authority issued three improvement notices to the second warehouse at our Smithfield distribution centre in relation to fire hose servicing, forklift security and ergonomics. Corrective actions were completed and approved by the inspector on 20 August 2004.

We have satisfactorily resolved the issue referred to in last year's report concerning our Altona branch in Victoria.

On 16 December 2004, the Victorian WorkCover Authority issued four prohibition notices to our Scoresby Distribution

Centre in relation to traffic management. Corrective actions were completed and approved by the inspector on 22 March 2005.

On 19 April 2005, an inspector from the Victorian WorkCover Authority visited our Protector Alsafe Geelong branch and identified minor issues regarding goods placed on the floor in front of a hose reel and an egress door, which were corrected immediately. In general, the report congratulated the branch on its good management and employee co-operation on health and safety issues.

On 23 May 2005, an inspector from Workplace Health and Safety Queensland issued an improvement notice to our Blackwoods Coopers Plains branch in relation to housekeeping, specifically stock and materials being stored in inappropriate areas blocking access and work areas and risking slips, trips and falls. These matters have been rectified.

LICENSING AND APPROVALS

We are not aware of any potential non-compliance during the year with licensing or approval conditions or other requirements, except as set out below or above under "Environmental" or "Health and Safety".

Four of our dangerous goods licensed sites within our Southern, Western, Central and New Zealand Regions began the task of reviewing their dangerous goods processes and implementing some changes for their larger distribution centres.

In New Zealand, the Hazardous Substances and New Organisms Act removed the requirement for Dangerous Goods Licenses previously held. A plan has been drafted to comply with the new legislation and some of our New Zealand sites will require Site Location Certificates and some will also need employees to be trained as approved handlers.

Other licences are held by six of our sites in Australia including dangerous goods licences and licences to sell Schedule 7 Poisons.

The Blackwoods Steel Processing Division located at Dandenong has a liquid pressure vessel on site which requires registration under the Victorian Workcover Authority Plant Registration Regulations. The vessel is the property of the provider, Air Liquide, and has been registered by them.

(Below) Team Leader John Ritoro with Blackwoods' employees at a Toolbox meeting at the Smithfield warehouse, New South Wales.



Blackwoods Scoresby and Mullings Fasteners Campbellfield have indicated that they carry Ramset explosive safety cartridges. Selling licences are required by these branches but are not held. This issue will be addressed.

We sell certain food items such as coffee, tea and sugar. In Australia and New Zealand the Food Standards Code requires the registration of businesses selling packaged food items and only six of our 107 branches requiring registration are registered. We will progress registration of the unregistered branches.

Management systems

INTEGRATED MANAGEMENT SYSTEM

Our Australian integrated OHSE management system was internally audited against AS/NZS 4801:2001 and AS/NZS ISO 14001:2004 this year and a new OHSE Management Plan was developed in line with these standards and the areas of deficiency identified during the audit. The key areas of deficiency are training, dangerous goods, contractor management and audit and inspection. These deficiencies have been included in the future priorities list on page 69.

Our Australian integrated OHSE system has undergone further development throughout the year with the addition and implementation of the following procedures:

- incident reporting and investigation;
- Toolbox Talks;
- emergency preparedness;
- a number of safe operating procedures;
- manual handling;
- energy management; and
- remote and isolated work.

All aspects of this management system are communicated to employees through our enterprise portal, therefore ensuring current information is available to all employees.

ENVIRONMENTAL MANAGEMENT SYSTEM (EMS)

In New Zealand, the protective clothing, safety products and graphics factories have an Environmental Management System which achieved certification to ISO 14001:2004.

QUALITY SYSTEM

In New Zealand, our safety products factories have current ISO 9001:2000 quality system certification.

SAFETY MANAGEMENT SYSTEM (SMS)

In New Zealand, the Safety Management System of the protective clothing, safety products and graphics factories is accredited to AS/NZS 4801.

Our New Zealand businesses achieved Tertiary Level in Accident Compensation Corporation Workplace Safety Management Practice.

Our largest labour hire contractor, Skilled Engineering, has achieved certification of its OHS Management System to AS/NZS 4801.

OTHER MANAGEMENT SYSTEMS

Our OHSE Incident Management System, PeopleSoft OHSE, went live on 1 July 2004.

In New Zealand, at our Techsafe Laboratory another of our employees became an approved signatory and we achieved continued accreditation to ISO 17025:1999 – General Requirements for the competence of testing and calibration laboratories.

POLICY

Current policies available and in use as part of our integrated management system include:

- occupational health and safety;
- environmental;
- injury/illness rehabilitation;
- health assessment;
- avoidance of drugs and alcohol in the workplace; and
- non-smoking.

(Below) Storeperson Vai Tautua emptying cardboard boxes into paper recycling bins at the Safety Distribution Centre near Wiri, in Auckland.



The OHS policy is aimed at creating and maintaining an environment that is safe for all employees, contractors, visitors and the general public in order to achieve our target of minimising accidents, injuries and occupational illnesses.

Our environmental policy outlines our commitment to minimising adverse effects on the environment as a result of our operations.

All OHSE policies are communicated to our employees through our employee handbook and enterprise portal, therefore ensuring current information is available to all employees. In addition, our OHSE policies are covered in the inductions undertaken by our Skilled Engineering contractors.

Environmental



Air (atmospheric emissions)

DUST

A potential dust hazard has been identified at our safety products factory in New Zealand. To address this issue we have initiated baseline health monitoring for employees, and we will implement any remedial actions required when identified.

ODOUR

A potential solvent fume hazard has been identified at our safety products factory in New Zealand. To address this issue we have initiated baseline health monitoring for employees, and we will implement any remedial actions required when identified.

GREENHOUSE GAS EMISSIONS

Our greenhouse gas emissions were estimated to be 30,752 tonnes of carbon dioxide equivalent, up 17.4 per cent on last year, and this equates to 2.64 tonnes of carbon dioxide equivalent per hundred thousand dollars of sales, up 11.4 per cent on last year.

The greenhouse gas emissions were largely due to electricity (47 per cent) and vehicle fuel use (32 per cent).

Our calculation of greenhouse gas emissions used estimates for waste disposed off-site based on available data.

NOISE

No noise-related issues or potential problems have been identified through our risk management process.

OTHER EMISSIONS

We are not aware of any emissions of ozone-depleting substances.

WASTE

Our waste management systems at each branch were reviewed during the year with a view to implementing a method of measuring waste. We continue to liaise with contractors to assist in the measurement of our waste more accurately.

SOLID WASTE

Solid waste during the year consisted primarily of general waste and recycled paper.

Our total solid general waste stream during the year was estimated to be 50,400 cubic metres, down 55 per cent on last year. We believe that last year's figure may have been overestimated. Of this amount, we estimated that 17 per cent is recycled and 82 per cent is disposed of as landfill.

Total solid waste disposed of to landfill per hundred thousand dollars of sales was estimated to be 3.6 cubic metres, down 64 per cent on last year.

LIQUID WASTE

The Wetherill Park (New South Wales) branch of Motion Industries has a transmission servicing department generating gearbox oil waste. The oil was collected for recycling by a contractor. The Malaga (Western Australia) branch of Motion Industries also has a transmission servicing department however the gear boxes are sent to the branch in a dry state and no waste oil is generated.

Cooking oil from our largest distribution centre at Smithfield was collected by an individual for the purpose of conversion and reuse as diesel fuel.

RECYCLING INITIATIVES

The identification of recycling opportunities was a priority this year, with the formulation of a suitable waste management and recycling procedure for the business well underway.

One aspect of our pilot project is the implementation of an office waste paper recycling initiative at our Blackwoods Smithfield branch. This involves the separation of general waste and office paper at each employee's workstation by providing a separate paper recycling container which is then emptied into larger 240 litre paper recycling bins ready for collection.

At our New Zealand safety products factory the following processes were implemented:

(Left) Clearly displayed safety signage at the Wiri Distribution Centre.

(Right) Product Manager Dean Pritchard explaining the use of a fall arrester harness as part of NZ Safety Products' height safety education programme.



- factory waste is segregated into two colour bins, red (food scraps and paper cups) and yellow (process waste and foam);
- all plastic generated during the product testing process (hard hat shells/equestrian shells) is collected by a local company and recycled;
- cardboard and packaging is broken down and put into the cardboard recycling bin for collection on a weekly basis by Paper Chain;
- all waste from the lunchroom (milk bottles, food tins and drink cans) is put out for collection by the local city council for recycling;
- hazardous waste (sensors used in gas detectors) is taken for collection at locations provided by the Hazmobile; and
- empty gas cylinders are returned to the supplier for recycling.

At our NZ Safety Wiri branch a number of recycling initiatives have been implemented. All café bottles and cans, pallet stretch film and cardboard waste and damaged pallets are separated for recycling.

Wherever possible, we reused packaging materials to despatch goods to our customers but it was not practicable to record the amount.

Our Blackwoods Regency Park branch in South Australia collected used printer cartridges for recycling. This year 229 kilograms have been diverted from landfill.

Our Blackwoods Scoresby branch in Victoria records quantities of printer cartridges collected for recycling. This year 290 cartridges have been returned to Upstream (Lexmark) and 53 cartridges sent to the Recycle Centre.

Our Dandenong steel processing branch in Victoria disposed of 448 tonnes of steel cut scrap waste through a recycling contractor.

Our New Zealand protective clothing factory also recycles cardboard, packaging and marker paper.

Land

FLORA AND FAUNA

There are no known direct impacts on flora and fauna by our operations.

CONTAMINATION

We have not conducted any formal assessments in this area but we believe that, due to the nature of our business activities, land contamination should not be an issue for us.

(Left) Annette Dixon, Customer Service Centre Team Leader, with an energy reduction campaign poster used to promote energy use awareness.
(Right) Sue Abualfoul recycling paper at the Blackwoods Customer Service Centre, in Smithfield.



Resource usage

ENERGY

Last year was the first year we tracked the energy usage for all our branches. Data from this tracking process enabled us to identify an opportunity for reducing energy usage. An energy management awareness campaign was launched during the year, including quick tips on reducing energy consumption such as switching off lights and computers when not in use.

Energy use during the year related primarily to electricity, gas and fuel.

Total energy consumption was estimated to be 196,304 gigajoules, up 8.6 per cent on last year.

Our total energy consumption per hundred thousand dollars of sales was estimated to be 16.8 gigajoules, up 5.7 per cent on last year.

Our energy sources are detailed below.

Fuel

Petrol, diesel and liquefied petroleum gas (LPG) accounted for 68 per cent of our total energy consumption by gigajoule. Our petrol, diesel and LPG consumption was estimated to be 3,744 kilolitres, 73 kilolitres and 108 kilolitres, respectively.

ELECTRICITY

Electricity accounted for 31 per cent of our total energy consumption by gigajoule. Our electricity consumption was estimated to be 16,792,270 kilowatt hours.

NATURAL GAS

Natural gas accounted for one per cent of our total energy consumption by gigajoule. Our natural gas consumption was estimated to be 2,136 gigajoules.

Water

CONSUMPTION

Water use during the year related primarily to general site amenities, such as kitchens and bathrooms.

Total water consumption was 62 megalitres, down 47 per cent on last year. We believe that last year's figure may have been overestimated. This year water data was collated from invoices for each location following the improved tracking process referred to in last year's report.

Our total water consumption per hundred thousand dollars of sales was estimated to be 5.3 kilolitres, down 60 per cent on last year.

Our primary source of water is scheme water.

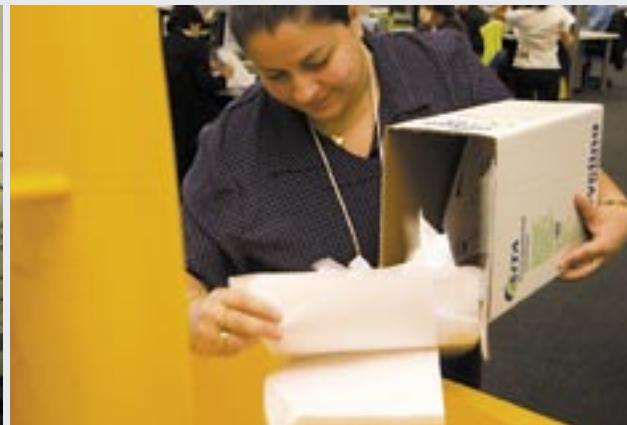


Figure: 1

LOST TIME INJURY FREQUENCY RATE*

1 July 00 – 30 June 05 (as at 30 September 05)
 *Contractor hours and LTIs included
 **The figure for 2004 was incorrectly stated as 5.4 last year.



Figure: 2

NUMBER OF WORKERS COMPENSATION CLAIMS**REUSE AND RECYCLING**

At our TotalCare operation in New Zealand, where the cleaning of fire service uniforms is undertaken, water recycling forms part of the operation. On the rinse cycle, water is recycled through a filter and then re-used for rinsing purposes on a second occasion. All water used in the operation goes through a fine micron filter before discharge into the sewerage system. Used filters are changed approximately every two days and are disposed of by Chemwaste, a chemical waste company.

Given the type of business activities that we conduct and our limited water usage, further recycling or reuse of water is not a practical option for us at this stage.

DISCHARGES TO SURFACE AND GROUNDWATER

Our second warehouse building at the Smithfield distribution centre houses a detention tank which allows large volumes of storm water collected from roof discharge to be released gradually into the storm water system.

safety and health**LOST TIME**

Our Lost Time Injury Frequency Rate (LTIFR) was 4.3 (compared with 5.3 last year) see Figure 1, and during the year, there were 25 LTIs. Our Average Time Lost Rate, which provides a measure of the severity of such injuries, was 12.3 (compared with 11.2 last year). These statistics include contractor hours and injuries.

Safety statistics are distributed to management each month and reported to our Board every two months.

WORKERS COMPENSATION

There were 89 workers compensation claims reported, relating to occurrences during the year, compared with 177 last year (see Figure 2). Of these, five related to vehicle accidents on the way to or from work.

Hazard and risk**PROGRAMMES**

Our annual OHSE survey was completed by all our distribution centres and branches throughout Australia and New Zealand. The survey scoring system has been maintained to allow year-to-year comparisons of branch results with the goal being continuous improvement.

All our branches have an OHSE Action Plan which includes action items from the OHSE Survey and hazards identified from the branch risk assessment.

In Australia we revised a number of our existing Safe Operating Procedures and launched new procedures relating to forklift operation and the handling of 200-litre drums.

EMERGENCY RESPONSE

We are aware of the importance of maintaining our ability to deal with emergency and crisis situations in a most effective and timely manner. An example of this is the assessment of our whole-of-business crisis management capability that was conducted in October 2004. This involved an external consultant coordinating a role-play that incorporated a series of hypothetical crisis events. The role-play involved senior management as well as a number of support employees. The exercise provided a valuable insight into how members of our leadership team manage such situations and it was concluded that the participants demonstrated competence in controlling a serious situation.

Emergency Preparedness Guidelines have been implemented throughout Australia, with all branches in Australia and New Zealand now having emergency procedures in place.

Materials handling and storage

We had 77 manual handling injuries compared with 75 last year. Of these, 61 were recorded in Australia compared with 52 last year and 16 were recorded in New Zealand, compared with 23 last year.

Our employees are involved in various materials handling and storage activities including unloading, packing, unpacking and storage of products. To reduce the need for manual handling we use mechanical conveyors, mechanical and other material handling aides such as forklifts, pallet jacks and trolleys, pallet racking designed for warehousing and other systems of storage such as conventional warehouse shelving.

Safe operating procedures are available for mobile and load shifting equipment.

Pallet racking and materials handling equipment is subject to regular checks and maintenance.

Our Blackwoods Coopers Plains branch in Queensland purchased a wheelie bin tipper to empty wheelie bins into the industrial waste bins, eliminating the need for manually lifting and emptying the bins.

Stage two of the conveyor at our Blackwoods/Atkins Carlyle Canning Vale distribution centre in Western Australia was completed to increase the efficiency of warehouse operations.

When upgrading or constructing a new building, the issue of materials handling is considered using a risk management approach. Our Blackwoods Rockhampton branch in Queensland relocated to new premises this year and manual handling improvements were included in the

warehouse, incorporating a conveyor system that transports orders that are picked to the despatch area.

This year we concentrated on identifying a strategy to address our manual handling risk, as detailed in the overview section on page 61 of this report.

To address the risk of the interaction of mobile plant and people, a generic Branch Traffic Management Plan document was developed, resulting in a number of changes at our Blackwoods distribution centre at Scoresby and the main Protector Alsafe distribution centre at Altona.

A guidelines document for the storage of dangerous goods based primarily on AS/NZS 3833: 1998 was developed during the year and will be used to analyse storage compliance throughout each region over the next twelve months.

RISK ASSESSMENT

Detailed site-specific risk assessments were developed further during the year. We have conducted a site-specific risk assessment for all of our 167 Australian branches, compared with 114 last year. In New Zealand, all 83 branches have completed site-specific risk assessments in line with legislative requirements. Branches will now continue to review their risk assessment on an annual basis.

Control measures recommended in the risk assessments form part of the OHSE Action Plan for each branch. The development of 16 Safe Operating Procedures to cover many of our tasks continued throughout the year and in Australia these are placed on our WISBIS Enterprise portal as they become available.

EMPLOYEE WELLBEING

Our integrated OHSE management system includes policies to address various employee wellbeing issues including:

- equal opportunity;
- smoking;
- health assessment;
- drugs and alcohol; and
- rehabilitation.

Employee health assessments are carried out for some of our employees in accordance with our policy which requires assessments to be done based on the risk profile of the position.

Our Employee Assistance Programmes (EAP) in Australia and New Zealand continue to be accessed by our employees. The counselling and consulting services offered by our EAP providers are professional, confidential and free of charge to employees and members of their immediate families.

Community



STAKEHOLDERS

Our stakeholders include our employees, our customers, our suppliers and other contractors, relevant government agencies, the communities in which we operate, and shareholders in our parent company, Wesfarmers Limited.

FEEDBACK/COMPLAINTS

We have not received any OHSE-related complaints during the year.

"Our Blackwoods Coffs Harbour branch in New South Wales and Blackwoods Morwell branch in Victoria donated prizes to a number of organisations to assist with the tsunami appeal."

Communication

NEWSLETTERS AND REPORTS

An OHSE performance report is distributed and discussed by management each month and reported to our Board every two months.

Our internal newsletter "WISBANG" is communicated monthly to all employees through our portal communication system. OHSE matters are included in the newsletter to ensure employees are kept up to date with current OHSE performance. An internal quarterly update is communicated in all regions to distribute business items including OHSE performance.

In New Zealand, monthly awareness topics and a "Safety Notes" newsletter are distributed.

The first edition of an OHSE newsletter was published in July 2005.

WEBSITE

Information about our operations, including Material Safety Data Sheets for specific products in our range, is available from the following websites:

www.blackwoods.com.au
www.blackwoodspaykels.co.nz
www.motionind.com.au
www.mullings.com.au
www.bakers.net.au
www.protectoralsafe.com.au
www.protectorsafety.co.nz
www.packaginghouse.co.nz
www.nzsafety.co.nz

COMMUNITY SUPPORT

We have continued to provide support to a large number of community and social organisations. Examples of these are:

- Red Cross Blood Bank;
- Variety clubs;
- Lions clubs;
- sports associations/clubs;
- Auckland Rescue Helicopter Trust (New Zealand);
- National Hearing Association (New Zealand); and
- Technical Aid to the Disabled where we donated computer equipment.

We provided awards in the form of cash prizes for excellence awards through our Canberra branch.

Our Blackwoods Coffs Harbour branch in New South Wales and Blackwoods Morwell branch in Victoria donated prizes to a number of organisations to assist with the tsunami appeal.

We made donations to a number of schools/colleges, from the following branches: Blackwoods Tamworth in New South Wales; Blackwoods Townsville in Queensland; and Blackwoods Shepparton in Victoria.

Our total contribution to charitable organisations was \$11,523. In addition, employee contributions of which we are aware totalled \$11,514.

AWARDS

Blackwoods, UVEX Safety Australia Pty Ltd, a supplier of personal safety equipment, and New South Wales colleges of Tertiary and Further Education (TAFE) have joined forces to develop a unique awards programme designed to raise awareness of eye safety among future tradespeople. The Eye Protection Safety Award is open to all TAFE students in New South Wales studying a vocation that requires eye protection.



(Above) Warehousing operations at the new Safety Distribution Centre at Wiri.

Case study

Safety, health and environmental factors were a priority in the design and construction of a joint distribution centre for NZ Safety and Protector Safety at Wiri, near Auckland, in New Zealand. Completed in August 2004, the purpose-built facility has 5,500 square metres of warehouse space, with separate office space for both divisions of 1,000 square metres, providing facilities for managers, sales and customer services.

A flat site was chosen to allow segregated parking and commercial and pedestrian traffic. The site faces away from prevailing winds, to prevent gusts into the warehouse, and allow more sunlight, reducing energy consumption needs.

Workflow was considered, with separate areas and racking systems for inwards goods, man-up areas and light and heavy storage.

Forklifts have pre-set heights to match the heights of bays in which they work. The exterior loading/unloading area has a concrete pad under cover and with a slight upwards camber so that forklift have their forks horizontal when loading or unloading goods from vehicles or containers.

Pick trolleys can handle six orders at a time, to reduce double handling for employees. The conveyor system is above waist height (for the average person) for easy working. No ladder climbing is required.

To deal with waste, four recycling plans were developed covering paper waste, cafe bottles and cans, pallet stretch film, cardboard waste and damaged pallets.

Priorities for the future

- Improve our safety performance by at least halving our LTIFR each year with a target of zero LTIs.
- Implement a Manual Handling Strategy.
- Reduce manual handling injuries.
- Implement an OHSE training system.
- Analyse dangerous goods risks.
- Implement OHSE auditing procedures.
- Review contractor management.
- Implement 360 degree OHSE review programme.
- Implement recycling strategies.

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CSBP



We are one of Australia's major suppliers of chemicals, fertilisers and related services to the mining, minerals processing, industrial and agricultural sectors.

We operate a major industrial complex at Kwinana in Western Australia and other complementary facilities in regional areas and employ more than 550 people. CSBP Chemicals' core products include: ammonia; ammonium nitrate; sodium cyanide; chlorine and caustic soda. CSBP Fertilisers manufactures, imports and distributes an extensive range of phosphate, nitrogen and potassium fertilisers, in blended and liquid form. The operations of our sodium cyanide production joint venture, Australian Gold Reagents Pty Ltd (AGR), are also included in this report.

www.csbp.com.au

(Above) Despatch Operator Malcolm Hayley at the liquid fertiliser storage facility at the Bunbury works in Western Australia.

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Report priorities

- At least halve our LTIFR with an ultimate aim of zero LTIs. → **Not achieved.** Lost Time Injury Frequency Rate (LTIFR) of two (compared with 2.4 last year), a 17 per cent reduction. There were three Lost Time Injuries (LTIs).
- Continue to reduce workplace injuries. → **Achieved.** We reduced our workplace injuries by a further six per cent from 34 to 32.
- Reduce contaminant emissions. → **Not achieved.** Fluoride emissions decreased, but nitrogen, metals, phosphorus and greenhouse gas emissions increased.
- Obtain or retain endorsement of our safety reports for our four major hazard facilities. → **Partially achieved.** We have received endorsement for all safety reports except the one for our ammonium nitrate facility.
- Continue to work safely and effectively to deal with our historic wastes by 2006. → **Achieved.** We continued to develop options for dealing with our historic waste stockpiles.
- Increase the use of recycled water and contribute to reduced scheme water use in Kwinana. → **Not achieved.** Recycled water use has remained similar to last year. Scheme water use increased slightly because of groundwater infrastructure difficulties.
- Maintain our contribution to the social wellbeing of the Western Australian community. → **Achieved.** As a major employer and a major purchaser of goods and services in Western Australia we continue to have a strong community programme based around our major operations.

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Outcomes

- ### Overview
- The main challenge facing our business on an ongoing basis is the safe operation of our facilities in a way that minimises any adverse impact on the environment or the communities in which we operate.
- In dealing with this challenge, the three main environmental areas on which we focused our attention during the year were managing the groundwater at our Bayswater site and progressing with remediation plans, continuing to manage our wastewater and managing our ammonia/arsenic groundwater treatment plant at Kwinana.
- We progressed through the environmental approvals process for the remediation plans at Bayswater. Ministerial sign-off was received in October 2005.
- We continue to focus on reducing water use and contaminant discharges. Our nutrient stripping wetland at Kwinana is removing nutrients and we are working towards maximising its efficiency. Infrastructure to enable us to accept treated water from the Kwinana Water Reclamation Plant is in place and contractual arrangements are being finalised.
- We continued to operate our groundwater interception system at Bayswater to reduce heavy metal contaminants and neutralise acidity. The ammonia/arsenic groundwater treatment plant at Kwinana is continuing to operate.
- The three main safety areas on which we focused our attention during the year were raising employee awareness with a view to reducing incidents, promoting employee safety training and the tracking and finalising of action items relating to safety. We initiated a review of the work permit system and commenced implementation of a drug and alcohol policy.
- We introduced a labelled manikin display which was used in different parts of the Kwinana site to promote and raise awareness regarding the areas of the body being injured.
- Safety training programmes continued throughout the year with a focus on first aid, incident investigation, manual handling and Safety and Health Representatives' communications training.

All incidents and hazards were recorded, communicated and dealt with as noted on the business-wide electronic reporting tool SiteSafe. This allowed us to ensure identified hazards are controlled on an ongoing basis.

Business management

TRAINING

A project team was established in November 2004 to review our competency management system. The team has completed a review of competency modules for the Fertiliser Despatch business unit which is recorded in our document information system. It is currently working on the modules for the Fertiliser Production and Chemicals East business units.

Business units are process-mapped to identify the nature of their operations. The skills and knowledge required to perform specific tasks are then established and performance criteria adopted. In addition, systems manuals for the areas are checked to ensure knowledge requirements for the training modules and standard operating procedures are established so that skills can be assessed against performance requirements.

A part-time training administration assistant has been employed to maintain our training records management system within SiteSafe and to assist in the coordination of training activities for site requirements. Reporting is conducted twice-yearly on actual training completed against that contained in the annual training plan.

ENVIRONMENTAL

We used our monthly internal newsletter and electronic sign to promote environmental topics. Training will be reviewed further as part of the review of our environmental management system.

HEALTH AND SAFETY

First aid training is regularly available to our employees. Nine classes conducted during the year were attended by 110 employees. This remains a priority as it provides personnel who can apply first response techniques in an emergency. It is also a benefit to employees' families and the community generally.

Strain injuries account for 19 per cent of all our workplace injuries, so a focus on manual handling training continued. Further promotion of manual handling risks and their control is communicated through area safety meetings and monthly safety topics.

To improve the standard of investigation, including identifying root causes and preventative actions, two incident investigation training sessions were conducted.

One of the key requirements for improved safety awareness is communication. During the year, an Effective Communications course was run for Health and Safety Representatives and other employees.

All new employees and contractors are required to complete an induction programme to ensure all people on our sites have a sound understanding of safety rules and systems. A general induction is followed up with an area-specific induction that ensures awareness of the potential hazards in particular places of work. This year we further developed a series of electronic media training packages. It has been introduced in the ammonia, ammonium nitrate, chlor-alkali and sodium cyanide plants and this form of training is expanding across the site for a variety of area and contractor inductions.

(Below) Emergency response team members conducting a rescue exercise.



Our objective is for all employees to undergo vocational training to meet the requirements of their position with competencies measured against national standards where available. A competency management project was started during the year focusing on process operators and maintenance employees to ensure skills remain current and up-to-date.

EMERGENCY

The focus of our emergency response function remains firmly on the ability to respond to an industrial or medical emergency at our operating sites and the stewardship of our products in the community.

Where our products are involved in off-site incidents we have the capacity to provide technical and operational support to our clients and to government agencies. During the year we conducted four exercises involving customers and emergency services agencies.

Training is continuing in first response competencies for all operational staff.

At Kwinana we maintained strong links with Western Australia's emergency management authorities which are a key part of our response strategies.

We are actively involved in Local Emergency Management Committees for both Rockingham and Kwinana as well as being a part of the Kwinana Industries Mutual Aid Group and the Kwinana Industries Public Safety Group.

Compliance

ENVIRONMENTAL

We are not aware of any potential non-compliance with environmental legislation or other environmental requirements, except as set out below and in the "Noise" section of this report.

During the year we reported 14 potential non-compliances to the Department of Environment (DoE):

- One related to a stack test on the sodium cyanide solids plant not being conducted due to the plant not operating at the scheduled test times.
- One related to a stack test not being conducted on the sodium cyanide liquids plant due to an unexpected shutdown. There is no reason to believe that there were any abnormal emissions during the month. The continuous analyser was operating during the month.
- One related to emissions of oxides of nitrogen (NOx) on the auxiliary boiler. The initial test was above the licence limit of 144 milligrams per cubic metre. The test was repeated on the same day and the result was within licence limits.
- One related to oxides of nitrogen (NOx) emissions at the sodium cyanide plant when the plant was operating in a "non-steady" state. The initial test was slightly above the licence limit of 12 grams per second. The emissions returned to normal within a short period.
- One related to emissions of fluoride from the granulation plant at Kwinana. The initial test was slightly above the licence limit of 0.05 milligrams per cubic metre. It was determined that the test was conducted when a drain in the scrubbing system was blocked. The test was repeated after the drain was unblocked and was within licence limits.

"To improve the standard of investigation, including identifying root causes and preventative actions, two incident investigation training sessions were conducted."

- One related to monitoring during our sodium cyanide plant start up in which we did not completely follow our start up procedure. There is no reason to believe that there were any abnormal emissions during this start up which progressed with no process problems.
- Six related to exceedances in our discharges to Cockburn Sound in which the April monthly daily average (kilograms per day) for iron was elevated and the May monthly daily average (kilograms per day) for iron and manganese was slightly elevated. The June monthly daily average (kilograms per day) for iron, aluminium and manganese was also elevated. Whilst above the relevant licence limits the discharges were nonetheless below the applicable environmental quality criteria outlined in the State Environmental Policy for Cockburn Sound. The increase in manganese is associated with the handling of this trace element used in fertiliser production. We are investigating the cause of the elevated iron levels.
- One related to a small exceedance (0.13 per cent) of our groundwater abstraction limit at Bibra Lake. We installed a flow meter, however the hour meter continued to be read for a period and when the abstraction was summed based on the flow meter only we were slightly above the limit.
- One related to groundwater abstraction at Kwinana where we exceeded our allocation by 1.9 per cent. We are reviewing our available water sources and will substitute where possible.

The DoE has advised that no further action will be taken in regards to these issues except for the discharges to Cockburn Sound in April, May and June 2005 which are still under consideration. No further action has been taken by the DoE in relation to each of the outstanding matters referred to in last year's report.

NATIONAL POLLUTANT INVENTORY (NPI)

Emissions notifiable under the NPI were estimated for substances listed on the NPI. Data for the 2003/2004 reporting period was submitted to the DoE. Detailed information is available at: www.npi.gov.au. All our substance emissions for last year were ranked by the NPI as "low".

HEALTH AND SAFETY

We are not aware of any potential non-compliance during the year with health and safety legislation or other health and safety requirements, except as set out below.

A non-compliance with health and safety legislation was identified by WorkSafe Western Australia at Kwinana, relating to the requirement to isolate equipment using lockable systems. A site-wide process of consultation regarding the isolations and improvements to the work permit system has commenced to rectify this problem and should be completed by June 2006.

All regulations and standards that apply to our business are monitored by Freehills, a national law firm, which provides quarterly updates ensuring that we are aware of all changes.

We conducted audits of our Safety Action Plan in 90 per cent of our operational areas. The results of these audits are tracked through SiteSafe in order to ensure continued compliance and completion.

All emergency response team members were medically and physically assessed and considered fit for their role in accordance with task analysis that identify the physical needs to perform duties.

Operational staff undergo hearing tests on appointment and termination in accordance with WorkCover Western Australia guidelines.

LICENSING AND APPROVALS

We are not aware of any potential non-compliance during

the year with licensing or approval conditions or other requirements, except as set out below or above under "Environmental" or "Health and Safety".

All relevant licences including Environmental Protection Act, Rights in Water and Irrigation Act, Poisons Act, Dangerous Goods and National Industrial Chemicals Notification Assessment Scheme licences were renewed. In addition, approvals were sought relating to specific projects. These included:

- approval for the lime dosing groundwater treatment plant at Bayswater; and
- approval for the consolidation of the sodium cyanide plant Ministerial Conditions.

In each case the relevant approval was granted.

We are progressing through the approvals process for the upgrade to our sodium cyanide solids plant to 45,000 tonnes per annum. Our Public Environmental Review (PER) was released for public comment during the year. The PER outlines the environmental issues and associated management plans. We finalised responses to submissions and the Environmental Protection Authority (EPA) released its Bulletin (the public advice of the EPA's views of a project) in July 2005.

Our PER for the duplicate ammonium nitrate and prilling plant was also released during the year. The EPA Bulletin was released in June 2005.

Management systems

ENVIRONMENTAL MANAGEMENT SYSTEM (EMS)

We have committed resources to review our EMS next year. Our EMS is consistent with the international standard ISO 14001, but we do not intend to seek accreditation at this stage.

QUALITY SYSTEM

We maintained certification to AS/NZS ISO 9001:2000 for the chlor alkali and ammonium nitrate processes. This involved two satisfactory external audits. We also conducted 12 internal audits during the year.

The Kwinana laboratory was re-assessed by the National Association of Testing (NATA) and accreditation to ISO/IEC 17025 was continued. NATA removed the deadline referred to in last year's report associated with the issue of measurement uncertainty. We continued to work on this issue during the year and progress will be reviewed through regular NATA audits. The remaining action from the review of AS4423 (Australian Standard for Safety in Laboratories) was completed during the year. A renovation of the sample room has commenced with the aim of reducing the risk of manual handling injury, noise and dust and improving workflow and storage. Laboratory staff were actively involved in building a continuous on-line system for monitoring nutrient levels in the proposed discharge of wastewater to the Sepia Depression Ocean Outfall. Senior laboratory staff were active in NATA and the Royal Australian Chemical Institute (RACI) branch activities.

Our soil and plant analysis laboratory at Bibra Lake participates in national proficiency programmes overseen by the Australasian Soil and Plant Analysis Council and international plant analysis programmes overseen by Wageningen University in the Netherlands.

SAFETY MANAGEMENT SYSTEM (SMS)

Annual Safety Action Plans provided the basis for safety improvements across our business with each department responsible for ensuring that its plan was made specific to its area.

The development of our risk assessment register has progressed. We completed a review of baseline Hazard And Operability Study (HAZOPS) for our entire facility.

The management of chemicals on-site continues through the Chem Alert system. The system provides employees with a user-friendly interface to search, list and report on chemicals approved for use on-site and to access relevant safety data.

We have four major hazard facilities, as defined under the WorkSafe National Standard "Control of Major Hazardous Facilities". These are our ammonia, sodium cyanide, chlor alkali and ammonium nitrate plants. As part of this Standard, each of these facilities has a safety report which describes the major risks and how they are managed. These reports are submitted to the Department of Industry and Resources (DoIR) for endorsement and are externally audited on a regular basis. We have completed 45 per cent of the actions from the last external audit. Of the remaining actions all have been assigned responsibilities and time frames and some are ongoing. We are awaiting a response from DoIR on our revised ammonium nitrate safety report which is still to be endorsed.

As a producer of raw materials for explosives and a range of other potentially hazardous chemicals, we continued our focus on security.

By adhering to our values and the Responsible Care codes of the Plastics and Chemical Industries Association (PACIA), our business has developed and maintains systems and promotes behaviours that commit us to handling and dealing with our chemical products properly at all times, from sourcing and manufacture through to transport, distribution and end use.

POLICY

We have policies that outline our commitment to environmental, health, safety and community issues as part of our business operation. In addition we are a signatory to the PACIA Responsible Care programme which has six codes outlining best practice in the areas of employee health and safety; manufacturing safety; transport and storage

safety; community right to know; product stewardship; and environmental protection.

During the year, we conducted three self-assessments and external verification was conducted on the Product Stewardship code. We promoted the codes through our internal monthly email newsletter. Through this association we contribute to developing or commenting on a number of relevant policies such as the Voluntary Code of Conduct for the distribution of ammonium nitrate, the PACIA Carrier Accreditation Scheme in Western Australia and major hazard facilities, dangerous goods and security issues in the chemicals industry. We are actively represented at Board and Council level in PACIA.

We again conducted a water audit with the Water Corporation. Our rating improved from three to four out of five on a scale of one (poor) to five (excellent). The exercise was worthwhile and identified areas for improvement such as establishing water reduction targets and conducting water conservation awareness activities.

Environmental



Air (atmospheric emissions)

Please note that data in this section is generally obtained from point source emissions and will differ slightly from those reported as part of the NPI because of the way in which the NPI uses standard assumptions, in part, to calculate potential emissions. In some areas we do not exceed NPI thresholds and we are therefore not required to report in the NPI.

DUST

Our dust emissions are associated with particulate emissions from our various operating plants, materials loading on our sites and unsealed surfaces. We estimate our dust emissions

(Below) Removal of asbestos from the fertiliser sheds at Kwinana.



using the relevant factors from the NPI and we will report them to the NPI in September 2005.

Dust from all sources reported under the NPI last year (to 30 June 2004) was 230 tonnes.

ODOUR

During the year we had seven odour complaints:

- Two related to emissions from our granulation plant at Kwinana. The emissions were sampled on a monthly basis and were within all licence limits.
- Two related to the detection of ammonia at Kwinana. An external neighbour notified us of the presence of an ammonia odour whilst the ammonium nitrate plant was venting as part of maintenance activities. An ammonia odour was also detected on site at the sodium cyanide plant during a venting operation. Ammonia can be detected at low concentrations below that which impact on human health.
- One related to odour from our superphosphate plant at Kwinana which was found to relate to a blockage in the scrubbing system. The plant was subsequently shut down and the blockage repaired.
- Two related to our Albany superphosphate plant. The plant was operating under normal conditions at the time and this was explained to the complainant.

GREENHOUSE GAS EMISSIONS

We are a participant in the Commonwealth Greenhouse Challenge Plus Programme. As part of our participation, we submitted our 2003/2004 report during the year. The greenhouse emissions summarised in this report differ slightly from those reported under the Greenhouse Challenge Plus project. In that project we use actual analytical data from our natural gas supply and internal power generation yet in this report we use the standard AGO emissions factors to ensure consistency across Wesfarmers.

Our greenhouse gas emissions were estimated to be 1,342,614 tonnes of carbon dioxide equivalent, up five per cent on last year, and this equates to 0.90 tonnes of carbon dioxide equivalent per tonne of fertiliser and chemical production, up four per cent on last year. This figure includes the following emissions:

- 2,146 tonnes of nitrous oxide (N_2O); and
- 0.0524 tonnes of sulphur hexafluoride (SF_6).

The greenhouse gas emissions were largely due to our ammonia plant (approximately 37 per cent), nitric acid plant (approximately 48 per cent) and sodium cyanide plant (approximately 11 per cent).

NOISE

The noise regulations are in the process of being reviewed to potentially increase the industry-to-industry boundary level limits from 65dB(A) to 70dB(A). If the noise level limits are increased we will comply with the noise regulations at our boundary. Noise emissions associated with the proposed upgrade of our ammonium nitrate and sodium cyanide plants were outlined in the relevant PERs. We have a potential non-conformance on our northern boundary and we have committed to address this next year. Noise at the boundary between Coogee Chemicals and AGR is above the current limit largely due to tonality. We will formalise our noise management plan during the year which will outline noise management actions.

Through the KIC we contribute to the noise modelling for the Kwinana Industrial Area. A review of the noise model was released in August 2005. Our noise emissions have reduced by 5dB(A) since the model was commissioned in 2001.

Figure: 1

PRILL PLANT STACK EMISSIONS (GRAMS PER CUBIC METRE)

| | 96/97 | 97/98 | 98/99 | 99/00 | 00/01 | 01/02 | 02/03 | 03/04 | 04/05 |
|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Tower | 0.014 | 0.013 | 0.021 | 0.024 | 0.028 | 0.015 | 0.020 | 0.019 | 0.017 |
| Pre-dryer | 0.235 | 0.178 | 0.128 | 0.081 | 0.186 | 0.117 | 0.112 | 0.111 | 0.092 |
| Dryer | 0.364 | 0.253 | 0.133 | 0.168 | 0.128 | 0.145 | 0.091 | 0.058 | 0.112 |



(Above) Ron Turnbull inspecting pipework and instrumentation which will receive high quality water from the Water Corporation's Kwinana Water Reclamation Plant.

OTHER EMISSIONS

We had no emissions of ozone-depleting substances such as chlorofluorocarbons (CFCs), halons, carbon tetrachloride, hydrochlorofluorocarbons (HCFCs), hydrobromofluorocarbons (HBFCs), methyl bromide or bromochloromethane (BCM) during the year.

We have not yet prepared our report to the NPI for the 2004/2005 reporting period or finalised our data estimates, however in 2003/2004 our three most significant emissions were carbon monoxide (410,000 kilograms to air), ammonia (310,000 kilograms to air and water) and particulate matter (230,000 kilograms to air). Further information is available at: www.npi.gov.au. All our substance emissions for last year were ranked as "low" by the NPI.

OXIDES OF NITROGEN

We measure the production of oxides of nitrogen in our sodium cyanide, nitric acid and ammonia plants. All plants operated within licence limits for these emissions. Our total oxides of nitrogen emissions are calculated from measurements of emissions from these plants and calculations from other sources such as motor vehicles.

PARTICULATES

Particulate emissions of ammonium nitrate from our prilling plant were below licence limits for the pre-dryer, the dryer and tower stacks (see Figure 1).

"We will formalise our noise management plan during the year which will outline noise management actions."

Modelling was conducted as part of the proposed ammonium nitrate prilling plant expansion. Both the existing and the proposed plants meet the relevant ambient guidelines for particulate emissions.

However there still remains a slight risk exceedance created through ammonia use in the same plant area which we will address in 2005/2006.

CHLORINE

Our chlor alert monitoring system was activated 115 times during the year. These monitors are situated throughout the chlor alkali plant and sound an alarm when chlorine is detected. Trigger levels are set well below that at which health can be impacted. Due to the sensitivity of these meters the chlor alerts can often be caused by normal operating conditions and preparation of equipment for maintenance. In last year's report we said we would modify our chlor alkali plant storage area to meet current standards. This has not been necessary because a positional error was found in the model being used for the Quantitative Risk Assessment and we do meet risk criteria in regards to chlorine storage.

However there still remains a slight risk exceedance created through ammonia use in the same plant area which we will address in 2005/2006.

Waste

SOLID WASTE

Solid waste during the year consisted primarily of asbestos and general production waste.

Our total solid general waste stream from Kwinana during the year was estimated to be 1,048 cubic metres, up 82 per cent on last year. Of this amount, 35 per cent was recycled and 65 per cent was disposed of to landfill. The increase is related to the disposal of asbestos from the re-cladding of a building.

Our total solid waste disposed of to landfill per tonne of fertiliser and chemical production at Kwinana was estimated to be 0.6 kilograms, up 60 per cent on last year.

We disposed of 273 tonnes of waste from our country works facilities and recycled 24 tonnes.

In addition, we continued to reduce our solid waste stockpiles. Initiatives during the year included dealing with

5,310 tonnes of lead, scrap steel, asbestos and concrete associated with the sulphuric acid plant demolition in Esperance. The lead and scrap steel was recycled. We also disposed of 32,839 tonnes of wastes from our Wellard Road site in Calista and 1,907 tonnes of material associated with earthworks at our Kwinana site.

We commenced demolition of the old ammonia plant during the year. The main material generated from this project will be scrap steel and concrete. Where possible the material will be recycled. The demolition plan was reviewed by the DoE and the Town of Kwinana prior to commencing the project.

The development of beneficial uses for the stockpile of Gypsum at our Wellard Road site has progressed in the last 12 months. The main project involves our agreement with Manna Enterprises to establish a blending operation at the site to produce soil ameliorant material using the gypsum stored on the site and lime from Cockburn Cement. The material is to be used to improve soil conditions in the wheatbelt and south west regions of Western Australia, which will reduce the need to source gypsum from the fragile ecosystems of gypsiferous lakes and aid the eventual rehabilitation of the land at Wellard Road. Planning approvals are pending for the project which is expected to be operating by late 2005. A large portion of the site contains a functional wetland system.

Alcoa continued to take a significant consignment of gypsum from the stockpile in early 2005, removing 8,877 tonnes. Alcoa uses the gypsum as a soil conditioner in its residue disposal ponds to enhance and promote rehabilitation.

We completed modifying two procedures affected by the revised Environmental Protection Act (Controlled Waste) Regulations.

We are an active member of the KIC Eco Efficiency Group (previously the KIC Sustainability Group). The group aims to contribute to leadership in sustainable development by improving the overall eco-efficiency of the Kwinana Industrial Area. As part of this we contribute to the Kwinana synergies research project through the Centre for Sustainable Resource Processing. The project aims to identify further synergies, exchange of by-products, water or energy, in the Kwinana industrial area.

(Below) Demolition work on the decommissioned ammonia plant.





(Left) Duty Site Controller Marten Noordzy (left) with Ian Hill, Air Liquide WA Engineering and Operations Manager, inspecting the pipe that transfers carbon dioxide from the ammonia plant for use at Air Liquide.

(Right) Aerial view of the Bayswater site where remediation will start in late 2005.



The three outstanding actions in our cleaner production action plan referred to in last year's report are still to be completed. The plan is available on the Western Australian Sustainable Industry Group website www.wasig.curtin.edu.au.

LIQUID WASTE

Liquid waste during the year consisted primarily of wastewater from our production processes and stormwater run-off.

Our effluent at Kwinana discharged to Cockburn Sound, including run-off, totalled 1,085,845 kilolitres, up 13 per cent on last year. In addition, liquid waste disposed off-site was 645 kilolitres, an increase of three per cent on last year.

Of the amount disposed off-site, we estimate that 76 per cent is reused and 24 per cent is disposed of to a licensed disposal facility. The liquid waste which contains organic material is reused at a composting facility.

We continue to reuse wastewater within and between our plants. Our reuse between plants was estimated to be 19,641 kilolitres, an increase of 71 per cent on last year.

Our Albany site discharged 110,033 kilolitres of water to Princess Royal Harbour, down 18 per cent on last year. This figure includes rainwater run-off.

"During a high rainfall event we discharged approximately 654 kilolitres into the Preston River from our Bunbury site."

During a high rainfall event we discharged approximately 654 kilolitres into the Preston River from our Bunbury site. Due to the high rainfall occurring over a short period of time some water also overflowed the pond and entered the river. Prior to this we have not discharged to the Preston River through our licensed discharge point since 2000. We continue to monitor the Preston River up stream and downstream of our discharge point.

Our total liquid waste from our Kwinana, Albany, and Bunbury sites discharged and disposed off-site per tonne of fertiliser and chemical produced was estimated to be 798 kilolitres up eight per cent on last year.

Liquid waste is not a major issue at our Geraldton or Esperance sites.

RECYCLING INITIATIVES

We are committed to continuing to reduce the amount of waste being disposed off-site. We have a number of reuse and recycling initiatives on-site, some including the reuse of waste oil and drums and the recycling of office material, batteries and scrap metal.

We despatch solid sodium cyanide in double-lined bulk bags contained within wooden boxes to customers. After testing, and review by the DoIR, we have approval to reuse the boxes a number of times, with checks in place to ensure damaged boxes are not reused.

This initiative will significantly reduce the number of boxes requiring disposal.

Land

FLORA AND FAUNA

We continued our involvement with the Feral Pigeon Control Group at Kwinana/Rockingham which seeks to control the numbers of these birds. We manage this issue on our Kwinana site by deterring pigeons from roosting and breeding on the premises and by limiting potential food sources. This is achieved through regular inspections, removal of feral pigeons and restricting access to roosting areas within buildings.

CONTAMINATION

Our Bayswater site continues to move closer to the start of a full remediation process. The Public Environmental Review (PER) went through the public consultation period late last year and since then we have responded to the Environmental Protection Authority (EPA) on the few comments received.

The EPA published its Bulletin (the public advice on the EPA's views of a project) on 7 June 2005. There were no appeals and the project was then considered by the various state and local government decision-making authorities prior to the Minister's final approval received in October 2005. We will start remediation work in late 2005.

The CSIRO has also conducted an independent review of the PER, in particular the scientific data, which looked at groundwater and soil contamination. The review and other information and documentation relevant to the remediation project are available on our website (www.csbp.com.au).

While these processes have been taking place, groundwater is still being pumped and treated on the site under a current Environmental Protection Act approval.

The water treatment plant continues to be extremely successful in taking heavy metals out of the groundwater and neutralising acidity.

The three main issues that require remediation are:

- the presence of contaminated soil;
- impacted groundwater; and
- considerable quantities of asbestos in existing buildings.

The soil contamination is due to the presence of iron cinders (iron oxide) and other wastes which were by-products of past production of superphosphate fertiliser at the site. These wastes contain elevated levels of heavy metals in some areas. At a minimum, all material that exceeds prescribed levels for industrial/commercial land use will be removed to enable the safe redevelopment of the site.

The asbestos removal process will be conducted towards the end of the site remediation programme when the buildings are no longer required.

The last community information session was held in October 2004 which was midway through the advertised eight week public comment period for the PER document. A further information session is planned for late 2005, prior to commencing remediation. Newsletters informing interested parties of the remediation progress have been distributed over the last 18 months and further updates are planned.

The wastewater treatment plant for the ammonia/arsenic groundwater plume at Kwinana was commissioned in May 2004. The plant is designed to extract, treat and return the groundwater. Globally, this is the first use of this type of treatment technology in a commercial situation. We estimate that the remediation of the plume will take approximately a further two years.

(Below) Process Technician Terry Ramsden (right) issuing a work permit at the granulation plant.



Resource usage

ENERGY

Our main use of energy during the year related to the use of natural gas in our ammonia and sodium cyanide plants and the use of electricity in our chlor alkali plant.

Total energy consumption was estimated to be 11,050,351 gigajoules, up 14 per cent on last year.

Our total energy consumption per tonne of fertiliser and chemical production was estimated to be 7.37 gigajoules, up 13 per cent on last year. Energy sources are detailed below.

FUEL

Petrol, diesel and liquefied petroleum gas (LPG) vehicle fuel accounted for approximately 0.2 per cent of our total energy consumption by gigajoule. Our petrol, diesel and LPG consumption was estimated to be 194,727 litres, 447,710 litres and 59,303 litres, respectively.

ELECTRICITY

Electricity accounted for approximately 1.1 per cent of our total energy consumption by gigajoule. Our electricity consumption was estimated to be 34,863,894 kilowatt hours.

NATURAL GAS

Natural gas and LPG used in our production processes accounted for approximately 98.6 per cent of our total energy consumption by gigajoule. Our natural gas and LPG consumption was estimated to be 10,899,375 gigajoules.

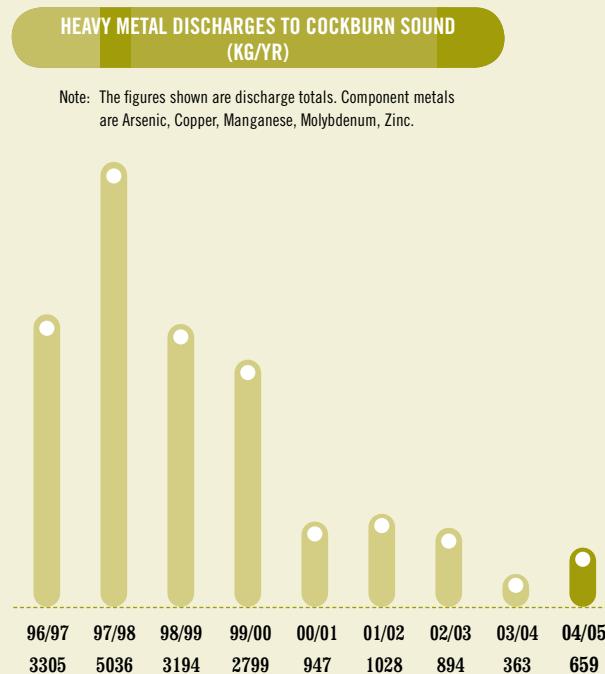
OTHER MATERIALS

Our other raw materials are phosphate rock, sulphuric acid, salt, water, caustic soda, sulphate of ammonia, standard mono ammonium phosphate and ammonia which we manufacture from natural gas.

Figure: 2



Figure: 3



Water

CONSUMPTION

Water use during the year related primarily to production processes, particularly our cooling towers at Kwinana.

Total water consumption for our Kwinana, Albany and Esperance sites was estimated to be 3,930 megalitres, down eight per cent on last year.

Our total water consumption per tonne of fertiliser and chemical production was estimated to be three kilolitres, the same as last year.

Water sources at those sites included:

- scheme water (4.5 per cent);
- groundwater abstracted through bores (95.2 per cent); and
- reused/recycled water (0.3 per cent).

In addition we used 415 megalitres of reverse osmosis water from Western Power in our demineralisation plant.

REUSE AND RECYCLING

Construction of the Water Corporation's Kwinana Water Reclamation Plant (KWRP) was completed and commissioning occurred in early 2005. The project will enable industry to use treated wastewater from the Woodman Point treatment plant which will in turn reduce the industrial use of scheme water. We completed installation of the necessary pipe work and instrumentation to receive high quality treated water from the KWRP and to discharge site wastewater to the Sepia Depression Outfall. We are now awaiting the conclusion of contractual negotiations in order to commission the new equipment.

The disposal of wastewater from industry to the Sepia Depression Outfall, which is the second phase of the KWRP, received ministerial approval. This second phase will enable discharges to Cockburn Sound to cease with the exception of rainfall, maintenance or unusual events.

We recycle and reuse process waters in operations within and between our plants.

DISCHARGES TO SURFACE AND GROUNDWATER

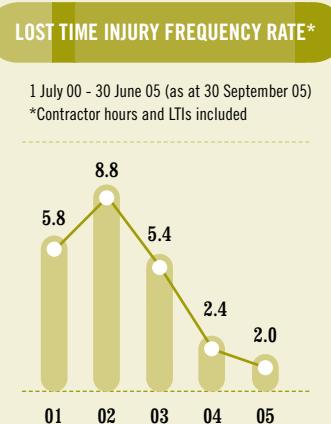
Our Bunbury site captures run-off generated on-site for irrigation purposes. As outlined earlier we discharged to the Preston River during a high rainfall event.

At Albany some of our contaminant discharges increased during the year. Phosphorous increased from 208 kilograms last year to 216 kilograms this year. Fluoride discharges increased from 568 kilograms to 654 kilograms. But nitrogen discharges decreased from 2,999 kilograms to 1,469 kilograms. Our preferred option for managing the wastewater is discharge to the reticulated mains sewerage system as this will divert all discharges from Princess Royal Harbour to a tree farm. We continue to discuss this with the Water Corporation and other industries. We took action to reduce nitrogen entering our drainage system and will continue to implement our nitrogen effluent reduction plan next year.

At our Kwinana site:

- discharges of metals increased from 316 kilograms last year to 659 kilograms this year;
- nitrogen discharges increased from 40,580 kilograms to 42,883 kilograms;
- phosphorous discharges increased from 6,368 kilograms to 7,445 kilograms; and
- fluoride discharges reduced from 5,329 kilograms to 3,230 kilograms.

"Our total water consumption per tonne of fertiliser and chemical production was estimated to be three kilolitres, the same as last year."

Figure: 4

Whilst our pilot nutrient-stripping wetland is removing nitrogen from water entering the wetland (*see Case Study on page 83*), the total nitrogen discharged to Cockburn Sound has increased (*see Figure 3, page 79*). This is associated with a specific incident in our sodium cyanide plant that led to an increase in nitrogen emissions for a period of time and our wetland only treating a small proportion of our effluent. In accordance with our water resource management principles we continue to remain focused on working towards no contaminant emissions.

Figure: 5

These include Hazard and Operability Studies, job safety analysis and team-based risk assessments.

EMERGENCY RESPONSE

Our Crisis Management Team conducted two exercises over the last year to consolidate confidence in our ability to effectively deal with a crisis situation. A number of desktop exercises were conducted during the year, together with full off-site training exercises and a multi-agency exercise on site at Kwinana.

Our emergency teams responded to a number of on-site false fire alarms during the year.

Our emergency teams also attended a number of chlorine leaks in the metropolitan area and regional locations as far away as Esperance. Most of these incidents did not relate to our equipment or operations and those that did were minor.

MATERIALS HANDLING AND STORAGE

All raw materials and manufactured products are safely stored and transported around our operations. We have detailed transport management plans for several of our bulk chemicals and detailed training and procedures for all product transport. Many of the contractors transporting our fertiliser are signatories to the Bulk Fertiliser Service Agreement that sets out appropriate requirements for such transport.

Chem Alert continues to improve the management of about 2,000 chemicals approved for use at our sites and the Material Safety Data Sheet register was reorganised to show the date of each risk assessment conducted.

We hold all required licences and permits for our operations.

RISK ASSESSMENT

External audits of the Safety Reports for our Major Hazard Facilities (MHF) occur every 18 months. All improvements required are tracked and finalised at regular reviews.

The potential public risk from our MHF is assessed by the use of Quantitative Risk Assessments (QRAs).

The QRA process continued throughout the year and was completed in June 2005. These QRAs are reviewed and updated when we make significant changes to our processes and are then provided to DoIR.

The process of Team-Based Risk Assessments continued throughout the year with assessments completed in a number of our large operations, including demolition, construction work and any significant risk activities.

Using a Safety Representative seconded to our Safety Department, we commenced an employee-based initiative called "Take Time Take Charge" which is aimed at ensuring that employees always take time to assess safety risks before

safety and health



LOST TIME

Our Lost Time Injury Frequency Rate was two (compared with 2.4 last year) see Figure 4, and during the year, there were three LTIs. Our Average Time Lost Rate (ATLR), which provides a measure of the severity of such injuries, was 14 (compared with 12.5 last year). There was a further reduction in workplace injuries from 34 last year to 32 this year.

Our ATLR was high this year because one serious injury resulted in 37 days lost time.

Safety statistics are distributed and discussed by management as the first agenda item at all executive management meetings, which are held monthly and reported at all Board meetings, which are held very two months.

WORKERS COMPENSATION

There were 17 workers compensation claims reported, relating to occurrences during the year, compared with 19 last year (*see Figure 5*).

We continue to actively manage the return to work of all injured employees with services provided by our Occupational Health Officer, visiting medical practitioner and on-site physiotherapist.

Hazard and risk

PROGRAMMES

We have a number of methods by which we identify hazards, make assessment of risks and ensure adequate controls are in place to ensure we protect personnel, plant and the general public.

"Our Crisis Management Team conducted two exercises over the last year to consolidate confidence in our ability to effectively deal with a crisis situation."

starting a job. The initiative was not entirely successful and we are reviewing its implementation prior to a relaunch of a broader behaviour-based safety programme.

EMPLOYEE WELLBEING

Our first aid centre at Kwinana is the central area for a large number of support services and programmes aimed at improving employee wellbeing. The centre runs a number of special health-focused programmes, such as counselling, health awareness topics, fitness programmes and assessments, audiometric testing, remedial massage, immunisations, subsidies for health club memberships, physiotherapy and health programmes looking at risk factors. We also offer annual medicals to employees.

Employees who do suffer work or non-work-related injury or illness have access to a full range of health support networks to ensure they are provided with the most suitable return to work programme.

Community



STAKEHOLDERS

Our stakeholders include our employees, our customers, our suppliers and other contractors, relevant government agencies, the local communities in which we operate, and shareholders in our parent company, Wesfarmers Limited.

We are committed to open communications with our many stakeholders and acknowledge the community's interest in our operations. Our stakeholder liaison activities during the year included:

- consulting the community, local governments and regulators, on plans to expand the ammonium nitrate production facility and AGR's sodium cyanide production facility;
- delivering a presentation to the Kwinana Community and Industries Forum explaining AGR's plan to expand the sodium cyanide production facility;
- participating in the Kwinana Industries Public Safety Liaison Group, which meets in a public forum involving community and regulatory stakeholders, to review public safety issues;
- making available community information bulletins and conducting community information sessions in Bayswater to fully inform the local community about our plans to remediate the former Cresco fertiliser site in Bayswater;
- continuing to support the Community Information Service, a telephone-based service that provides access to a range of information about industry;
- participating at Board and Council levels of PACIA to assist in developing new policies and approaches;
- participating in the Fertilizer Federation of Australia to enable participation in relevant issues with other manufacturers suppliers and distributors;
- providing emergency and treatment training by our Occupational Health Officer to hospital staff in Laos on how to deal with sodium cyanide incidents;
- participating in the Chamber of Commerce and Industry to liaise with other industries and participate in the development of new policies; and

(Left) Staff with goods donated by employees to help victims of the tsunami disaster.
(Right) Managing Director, Keith Gordon, with Murdoch University Pro Vice Chancellor Kateryna Longley at the launch of "Science @", a science education programme supported by CSBP.



- hosting a stakeholder forum, attended by representatives of government agencies, community and industry organisations that discussed various aspects of the Wesfarmers Social Responsibility Report. Each year, detailed answers to issues raised at the forum are provided to participants.

As a member of the Kwinana Industries Council we have access to results from a general community attitude survey which provides an insight into the concerns and interests of the local community on an ongoing basis.

We continue to conduct site tours and presentations for local government and community interest groups, particularly at Kwinana, as well as providing updates on our operations and environmental improvement initiatives.

During the year we also hosted tours for a number of different visitor groups to various parts of our organisation.

FEEDBACK/COMPLAINTS

We received eight complaints during the year – six related to our Kwinana site and two were at Albany. Three were from employees and five were from external parties.

Seven complaints related to odours, as outlined earlier in this report. The remaining complaint related to visible smoke from the ammonia plant flare. The plant was in the process of starting up during which it is a requirement to flare natural gas for a short period of time to ensure correct and safe process and that mechanical equipment conditions are met. The combustion of natural gas under these conditions results in a visible yellow flame that can have a smokey appearance. We responded to all complainants.

Communication

NEWSLETTERS AND REPORTS

We frequently provide information to key stakeholders about our business. Newsletters are produced for both our employees and a number of external audiences to cover broad topics, such as safety, and individual projects, such as the Bayswater site.

Our section of the Wesfarmers 2004 Social Responsibility Report was printed as a separate publication and distributed to our stakeholders in February 2005.

WEBSITE

Our website (www.csbp.com.au) contains information about our operations for the community, including environmental, safety and health information relating to our business. A range of improvements to the environment section of the website are being finalised.

COMMUNITY SUPPORT

We support a number of community organisations and projects throughout Western Australia, including:

- our major sponsorship of Curtin University's Centre of Excellence in Cleaner Production;
- a number of farming improvement groups in rural areas which act as a forum to extend participants' knowledge of new farming techniques; and
- a number of community safety, health, education and environment projects, as well as apprenticeship and university awards.
- developing a series of science education packages with Murdoch University called "Science @". The series will focus on major commercial and industrial activities of the Kwinana Rockingham region in a bid to increase local student interest in science.

RESEARCH

As a member of the Australian Minerals Industry Research Association we support research into the safe use and disposal of sodium cyanide, a gold reagent used by the mining industry.

We also support a range of agricultural research programmes including:

- the University of Western Australia's Turf Research Programme which investigates irrigation and fertiliser management strategies for turf and nutrient research on dairy pastures in the south west in conjunction with the Department of Agriculture; and
- the University of Western Australia's Albany Sustainability Fund research project assessing the role of perennial pasture grazing systems in enhancing the utilisation of phosphorus and nitrogen.

We invest about \$900,000 each year in our own agricultural research activities.

The underlying aim of this research is to enhance economic returns for the end user by maximising nutrient uptake and improving plant productivity and quality.

The specific objectives of the work include:

- evaluating new fertiliser products under field conditions;
- investigating more effective methods of fertiliser application; and
- generating data to validate and improve our fertiliser recommendation computer models, based on soil and plant analysis services.

Through these initiatives we strive to minimise the impact of our products on the environment.

AWARDS

During the year we won the Premier's Water Foundation Award (State Environment Award) which recognised our significant achievements in water management. We were also awarded the 2004 FIFA Platypus Award For Sustainability and the 2005 PACIA Sustainability Award.

Our AGR sodium cyanide production joint venture was awarded the 2004 Western Australian Industry & Export Awards (Emerging Exporter) and subsequently the 2004 Australian Industry and Export Award (Emerging Exporter). The award acknowledged the hard work, innovation and success that enabled AGR to reach new markets and more broadly contribute to the economic development of Western Australia.

"During the year we won the Premier's Water Foundation Award (State Environment Award) which recognised our significant achievements in water management."



Case study



Since the early 1990s we have reduced the load of nitrogen and phosphorus in our wastewater discharges to Cockburn Sound. This has been achieved through the implementation of engineering modifications that enable reuse of wastewater within and between our plants to reduce nutrients entering our drainage systems.

In 2001 we began investigating options for further reductions to ensure we continually improved. This research resulted in the construction of a pilot nutrient stripping wetland which was opened by the Minister for the Environment in June 2004. The wetland contains sedges which assist biological processes to reduce the level of nitrogen and phosphorus in the effluent stream. We tested different combinations of effluent systems and various management systems, including determining the correct carbon-nitrogen ratio to promote the best possible sedge growth.

The average nitrogen removal of the water entering the wetland over the year was 27 per cent with a maximum of 70 per cent. Phosphorus was also being removed at an average of 67 per cent.

(Above) Environmental Adviser Mark Germain testing water quality at the nutrient stripping wetland.

The already low concentration of some metals in the wastewater stream entering the wetland has also been reduced. Efficiency of removal has changed during the growth period of the sedges which are now 1.5 metres high.

When we modified the water regime to maintain a water level in the wetlands at all times an increase in mosquitoes occurred in the surrounding area. Whilst the nutrient removal efficiency increased during this period, we have returned to the previous regime of emptying the wetland and therefore the efficiency has reduced from around 70 per cent to 40 per cent. Mosquito-specific control measures are currently being reviewed.

The wetland forms one aspect of water management and we continue to work towards developing and maintaining diverse water sources and include effective water supply management in all relevant planning projects.



Priorities for the future

- At least halve our Lost Time Injury Frequency Rate (LTIFR) with an ultimate aim of zero Lost Time Injuries (LTIs).
- Continue to reduce workplace injuries.
- Reduce contaminant emissions.
- Obtain or retain endorsement of our safety reports for our four major hazard facilities.
- Continue to work safely and effectively to deal with our historic wastes.
- Increase the use of recycled water and contribute to reduced scheme water use in Kwinana.
- Maintain our contribution to the social wellbeing of the Western Australian community.

Insurance



Our division was formed in late 2003 by combining Wesfarmers Federation Insurance with the acquired Australian and New Zealand businesses of Edward Lumley Holdings.

With 94 offices in Australia and 11 offices in New Zealand, we employ more than 1,400 people.

www.wfi.com.au www.lumley.com.au www.lumley.co.nz

04

Report priorities

- Reducing our LTIFR by at least 50 per cent with a target of zero LTIs. → **Not achieved.** Our Lost Time Injury Frequency Rate (LTIFR) reduced by 26 per cent from 2.3 last year to 1.7. There were four Lost Time Injuries (LTIs).
- Implementing a safety incident reporting system across all our businesses. → **Achieved.** All business units were provided with safety incident reporting instructions.
- Continuing the conversion of vehicles to LPG fuel. → **Partially achieved.** Six new LPG-fuelled vehicles were acquired, but overall the percentage of such vehicles decreased from 19 last year to 17.

05

Outcomes

Safety has a high profile across all our businesses and all lost time injuries (LTIs) must be reported immediately to our Managing Director. Data in this report is for our WFI and Lumley businesses in Australia and New Zealand, unless otherwise stated.

Business management

TRAINING

Ergonomic training and advice is provided to all employees either face-to-face or through our intranet.

A first aid facility is provided at each of our head offices in Perth, Sydney and Auckland and 38 staff have current first aid qualifications.

All of our WFI staff that are required to drive significant distances due to work requirements have undertaken a defensive driving programme to ensure they are trained to drive on different types of surfaces and in different weather conditions. Our LGA and LGNZ employees are not required to undertake this training as these businesses are located in metropolitan centres and involve considerably less driving.

EMERGENCY

All our major offices have documented emergency evacuation plans.

Compliance

ENVIRONMENTAL

We are not aware of any potential non-compliance during the year with environmental legislation or other environmental requirements.

NATIONAL POLLUTANT INVENTORY (NPI)

We do not use any of the substances listed under the NPI during the year and therefore we are not required to report under the NPI.

HEALTH AND SAFETY

We are not aware of any potential non-compliance during the year with health and safety legislation or other health and safety requirements.

LICENSING AND APPROVALS

We are not aware of any potential non-compliance during the year with licensing or approval conditions or other requirements.

Overview

The main challenge facing our businesses on an ongoing basis is to operate them in a way that minimises any adverse impact on the environment or the communities in which we operate.

In dealing with this challenge, the main environmental areas on which we focused our attention during the year were electricity usage and using cleaner types of fuel to reduce the impact of vehicle emissions.

Our Wesfarmers Federation Insurance (WFI) business continued a programme of upgrading its old cathode ray tube (CRT) computer monitors with new flat screen monitors. The new monitors use 40 watts compared with 70 watts for the old screens, resulting in a 43 per cent reduction in electricity. Additional benefits of flat screen monitors over CRT monitors include reduced eye strain, reduced radiation emission and extended equipment life. It is expected that all CRT monitors at WFI will be replaced by 30 June 2007. Our Lumley General Australia (LGA) business and our Lumley General New Zealand (LGNZ) business have commenced similar replacement programmes. In total, the number of new flat screen monitors increased from 145 (10 per cent) last year to 330 (23 per cent) this year.

We continue to prefer using vehicles powered by cleaner fuels where feasible and practicable.

At the end of the year, 43 per cent of WFI vehicles were LPG-fuelled, compared to 52 per cent last year. Ten per cent of LGA vehicles were LPG-fuelled, compared with five per cent last year. In total, 17 per cent of our fleet now runs on LPG, compared with 19 per cent last year. None of our LGNZ vehicles use LPG, but that business intends to participate in Green Plan, a programme that involves planting trees to offset emissions from vehicle exhaust.

The main safety area on which we focused our attention during the year was reducing workplace injuries.

We have addressed workplace injuries through LGA's compulsory workplace ergonomics training, well-documented Occupational, Health and Safety (OHS) policies and an OHS committee. Our WFI business has written OHS policies and our LGNZ business also has formal OHS procedures.

Health and safety matters are constantly under review across all of our businesses. For example, LGNZ is in the process of updating a number of procedures following a safety audit by PricewaterhouseCoopers. Following these changes LGNZ will become compliant with the New Zealand Workplace Safety Management Practices requirements and we expect this to happen next year.

Management systems

SAFETY MANAGEMENT SYSTEM (SMS)

An integrated safety incident reporting system that requires all lost time injuries be reported directly and immediately to our Managing Director has now been implemented by all our businesses.

OTHER MANAGEMENT SYSTEMS

We operate financial, human resources, strategic planning, budgeting and reporting management systems.

POLICY

We have addressed workplace injuries through LGA's compulsory workplace ergonomics training, well-documented OHS policies and an OHS committee. Our WFI business has written OHS policies which are internally audited annually. Our LGNZ business has formal OHS procedures.

Health and safety matters are constantly under review across all of our businesses. For example, LGNZ is in the process of updating a number of procedures following a safety audit by PricewaterhouseCoopers (PwC). Following these changes LGNZ will become compliant with the New Zealand Workplace Safety Management Practices requirements. We expect this to happen next year.

Environmental



Air (atmospheric emissions)

GREENHOUSE GAS EMISSIONS

Our total greenhouse gas emissions were estimated to be 5,194 tonnes of carbon dioxide equivalent and this equates to 5.1 tonnes of carbon dioxide equivalent per million dollars of premium income, up nine per cent on last year.

The only sources of greenhouse gas emissions that we have not included are waste disposed off-site and a small amount of natural gas used in office kitchens. As we did not measure the quantity of waste we were unable to estimate associated greenhouse gas emissions.

The greenhouse gas emissions were due to imported electricity (65 per cent) and vehicle emissions (35 per cent).

In calculating greenhouse gas emissions for electricity we have estimated the consumption on a region-by-region basis and applied the appropriate emission factor for each region.

Our LGNZ business intends to participate in Green Plan, a programme that involves planting trees to offset emissions from vehicle exhausts.

OTHER EMISSIONS

We are not aware of any emissions of ozone-depleting substances such as chlorofluorocarbons (CFCs), halons, carbon tetrachloride, hydrochlorofluorocarbons (HCFCs), hydrobromofluorocarbons (HBFCs), methyl bromide or bromochloromethane (BCM) during the year.

Waste

SOLID WASTE

Given the nature of our business operations, we did not measure solid waste generation and we are not planning to in the future.

LIQUID WASTE

The only liquid waste of which we are aware is vehicle oils and lubricants replaced when our vehicles are serviced by external motor mechanics.

RECYCLING INITIATIVES

Our major offices in Perth, Sydney and Auckland have dedicated paper recycling bins that are collected regularly during the year by a waste management contractor for recycling.

Our LGA and WFI businesses are considering participating in "Close the Loop", a recycling project run by a leading global recycler of imaging consumables including inkjet cartridges, laser toner cartridges, drum units and copier bottles. Using state of the art materials separation processes cartridges are recycled with no waste to landfill.

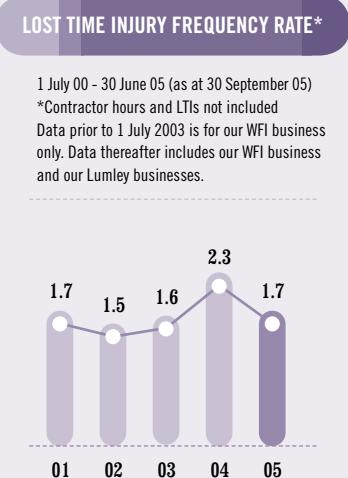
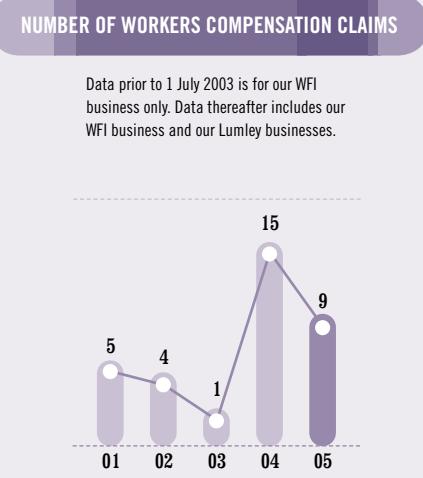
Land

CONTAMINATION

We are not aware of any contamination issues, except for some ground water contamination at our Perth head office site at Bassendean which is leased from Wesfarmers Limited. CSBP placed a bore on the site during 2003 as part of a broader groundwater management investigation upstream and downstream from the former Cresco fertiliser site at nearby Bayswater, now owned by CSBP. We are upstream of this site and monitoring shows that the contamination only impacts downstream. Accordingly, we believe the contamination probably resulted from industrial activity in the surrounding area north of (or upstream from) us. We have no reason to believe that the contamination poses any immediate danger to health because the shallow groundwater is not being used for human consumption. CSBP will continue to monitor groundwater at this location.

(Left) WFI Dalwallinu Area Manager Alex Barbetti handing out calico bags to clients at the Dowerin Field Day in Western Australia.
 (Right) Loss Control Manager Jim Wiles (right) discussing a pre-trip inspection with truck driver Scott McKenzie as part of Lumley New Zealand's support for road safety.



Figure: 1*Figure: 2*

Resource usage

ENERGY

Energy use during the year related primarily to imported electricity for use in our offices and fuels for our vehicle fleet.

Total energy consumption was estimated to be 37,488 gigajoules, down 12 per cent on last year.

Our total energy consumption per million dollars of premium income was estimated to be 36.8 gigajoules, down 11 per cent on last year.

Energy sources are detailed below.

FUEL

Petrol, diesel and LPG accounted for 67 per cent of our total energy consumption by gigajoule. Our petrol, diesel and LPG consumption was estimated to be 617,704 litres, 11,584 litres and 138,262 litres, respectively. The figures for petrol and diesel are significantly lower than last year and last year's figures may have been overestimated as a result of extrapolating from a high-use period.

We continue to prefer using vehicles powered by cleaner fuels where feasible and practicable.

At the end of the year, 43 per cent of WFI vehicles were LPG-fuelled, compared to 52 per cent last year. Ten per cent of LGA vehicles were LPG-fuelled, compared with five per cent last year. In total, 17 per cent of our fleet now runs on LPG, compared with 19 per cent last year. None of our LGNZ vehicles use LPG, but that business intends to participate in Green Plan, a programme that involves planting trees to offset emissions from vehicle exhausts.

ELECTRICITY

Electricity accounted for 33 per cent of our total energy consumption. Our electricity consumption was estimated to be 3,434 megawatt hours, up 27 per cent on last year. The increase primarily relates to LGA taking an additional 1,650 square metres of office space for its head office expansion. This equates to a 75 per cent increase of its head office space in Sydney and has resulted in increased power usage. Last year's figure may also have been underestimated.

Our WFI business continued a programme of upgrading its old cathode ray tube (CRT) computer monitors with new flat screen monitors. The new monitors use 40 watts compared with 70 watts for the old screens, resulting in a 43 per cent reduction in electricity use. Additional benefits of flat screens over CRT monitors include reduced eye strain, reduced radiation emission and extended equipment life.

It is expected that all CRT monitors at WFI will be replaced by 30 June 2007. Our LGA business and our LGNZ business have commenced similar replacement programmes. Our business has now replaced a total of 330 CRT monitors.

NATURAL GAS

We are not aware of any significant use of natural gas.

Water

CONSUMPTION

Our main use of scheme water during the year related to toilet flushing and drinking water.

In addition, our WFI head office is located on extensive grounds and uses bore water for garden and lawn watering.

Water usage was not metered.

safety and health

LOST TIME

Safety has a high profile across all our businesses and all LTIs must be reported immediately to our Managing Director.

Our Lost Time Injury Frequency Rate (LTIFR) was 1.7 (compared with 2.3 last year) see Figure 1, and during the year, there were four LTIs. Our Average Time Lost Rate (ATLR), which provides a measure of the severity of such injuries, was 15.9 (compared with 6.1 last year).

The LTIFR for WFI was 4.0 (compared with zero last year), for LGA was zero (compared with 2.9 last year) and for LGNZ was 1.5 (compared with 4.7 last year).

The ATLR for WFI was 17.2 (compared with zero last year), for LGA it was zero (compared with 2.3 last year) and for LGNZ it was 11.8 (compared with 8.7 last year).

These statistics do not include contractor hours and injuries. Safety statistics are distributed and discussed by management every two months and reported to our Boards every two months.

WORKERS COMPENSATION

There were nine workers compensation claims reported, relating to occurrences during the year, compared with 15 last year (see Figure 2). Of these, seven related to WFI, one to LGA and one to LGNZ.

Hazard and risk

PROGRAMMES

As a major insurer it is in our own commercial interest and in the interests of the community at large for us to encourage safer conduct on the roads. In both Australia and New Zealand we are market leaders in the provision of commercial motor/fleet vehicle insurance and have used our position to improve community safety standards in the areas of vehicle and driver safety by offering services in the following areas:

- fleet safety surveys – both light and heavy vehicle fleets (audits for health and safety compliance across all levels);
- follow-up guidance and advice at management level;
- safety awareness seminars;
- stress and fatigue seminars;
- benchmarking safety performance;
- conference presentations; and
- liaison with transport industry groups, such as the Land Transport Safety Authority, Accident Compensation Commission, Road Transport Association and National Road Carriers.

RISK ASSESSMENT

All accidents and incidents during the year were reported to the national human resources manager and our LGA business had an OHS committee in every office reporting to that manager.

During the year our field vehicles and passenger vehicle fleet were involved in 88 incidents for which insurance claims were made, totalling approximately \$121,584. Of these, 24 related to WFI, 29 to LGA and 35 to LGNZ.

EMPLOYEE WELLBEING

We offered an employee assistance programme during the year that provides company-funded counselling services for employees and their immediate family members in relation to issues such as alcohol, gambling and drugs.

Free influenza vaccinations were again offered on site to all employees in the Sydney, Auckland and Perth head offices. During the year 236 employees took up the offer.

Ergonomics advice continued to be made available to our Lumley employees through the intranet.

Community



STAKEHOLDERS

Our stakeholders include our employees, our policyholders, our reinsurers, relevant government agencies such as the Australian Prudential Regulatory Authority (APRA) and the Australian Securities & Investments Commission, the local communities in which we operate and shareholders in our parent company, Wesfarmers Limited.

FEEDBACK/COMPLAINTS

Our LGA and WFI businesses are bound by the General Insurance Code of Practice. The code outlines steps to resolve complaints and disputes raised by policyholders.

We have an internal dispute resolution process in place which is available to policyholders who have a complaint or dispute against us. This is a free service and is available nationally with all matters treated in confidence. Where matters cannot be resolved to a policyholder's satisfaction, we advise complainants of their rights to take the matter up with the Insurance Ombudsman Service (IOS).

The IOS is a national scheme which assists in resolving disputes between policyholders and their insurers.

The scheme also assists in resolving disputes between uninsured drivers and another person's insurance company in relation to motor vehicle property damage (ie third party claims) and provides information about any general insurance matters. If the decision of the IOS is acceptable to the complainant then the decision is binding on us for amounts up to pre-imposed limits.

In Australia, 136 complaints were dealt with internally- 48 related to WFI and 88 to LGA. Of these complaints, 22 were referred to the IOS. Two related to WFI and 20 to LGA.

Our LGNZ business is a member of the Insurance Council of New Zealand and must comply with the Fair Insurance Code. This code outlines the steps to resolve complaints and disputes raised by policyholders.

Complaints in New Zealand or by people other than policyholders in Australia can be made directly to one of our offices where appropriate follow-up action is initiated.

Where matters cannot be resolved to the complainant's satisfaction, the matter can be escalated to the Insurance and Savings Ombudsman (ISO). During the year, six complaints were referred to the ISO of which four were ruled in LGNZ's favour, one in the complainant's favour and one other unresolved.

Communication

NEWSLETTERS AND REPORTS

Quarterly newsletters are provided to all staff through either hard copy distribution or through the intranet.

WEBSITE

Our websites:

- www.wfi.com.au
- www.lumley.com.au
- www.lumley.co.nz

LIAISON GROUPS

Our WFI and LGA businesses are members of the Insurance Council of Australia. LGNZ is a member of the Insurance Council of New Zealand and Riény Marck, LGNZ's Chief Executive Officer, is vice-president of that organisation.

COMMUNITY SUPPORT

Our businesses made community contributions in the form of sponsorships and donations totalling \$363,981. Some of the major beneficiaries were the Create Foundation, Farm Safe and the Auckland City Mission.

SCHOLARSHIPS

Create Foundation is a non-profit organisation that exists to ensure that children and young people in care are afforded the same life opportunities as all young Australians.

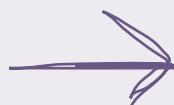
During the year LGA joined forces with the Create Foundation (www.create.org.au) to deliver a "Work Preparation Programme". The young people were encouraged to show interest in the programme by their case or youth worker.

LGA and the Create Foundation hoped to be able to support these young people by providing opportunities that may not otherwise be available.

The programme was designed to give six young people the opportunity to spend a full week learning the skills that will assist them in obtaining future employment. At the conclusion of the programme LGA offered two of the young people a 12 month traineeship during which time they will not only learn new working skills but they will also complete a Certificate II in Business Administration.



Case Study



As a part of our commitment to provide quality repairs and fast repair turn around times, LGA has established a national "Preferred Repair Network". Members of the Lumley Repair Network are specialists in motor fleet repairs and appointment to the Network is based on stringent selection criteria and the geographical needs of customers.

Part of the criteria is the repairers' obligation to the environment and their responsibilities in relation to health and safety legislation.

Environmental criteria include:

- disposing of waste in a responsible manner; and
- avoiding pollutants getting into the air.

The use of modern technology, such as infrared paint drying instead of diesel or gas-fired ovens, assists in reducing impacts on the environment. Compliance with environmental and other regulations is a minimum requirement.

(Above) Vehicle repainer specialist Chris Meredith at one of Lumley's Repair Network workshops.
(Inset) Infrared paint dryers reduce environmental impact.

Environmental considerations in some circumstances complement health and safety regulations. For instance, dustless sanding systems protect the worker as well as the environment.

Lumley requires all repairers to have working occupational health and safety procedures in place which are compliant with the relevant workplace safety requirements. Modern technology, along with simple issues such as having workbenches at the correct height, can significantly reduce downtime and improve production.

By appointing repairers with professional attitude, modern repair shops, forward thinking repair methods and an excellent service commitment, LGA is able to guarantee the quality of repairs and customer service standards which help make the post-accident experience less stressful while minimising negative environmental and workplace impacts.

Priorities for the future

- Reduce our Lost Time Injury Frequency Rate (LTIFR) by at least 50 per cent with a target of zero Lost Time Injuries (LTIs).
- LGNZ to participate in Green Plan to offset the effect of vehicle emissions.
- Continue our association with the Create Foundation.
- Increase our recycling efforts.

Other businesses

SOTICO

With the sale of the jarrah assets of Sotico in August 2004, we are no longer involved in the native forest sector. Our only active engagement in forest products now is through a 50 per cent share in the Wespine plantation pine sawmill at Dardanup, in Western Australia.

Our Corporate Office has assumed responsibility for managing the remediation of contamination at former Sotico locations and we will continue to report on these issues.

PEMBERTON

We were involved in treating timber at the Pemberton sawmill from 1971 until 1987. Treatment also occurred under earlier ownerships, including the period when the mill was operated by the State government from 1914 to 1961. These treatment processes have resulted in contamination with chemicals including arsenic and pentachlorophenol (PCP), the latter containing levels of dioxin, a contaminant by-product of PCP that was also produced during historic burning of PCP wastes as part of mill operations in earlier times. The State government has accepted responsibility for tackling the arsenic contamination, given that chemical's use during its ownership of the mill, and we will fund and manage the PCP clean up process. At a public meeting held in Pemberton in December 2003 we briefed the community on the possibility of using a bioremediation technology to treat the PCP contamination. Further investigation has led us to the conclusion that the best option in dealing with the major source of contamination - in sludge ponds across the road from the mill site - is for the material to be removed, made suitable for transport and taken to an approved landfill facility.

These matters will be further discussed with the Department of Environment (DoE) and other parties before a final remediation plan is adopted. We hope to begin work on the actual remediation in the summer of 2005/2006. The State government continues to assess options for treating the arsenic contamination.

MANJIMUP PROCESSING CENTRE

As reported last year, creosote contamination of soil and groundwater resulting from timber treatment at the Manjimup Processing Centre (MPC) for a brief period in the mid 1980s was discovered in tests conducted prior to the sale of Sotico's jarrah assets.

Extensive remediation was carried out at the site in April, May and June 2005 involving the removal of about 2,000 cubic metres of affected soil to the Manjimup landfill facility where the disposal contractor has assumed responsibility for further treatment. A management plan being prepared for approval by the DoE will include ongoing monitoring of on-site and off-site groundwater. Modelling referred to last year revealed that no remedial action was required in dealing with groundwater as it was predicted that impacted groundwater would not reach any off-site receptors. With the contamination source now removed, monitoring will be used to confirm the model's prediction and to assess the rate of natural attenuation in the groundwater.

In July 2005 further work was carried out to investigate possible contamination arising from timber treatment operations on another part of the MPC site. It appears that

further soil removal may be required but the extent and timing of any such work is yet to be discussed with the DoE and the current owners. More information will be provided in next year's report.

TRANSPORT

We sold our remaining road transport operations in late 2001. Contamination from fuel spillages at sites in Port Hedland, Kalgoorlie and Karratha in Western Australia formerly occupied by this business is being addressed with advice from external consultants. Soil excavation was carried out at Carnarvon in July 2005, groundwater sampling has been conducted at Port Hedland to help finalise remediation options and test well monitoring continues at Karratha.

AIR LIQUIDE WA

We are a major manufacturer and distributor of a broad range of industrial, medical, scientific and environmental gases including oxygen, nitrogen, argon, acetylene and carbon dioxide and we provide home healthcare services. We are 40 per cent-owned by Wesfarmers Limited (and managed by Wesfarmers Energy) with the remaining shares held by Air Liquide Australia Limited, a wholly-owned subsidiary of Air Liquide of France. Our head office is at Myaree, Western Australia, and our four operational sites are located south of Fremantle at Kwinana and Henderson. One of the Kwinana sites, an air separation unit for the HiSmelt project, was commissioned in February 2005 but we do not report on this operation as the owners provide the main inputs of steam, electricity and water. We have a healthcare division in suburban Perth and branches at Kalgoorlie and Darwin and operate through a network of 80 agents in WA and the Northern Territory. We employ 78 people.

OVERVIEW

The highlight of our year's safety performance was the achievement in June 2005 of 13 years without a Lost Time Injury. Our main environmental challenge is management of lime waste - a by-product of acetylene production at our Henderson site - to ensure removal by our contractor of the waste without any discharge to land. In safety, we focused our attention on the Safer Driving Programme which provided training to employees and contractors. We also developed an integrated Industrial Management System (IMS) to link safety and operational procedures via the intranet.

Management systems

Our Environmental Management Procedures and our Safety Management System are available on the IMS as are our environmental and safety policies which are included in all induction folders for new employees. We maintained our quality system accreditation to AS/NZS ISO 9001:2000 and five internal audits were carried out.

Environmental

We complied with the conditions of our Department of Environment licence. The Kwinana air separation unit operates 24 hours a day. Noise monitoring was not conducted during the year and no complaints were received.

We do not directly produce greenhouse gases but our indirect emissions from imported electricity were estimated at 84,148 tonnes of carbon dioxide equivalent, down two per cent on last year overall and a reduction of eight per cent per production tonne during the year.

Our carbon dioxide recovery plant at Kwinana recovers CO₂ from the adjacent CSBP ammonia plant, removes impurities and liquefies the product for sale. At our Henderson site we are licensed to re-sell refrigerant gases to approved users.

Total water consumption during the year was estimated at 100 megalitres, up about three per cent on last year, but down three per cent on a per tonne of production basis. We estimate our solid general waste stream at 85,332 kilograms (up three per cent), all of which is recycled. Total liquid waste was estimated at 2,564 tonnes (down six per cent), all of which is disposed of by a licensed contractor.

Our total energy use for 2004/2005 (in excess of 99 per cent of which was in the form of electricity) was estimated at 288,042 gigajoules (up three per cent on last year). Consumption per production tonne was down eight per cent on last year.

Safety and health

Our Lost Time Injury Frequency Rate of zero includes contractors. We recorded six near misses during the year, all of which were investigated. Twenty-seven health and safety meetings were conducted during the year along with 21 internal safety observations focusing on compliance and hazard identification.

All employees undergo training in hazards associated with the gases and equipment they are required to handle. A site emergency exercise was conducted at Henderson in February 2005 to demonstrate the effectiveness of the water deluge system and we held evacuation exercises during the year.

We maintained accreditation from the Department of Industry and Resources covering the storage of dangerous goods.

Employees have access to voluntary health and fitness assessments and we offer an Employee Assistance Programme to all employees and members of their immediate families.

WEBSITE

Further information on our operations is available from our website at www.airliquidewa.com.au.

ENERGY GENERATION

We are a wholly-owned subsidiary of Kleenheat Gas, specialising in the design, construction, operation and maintenance of diesel and gas-fired power stations for the mining industry and remote area townships. We changed our name during the year from StateWest Power. Our head office is at Canning Vale in Western Australia and we employ about 60 people.

Management systems

We have a Management Plan (Health, Safety and Environment) which defines our policies and systems and the framework for their implementation. The plan describes actions required, who is included, frequencies and durations and responsibilities and accountabilities.

Environmental

Most client-owned operational sites manage dust control. We minimise dust exposure at the Leonora, Coober Pedy and Midwest power stations we own and operate by using blue metal as a ground cover and at Canning Vale by concreting areas or planting lawn. Noise at client-operated sites is monitored by the operator. We design our power stations to meet regulatory requirements as a condition of the contract. We install "three section" oil separators at all our power stations to control waste oil and stormwater run-off.

Our greenhouse gas emissions were estimated to be 324,231 tonnes of carbon dioxide equivalent. Of this amount 197,063 tonnes relates to stations which we built, own and operate

and 126,705 tonnes is attributable to those stations which we operate and maintain on behalf of a customer. In the case of Sunrise Dam, which is a combination of the two categories, we have apportioned emissions based on the electricity generated by the relevant assets. We have not included emissions from waste disposed off-site as we do not measure these volumes nor have we included the bio-fuel power station at Woodmans Point in Western Australia which we operate on behalf of the Water Corporation.

Our total energy consumption during the year was estimated to be 4,503,798 gigajoules, up about four per cent on last year. Of this amount, approximately 2,645,000 gigajoules or 59 per cent can be allocated to the stations we built, own and operate.

Safety and health

Our Lost Time Injury Frequency Rate was again zero. There were no LTIs during the year. Our Average Time Lost Rate, which measures the severity of such injuries, was zero compared with six last year. The Health, Safety and Environment Improvement Plan includes health, safety and environmental incident and accident investigation, identification of workplace hazards and a continued programme of internal audits to enhance employee awareness in these areas.

During the year, 34 incidents were reported of which 10 were injuries requiring first aid and two were near misses, compared to 32 and three respectively last year.

Material Safety Data Sheets are held on site for hazardous substances and bunded storage areas are provided where required. We use Job Safety Analysis for major tasks to identify all risks and assess their potential impacts on employees, the public, plant and equipment. Fire awareness and extinguisher training was conducted in January 2005.

Random drug and alcohol testing was carried out on 47 employees at Canning Vale in June 2005 with no positive results for alcohol and one for drugs.

We have an Employee Assistance Programme which is offered to all employees and their immediate families.

AUSTRALIAN RAILROAD GROUP

The Australian Railroad group (ARG) is a joint venture between Wesfarmers and Genesee & Wyoming Inc of the United States. ARG is the major provider of rail freight services in Western Australia and South Australia and now operates freight services in New South Wales and Victoria. Further information is available at www.arg.net.au.

QUEENSLAND NITRATES

Through CSBP, Wesfarmers is a joint venture partner with Dyno Nobel Asia Pacific in the Queensland Nitrates fully integrated ammonium nitrate plant at Moura in Central Queensland. It produces ammonium nitrate for the coal mining industry. Further information is available at www.csbp.com.au.

BENGALLA

Wesfarmers has a 40 per cent interest in the Bengalla open cut coal mine in the Hunter Valley of New South Wales. The mine is managed by Coal and Allied, a Rio Tinto group company, and produces steaming coal for domestic and export markets. Further information is available at www.coalandallied.com.au.

WESPINE

Wesfarmers and Fletcher Building Limited jointly own the Wespine plantation pine sawmill at Dardanup, near Bunbury, in Western Australia. Wespine has a long-term contract with the government of Western Australia for the supply of pine logs and produces sawn timber for housing construction, furniture manufacture and other uses. Further information is available at www.wespine.com.au.

Verification statement

VERIFICATION OBJECTIVE

Wesfarmers Limited (Wesfarmers) commissioned SMEC Australia Pty Ltd (SMEC) to verify the data and content of this 2005 Social Responsibility Report (the report), the eighth such report produced by the company.

The objective of this verification audit was to ensure statements made within the report were consistent with evidence from which they were derived and were able to be supported by quantitative data wherever possible. The audit also seeks to highlight any ambiguities the auditors consider apparent.

Wesfarmers holds responsibility for the preparation of the report and this Verification Statement represents SMEC's independent opinion. SMEC was not involved in any part of the report preparation.

VERIFICATION METHOD

As with previous years, SMEC's approach to verification is based on emerging international best practice and this statement is constructed based on the recommended methodology advocated by the Global Reporting Initiative's Sustainability Reporting Guidelines.

The approach to verification was Level 2 of the Environment Australia hierarchy, as described in "A Framework for Public Environment Reporting: An Australian Approach." (Environment Australia, March 2000). Level 2 verification entails data verification from a selection of random samples of quantitative data sets and reporting systems utilised to collect, consolidate and aggregate data in addition to reviewing the completeness of the report against Wesfarmers' policies targets and plans.

SMEC was commissioned to:

- Identify major anomalies in the report;
- Track the data streams from collection of data and review of the conclusions made from the subsequent analysis then assess the accuracy and appropriateness of the processes used; and
- Review the contents of the report with respect to the significant aspects of the organisation and the issues for the organisation's stakeholders.

The verification tasks entailed collection and analysis of reports compiled by business units, site visits and interview with personnel at Wesfarmers Corporate, Kleenheat, CSBP Kwinana, Premier Coal Collie, Wesfarmers LPG Kwinana, Bunnings, Curragh Mine at Blackwater in Queensland and Wesfarmers Industrial and Safety and Wesfarmers Insurance Division in Sydney. Where possible, effort was made to establish comparability of findings between reporting years and with industry standards. Such comparison would enable the company or business unit performance to be benchmarked against other corporations of a similar size and/or diversity.

The data verification process involved reviewing the reports submitted by the business units then randomly selecting items for which verification would be sought. At each site the processes by which data was collected, stored, analysed and reported were examined to establish the robustness of the processes used and any misinterpretation that may have occurred as a result. Interviews were held with Wesfarmers personnel responsible for each data set and processes used to derive conclusions reported were demonstrated. Potential for errors in aggregation and interpretation were explored and consistency of approach for the purposes of

reporting in this report was assessed. To this end, it was identified this year that the basis of calculating Greenhouse gas emissions was changed, consistent with the changed approach taken by the Australian Greenhouse Office. In addition, the process for developing quantitative information was examined for consistency with previous years' methods to ensure absolute and comparative values quoted were derived from the same base. Verification of the reports of the minor units (Air Liquide WA and Energy Generation) occurred remote from the site. The Curragh Queensland Mining audit was conducted with a representative from SMEC's Brisbane office. All other business units were audited by SMEC's Perth office.

Over the past five years Wesfarmers understanding and utilisation of corporate social and environmental reporting has matured. Significant developments in reporting across all business units have resulted in enhancement of processes and outcomes. Wesfarmers should be proud of their achievements thus far in the development of high reporting standards. The manner in which verification recommendations are dealt with is testimony to the general improvements in reporting and process that have occurred. To date, almost all the recommendations made during verification have been adopted by Wesfarmers.

Wesfarmers continues to work toward the goal of reporting on its performance on the basis of triple bottom line (or sustainability) principles. It is apparent that this goal is not without its challenges, particularly in the measurement of social and economic performance with respect to the community external to Wesfarmers itself. These challenges are most evident in those business units with widely dispersed and diverse operations, where measurement of economic indicators, in particular, is most complex.

Improvements in the collection, management and reporting of social, economic and environmental indicators continue to be made. A number of factors have contributed to the development of high reporting standards including guidance and technical instructions given to the business units, resulting in greater consistency and accuracy of site reporting.

The verification process used indicated:

- A high level of accuracy in the data presented. However, there is still a reluctance to report quantitative achievement on specific issues within some business units;
- Datasets were generally traceable and readily identified. During the audit, data trails were easily located and demonstrated and the aggregation and collation undertaken to reach conclusions were logically presented by the personnel responsible for undertaking those activities; and
- Some statements were made that required modification or removal due to lack of verifiable support for the statement or the evidence available could only partially support the statement made.

Reporting and verification of social issues and community benefit is not without its challenges. It is desirable that reporting on a number of issues should be commenced in the future including:

- Clear delineation of internal and external stakeholders; and
- Determination of the flow-on effect of the activity of business units in terms of economic benefit.



Glossary

Overall, SMEC is satisfied that:

- The report is a fair and honest representation of the organisation's policies, management systems and performance;
- The numerical data presented in the report is valid and accurate; and
- The written statements in the report present an accurate representation of the results and progress achieved during the reporting period.

GENERAL FINDINGS

As a result of completing the verification process, the following findings are made:

- Wesfarmers continues to seek a consistent approach to measuring and reporting performance across all business units through striving to adopt best practice reporting standards.
- The ongoing involvement of personnel across the organisation in data collection and management, in addition to those who provided input to the verification undertaken by SMEC, indicates that the business units maintain processes consistent with best practice in reporting. The level of ownership of the report, and the information within it, was very high in all instances and demonstrated a commitment to the integrity of the contents of the report.
- Two issues should be addressed in future reports. One relates to the current practice of having a general disclaimer at the start of the sections dealing with compliance with both environmental and safety and health requirements, followed by details of any non-compliance. The order should be reversed. The second is to separate discussions about internal and external stakeholders rather than the overlap that currently occurs.

The auditors wish to state that the audit of this report is the only commission for which SMEC Australia Pty Ltd has been engaged by Wesfarmers in the year prior to commencement of the audit.

The above findings represent a summary of the more detailed findings presented to Wesfarmers.

For SMEC Perth



Naomi Hill
Environmental Scientist and Auditor
BSc

For SMEC



Brett Loney
Principal Environmental Scientist and Lead Auditor
BSc (Env. Sc.) PGradDip EIA
Certified Lead Auditor (RABQSA) Certificate No 14053
30 September 2005

Australian Standards (AS) – National benchmarks for products and services.

Average Time Lost Rate (ATLR) – an indicator of the average time lost for each lost time injury.

Bank Cubic Metre (BCM) – a bank cubic metre is a measure of overburden removed in mining operations.

Bank Cubic Metre Equivalent (BCMeq) – a bank cubic metre equivalent is a measure of both coal produced and overburden removed in mining operations.

CBM – Coal Board Medical

Environmental audit – A programme to evaluate compliance with regulations, systems, programmes and policies.

Gigajoule – Unit of energy equivalent to 1,000,000,000 joules.

Greenhouse gases – Gases such as carbon dioxide, methane and nitrous oxide which contribute to retention of heat in the earth's lower atmosphere.

Greenhouse Challenge Plus – The federal government's programme of cooperation between industry and government to reduce greenhouse gas emissions through voluntary action.

International Organisation for Standardisation (ISO) – ISO publishes internationally-agreed standards covering areas such as quality management (the ISO 9000 series) and environmental management (ISO 14000).

Liquefied petroleum gas (LPG) – A combination of, predominantly, propane and butane extracted from natural gas or as a by-product of petroleum refining.

Liquefied natural gas (LNG) – Comprising predominantly methane, it is produced from natural gas that has been purified, refrigerated and condensed to liquid form.

Lost Time Injury (LTI) – An LTI is any work injury which causes absence for one day or a shift or more.

Lost Time Injury Frequency Rate (LTIFR) – The main calculation we use to measure workplace safety performance. It is calculated by dividing the number of LTIs by total hours worked, multiplied by one million. Another indicator, Average Time Lost Rate (ATLR), provides a measure of the severity of occurrences.

National Packaging Covenant – An agreement between the packaging supply chain industry and governments which sets guidelines covering the manufacture, supply, distribution, consumption and recovery/recycling of post-consumer packaging.

National Pollutant Inventory (NPI) – An Australian internet database designed to provide the community, industry and government with information on the types and amounts of certain substances being emitted to the environment. The NPI contains data on certain priority substances which are emitted to the environment. The substance list was determined by consideration of health and environmental risks in Australia. The NPI uses standard assumptions, in part, to calculate potential emissions we cannot measure or have difficulty measuring and, accordingly, data reported to the NPI may differ from point source emissions contained in this report. More information can be found on the NPI website (www.npi.gov.au).

Overburden – Unmineralised material overlaying coal deposits or ore bodies.

Rehabilitation – Treatment of disturbed areas to achieve a level of stability equal to that which existed before or to an alternative acceptable form.

SMS – Safety Management System

SOP – Standard Operating Procedure





How can we improve this report?

If you have any ideas on how we can improve this report please give us your feedback on the form below.

After completing the reply-paid form below, tear along the perforations and place in the mail.

PLEASE DO NOT MARK THE BLANK AREA ON THE RIGHT OF THE FORM.

Feedback

| | YES | GENERALLY | NO |
|--|-----------------------|-----------------------|-----------------------|
| Did this report meet your information needs? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Did you find the report to be transparent and open? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Did you find the information easy to understand? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Did you find the information useful? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| | POOR | GOOD | EXCELLENT |
| How would you rate our environmental performance? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| How would you rate our health & safety performance? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| How would you rate our community involvement? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| | LESS FAVOURABLE | SAME | MORE FAVOURABLE |

How has this report **changed your opinion:**

- of our environmental practices?
- of our health and safety practices?
- of our community involvement?

| | | |
|-----------------------|-----------------------|-----------------------|
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

General comments you would like to make about this report.

What is your interest in this report?

- | | |
|--|--|
| <input type="radio"/> Shareholder | <input type="radio"/> Employee |
| <input type="radio"/> Wesfarmers Contractor/Supplier | <input type="radio"/> Educator or Student |
| <input type="radio"/> Industry Advocate | <input type="radio"/> Special Interest Group |
| <input type="radio"/> Other (please specify) _____ | |

In what form would you prefer to receive this report?

- | | | |
|-----------------------------|--------------------------------|------------------------------|
| <input type="radio"/> Paper | <input type="radio"/> Internet | <input type="radio"/> CD-Rom |
|-----------------------------|--------------------------------|------------------------------|

Would you like us to **respond to your comments?**

If so, please write your details below:

Name: _____

Address: _____

Email: _____