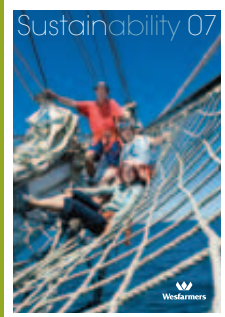


Sustainability 07



Wesfarmers

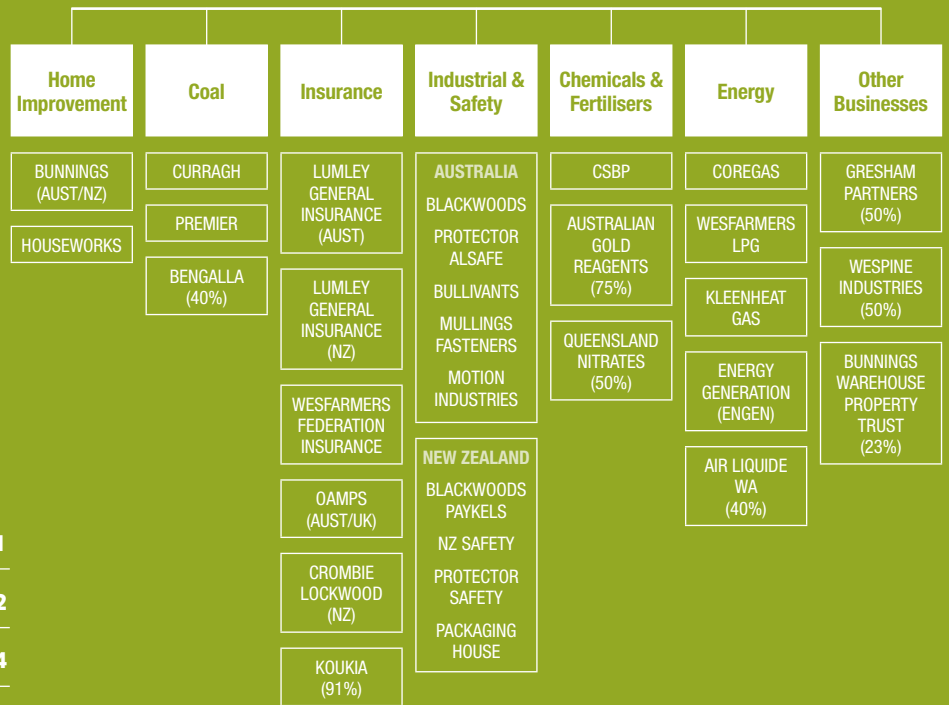
COVER



Members of the Wesfarmers Ultimate Challenge at sea off Fremantle.

Read about it on page 8.

We are one of Australia's largest public companies with our head office in Perth, Western Australia. In 1984 we listed on what is now the Australian Securities Exchange, having begun as a farmers' cooperative in 1914. Our major operating business interests are in home improvement products and building supplies; coal mining; insurance; industrial and safety products; chemicals and fertilisers; gas processing and distribution and power supply.



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AREAS COVERED



WELCOME



This is the tenth time we've given an account of our performance across a range of issues relevant to our pursuit of a sustainable future.

We have made very clear the priority we allocate to this goal by adopting, as one of just four key strategies which guide our whole approach to doing business, our commitment to "ensure sustainability through responsible long-term management".

I mention that because it underlines what I have said in these reports previously about the indisputable linkage between operating in a sustainable way and business success.

Our reliance on good management might not sound terribly 'exciting' but it goes to the heart of the challenge we face. When all's said and done, the outcomes achieved rely very much on the decisions and actions we take – whether it's our Board authorising an expansion or involvement in a new industry sector, the diligence of an operator at a chemical plant or the initiatives Bunnings pursues with respect to water and climate change. There's just no escaping our personal and collective responsibilities.

To that end, two of our four key values – integrity and accountability – have great relevance to the way we manage these issues. Without integrity there is nothing else and the concept of accountability goes to the very heart of the Wesfarmers' business model. The people working in the very diverse set of businesses we own are given a lot of autonomy but with that goes a high degree of responsibility.

This applies as much to the way people work in sustainability-related areas as it does to more directly financially-focused endeavours. We rely on them to do their jobs in an efficient and dedicated way and to contribute to the data which enables us to produce this report.

The Last 12 Months

Since we last reported there's been an intense public and political focus on climate change and this has been reflected internally, including a detailed update to the Board at the Directors' Seminar in May.

Our participation again this year in the Carbon Disclosure Project provides a detailed account of our approach to climate change issues and includes a breakdown of greenhouse gas emissions for the Group.

We made a submission also to the Prime Minister's Task Group on Emissions Trading in which we advocated the development of a truly global scheme to link national and regional schemes. Our contribution to the industry-led Coal21 Fund, aimed at developing technological answers to emissions from coal-fired power stations, has doubled to a likely \$30 million over the next 10 years.

In a new initiative, we commissioned a Group-wide assessment of greenhouse risks and opportunities from a leading external consultant. This report will be considered in coming months and will provide a basis for future action.

Bunnings took a big step forward on sustainability during the year with a major upgrade to its water-focused strategies and the adoption of a goal to achieve carbon neutrality by 2015 or earlier.

Regrettably, we have not done well enough on safety. While some businesses improved, for the second successive year the Group-wide performance deteriorated. The accountability and responsibility to which I referred earlier is never more important than in the context of safe workplaces. While I don't doubt for a moment the level of commitment of all our employees there simply has to be better implementation of our comprehensive safety systems.

Looking Ahead

As ever, we must continue to improve. But that's an expected and exciting challenge for motivated people in a company that is always casting its eyes beyond the horizon.

My thanks to everyone at Wesfarmers for their efforts over the past year. I have no doubt that dedication will continue and I look forward to a very productive 2007/2008.

We would very much like to know what you think about our performance and its reporting through this document so please get in touch via the feedback form at the back or by making a comment on our website.

Richard Goyder
Managing Director

ABOUT THIS REPORT

This section provides an outline of what's covered in our 2007 report and how we've gone about putting it together.

Timing

Coverage is for the financial year ended 30 June 2007. 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 wholly-owned and operationally-managed businesses as at 30 June 2007 are included. The Insurance division reports less extensively than the other major contributing business units because of the nature of its operations. Recent acquisitions in the insurance sector, notably OAMPS and Crombie Lockwood, are included to the extent possible given data availability but coverage will increase as their integration proceeds. The Coregas industrial and medical gas operations, which were acquired in February 2007, are mentioned only briefly but we intend to significantly expand coverage of this Energy division business in the future. Energy Generation is covered in an abridged format given its relative materiality within the whole Group, as is the 40 per cent-owned Air Liquide WA, which we manage.

We report in a Case Study and in the Sustainability Scorecard section on progress in remediation of site contamination arising from the activities of our Sotico subsidiary. There is coverage also of work being done to address contamination linked to the operations of our former road transport business.

Brief reference is made to other businesses with which we are associated but are not involved in operational management – the Bengalla coal mine, Wespine plantation softwood sawmill and the Queensland Nitrates ammonium nitrate plant. We provide links to websites for readers wishing to find out more about these 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 2007". 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 page 96.

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 December 2006* version. 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. Further information is available at www.greenhouse.gov.au.

We have used an implied emission factor for New Zealand of 0.23 t CO₂-e/MWh for electricity generation and consumption from the NZ Energy Greenhouse Gas Emissions 1990-2006 publication. Further information is available at www.med.govt.nz.

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 our Corporate Office. Drafts were 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.

We have changed the name of the report this year to Sustainability 07 from Social Responsibility Report, the title for the past three years. This document has evolved constantly since first being published in 1999 and the 2007 title reflects our continuing move towards the embrace of a holistic view of the concept of sustainability.

Case studies

Each of the contributions from the fully-reporting business units includes a case study highlighting a particular aspect of their year's experience with respect to the environment, safety or community interaction, as does this year the Energy Generation report. In addition this year we have included two extra case studies which report on the involvement of Wesfarmers Limited in remediation of a contaminated site and one of the new community partnerships into which the parent company entered in 2006/2007.

Independent Assurance

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 and a final draft agreed, the business unit representatives were 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 conducted sample verification checks through site visits and desktop audits and prepared reports for senior management.

The internally-verified reports, signed off by the authors and senior management, were provided to assessors from Net Balance Management Group. Net Balance Management was engaged this year after last year's external consultants, URS Australia, decided to discontinue providing this service. Net Balance carried out an independent assurance process using the AA1000 Assurance Standard, including a formal internal and external stakeholder interview process for two of the business units. The businesses and our Corporate Office were also required to nominate their main sustainability issues and these can be found on page 5. The Net Balance Management Assurance Statement is published on pages 94 and 95. Net Balance also provides a detailed report to management on its assessment of the reporting process.

Final sign-off by divisional managing directors followed the external independent assurance process.

Audit Committee

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

Format

The 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. Any gaps in our knowledge 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. The Glossary can be found on page 96.

Website

The full report is 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 attached to the inside back cover or through the website.

Stakeholder engagement

In 2006 we conducted a comprehensive stakeholder engagement process covering all eight fully reporting business units and the parent company. This year it was agreed with the assurance providers that we should assess stakeholder attitudes for two of the businesses - Bunnings and Premier Coal - as part of a four year plan to cover all business units in more detail.

Responses were obtained from 13 stakeholders (six external, seven internal) for Bunnings and 14 (nine and five) for Premier.

In the case of Bunnings, the key stakeholders consulted generally considered the organisation's sustainability performance to be either "good" or "very good". Both internal and external stakeholders were considered to hold a positive view of the business in terms of economic, environmental and social aspects of sustainability performance. Bunnings was also considered to perform better than other retailers with regard to sustainability. The key sustainability opportunities identified were to reduce water, waste and energy and to become a leader within the retail sector in terms of sustainability.

Premier Coal's key stakeholders also generally considered the organisation's sustainability performance to be either "good" or "very good". Both the internal and external respondents to the process were found to hold a positive view of Premier across the key sustainability criteria - economic, environmental and social.

Five key sustainability opportunities and risks for Premier Coal were consistently identified by the surveyed stakeholders - working with the community, mine rehabilitation, energy consumption/reduction of greenhouse gas emissions, minimisation of environmental impacts and more efficient mining practices.

Detailed reports, including recommendations for improvement, have been provided to both Bunnings and Premier by Net Balance Management Group.

A new feature this year in each report is a reference to the outcomes of the 2006 stakeholder engagement process.



Sunset at the Curragh coal mine, Blackwater, Queensland.

SUSTAINABILITY SCORECARD

A look at our performance using indicators linked to the three key aspects of sustainability - economic, environmental and social.

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

This section provides a Group-wide summary of some of the sustainability-related issues and challenges relevant to our very diverse structure and we aggregate some key data to provide readers with an overall view of where we stand. There is a brief reference to some of our economic impacts and outcomes which are dealt with in much greater detail in the company's Annual Report for 2006/2007, available on the website at www.wesfarmers.com.au.

Figure 1: Group Financial Indicators (\$)

Net sales	9.8 billion
Cost of goods, materials and services purchased	6.4 billion
Payments to employees	1.3 billion
Dividends paid to shareholders	865 million
Interest paid on borrowings	200 million
Income tax and other payments to governments	700 million
Decrease in retained earnings	103 million

Economic

Our major operating business interests in the period covered by this report were home and garden improvement products and building supplies; coal mining; insurance; industrial and safety products distribution; chemicals and fertilisers manufacture; and gas production and distribution and power supply.

In April 2007 we announced a proposal to acquire Coles Group Limited and in July the Board of Coles recommended our offer. At time of sign-off on this report, Coles'

shareholders were due to vote on 7 November on an enhanced proposal we announced on 5 September which again received the endorsement of the Board of Coles.

In the year to 30 June 2007 our company recorded a net profit of \$786 million. At the end of the reporting period we had a market value of \$17.7 billion. Some of the Group's significant financial performance indicators are summarised in Figure 1.

Our operations have a significant impact on the economies of Australia and New Zealand. Major payments included more than \$1 billion in salaries and wages to employees, our shareholders received \$865 million in dividends and we paid \$700 million to governments at all levels.

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 21 Australian companies selected for inclusion in the Dow Jones Sustainability World Indexes for 2007.

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.

Environmental

Our extremely diversified structure, both with respect to sectors of operation and a geographical spread across Australia and New Zealand, gives rise to a potentially very wide range of environmental issues. This is the reason our Group environment policy 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".

A significant environmental initiative was announced in May 2007 by our Bunnings Home Improvement division. Bunnings will invest \$8 million in new environmental projects and commitments involving re-fitting every existing warehouse store in subtropical mainland Australia with rainwater harvesting systems and in achieving carbon neutrality by the year 2015 or earlier. The new water-focused measures extend Bunnings' active interest in reducing consumption of this precious resource. Its carbon neutrality goal will be progressed through a partnership with Murdoch University in Western Australia aimed at reducing reliance on grid-sourced energy and it will also make grants for carbon offsetting projects over the next two years.

Bunnings extended its successful plastic bag reduction programme to New Zealand in April 2007 following the very positive impact of the 10 cents per bag levy, introduced in Australia in September 2003, in cutting back on the number of plastic bags in the litter and waste streams.

The encouragement of use of fuels other than petrol and diesel is becoming increasingly important in the context both of lower overall pollution levels and the climate change debate. In the absence of special purpose requirements, all 'tool of trade' Group-supplied passenger cars must be suitable for liquefied petroleum gas (LPG) use because of its environmental benefits over petrol and diesel. We welcome government initiatives designed to increase consumption of LPG for passenger vehicles and signs that this is increasing demand for vehicle conversions.

We continue our efforts, through Kleenheat Gas, to expand the market for liquefied natural gas (LNG) as a substitute for diesel in the heavy duty vehicle and remote power

SUSTAINABILITY ISSUES

CORPORATE

- Continued good management of the entire business to ensure ongoing financial success
- Ethical conduct and reputation enhancement
- The decent treatment of employees with respect to remuneration, health and safety and the provision of a non-threatening and non-discriminatory workplace
- Effective and transparent stakeholder relations/communication with a broad range of parties
- Active pursuit of corporate social responsibility goals through, amongst other things, a significant community contribution programme and respect for the environment

BUNNINGS

- Community trust regarding product quality and sourcing
- Workplace safety
- Natural resource use
- Waste and emissions
- Customer education on sustainability
- Community support

CURRAGH

- Continue to optimise water use and quality
- Enhance local community engagement and development through effective stakeholder consultation
- Employ leading practice in land management
- Continue to seek improvements in the way we manage our people, safety and skills
- Continue to minimise the impact of our operations on the environment, including better management of greenhouse gas emissions and waste

PREMIER COAL

- Continue to work with employees to improve our safety performance to achieve a zero harm workplace
- Employ leading management practices for forest, water, land, coal recovery and waste management to minimise impacts on the environment in which we operate
- Continue to build a sustainable business by being a reliable, cost competitive, quality and innovative supplier
- Engage with and add value to the local community
- Implement leading practice in energy conservation and efficiency to reduce our energy consumption and emission of greenhouse gas

KILFENHEAT GAS

- Minimise the risk to employees, customers and the community resulting from business activities
- Provide all employees the opportunity to improve their health and wellbeing
- Minimise our environmental footprint through efficient resource management
- Meet all compliance obligations by operating our management system in accordance with Australian Standard AS3806
- Develop and market LPG and LNG as commercially viable alternative fuels that offer customers significant environmental benefits
- Create, operate and invest in physical assets to ensure ongoing integrity and commercial viability
- Ensure our people, culture, key systems and processes make our business fit for growth

WESFARMERS LPG

- Long term supply of LPG to operate economically
- Comply with regulatory authority requirements to operate
- Ensure a safe work environment for all employees, contractors and visitors
- Workplace respect, integrity, health, safety and wellbeing
- Good corporate citizenship and community awareness of our operations

INDUSTRIAL & SAFETY

- Safety, wellbeing and success of our people
- Supply chain development and sustainable product sourcing
- Natural resource use
- Waste and emission management
- Community support

CSBP

- Economic development and success
- Water resource supply and efficient management
- Skilled and healthy workforce
- Safe operation of our business
- Contribution to agricultural nutrition management
- Legacy waste remediation
- Effective community support and engagement
- Improving the greenhouse efficiency of our operations over the medium term

INSURANCE

- Enhance and develop good corporate citizenship initiatives that maximise return to the community, our staff and the business
- Workplace safety for us, our business partners and customers
- Potential climate change impacts in our industry and the continued management of our own greenhouse footprint
- Attract and retain the best possible people to lead, develop and manage our business
- Communication of sustainable business practices internally and externally

generation sectors. Our \$138 million investment in the construction of a 175 tonne-per-day LNG plant at the Wesfarmers LPG site in Kwinana and on distribution infrastructure and two remote area power stations will greatly expand the availability of LNG as an alternative fuel in Western Australia. The project is on schedule for completion in March 2008.

Figure 2: Greenhouse Gas Emissions (CO₂ - e Tonnes)

CSBP	1,277,546
Curragh	774,179
Bunnings	182,802
Energy Generation	167,828
Wesfarmers LPG	136,305
Premier Coal	60,475
Industrial & Safety	29,533
Kleenheat Gas	14,622
Insurance	5,679
Group Total	2,648,969

Figure 3: Energy Use (gigajoules)

CSBP	9,952,204
Curragh	2,882,302
Energy Generation	2,366,348
Wesfarmers LPG	2,084,142
Bunnings	641,882
Premier Coal	632,779
Kleenheat Gas	184,069
Industrial & Safety	176,234
Insurance	43,504
Group Total	18,963,464

Figure 4: Water Consumption (megalitres)

CSBP	2,439
Curragh	3,129
Bunnings	858
Premier Coal	523
Industrial & Safety	146
Wesfarmers LPG	16
Group Total	7,111

Group environmental indicators

Gaps remain in our data collection systems across the Group and this affects to some extent our ability to report on indicators of environmental impacts. Each business unit section contains all available and verifiable details from which the summary that follows is drawn.

Greenhouse gas emissions

As mentioned earlier, we base our measure of greenhouse gas emissions on Australian Greenhouse Office methodology.

Total direct and indirect greenhouse emissions for the Group in 2006/2007, converted to carbon dioxide equivalent, were estimated at 2.65 million tonnes (see Figure 2). This was 104,792 tonnes below emissions reported last year and compares with 2.6 million tonnes in 2004/2005. The Group number contribution from the Energy Generation remote power supply business relates to emissions from power stations built, owned and operated by that business.

The emissions figure reported last year of 792,357 tonnes for Curragh was incorrect and was adjusted to 732,534 tonnes.

As noted in the Managing Director's welcome to this report, we were again in 2007 a respondent to the Carbon Disclosure Project (CDP). Our submission, which will be made public on the CDP website, provides full disclosure of our greenhouse emissions and, more generally, our approach to climate change issues. We made a submission to the Prime Minister's Task Group on Emissions Trading in which we supported the establishment of a truly global emission trading scheme encompassing as many countries and as many gases as possible. We believe the best prospect for progress in this area is if such a scheme were to link up national and regional systems.

Towards the end of the year we commissioned external consultants to prepare a greenhouse risks and opportunities assessment for the Group as a follow-up to one conducted in 2003. The report was due to be received in October 2007 and will form the basis for future action.

As the Managing Director also noted, our contribution to the industry initiative known as the Coal21 Fund, which levies coal producers to fund research into clean coal technologies, is likely to reach \$30 million over the next 10 years.

Energy use

Total estimated energy use for our Group in 2006/2007 was almost 19 million gigajoules, a decrease of about five per cent on last year. Consumption from Energy Generation is included on the same basis as for greenhouse gas emissions. Business-by-business usage is summarised in Figure 3.

Energy Efficiency Opportunities

All our wholly-owned operating businesses have been registered under the Commonwealth Government's Energy Efficiency Opportunities programme. External consultants have been engaged to assist in the preparation and lodgment of Assessment and Reporting Schedules required to be submitted by 31 December 2007.

Water consumption

Estimated use of scheme and bore water totalled 7,111 megalitres (see Figure 4). This does not represent the Group's entire water consumption as it excludes water used by our Kleenheat Gas business because many of its operating sites are leased and no data is available. The Insurance division, which is a low water user, does not measure consumption. Also, this total does not include recycled water used at the Curragh operations because of unreliability of measurement. Last year's estimated total group consumption was 7,961 megalitres.

Waste

The waste numbers also require some qualification. Kleenheat Gas and Insurance do not measure solid or liquid waste, with the exception this year that Kleenheat recorded paint waste from its Kwinana and Camellia sites. 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. The total liquid waste figure includes discharges at CSBP's Kwinana and Albany sites (these are both a mixture of process effluents and rainfall) and the Bibra Lake site. No other CSBP site generates liquid waste for disposal to the environment.

With these caveats, we estimate total solid waste at 361,457 cubic metres (compared with 543,326 last year) with liquid wastes of 581,861 kilolitres (727,381 kilolitres in 2005/2006).

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.

CSBP notified the Western Australian Department of Environment and Conservation (DEC) of 48 reportable events, 16 of which were potential non-compliances.

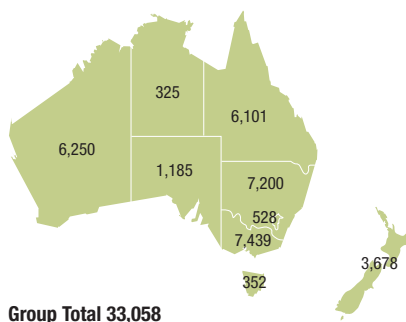
Details of these matters are contained in the CSBP report. Environmental compliance records of our other businesses are covered in their reports.

Reference is made in the Kleenheat Gas report to an ongoing investigation by the Australian Competition & Consumer Commission.

Figure 5: Environmental Expenditures (\$)

CSBP	8,653,000
Bunnings	5,322,672
Curragh	4,046,069
Sotico	1,278,481
Premier Coal	692,362
Kleenheat Gas	271,325
Wesfarmers LPG	64,000
Group Total	20,327,909

Figure 6: Employee Distribution



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.

Environmental expenditures

This year we have expanded the number of businesses reporting on direct environment-related expenditure by including Bunnings. In 2006/2007 this amounted to just over \$20.3 million (see Figure 5). The total includes the cost of remediating contamination at sites previously owned by our forest products business, Sotico Pty Ltd. Only the Insurance and Industrial and Safety divisions are not included as they have no ready way of identifying such spending. Our expectation is that their outlays in this area would not be material in a financial sense. The criteria for reporting expenditure addressed salaries and overheads, specific environmental projects and any other costs (such as fees paid to consultants) for an environment-related purpose.

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 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. We continue also to address contamination issues associated with sites once occupied by the transport business we sold in 2001.

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 in its report on remediation arising from former retail fuel sites. The major Sotico project, involving removal of contaminated waste materials from an area adjacent to the

Pemberton timber mill, is covered in detail in the Case Study on page 11.

Extensive remediation was carried out on creosote contamination of soil and groundwater resulting from timber treatment at the Manjimup Processing Centre (MPC), formerly owned by Sotico, in the mid 1980s. A site management plan, incorporating ongoing groundwater monitoring, was submitted to the Department for the Environment and Conservation (DEC) in late 2005 and is being implemented. To date, three full groundwater monitoring rounds have been undertaken. Results indicate no impact in the groundwater north west and north of the railway reserve to the west of the MPC. These results show that the remedial works carried out in the former creosote area were successful in removing the main source of contamination in this area. Our consultants, URS Australia, are in discussions with the DEC to identify the correct classification of off-site areas under the *Contaminated Sites Act 2003* as well as looking at ways to better focus further groundwater monitoring events.

Work continues, with advice from external consultants, related to fuel spillages at our former transport business sites in Karratha, Carnarvon and Port Hedland. The Karratha land was sold in January 2006 but we continue to monitor groundwater contamination. At Carnarvon, residual contamination is being monitored following removal of soil from the site and at Port Hedland we are awaiting a response from the occupier of the site in order to determine a remediation strategy.

Social

Our people

We are a major employer with more than 90 per cent of our 30,000-plus workforce located in Australia and the balance in New Zealand (see Figure 6). With the addition to our Insurance division of the OAMPS business in November 2006, we now have about 80 employees in the United Kingdom. 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 \$1.3 billion 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. About 67 per cent of our employees are covered by collective agreements. We do not keep records of membership of trade unions or similar employee organisations. Our company believes in maximising the flexibility of arrangements available to employees and their managers. Some use is currently made of Australian Workplace Agreements but, as mentioned above, most employees are engaged under other arrangements and that is likely to continue to be the case.

At the end of the year under review, 90 per cent of permanent employees held shares in the company with a take-up rate of 99 per cent among eligible employees for the share scheme during the year.

Gender diversity remains an important issue. Around 44 per cent of our employees are women and women occupy 162 (14.7 per cent) of the company's 1,102 management positions. At the senior management level (342 positions) there were 41 women, comprising 11.9 per cent of the total. At year's end, our 15-strong Executive Committee had two women members.

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

Figure 7: Lost Time Injury Frequency Rates

Business Unit	05/06	06/07
Bunnings	12.4	14.4
Coregas	N/A	8.2
Premier Coal	8.3	5.4
Industrial & Safety	5.0	4.6
Kleenheat Gas	0.7	3.6
Curragh	4.9	3.0
Insurance	3.0	2.7
CSBP	5.9	2.2
Energy Generation	0.0	0.0
Wesfarmers LPG	0.0	0.0
Group Total	9.6	10.6

CASE STUDY 1

Going to sea on the Leeuwin

Australia's biggest ocean-going tall ship, the Leeuwin II, was the setting in March 2007 for the Wesfarmers Ultimate Challenge.

Eighteen young people with physical, mental and sensory limitations set sail from Fremantle in Western Australia for a five night cruise focused on goal setting and learning new skills afloat on the relatively sheltered waters around Rottnest and Garden islands and in Cockburn Sound.

With a medical and care support contingent of 22 and the ship's staff and volunteer crew of 15, the young participants were gradually introduced to the workings of the 55-metre long, three masted Leeuwin, which was launched in 1986.

As they started to become more familiar with their surroundings, workshops were held to set goals and tasks allocated, such as helping in the galley and general cleaning and housekeeping duties.

Those aboard were aged from 15 to over 50 and brought with them a range of experiences. Along with the variety of intellectual and physical disabilities amongst the young people,

this diversity provided a great environment for developing friendships and learning new techniques to handle difficulties and challenges.

The impact of the voyage is well summed up in a letter we received from one of the novice sailors: "The hardest thing for me to do was climbing the rigging – even though I did it twice! I learnt that I can do even the most impossible things."

The Ultimate Challenge is the only voyage on the Leeuwin's calendar specifically designed to meet the needs of disabled young people. It is becoming increasingly in demand with interest from all over Western Australia in the places available.

This year's cruise was made possible as part of the partnership we entered into in 2006 with the Leeuwin Ocean Adventure Foundation to support its aims of providing challenges and fostering leadership, teamwork, community spirit and cultural and environmental awareness.



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. But certain human capital development processes apply across the Group. These include remuneration of senior people, workplace discrimination and succession planning. More than 100 of the company's most senior employees have their progress monitored as part of their personal development and the Group's wish to retain key people.

Every two years or so we conduct a major conference at which senior managers from across the Group come together to discuss a broad range of issues with input from external and internal speakers. The next Best Practice Conference is scheduled for March 2009.

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. The Code contains a specific provision to protect whistleblowers.

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.

For the second successive year, regrettably, there was a deterioration in the Group's overall safety performance, as measured by the LTIFR. For the reporting period, the Group LTIFR was 10.6, up 10 per cent on the 9.6 for the previous corresponding period. There were 73 or 18.3 per cent more lost time injuries over the period. Total working hours increased from 41,499,303 to 44,759,515 or eight per cent during the year. As mentioned earlier in the report, safety data is adjusted to include time lost between 1 July 2007 and 30 September 2007 relating to injuries occurring before the end of June.

On a business-by-business basis, Wesfarmers LPG and Energy Generation maintained their zero LTIFR and Curragh, CSBP, the Industrial and Safety and Insurance divisions all improved. Details of individual business safety outcomes are found in Figure 7.

Details on the one fatality during the year are included in the Kleenheat Gas report.

While the LTIFR remains the main Group-wide measure of safety performance, operating businesses are encouraged to use a range of broader measures to promote a more proactive approach and support a culture

of safe work practices. These include statistics on all injuries, near misses and restricted work cases. Full details are available in their individual sections.

Non-compliance/prosecutions

Bunnings was fined \$123,750 after pleading guilty to a prosecution brought by the New South Wales WorkCover Authority relating to a forklift collision with racking at the Ashfield store in 2004, in which no injuries were sustained. A fine of \$35,000 was imposed, with no conviction recorded, following a guilty plea by Bunnings to a prosecution by Queensland Work Health Standards relating to incidents involving injuries to truck drivers at the company's former Caloundra frame and truss site.

Details of these matters are contained in the Bunnings report. Safety compliance records of our other businesses are covered in their reports.

Governance

In our Annual Report (available at www.wesfarmers.com.au) we provide a very detailed account of our governance structure. At the end of the reporting period, there were nine men and one woman on the Board. Mr Tony Howarth became the eleventh director when he was appointed in July 2007.

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



Business Development team members at Wesfarmers Corporate Office, Perth, Western Australia.



The Helpmann Award-winning opera 'The Love of the Nightingale', part of the Wesfarmers Arts Commission Series was performed at the 2007 Perth International Arts Festival.

Figure 8: Community Contributions (\$)

Business Units	4,010,564
Wesfarmers Limited	2,595,000
Group Total	6,605,564

people filling the roles of Chairman and Chief Executive Officer. The Board considers that eight of the directors are independent.

Three standing Board Committees (Nomination, Remuneration and Audit) review matters on behalf of the Board and make recommendations.

The company's Market Disclosure Policy, which covers announcements to the Australian Securities Exchange, prevention of selective or inadvertent disclosure, conduct of investor and analyst briefings, media communication and other issues is supported by an education and training programme overseen and monitored by the Audit Committee.

Community contributions

The continuing successful operation of the Group's businesses, in an ethical and socially responsible way, is the enduring cornerstone of our contribution to the community. Through the creation of employment opportunities and the flow of economic benefits to employees, shareholders, suppliers and by paying taxes to governments, we have a positive impact on society.

In addition, we believe in giving something back to the communities in which we operate by way of direct and indirect assistance to organisations and causes providing a public benefit. That support is delivered by way of direct donations from Wesfarmers Limited (the parent company) and by donations, sponsorships and other assistance from the Group's businesses. In the 2006/2007 financial year, this amounted to more than \$6.6 million (See Figure 8).

On top of this, Bunnings contributed to the raising of another \$5.7 million for charities and other community organisations through the use of its stores to promote these causes and the efforts of its employees.

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. In deciding how to distribute these funds, we give preference to activities with a broadly beneficial reach. Medical research, health care and conservation featured prominently in areas to benefit in 2006/2007.

Our commitment to the Comprehensive Cancer Care Centre at St John of God Hospital in Western Australia continues, as does our support for the Australian Research Alliance for Children and Youth, the Great Southern Arc biodiversity restoration programme and the Western Australian Community Foundation. During the year we entered into a partnership with the Leeuwin Ocean Adventure Foundation (see Case Study on page 8).

Wesfarmers Arts

We have developed a national reputation for contributing to the arts through our award-winning Wesfarmers Arts sponsorship programme. Our commitment to the arts stems from a belief that a vibrant cultural sector makes a really positive contribution to the society in which we live.

This year, direct support totalling about \$550,000 was provided to a range of leading performing and visual arts companies and organisations. In the area of indigenous arts, we were a major contributor to the Duyfken Aboriginal Print Portfolio. Commemorating 400 years of Dutch contact with Australia, the project commissioned emerging indigenous artists from Melville Island, Cape York, Western Australia and Tasmania to work at the Australian Print Workshop to produce a portfolio of limited edition prints. Following a national tour, Wesfarmers donated two portfolios to the Art Gallery of Western Australia and the Berndt Museum of Anthropology.

Our Commission Series with the Perth International Arts Festival culminated with the premiere of the opera *The Love of the Nightingale*. The production received critical acclaim, going on to extended seasons in

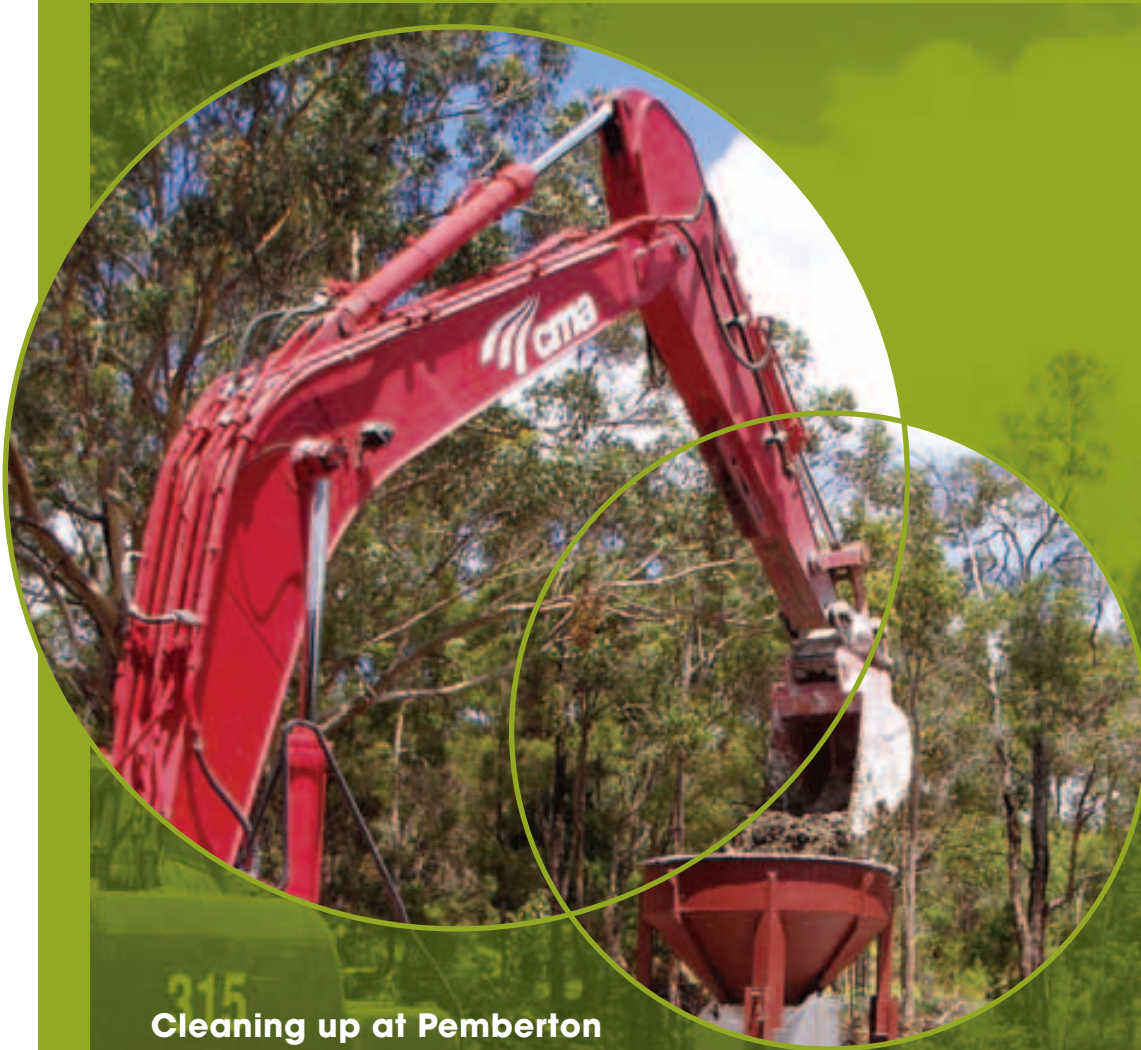
Melbourne and Brisbane and winning four awards at the national Helpmann Awards. The Series involved the commissioning of four works encompassing dance, theatre, orchestral music and opera over four years from 2004 to 2007.

In November 2007, the Wesfarmers Arts Commission Series received national recognition when it was named Partnership of Year in the prestigious national Australia Business Arts Foundation Awards presented by Federal Minister for the Arts and Sports, Senator George Brandis.

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 \$100,000, split between 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.

CASE STUDY 2



Cleaning up at Pemberton

Most of the focus on environmental performance is, not surprisingly, on current and prospective activities.

But an increasingly important issue is the way in which companies address responsibility for past events, such as the remediation of contaminated sites.

A good example is the work completed during the year in the small town of Pemberton, about 300 kilometres south west of Perth in Western Australia, at a cost of more than \$2 million.

The Pemberton contamination resulted from treating karri railway sleepers at the town's main sawmill to protect the wood against termite attack. The treatment process began around 1914 and continued through until the late 1980s. During this period the mill's ownership changed a number of times, as did the treatment methods, which included using a mixture of arsenic and molasses, creosote, pentachlorophenol (PCP) and furnace oil, with waste being directed to disposal ponds located across the Vasse Highway from the mill.

Our ownership of the mill, through subsidiaries Bunnings Forest Products and Sotico, ran from 1970 until its sale in 2003. During this period, PCP was used in a furnace oil medium and then later furnace oil alone was used as a preservative for the timber. We assumed responsibility for remediating the PCP-sourced contamination and the Western Australian government agreed to deal with arsenic impacts, as used in the process during the government's ownership of the mill from its establishment until 1961.

After timber treatment ceased, Sotico began investigating the best way to clean up the disposal ponds which were fenced off to prevent public access. One option considered, and outlined to a public meeting in Pemberton in December 2003, was for a bioremediation process. However, laboratory testing showed that while this was expected to be effective as far as the PCPs were concerned it was unlikely to reduce associated dioxin contamination to an acceptable level.

In July 2006, following prior approval from the Department of the Environment and Conservation (DEC), we announced that the waste ponds material would be consolidated into a form allowing controlled and traceable transport to a licensed Class IV waste disposal site for encapsulation in concrete.

Work supervised by URS Australia began in November and was completed in April 2007. Public consultation was an important part of the process with contact maintained with the Shire of Manjimup and the Pemberton Progress Association.

Once a clearance certificate is obtained from an independent auditor to the satisfaction of the DEC, the land will be transferred to the Western Australian government, in accordance with an agreement reached in 2003. The government continues to assess options for dealing with the arsenic contamination.

Bunnings

Garden Coordinator John Anastasiu with some of the Australian Spring 2007 range of outdoor leisure timber furniture which carries the Forest Stewardship Council's certification, at the Balcatta warehouse in Western Australia.



**WE ARE AUSTRALIA AND NEW ZEALAND'S
LEADING RETAILER OF HOME AND GARDEN
IMPROVEMENT PRODUCTS AND A MAJOR
SUPPLIER OF BUILDING MATERIALS.**

07

PRIORITIES

- Maintain our contributions to improve the social wellbeing of the communities in which we operate.
- Implement our revised OHS strategic plan across the business to achieve sustainable improvement in OHS performance.
- Target a reduction in 'all injuries' of at least 15 per cent.
- Lessen our direct environmental impact through achieving better and more efficient use of resources (energy, water, and other services) and improved waste management practices.
- Work with our suppliers to further develop sustainability of supply chains and sustainable product choices for our customers.
- Proactively provide customers with access to information about environmentally friendly products and projects that can support sustainable living.

07

OUTCOMES

- ☒ **Achieved.** Contributed over \$8m in direct donations and in-kind support as well as providing paid and unpaid team member hours towards community projects.
- ☒ **Achieved.** Revised OHS strategic plans in place.
- ☒ **Not achieved.** The total all injuries frequency rate increased 0.3 per cent from 50.8 in 2006 to 51.1 in 2007.
- ☒ **Achieved.** Existing programmes bolstered by new commitments - \$6m towards water conservation projects including installation of rainwater harvesting systems and \$2m towards projects to achieve a goal of becoming carbon neutral by 2015 or earlier. Commenced implementation of recommendations from the Australian recycling and waste services review.
- ☒ **Achieved.** Over 90 per cent of timber products purchased are sourced from plantation and other known low risk sources. Joined as an official member of the WWF Australia Forest & Trade Network. Continued to conduct independent factory working condition assessments for manufacturers of our imported product range.
- ☒ **Achieved.** Increased amount of sustainability resources available to our customers via our website, in-store information and catalogues. New energy and water-efficient product ranges introduced.

Revenue during the year reached 4.9 billion dollars. At 30 June 2007 there were 155 warehouse stores and 68 small format stores (including Benchmark stores in New Zealand and Houseworks stores in Western Australia) operating across Australia and New Zealand. We also operate eight frame and truss plants and 11 trade distribution centres. We employ about 24,000 people.

OVERVIEW

The main challenge facing our business on an ongoing basis is the continued safe operations of our stores, manufacturing sites, distribution and support centres in a sustainable way that lessens our impact on the environment by means that are measurable.

In dealing with this challenge, the main environmental areas on which we focused our attention during the year were reducing our environmental impact, providing our customers with information on sustainable living choices and improving sustainability within our supply chains.

As part of our 2007 Water Saving and Climate Change strategy we have commenced a two-year \$8 million investment programme in new projects designed to further reduce our environmental impact as detailed below.

- \$6 million allocated for rainwater harvesting systems being installed in existing warehouse stores in mainland Australia (excluding the tropics).
- \$450,000 allocated for a research project that we have begun in partnership with

Murdoch University in Western Australia to explore energy efficiency opportunities and micro-generation of renewable and/or hybrid energy sources for our warehouses.

- \$1.55 million to fund the development of carbon offset projects.

Upgrades to our website are helping to provide accessible and current information to our customers on low cost options to save energy and water in their homes. The sustainability message also features widely in our Adult DIY Workshops, 'How To' brochures and in-store communications available at our stores.

Through increased endeavours within our supply chain in the last 12 months the amount of whole wood product sourced from plantation and other known low risk sources now exceeds 90 per cent of timber products purchased. Approximately 10 per cent of these purchases are independently certified by the Forest Stewardship Council (FSC) and other recognised schemes.

A major achievement has been the exclusive purchase of FSC-certified and labelled outdoor leisure timber products as part of our Australian Spring 2007 range and our acceptance as a member to the WWF Australia Forest & Trade Network (AFTN) recognising the continuation of our work to improve the credentials of the timber products we stock.

The two main safety areas on which we focused our attention during the year were continued implementation of our 'all injuries' safety focus with stronger emphasis on behaviour in high-risk areas and completing the rollout of the updated BSAFE manual. The manual was implemented across all Australian store operational sites and we have also established new training and awareness material and electronic safety incident data recording to support the focus on identified high-risk areas.

Additional resources have been provided for dedicated state safety advisors and injury management teams supporting stores in the field to aid them in implementing BSAFE strategies and directing safety improvement teams.

Environmental expenditure

In the past year a significant investment has been made in research projects and store upgrades relating to sustainability and environmental outcomes. Energy and water efficiency research projects and store upgrades aimed at increasing energy, water efficiency and controlling dust were introduced during this period.

Capital expenditure for store upgrades focused on improving sustainability and environmental outcomes totalled \$5,322,672, with an additional \$341,763 spent on developing our sustainability strategy and for water and energy research projects.



BUSINESS MANAGEMENT

Training

We have continued to expand our online learning system, which is an effective tool to provide access to training for our team members. New courses are continually being created in the areas of safety, core team development skills, product skills and technical skills. A new online module of the team member induction course is now accessible externally via our website for new team members to complete prior to attending the facilitated induction modules.

Strong training investments continue in areas aimed at developing entry-level management

skills, broadening commercial acumen and widening general management expertise.

A systems-based training calendar coordinates enrolments for face-to-face training that occurs in the Australian business, with training records managed using the online training record system.

Environmental

Understanding environmental or sustainability attributes of a product is integrated in team member product training. This enables team members to communicate these benefits to our customers.

Water saving techniques and products were major features in the Australian business and in Western Australia and Queensland, close associations with the respective state water authorities resulted in strong campaigns aimed at assisting customers in reducing their own mains water use.

As part of the revised waste management services rollout in Australia reported last year, a specific training programme has been developed and is provided to stores to enhance the use of recycling systems and reduce the environmental impact of waste.

Health and safety

Our commitment to safety training continued with face-to-face training and the implementation of online training modules for a manual handling refresher, incident reporting, safety observations, BSAFE actions and a safety leadership refresher. Other training highlights for the reporting period include:

- forklift refresher training module provided to 2,324 team members;
- safety leadership training attended by over 267 management team members; and
- BSAFE actions rolled out to over 112 team members. This behavioural-based programme that helps team members recognise safe behaviour in their stores is being revised to align with the new Safety Leadership Programme.

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. During the year 3,992 supplier representatives completed the online course.

Emergency

During the year, 994 team members attended emergency management training specifically designed for our business and conducted by an external 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, except as set out below.

In October 2006, the Department of Primary Industry and Resources in South Australia commenced investigations into a shipment of prohibited grapevines that had unknowingly been brought into that state. A grower operating in a *Phylloxera* pest risk zone in Victoria had supplied the grapevines. Immediate voluntary action was taken to recall the affected product, which was cleared of any signs of the pest. In order to prevent any recurrence of this type of incident interstate orders of grapevine material have ceased.

At the time of this report, we are yet to be notified of the outcome of this investigation. We are continuing to cooperate with investigators.

An information package was distributed to all Australian stores affected by state-level water restrictions to assist compliance with the varying requirements for commercial premises and nurseries. Water efficiency management plans have been submitted to local governments in south east Queensland to comply with Stage 5 water restrictions affecting stores in that region.

As a retailer of consumer-packaged dangerous goods we have a safety management system in place to maintain compliance to applicable legislation and codes of practice. We see compliance as a minimum standard and regularly review our dangerous goods storage risks and 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 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.

In October 2006 we pleaded guilty to charges brought by Queensland Work Health Standards in 2002 (reported last year), relating to two incidents where truck drivers were injured at our former Caloundra frame and truss site. The matters were jointly heard with a penalty of \$35,000 imposed and no conviction recorded.

In December 2006, we pleaded guilty to charges brought by the WorkCover Authority New South Wales (reported last year). This related to a forklift collision with

store racking at our Ashfield store in 2004 where no one was injured. We were convicted on three charges and fined a total of \$123,750.

A WorkCover Authority New South Wales investigation continues into an incident at our Tuggerah store in January 2006 (reported last year) where a team member was injured handling a gas cylinder. At the time of this report we are yet to receive formal advice as to the outcome of the investigation. We continue to cooperate with investigators to conclude this matter.

A WorkSafe Victoria investigation in relation to a forklift incident at our Rosebud store in March 2007 was concluded with no further action being taken.

We operate under health and safety legislation that varies between regions. Our Safety Management System (SMS) known as BSAFE uses risk assessments, safety committees, hazard inspections, alerts and internal audits to assist in identifying and addressing any areas of risk or non-compliance.

We received 49 notices to comply from relevant authorities covering safety-related issues ranging from traffic management, forklift safety, manual handling, housekeeping, storage of dangerous goods and provision of risk assessments. Although any breach of safety compliance is unacceptable, we recognise that hazards and non-compliance do occur. Our SMS and our Safety Improvement Teams in stores help us identify these. Our best endeavours are employed to rectify safety hazards and non-compliance, with all of the above notices resolved or being progressed within agreed timeframes.

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 above in Health and Safety.

Dangerous goods storage licences, exemptions or notifications are in place where required by applicable legislation. We have specific safety modules incorporated in our SMS that are based on NOHSC: 2017(2001) and AS/NZS 3833 (2007) to ensure safe storage and handling of these consumer-packaged dangerous goods.

Management systems

Integrated Management System

Occupational Health, Safety and Environment (OHSE) standards are integrated within the BSAFE manual to ensure our team members have the necessary tools, processes and guidelines to perform their jobs in a safe and efficient manner.

We have completed the implementation of the recently revised manual aligned with AS4801 to integrate all areas of OHSE that are relevant to the business. To improve

useability, the manual exists in both physical and virtual (intranet) formats with an ongoing investment in the online format to further enhance ease of use.

Our Senior Safety Leadership Team (SSLT) continues to provide strategic and proactive advice to the business on high-risk issues. This is aided by improvements made to our internal occupational health and safety (OHS) incident record management system, furthering our ability to monitor and report trends and issues across the business.

We capture all injury statistics electronically, including non-lost time incidents and near-miss reports which allows us to analyse early indicators or emerging trends.

Environmental Management System (EMS)

As primarily a retail business, our key environmental impacts result from electricity consumption and indirect carbon dioxide emissions, water consumption and waste management issues. These impacts are the focus of key initiatives that are driving our 2007 Climate Change strategy and our progress to achieving carbon neutrality by 2015 or earlier, as discussed elsewhere in the report.

Other secondary aspects such as storage of consumer-packaged dangerous goods and spillage containment are well managed through existing internal standards monitored within our SMS.

We actively pursue product stewardship opportunities to lessen the environmental impact of the products sold in our stores and have systems in place to manage these outcomes. Details of our efforts in this regard are detailed in the 'Product Stewardship' section on page 18 of this report.

To support our sustainability framework a new Sustainability Reference Group has been formed to coordinate the key sustainability strategies underway across the business. The group represents Business Improvement, Store Development, Marketing, Procurement, Environment and Compliance functions, meeting regularly and reporting to the senior executive team.

Quality system

Our OHSE standards are subject to a multi-layered system of self-assessments and audits to effectively identify and remedy exceptions. 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.

The updated BSAFE manual includes improved processes, controls and checklists to maintain the required standards.

An internal OHSE audit of all operational sites is conducted twice annually to target potential high-risk areas. Audit results are scrutinised by the relevant senior manager and also the SSLT. Management performance assessments and store bonus payments remain closely linked to compliance with these audits.

We review the audit criteria annually to ensure the scope is relevant to the business needs.

In January 2007 we updated the system for rating audit exceptions in our operations. We replaced the existing point scoring process in favour of a system that uses 'AA' ratings for serious behavioural hazards and 'A' ratings for serious environmental hazards. 'B' and 'C' ratings are used to rate moderate hazards and low level administrative exceptions.

This is a more effective way to draw attention to the importance of the exception and causes themselves rather than focusing on achieving a total point score result from the audit. Since introducing this system an average of 1.9 'AA' exceptions and 1.3 'A' exceptions were identified per site.

Six-monthly independent storage-racking assessments are undertaken across all stores. We have recently engaged a national facility management company to coordinate maintenance and certification of building essential services in Australia.

Safety Management System (SMS)

Our BSAFE SMS, originally developed in 2003, continues to evolve with a focus on sustainable improvement through leadership and behavioural change.

We have fully implemented our revised OHS strategic plan, broadening the goals from a reactive 'lost time injuries' approach to a proactive 'all injuries' focus by concentrating on five key areas:

- education and awareness;
- policy, procedures and process;
- reporting and analysis;
- compliance; and
- reward and recognition.

Through our improved data collection and reporting systems we are now able to better analyse safety incident trends. Enhanced incident reporting and investigation templates are used by store management teams for all safety incidents, including near-misses. Incident investigation training has commenced for store management teams. This has improved the volume and quality of information regarding safety incidents, particularly in relation to near-miss incidents.

Incident reports are provided to area managers and regional OHS advisers to ensure that each incident is properly investigated, with each significant incident reviewed by the SSLT and at Board meetings.

OUR VISION

'We're building the best . . . our team makes it happen.'

Our ambition is to provide our customers with the widest range of home improvement products at the lowest prices everyday, backed with the best service.

Our team members are the heart and soul of our business.

Our team's guiding principles are integrity, respect, teamwork, achievement and innovation. Our guiding principles are the keys to our culture and to achieving our vision.

We pursue sustainability within our operations by striving to make them socially responsible, environmentally aware and economically viable.

We engage with the communities in which we operate and live and we actively contribute to causes and organisations that benefit these communities.

We seek to lessen our environmental impact in ways that are measurable including: achieving better and more efficient use of resources; ensuring our suppliers operate sustainably and ethically; encouraging and educating customers about environmentally friendly alternatives; and focusing on the 'reduce, re-use and recycle' waste management principles.

We value our team members' contributions, recognise and reward their efforts and provide a fun, satisfying and safe workplace.

By living our values and operating sustainably, we will continue to 'build the best' and earn the right to serve our customers tomorrow and into the future.

A revised safety leadership training programme is provided to management teams and we have fully implemented the new online learning module for manual handling training.

The BSAFE system also covers the safety of our customers, suppliers and contractors 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

As part of our Australian Trade Practices Act and New Zealand Commerce and Fair Trading Acts compliance programme, our trading terms require suppliers to warrant that their products are tested to any mandatory standards, fit for purpose and provide instructions for safe use as appropriate, prior to going on-range in our stores.

In relation to directly imported product, we ensure that the overseas manufacturer has undertaken appropriate testing and the product is certified by a recognised body where mandatory Australian standards apply.

We investigate all reported issues of alleged inferior product performance and work closely with our suppliers to address any opportunities for improvement that are identified.

The product quality and risk management systems we have in place to monitor the performance of products ensure that we continue to meet our obligations to customers and regulators by selling only products that are fit for purpose and afford a reasonable level of safety.

Our returns processing and reverse logistics system tracks product returns and provides exception reports where high returns rates are evident. A product isolation and recall procedure is utilised to ensure that potentially serious incidents are investigated and appropriate action taken.

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. In a very small number of instances, there is a need for further evaluation of a claim and these are referred to our insurers.

Policy

Our BSAFE vision is 'Nobody Gets Hurt'. Our target is a consistent yearly reduction in all incidents and injuries, with the ultimate aim to reduce to zero. Our strategy is to concentrate on eliminating unsafe acts and conditions. Our focus is on prevention of all incidents in our workplace. Our annual target is at least a 15 per cent reduction annually in all injuries until zero is achieved.

We continued to engage and communicate our sustainability objectives to our teams through annual colour magazine-style extracts of the Wesfarmers 2006 Social Responsibility Report. Newsletters, editorials and regular features in our 'Bunnings Banter' internal magazine have also been used as a tool to keep our team members informed of our sustainability goals.



ENVIRONMENTAL

In May we announced a further \$8 million investment in new environmental projects and commitments.

We are committed to becoming carbon neutral by 2015 or earlier. We have explored energy efficiency projects over the past few years, but more work is needed to accelerate progress towards the carbon neutral goal. Two new major projects have been announced:



Our partnership with Murdoch University is looking at commercially-feasible ways to reduce our reliance on grid source energy. From left: Professor John Yovich, Vice Chancellor of Murdoch University, and Bunnings Managing Director, John Gillam, at the university's Research Institute for Sustainable Energy in Western Australia.

Rainwater harvesting tanks at the Maddington warehouse in Western Australia, part of our plan to install tanks in all subtropical mainland stores throughout Australia.



- A new research partnership with Murdoch University, to investigate commercially feasible ways to reduce our reliance on current grid-sourced energy. This will include energy efficiency work and exploring micro-generation of renewable and/or hybrid energy sources for our warehouses. We will invest \$450,000 in this project over the next two years.
- We have publicly invited submissions for grants for carbon offsetting projects that can be conducted over the next two years with \$1.55 million to fund projects that will create carbon offsets to address our carbon emissions in the short term whilst we explore ways to further reduce these emissions. Applications for these grants closed on 31 July 2007 and details of the successful projects can be found on our website.

Over the next two years all of our warehouses in mainland Australia (excluding the tropics) will be installed with a minimum of 30,000 litre rainwater tanks and supporting infrastructure to allow the irrigation of outdoor nurseries with the collected water.

This \$6 million investment will mean a reduction of mains water usage by up to 80 per cent in some stores. Nationally, through this project alone we estimate a saving of 250,000 kilolitres per year, based on average rainfalls.

In addition, we are aiming for even higher water self-sufficiency in our new warehouses, using purpose-built stormwater capture and recycling systems that have been successfully trailed in a number of new stores over the past two years. Further to this, we will continue to pursue other water saving initiatives across the business.

Air (Atmospheric emissions)

Historic data from previous air quality assessments conducted around our stores indicate low levels of volatile organic compounds, dust and particulates and carbon monoxide emissions that are substantially below NOHSC workplace exposure standards. The mechanical ventilation systems in warehouse stores are designed to provide

adequate airflow for storage areas. No further testing has been conducted in stores during this reporting period.

Dust

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

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

Odour

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

Greenhouse gas emissions

The increase in our total greenhouse gas emissions as reported below is largely as a result of 13 new warehouse store openings and increased use of after hours stock filling activities.

Our total greenhouse gas emissions were estimated to be 182,802 tonnes of carbon dioxide equivalent, up eight per cent on last year, and this equates to 3.7 tonnes of carbon dioxide equivalent per hundred thousand dollars of revenue, down six per cent on last year.

The greenhouse gas emissions were largely due to electricity consumption at our stores, distribution centres and support centres (approximately 82 per cent) and waste disposed off-site (approximately 13 per cent).

Noise

Environmental impact studies are submitted to local authorities as required when a warehouse store development is undertaken. Previous assessments that have been carried

out do not rate noise issues as a significant environmental aspect.

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

Waste

Solid waste

During the year we consolidated the number of waste service contractors in Australia into two major providers. Due to difficulties in obtaining data from previous providers, our landfill estimate is based on extrapolating data from a 75 per cent sample of sites. This may affect the accuracy of data for comparison purposes to last year's report. Improved accuracy and site level reporting will be achievable as we implement national waste service contracts with SITA and VISY.

Solid waste during the year consisted primarily of cardboard and plastic shrink-wrap material that is collected on-site for recycling.

Our total solid waste to landfill stream during the year was estimated to be 323,122 cubic metres, up four per cent on last year. Total solid waste to landfill per hundred thousand dollars of revenue was estimated to be 6.6 cubic metres, down 10 per cent on last year.

The solid waste volumes are calculated using revised weight-to-volume conversion factors obtained from a leading waste management contractor and a waste survey commissioned by the Department of Environment and Conservation in New South Wales.

Liquid waste

Due to the nature of our operations we do not produce significant amounts of liquid waste other than normal sewerage systems discharge. Our waste disposal guidelines do not permit any liquid waste to be discharged to stormwater in accordance with local requirements.

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

Recycling initiatives

Our waste management goal is to further reduce landfill waste by improving the way we reduce, reuse and recycle throughout our own operations as well as supporting product stewardship initiatives with our suppliers for the products that we sell.

All major sites have cardboard recycling systems. We estimate that 173,098 cubic metres of cardboard were recycled.

A comprehensive review of recycling and waste within our Australian operations was completed in September 2006 resulting in the appointment of the two major providers referred to previously.

This will enable us to ensure consistent services and volume reporting for all sites and to effectively manage our general waste and recycling requirements to reduce our impact on the environment. Both providers will also supply detailed reporting for compliance with our sustainability requirements.

We are unable to accurately measure the volumes of plastic recycled at our stores due to insufficient data from outgoing service providers.

Product stewardship

We continue to undertake product stewardship initiatives and engage our supply chains with the overall aim of lessening the life cycle impacts of products within our sphere of influence.

We continued our support of the 2007 Banksia award-winning Sustainability Victoria Paintback™ paint recycling programme. The programme involved specially-designed containers set up inside our Vermont South warehouse store so customers could drop off unwanted paint and paint cans during normal opening hours. The waste paint was recovered and reprocessed by Dulux into a quality recycled fence finish product available through our stores, with the steel cans also being recycled. From its first weekend trial in 2003 to the recent 15 month stint at Vermont South, Paintback successfully collected over 200 tonnes of paint and associated packaging, and created an estimated 28,000 litres of fence paint. The pilot is now finished and a review of the outcomes is being undertaken by Sustainability Victoria. Significantly, the Australian Paint Manufacturers' Federation considers Paintback a key influence leading to the development of its own soon-to-be-announced national product stewardship scheme.

We continue our commitment to diverting all end-of-life computer equipment from landfill Australia-wide. A major recovery project is running from September 2007 to consolidate end-of-life computer equipment for reuse and

recycling at our Centralised Return Centre in Melbourne.

We have renewed our signatory status for the National Packaging Covenant in Australia and continue to progress with our action plan to reduce the impact of our specific product range and transport packaging waste.

We have continued with our industry-leading initiative to reduce single-use plastic shopping bags in Australia and in April 2007 launched the programme in our New Zealand stores.

Including New Zealand's results, since the inception of our 10 cents plastic bag levy in September 2003, over \$177,000 has been donated to the Keep Australia Beautiful Council and the Keep New Zealand Beautiful Council. During this period, more than one million reusable bags have also been sold.

We continue to actively investigate the feasibility of other product stewardship opportunities in the areas such as plastic plant pots and rechargeable batteries.

In partnership with one of our major waste service providers (SITA) an in-store trial of plastic plant pot recycling is underway at our Rockingham store in Western Australia to gauge the level of support from customers and the viability of the service.

To date we have not been able to identify a commercially feasible model for offering a rechargeable battery recycling service to our customers. We are continuing dialogue with our major suppliers and Sustainability Victoria in an effort to gain wider industry support for a pilot programme. A workshop with our major suppliers on this issue was held in July 2007.

We are also investigating the opportunity with Sustainability Victoria to pilot a 'Detox Your Home' event where customers can drop off household chemicals, fluorescent globes, batteries and other potentially hazardous wastes at specially designed and supervised collection stations in the car parks of selected stores.

Timber procurement

We have continued to work closely with our suppliers of timber and wood products towards the goal of ensuring all future products supplied to us originate from legal and sustainable forest operations. As a result of our revised risk-focused approach to our supply chains announced in October 2006, we now aim to achieve legal verification of tropical timber whole wood products by December 2008. Suppliers in this category are required to provide details of their progress towards this goal as part of our benchmark survey for calendar year 2007.

Our risk-focused approach to our supply chains seeks a higher level of assurance on

product that originates from tropical areas, in particular South East Asia. We have adopted an interim measure for these supply chains to achieve independent verification of legality of origin as a step towards full certification. Through an association with an independent certification body, the first phase of a Timber Legality and Traceability Verification audit was completed in Indonesia with three suppliers of Merbau decking products.

The results of the pilot audit have indicated where the greatest potential exists for the supply chains to achieve third party verified legal certification and phase two forest level audits of this process have commenced. Through the increased endeavours within our supply chain in the last 12 months we have been able to increase the amount of independently verified whole wood products to 10 per cent of total purchases.

Inclusive of products from independently verified sources, now over 90 percent of timber products are sourced from plantation and other known low risk sources.

A major achievement has been the exclusive purchase of Forest Stewardship Council (FSC) certified and labelled outdoor leisure timber products for our Australian Spring 2007 range.

In recognition of our work to ensure our timber products are sourced from legal and sustainable forests, WWF-Australia welcomed us as a member of the Australia Forest & Trade Network. This is a continuation of our work in mapping supply chains and improving the credentials of the timber products we stock.

Our New Zealand operation also remains an active member of the Imported Tropical Timber Group, an industry association working collaboratively with the government and environmental organisations to encourage sustainable timber procurement.

We are grateful for the assistance provided by both Greenpeace and WWF Australia in developing and implementing this policy.

Land

Flora and fauna

We support community land rehabilitation projects throughout Australia and New Zealand. Building materials and plants have been donated and team members volunteer their time to help restore and beautify local environments. Such projects include taking part in national tree planting day activities and replanting trees and shrubs in local wildlife corridors near stores.

Contamination

We are not aware of any potential contamination during the year, except as set out below. No contamination issues eventuated from the store fire reported last year.



Horticulturalist Alex Mead inspects a nursery run-off recycling irrigation drain at the Stafford Park warehouse in Queensland.

Asbestos

Currently 13 sites are known to contain asbestos cement material. External risk assessments and asbestos management plans are in place as appropriate.

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 641,882 gigajoules, up 12 per cent on last year.

Our total energy consumption per one hundred thousand dollars of revenues was estimated to be 13.1 gigajoules, down three per cent on last year.

Energy sources are detailed below.

Fuel

Petrol, diesel and LPG accounted for 16 per cent of our total energy consumption by gigajoule. Our petrol, diesel and LPG consumption was estimated to be 991 kilolitres, 607 kilolitres and 1,748 kilolitres, respectively.

Electricity

Electricity accounted for 81 per cent of our total energy consumption by gigajoule.

Our electricity consumption was estimated to be 517,508 gigajoules.

Natural gas

Natural gas accounted for three per cent of our total energy consumption by gigajoule. Our natural gas consumption was estimated to be 22,128 gigajoules.

Energy Efficiency Opportunities

Through our parent company Wesfarmers Limited, we are a participant in the Commonwealth Government's Energy Efficiency Opportunities programme.

Water

Consumption

Water use during the year related primarily to nursery irrigation systems, evaporative air-conditioning and kitchen/toilet facilities. Total water consumption was estimated to be 857.5 megalitres, up 10 per cent on last year. Consumption per one hundred thousand dollars of revenue was estimated to be 17.5 kilolitres, down four per cent on last year.

The increase in total megalitres of water consumed is attributed to 13 new warehouse store openings and greater use of nursery irrigation systems to compensate for extended dry weather conditions throughout Australia. Nursery irrigation represents 50 to

70 percent of the total water consumption at our warehouse stores. 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. A nursery irrigation working group is well advanced in their investigation into designing a more efficient irrigation model for our stores. Once the design is determined, this will be fitted into all existing stores as a standard and incorporated in the new store construction brief.

Reuse and recycling

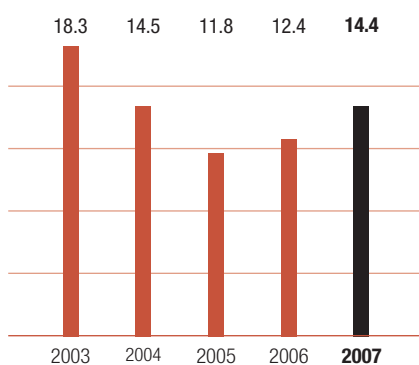
Our Stafford warehouse in Queensland was one of the first purpose-built sites to employ many of the water saving systems previously trailed. This includes reuse and recycling techniques such as rainwater harvesting, multiple water circuits, nursery run-off recycling and water efficient fixtures and fittings. The sustainable urban design principles also include car park bio filter systems that improve the quality of stormwater run-off entering the drains.

As mentioned previously in this report, water use is a major part of our climate change strategy and major advances in this area will be made in coming years.

Other materials

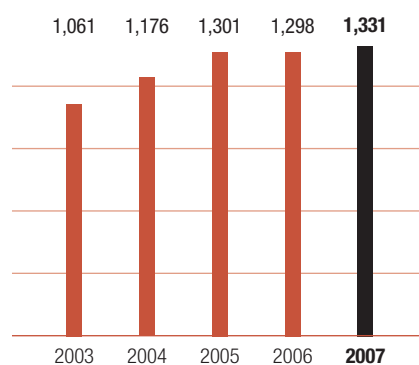
We have a number of programmes designed to generate ideas from our teams on how to grow our business and improve efficiencies. Ideas are also put forward that have an environmental benefit and a number of eco efficiencies have been identified and put into action. We continue with our arrangements to purchase FSC-certified A4 plain copy paper for use company-wide as reported last year.

Figure 1: Lost Time Injury Frequency Rate*



1 July 03 - 30 June 07 (as at 30 September 07)
*Contractor hours and LTIs not included

Figure 2: Number of workers compensation claims





SAFETY AND HEALTH

Lost time

Our Lost Time Injury Frequency Rate (LTIFR) was 14.4 (compared with 12.4 last year), see Figure 1, and, during the year, there were 420 LTIs. Our Average Time Lost Rate (ATLR), which provides a measure of the severity of such injuries, based on the average number of actual days lost due to an LTI was 11.3 compared with 7.5 last year.

The increased LTIFR and ATLR are mainly attributable to a rise in incidents and severity experienced in our frame and truss manufacturing sites, the majority of which were purchased in March 2006. The risks associated with these activities are subject to a targeted focus within our OHS Strategic plan moving forward.

Driven by the implementation of our updated BSAFE strategy we continue to reinforce the importance of safe behaviours and choosing to work in a safe manner. The revised 'all injuries' measure adopted last year includes Lost Time Injuries, Restricted Duty Injuries and Medically Treated Injuries as a more holistic measure of safety performance. We recorded 1,485 'all injuries' from July 2006 to 30 June 2007 with an All Injury Frequency Rate (AIFR) of 51.1 compared to 50.8 last year.

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.

Our strong injury reporting and investigation processes ensures all safety-related injuries are reported to senior management, with rapid reporting of more serious incidents (including near-misses). Safety statistics are distributed and discussed by management and location safety committees each month and, in addition, the Senior Safety Leadership Team meeting where, as part of the process, root cause analysis reports on significant incidents or near misses are reviewed. Detailed safety statistics and serious incident information are reported regularly at Board meetings.

Workers compensation

There were 1,331 workers compensation claims reported for the entire business, relating to occurrences during the year, compared with 1,298 last year (see Figure 2). Additional dedicated injury management roles in each region, strong management support and

flexible return to work programmes are having a positive influence on helping our team members recover from injuries.

During the year our New Zealand operation underwent a Safety Management System audit conducted by the Accident Compensation Commission. We achieved the highest performance level rating, resulting in a reduction in the Workers Compensation premium.

Hazard and risk

Programmes

Our OHS strategy ensures that the business continues to properly manage its OHS risk. Monthly hazard inspections and the internal audit are aligned with the new BSAFE manual and revised safety goals. This approach has created a more transparent and comprehensive assessment of how identified risk and hazards are being managed in-store.

Following a hazard inspection or audit, specific safety actions are documented to address any opportunities identified.

In September 2006 a global retailing specialist conducted a manual handling and ergonomic assessment of our store environment. The assessment evaluated manual handling functions in our front-end registers, paint department, receiving, timber yard, gardening and out of hours fills. As part of the assessment, team members were fitted with a lumbar motion device to measure lower lumbar movement. The data gathered determined how tasks affected the lower back and provided recommendations for improvement. The five key recommendations were to:

- increase clearance and access around heavy items placed below waist height;
- train cashiers to shift their feet positions instead of twisting their back during transactions;
- implement a pyramid technique for removing stock from pallets to avoid over reaching;
- promote the use of available carts for checking and sorting stock to avoid neck strain; and
- store heavy garden pots on lower shelves.

Action plans are being developed or have been already implemented for all recommendations.

We have continued to review and update Safe Work Procedures (SWP) with additional SWP's developed for manufacturing plant and equipment at our frame and truss sites. Trials have been conducted regarding the use of safety knives and protective gloves to reduce the incidents of minor cuts and lacerations from handling stock and gloves are provided to team members to reduce this hazard.

Emergency response

Annual fire drills are conducted with emergency warden teams employed at all locations. Refresher training is held for wardens designed to improve our capacity to manage emergencies.

Contingency plans are in place to address major incidents 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.

Materials handling and storage

A wide range of material handling devices are provided to ensure that products can be loaded and unloaded, stored and transported around the store safely and efficiently.

A range of customer trolleys are available to move heavy bagged or bulk product, long lengths of timber or plants safely around our stores. The step-through checkout counters, cordless hand-held scanners and barcode labelling on all faces of bulky products allow cashiers to minimise handling.

Electric pallet jacks used in all warehouse stores greatly reduce the amount of exertion required to shift pallets on the floor when compared to manual pallet jacks. Hydraulic platform trolleys are also available to assist in the movement and loading of heavy products like bagged cement or large tins of paint.

A comprehensive traffic management plan incorporating designated unloading bays, forklift curfew and exclusion zones, signage and pedestrian line marking has been implemented at each of our stores to safely manage the movement of trucks, forklifts and pedestrians in our yards and drive-through areas.

Palletised product deliveries received in stores from our suppliers are required to meet minimum safety standards including shrink-wrapping and strapping for certain goods. Any palletised products that are stored at our sites also adhere to prescribed internal safety standards before being placed into racking.

Risk assessment

Risk assessment and analysis processes are embedded in our BSAFE system. Improved accident investigation processes involve store management teams conducting root cause analysis and ranking of risks. The BSAFE incident database provides enhanced reporting of risk and trends based on root cause, hazard, demographic and other factors for more detailed risk analysis.

This reporting process assists our SSLT to target our efforts on higher-risk areas and implement commercially sound, practical solutions relevant to the level of risk.

In the last year we have also implemented online manual handling refresher training, gas-decanting training and developed a soon-to-be released forklift spotter course.

Employee wellbeing

With a strong focus on looking after our people, we have commenced a programme that offers a unique health awareness opportunity to our team members.

In April 2007, we launched the new 'Energy for Life' programme that was trailed last year for all team members. High profile medico Dr John Tickell designed and facilitated the running of the 12-week programme, which is provided free of charge and encourages team members to adopt a healthy schedule of exercise, nutrition and personal development to enhance their work and personal life. In-store champions co-ordinate local team member activities with 6,572 joining the programme since its launch.

We are committed to providing a positive work environment by ensuring that it is free from all forms of inappropriate discrimination or behaviour. Our anonymous reporting hotline known as 'Bhonest' is managed independently by external consultants and designed to encourage reporting of any illegal, unethical or unsafe behaviour.



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.

Response to 2006 Stakeholder Survey

The stakeholder review conducted by URS last year identified the following key sustainability opportunities:

- supply chain - issues concerning timber procurement, general sourcing of products and raising awareness of sustainability within the supply chain;
- OH&S – relating to safety in the store environment encompassing employees, customers and suppliers;
- product stewardship – relating to educating and raising awareness about life cycle impacts of products and sustainable alternatives; and

- resource consumption – water, waste and greenhouse gas were noted as areas of opportunity for improvement.

The key sustainability opportunities identified by stakeholders were generally similar to the ones identified within our business. These areas are all subject to strategies designed to achieve further improvements in the short term and in the future.

Feedback/Complaints

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

We provide a feedback tool at every location through 'How Did We Do?' cards, promoted at the front of the store and our website also provides customers the ability to give feedback online or contact us directly. We received an average of 1,098 responses per month from customers via our website.

We also received 77 written complaints from customers relating to alleged product performance.

Any customer complaints are personally followed up by the complex or store manager or a senior manager as required.

We continue to receive a large number of letters of thanks and appreciation from customers, communities, government agencies and non-government organisations.

We strongly promote an internal culture supporting feedback from our team members across all aspects of our business. A good example of this is project REDeploy, whereby team members actively put forward ideas to reduce administrative tasks within the business to focus the time saved on customer service.

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.

Our participation in the Australian Standards Technical committee for the review of AS3833 for Mixed class storage of Dangerous goods has concluded with the draft standard to be released in late 2007. We also continued our involvement in a joint retail industry and safety regulator working group to develop a national code of practice for safe storage of poisons in retail outlets. A draft proposal has been developed for submission to the Therapeutic Goods Administration.

We have strengthened our relationships with all water authorities around Australia, working on a number of water saving programmes as detailed earlier in the report.

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 and WWF Australia organisations regarding forest practices in the Asia-Pacific region.

We worked closely with Jon Dee the founder of Planet Ark to support the Australian launch of the '6 Tips to Save the Environment' leaflet, part of Al Gore's "An Inconvenient Truth" campaign.

During the year we received concerns from customers and a wildlife conservation group about the impact on animals of certain products we sell (specifically rodent traps and anti-bird netting). In consultation with the RSPCA we reviewed glue board and metal-toothed rodent traps and monofilament anti-bird netting and we have decided to delete these products from our range.

Communication

Newsletters and reports

A wide variety of internal and external mediums are used to effectively communicate to our stakeholders.

Internally we produce both a Community Report Card and a Health and Safety Report Card to ensure environmental, sustainability and health and safety issues are kept top of mind for our team members. These reports are also posted on our website for our stakeholders to view.

Our strategic objectives, such as the Climate Change strategy, are communicated via internal DVDs, newsletters and meetings to our team members.

Our in-house magazine, 'Bunnings Banter' recognises team and individual performance within the community and environment and helps to reinforce our culture.

We have assisted with the publication of two sustainable living booklets in Handyman magazine – the Energy Smart booklet (April 2007) and the Water Smart booklet (July/August 2007).

Externally, we are continuing to communicate to customers on market-leading trends such as water saving and energy saving techniques via advertising as well as in-store 'How to' workshops, 'How to' brochures, and information on our website as detailed earlier in the report. We also sponsored television programmes 'Eco Challenge' (SBS) and the 'Great Water Challenge' (Channel 7).

Website

Our website www.bunnings.com.au includes information about our operations for the community, including environmental, safety and health information relating to our business. It also provides an effective tool

to engage customers on reducing environmental impact through sustainable living and product choices.

We have received over 94,000 hits on our community and sustainability web pages from customer seeking information on our activities in this area.

We regularly feature sustainability market trends such as water saving, energy saving and recycling ideas on our homepage.

This year our New Zealand website was relaunched and the Australian website now contains more regional-specific information. These innovations allow us to tailor our content to best meet the needs of local markets.

Community support

We receive and grant many requests for financial, labour and material assistance from a wide spectrum of charitable organisations, sporting bodies and schools. Our community involvement focuses primarily on local organisations and we also support regional and national organisations. During the year, we helped raise funds and contributed more than \$8 million to various charities and community groups throughout Australia and New Zealand. We also made a huge contribution to community projects through the high number of paid and volunteer team member hours dedicated to these projects.

At a local level we support many community groups and activities operating in the areas of family, community and sustainability.

Local community groups are provided with a valuable fund raising opportunity by conducting sausage sizzles at the front of our stores. These sausage sizzles are enjoyed by thousands of our customers each weekend and raised over \$4 million in the past year for the community groups that held them.

Our team members have continued to donate their own time to participate in local community beautification projects. Many of these projects have had a sustainability focus, for example the building of a water wise garden at a local primary school.

One example of the thousands of diverse activities we undertake across our network comes from New Zealand where Support Office team members have been donating their own time to help with the running of Special Olympics events, including swimming and athletics events in Auckland. The team members helped as board keepers, time keepers, marshals and wherever a helping hand was needed to make the events a success.

Our team members in Australia and New Zealand also answered the call for assistance from the Australian Red Cross and the New Zealand Blood Service. With a decline in donors and a real shortage of blood, team members from our stores throughout the

network and from support offices have volunteered to regularly donate and help address the shortage.

At each of our warehouse stores free DIY clinics are offered to adults and children. In addition, specially coordinated 'Ladies Nights' and 'Ladies Days' are conducted to introduce women to a range of DIY projects. Children's workshops are also conducted at schools, community centres and major community events.

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

Another way we support our local communities 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 on a weekend. On the Community Fun Day our stores provide a variety of free family activities such as face painting, jumping castles, clowns and petting zoos. At the completion of the day, donation cheques for up to \$1,000 are drawn and presented to five lucky organisations represented.

This year we were proud to support the following programmes within Australia:

- DIY workshops – Water saving weekend (21/22 April), Phillips CFL Globe programme (NSW), Grey Water workshops, and National Composting Week workshops;
- support of media consumer awareness programmes – The Great Water Challenge (Seven Network), Eco House Challenge (SBS), Jon Dee's '6 Ways to Save the Environment and Your Wallet' awareness campaign;
- support of Government initiatives – WA International Compost Week, NSW – 'It's a Living Thing' programme;
- Bendigo Blitz - During August 2006 we held our Annual Management Conference in Bendigo, Victoria. The conference was attended by 420 of our managers from Australia and New Zealand representing stores, trade facilities, support centres and the senior management team. Part of our culture is to contribute to the local communities in which we operate so it was decided that we would demonstrate this at that conference by engaging with the Bendigo community. The Bendigo Council was approached and they put forward several community projects. Five projects were chosen and a variety of work was completed at the Community Centre at White Hills Botanic Gardens, the Friends of Kennington Reservoir as well as two Neighbourhood Renewal Projects and a roadside clean up project;
- volunteer Fire-fighters - Throughout January 2007, we and Dulux donated

a total of five dollars from every can of Wash & Wear 101 or Weathershield paint purchased from Warehouse stores to the Australasian Fire Authorities Council for volunteers' fire safety training. This year's campaign raised an additional \$230,000, taking the total amount raised since the campaign launched in 2003 to over \$1 million donated to fire volunteers across Australia. The funds raised allow fire fighters from across Australia to attend the Volunteer Leaders Programme, a five day intensive training course, which is aimed to develop leadership potential within the volunteer services. It aims to give leaders new skills to ensure fire and emergency service volunteers are better prepared for the challenges ahead; and

- in New Zealand we support a variety of prominent causes including the New Zealand Blood Service, 'Special Olympics', Hospice New Zealand and Keep New Zealand Beautiful.

Research

We conducted research into electricity use using consultants to evaluate and benchmark consumption across warehouses and identify suitable sites to pilot energy efficient lighting options. This brief also included assisting in the development of the tender for the Sustainable Energy and Carbon Offset briefs. As reported on page 17 we have undertaken a new research partnership with Murdoch University to investigate commercially-feasible ways to reduce our reliance on current grid-sourced energy. This will include exploring energy efficiency and micro-generation of renewable and/or hybrid energy sources for our warehouses. We will invest \$450,000 in this project over the next two years.

Scholarships

We are a key supporter of the David Wirrpanda Foundation, a programme that works with groups of indigenous young people in Western Australia to equip them in readiness for work skills. We provide a customised training programme for these young persons so they can prepare to work in our stores as team members.

Awards

The Paintback™ recycling programme, of which we are a founding partner, was a winner in the eco innovation category for the Banksia Environmental awards 2007.



Team members at the Belmont warehouse in New South Wales raising funds for storm victims.

Helping storm victims

Severe devastation was caused to the Hunter and Central Coast region in New South Wales from storms occurring on the long weekend of 8-11 June 2007. They caused extensive flooding and damage with more than 300mm of rainfall falling in the region over three days.

Our stores in the area were affected significantly by flooding, severe winds and power blackouts. Our team members performed admirably, with all stores showing the level of community spirit for which we are renowned. This included helping customers have access to phones, recovering vehicles, helping set up emergency accommodation for customers and assisting customers in getting the resources they needed to clean up. All of this was achieved in most cases without power, limited resources, flooding in-store and manual transactions.

Our team members dealt with extreme circumstances over this weekend effectively and compassionately, whilst at the same time having to protect their own property.

Fundraising sausage sizzles held at our warehouse stores in New South Wales raised more than \$68,000 and plans were put in place with key charity organisations to assist with any special needs groups or individuals that needed help.

Our warehouses closest to the flood areas in Kotara, Gosford and Maitland have commenced community refurbishment projects with three local schools most badly affected.

08 PRIORITIES FOR THE FUTURE

PRIORITY
Achieve carbon neutrality by 2015 or earlier.

PRIORITY
Accelerate water saving initiatives.

PRIORITY
Continue work with suppliers to further reduce resource waste within supply chains and develop products with stronger sustainability traits.

PRIORITY
Continue to proactively provide customers with access to information about environmentally-friendly products and projects that can support sustainable living.

PRIORITY
Maintain our contributions to improve the social wellbeing of the communities in which we operate.

PRIORITY
Stronger focus on behaviour in high-risk areas and safety awareness levels generally, in order to achieve our target to reduce 'all injuries' by at least 15 per cent.

Curragh

Environmental Advisor Amanda Dawson-Evenhuis installs a water seepage monitor as part of the water management upgrade at one of Curragh's retention dams.



WE OPERATE THE CURRAGH OPEN CUT MINE
NEAR BLACKWATER, 200 KILOMETRES WEST
OF ROCKHAMPTON IN QUEENSLAND'S
BOWEN BASIN.

07

PRIORITIES



Full implementation of our Environmental Management System.



Upgrade water management infrastructure.



Complete all hydrocarbon storage facilities improvement.



Zero LTIs.



Establish regular stakeholder consultation with the Blackwater community.



Complete a site security upgrade.



Train our employees and contractors in the use of the First Priority database system.

07

OUTCOMES



Partially achieved. EMS documents were developed during the year. Staff training will be undertaken in November 2007 prior to full implementation.



Partially achieved. A project manager was appointed in 2007. A tender for the construction and implementation of the water management system was issued in September 2007.



Partially achieved. A project manager was appointed in 2007. The first stage of the project has been now been awarded and construction began in September 2007.



Not achieved. Seven Lost Time Injuries recorded with an LTIFR of three. This is an improvement on the previous year's 10 and an LTFR of 4.9.



Partially achieved. The Executive General Manager and environmental staff met with local landholders. A commitment has been made to maintain this contact.



Partially achieved. The scope of the security upgrade has been increased. Additional capital required is going through our internal approval process.



Achieved. Training for our key users was held in March 2007 and continues to be conducted as required.

We produce high quality metallurgical coal exported to steel makers and steaming coal supplied for domestic power generation. Our production of over eight and a half million tonnes was approximately four per cent less than the previous year. We employ about 360 people with an estimated 720 contractors.

OVERVIEW

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

In dealing with this challenge, the four main environmental areas on which we focused our attention during the year were the ongoing development of our Environmental Management System (EMS), improving our water management infrastructure, hydrocarbon storage facilities and management of low wall stability issues at Curragh North.

In the last 12 months a great deal of work has been undertaken to re-establish the Curragh EMS with several documents reviewed and rewritten. Additional work is still required, including staff input into operational procedures and staff training prior to full implementation of the system.

Limited progress was made on the hydrocarbon storage facilities project due

to the complexity of the project. A project manager was appointed in March 2007 and the first stage of the project was awarded to an external provider in June 2007. This will involve construction of a heavy vehicle wash down facility with hydrocarbon separation capability.

The water management infrastructure project was issued for tender in September 2007. The project involves the installation of infrastructure and monitoring equipment to allow water to be captured and distributed across the site more efficiently.

Low wall stability issues continued to have a potential impact on the integrity of the flood protection levee surrounding our Curragh North operations. The critical control for reducing this risk has been the redesign of the mine boxcut and overburden mining techniques. The excavation technique incorporating a buttress wall has minimised low wall instability and geotechnical monitoring will continue.



Confined space and permit to work operations during a dragline shutdown.

The two main safety areas on which we focused our attention during the year were the introduction of the First Priority Enterprise (FPe) database and a review of our Isolation Procedures.

In March 2007 we began the rollout of the FPe database to replace our existing database, Sitesafe. The database allows immediate recording of incident and injury data and was implemented as part of the Wesfarmers Energy Health, Safety and Environment (HSE) Project. To assist us with the rollout we employed an FPe facilitator who continues to support the mine with troubleshooting and training.

In May 2007 a committee comprising a cross section of the workforce was formed to review our Isolation Procedures. The committee resolved that an initial audit was required to identify the necessary upgrade of our hardware prior to the introduction of a lockout system. The audit identified points of isolation and their compatibility with the use of padlocks. Once the necessary upgrade of the equipment to accept a padlock has been completed, we can then start building procedures for the use of these padlocks for the control of energy sources and deliver positive and effective isolation.



BUSINESS MANAGEMENT

Training

Environmental

Training was delivered through site inductions for contractors and new staff and five year refresher training for existing staff. Specific topics covered included environmental management, waste management, water management and disturbance to land.

Health and safety

Two-day training courses the FPe database were held for our site users. This training

covered technical aspects of the database and incident investigation training including how to conduct a good investigation, how to establish a sequence of events and how to develop an action plan to prevent the incident from happening again. Role playing was an important part of the training. Upon completion of the theoretical part of the training, participants were shown how to record their investigation findings in the FPe database.

Training was also held for the FPe key users over a three day period. The role of a key user is to review the event entered into FPe and return to the investigator if the event details are not completed.

As at 30 June 2007, 66 people had completed the FPe two-day course and eight key users had been trained.

Five year refresher training was conducted in May 2007 and was attended by 15 employees and permanent contractors. Topics covered included our Safety Management System (SMS), environmental management, positive and effective isolation, fire safety and use of extinguishers, mine traffic rules, basic first aid/resuscitation, heat stress and working at heights.

Courses covering risk management, accident investigation and communications were conducted for employees requiring supervisory skills and 21 attended this training.

A two-day Senior First Aid course was attended by three employees and some family members.

Confined space training courses and re-certification courses delivered by external providers were conducted during the year as required. Re-certification is required every 18 months. Seventy-nine employees attended the re-certification courses and 23 completed the full course.

Permit to Work Officer courses were also held during the year with 28 attending. The course focused on working in confined spaces,

concealed services, project isolation, access to high voltage conductors and welding and cutting in hazardous locations.

Training in Zero Incident Process (ZIP) continued for employees and contractors this year. Fifty-seven employees attended Module 1, 70 employees attended Module 2 and 125 contractors attended the contractor one-day programme.

Emergency

A six-member team competed in the Australasian Road Rescue Skills Challenge 2007 in Perth in June. Twenty teams competed and the Curragh team finished first overall. Our previous placing in the 2006 competition was twelfth position from 23 teams. Further details are contained in the Case Study on page 31.

Training for members of the Crisis Management Team (CMT) was held in November 2006 with a desk top exercise 'Wet Pit' conducted on 5 December 2006. The aim of Exercise Wet Pit was to test our crisis management capability in a realistic, rewarding and challenging environment focusing on the CMT and its response to a credible scenario.

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 have reported to the Queensland Environmental Protection Agency (EPA) one incident relating to low wall stability issues at Curragh North.

The Curragh Plan of Operations for Curragh and Curragh East mines was due to expire in June 2007. An independent audit of compliance to the plan was undertaken in May 2007 in order to develop a new Plan of Operations. The plan is a compliance document required by the EPA. It outlines

how we will comply with the conditions of our Environmental Authority and identifies any changes to the operation over the timeframe of the plan. The plan was submitted to the EPA within the required timeframes and has now been approved.

The Curragh North Plan of Operations remains current until June 2008.

National Pollutant Inventory (NPI)

Emissions notifiable under the NPI were estimated for particulate matter, oxides of nitrogen and carbon monoxide. Data for the 2005/2006 reporting period was submitted to the EPA. Detailed information is available at: www.npi.gov.au. All of 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.

Each new employee or permanent contractor who does not have a current Coal Board Medical (CBM) is required to undertake the assessment. Non-permanent contractors are required to have a health assessment as part of the induction process. Arrangements for assessments for existing employees are to be reviewed in the coming year.

We measure compliance with our alcohol policy by testing all personnel entering the mine site on a particular shift. The shift is randomly nominated by the Executive General Manager. Personnel attending the site induction are also breath-tested. A total of 64,423 tests were conducted with 132 positive tests.

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 1,875, with 51 positive tests recorded. A total of 327 random drug tests were conducted and 11 were positive. The majority of positive drug and alcohol readings were recorded against our contractor workforce.

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.

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'.

Management systems

Environmental Management System (EMS)

Our EMS was not fully implemented as planned. In the last 12 months, a great deal of work has been undertaken to re-establish our EMS with several documents reviewed and rewritten. Further work is still required, including staff input into operational procedures and staff training prior to full implementation of the system. Additionally a desktop review of the EMS will be conducted to gauge the effectiveness of the EMS against internationally recognised environmental management standards. The findings of the audit will also be used to further improve the EMS.

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, employee consultation and risk assessment processes.

Other management systems

In March 2007, our Sitesafe database was replaced by the FPe database. As with Sitesafe, FPe allows immediate recording of incident and injury data. The database is accessed electronically, with standard forms being completed online 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 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 and our Health and Safety Policy are displayed in prominent places throughout our operations. Both policies also appear on our intranet. Our Health and Safety Policy is circulated to all personnel attending the mine site induction.

environment and to ensure compliance with legislative requirements. We monitor by 'fallout' and 'high volume methods'.

Fifty-nine of 329 dust fallout samples collected indicated dust concentrations greater than allowable levels. On further investigation, we identified that 80 per cent of these potential non-compliances were attributable to natural contamination or corruption of the samples validity.

No exceedances were identified from monitoring using our high volume samplers from 38 samples collected.

Greenhouse gas emissions

This is the second year that we have participated in the Commonwealth Greenhouse Challenge Plus Programme. During the year we engaged an external consultant to carry out a Level 2 energy audit which recommended reduction strategies. We will submit our 2006/2007 report during the 2007 calendar year detailing our progress under the programme.

The 2005/2006 greenhouse gas emission was incorrectly estimated. The reported amount of 792,357 tonnes of carbon dioxide equivalent was adjusted to 732,534 tonnes of carbon dioxide equivalent. This equated to 5.13 kilograms of carbon dioxide equivalent per BCM equivalent. The 2006/2007 comparative calculations use the amended emissions.

Our total greenhouse gas emissions were estimated to be 774,179 tonnes of carbon dioxide equivalent, up almost six per cent on last year. This equates to 5.2 kilograms of carbon dioxide equivalent per BCM equivalent, up 1.3 per cent on last year.

Greenhouse gas emissions on site are largely attributable to fugitive emissions (52 per cent), electricity (26 per cent), diesel fuel (22 per cent) and explosives and waste disposal (less than one per cent), see Figure 1.

Noise

Compliance with noise conditions was achieved during the year. Two new permanent blast monitors have been placed at strategic locations around the mine to allow continuous monitoring of noise and vibrations generated from our blasting activities.

Other emissions

We have not yet prepared our report to the NPI for the 2006/2007 reporting period or finalised our data estimates, however in 2005/2006 our three most significant emissions were particulate matter 10.0 um (4,500 tonnes to air), oxides of nitrogen (2,300 tonnes to air) and carbon monoxide (980 tonnes 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.



ENVIRONMENTAL

Air (Atmospheric emissions)

Dust

During the year we continued to monitor ambient dust conditions to expand our understanding of potential impacts on the

Waste

Solid waste

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

Our total solid general waste stream during the year was estimated to be 5,842 cubic metres, up 26 per cent on last year. Of this amount, we estimated that 30 per cent was recycled and 70 per cent was disposed of as landfill, see Figure 2.

Total solid waste disposed of to landfill per Million BCMeq was estimated to be 27.3 cubic metres, up 35 per cent on last year.

Liquid waste

Liquid waste during the year consisted primarily of waste oil and oily water.

Our total liquid general waste during the year was estimated to be 449,800 litres, almost the same as last year, see Figure 3. Our liquid waste is disposed of to a licensed disposal facility.

Solid hydrocarbon wastes such as heavy grease, oily rags and hydrocarbon-contaminated soil with a total volume of approximately 147,600 litres was also disposed of in accordance with the EPA's requirements, see Figure 4.

Total liquid waste generation per Million BCMeq was estimated to be 3,017 litres, down five per cent on last year.

Recycling initiatives

Recycling initiatives undertaken this year included investigating options to trial the recycling of gloves and fluorescent light bulbs. We have continued to extend the life of our heavy earthmoving tyres through improved tyre and operational management and better maintenance.

We are also investigating the use of waste oil in the manufacture of ANFO for our on-site explosives.

Other ongoing initiatives include our on-site land farm to manage and remediate

hydrocarbon-contaminated soils and the recovery of scrap steel which totalled 1,105 tonnes, down 15 per cent on last year.

Land

Flora and fauna

We continue to sponsor flora and soil erosion studies on areas of rehabilitated land emergence.

The flora study project to monitor species emergence being carried out by the University of Queensland's Centre for Mined Land Rehabilitation reported last year will continue for another five years.

The soil erosion project being undertaken for us by the Queensland Department of Natural Resources and Water as reported last year has continued. The project will be completed in 2009. At the conclusion of the project, 15 years of data will have been collected, making it one of the longest running erosion studies completed in Queensland. The knowledge we gain from these research programmes enables us to develop a greater understanding of the likely long-term success of our land rehabilitation efforts.

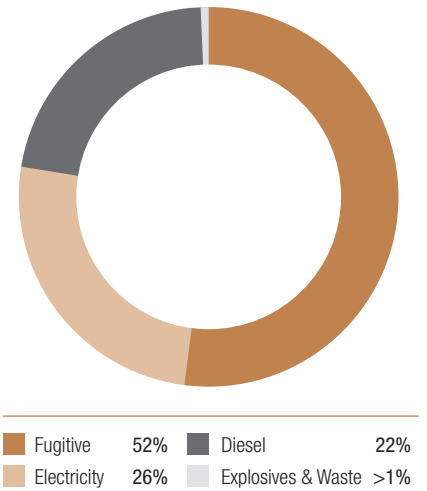
The first stage of research into the spatial distribution of the ornamental snake, an endangered species under Commonwealth legislation, was conducted during the year. At this stage, no ornamental snakes have been discovered on the mining lease.

We continued our commitment to manage three areas of brigalow woodland land classified as endangered regional ecosystems under the Commonwealth *Environmental Protection and Biodiversity Conservation Act 1999*. These commitments have been made under specific management plans in agreement with the Commonwealth Department of Environment and Heritage.

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.

Figure 1: Greenhouse Gas Emissions (percentage)



The design for an entombment cell for the contaminated soil from the former cattle dip site has been completed. The containment process will be undertaken in late 2007.

Resource usage

Rehabilitation

Mining began in 1983 and since then 6,048 hectares of land have been disturbed by mining and associated activities. Revegetation commenced in 1987 and 979 hectares (or 16 per cent of the disturbed land) have now been rehabilitated.

During the year, 289 hectares of land were disturbed by mining and associated activities and 60 hectares were rehabilitated.

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 2,882,302 gigajoules, down 1.9 per cent on last year.

Figure 2: General Waste (cubic metres)

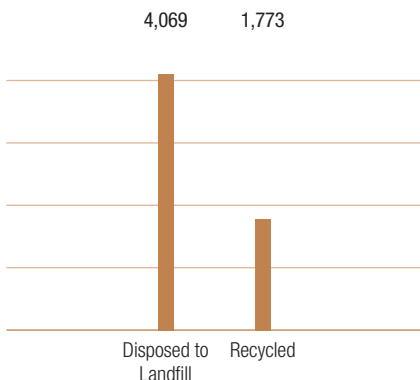


Figure 3: Liquid Waste (litres)

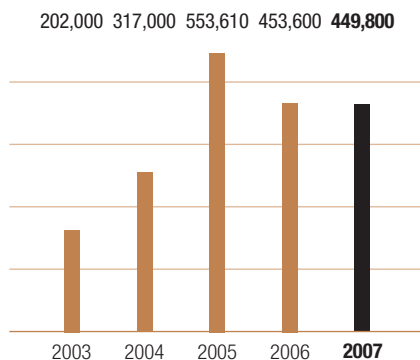
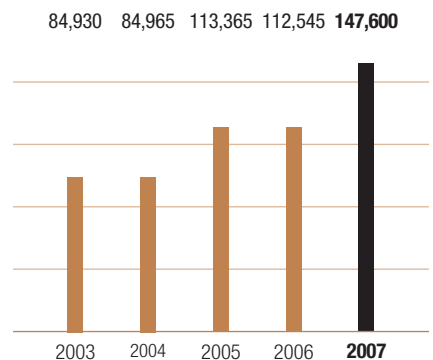


Figure 4: Solid Hydrocarbon Waste (litres)



Our total energy consumption per million BCMeq was estimated to be 19,337 gigajoules, down six per cent on last year. Energy sources are detailed below.

Fuel

Diesel accounted for 76 per cent of our total energy consumption by gigajoule. Our diesel consumption was estimated to be 56,575 kilolitres.

Electricity

Electricity accounted for 24 per cent of our total energy consumption by gigajoule. Our electricity consumption was estimated to be 189,173,635 kilowatt hours.

Other materials

Explosives were a major consumable with 21,016 tonnes used during the year, a decrease of 19 per cent on last year.

Energy Efficiency Opportunities

Through our parent company, Wesfarmers Limited, we are a participant in the Commonwealth Government's Energy Efficiency Opportunities programme.

Water

Consumption

Water use during the year related primarily to coal washing in our CHPP, suppression of dust on our haul roads and water for civil construction purposes at Curragh North.

Our main source of water is via allocated or purchased water. Total water consumption was 3,128 megalitres, down 1.9 per cent on last year, see Figure 5. Last year's water consumption was incorrectly reported as 3,388 megalitres, instead of 3,188 megalitres.

Our total water consumption per million BEMeq was estimated to be 21 megalitres, down six per cent on last year.

Reuse and recycling

A water management system of 21 retention dams is used to collect water.

This water is used by the CHPP and for dust suppression on haul roads. Water fill points for trucks engaged in dust suppression are located at five of the retention dams.

We have continued to focus on reducing the use of purchased water. The water management infrastructure project was issued for tender in September 2007. The project involves the installation of infrastructure and monitoring equipment to allow water to be captured and distributed across the site more efficiently.

Discharges to surface and groundwater

We had no discharge of mine pit water off-site during the year.

resolved that an initial audit was required to identify the necessary upgrade of our hardware prior to the introduction of a lockout system. The audit identified points of isolation and their compatibility with the use of padlocks. Once the necessary upgrade of the equipment to accept a padlock has been completed, we can then start building procedures for the use of these padlocks for the control of energy sources and deliver positive and effective isolation.

Emergency response

Our Emergency Response Team personnel are trained to respond to on-site emergencies. Consultation with our external training providers continues in order to improve our crisis management capabilities.

Materials handling and storage

The database used to register chemicals is ChemAlert. Our employees and contractors are informed about the system during their site induction. The database is accessible via our intranet and is updated when chemicals are either approved for use on-site or removed from site.

Limited progress was made on the hydrocarbon storage facilities project, due to the complexity of the project. A project manager was appointed in March 2007 and the first stage of the project was awarded to an external provider in June 2007. The first stage will involve construction of a heavy vehicle wash down facility with hydrocarbon separation capability. The second stage will see improvements to workshop, lube bay areas, light vehicle fuelling, and wash facilities and the waste oil storage facility.

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.

SAFETY AND HEALTH

Lost time

Our LTIFR was three (compared with 4.9 last year) see Figure 6 and, during the year, there were seven LTIs. Our Average Time Lost Rate, which provides a measure of the severity of such injuries, was 12 (compared with eight last year). These statistics include contractor hours and injuries.

Workers compensation

There were eight workers compensation claims reported, relating to occurrences during the year, compared with seven last year (see Figure 7). Last year we reported six workers compensation claims. The actual number for 2005/2006 was seven as one claim was received late.

Hazard and risk

Programmes

In May 2007 a committee comprising a cross section of the workforce was formed to review our Isolation Procedures. The committee

Figure 5: Water Purchased (megalitres)

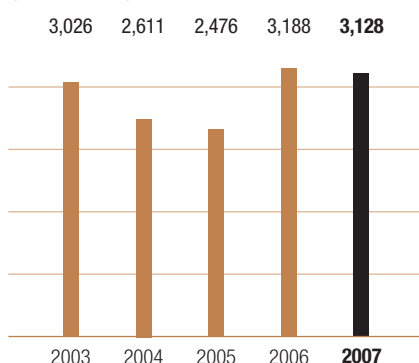
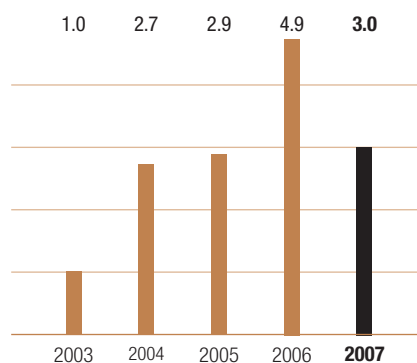
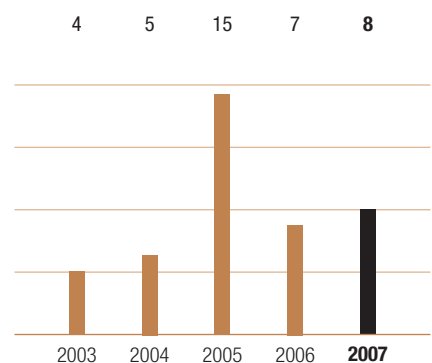


Figure 6: Lost Time Injury Frequency Rate*



1 July 02 - 30 June 07 (as at 30 September 07)
*Contractor hours included

Figure 7: Number of Workers Compensation Claims*



*Contractor claims included



Employee wellbeing

An influenza inoculation programme was again offered to employees and 62 employees had injections. This was carried out by our nominated medical adviser who also visited the site during the year to consult with employees and management.

A physiotherapist is available for employees for work and non-work-related injuries. The physiotherapist is now also available on-site one day per week for treatment of work and non-work related injuries or for ergonomic work station assessments.

Our employees and their families were offered the chance to attend an Early Detection Skin Cancer Clinic conducted by Skin Patrol from 30 October – 5 November 2006. Three hundred and seventy-seven people attended the clinic.

Skin Patrol made several recommendations as a result of the clinic and employees were able to access a full copy of the report on the site intranet.

One of the recommendations was to use Bureau of Meteorology UV Index information to inform workers of particular risks. This information can now be found on our site intranet.

In May 2007 health assessments were offered to all our employees. These assessments were conducted by an external provider 'Corporate Bodies'. The assessments were followed up with an in depth consultation to develop an action plan to suit the individual.

One hundred and thirty-one employees attended the initial health assessments, with the in depth consultations continuing.

local communities in which we operate, and shareholders in our parent company, Wesfarmers Limited.

During the year we continued cultural heritage assessment and mitigation at both our Curragh and Curragh North operations.

Response to 2006 Stakeholder Survey

We reviewed the 2006 Stakeholder Survey and found that although we rated positively on the measured criteria, one opportunity identified by the survey was to formalise our engagement with stakeholders. We hosted our local landholders for an informal meeting to meet our new Executive General Manager and environmental staff. A commitment has been made to continue these forums to improve communication channels with our neighbours.

Feedback/Complaints

We received one formal complaint during the year. This related to the use of monitoring equipment on a local landholder's property. An investigation into the concern was undertaken and the sampling process was updated. Complaints are formally recorded in our FPe database and referred to appropriate employees for attention and implementation of corrective action if necessary.

Liaison with authorities

We regularly liaise with the Department of Mines and Energy, the Department of Natural Resources and Water, and the EPA.

Communication

Newsletters and reports

Monthly health and lifestyle brochures are sent to employees' homes.

During the year we introduced a monthly newsletter – *Carbon Copy* – which is used to communicate information about our mine site including new starters, departures and other relevant information.

Significant milestones, statistics and relevant information are passed on to employees by

the Executive General Manager at business update forums.

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

We made community contributions and donations of \$610,535 during the year.

Major donations we made in the 2006/2007 financial year were to the Blackwater International Coal Centre and to the PCYC Gym Project. In addition to these major contributions, we also made numerous donations to the many sporting, cultural and education facilities in Blackwater.

Research

We continue to support industry research projects through the Australian Coal Association Research Programme.

Awards

In a joint submission with Thiess we won a High Commendation in the Resource Development category of the 2006 Engineering Excellence Awards for the Curragh North Project.



COMMUNITY

Stakeholders

Our stakeholders include our employees, our customers, our suppliers and other contractors, relevant government agencies,

CASE STUDY



Emergency response team members competing at the 2007 Australasian Road Rescue Challenge held in Perth, Western Australia.

Road Rescue Challenge success
Our team achieved great success in the 2007 Australasian Road Rescue Challenge. A five-member team took part in the 2006 competition in Adelaide and was placed twelfth.

In December 2006 nominations were called for the 2007 challenge in Perth. The team got together for one week before the competition to fine tune their skills. While the team did not spend a lot of time training together, training is conducted throughout the year for all Emergency Response Team members.

The challenge consisted of three parts - Controlled Rescue, Entrapped Rescue and Immediate Rescue. Included in the overall score were points for Team Leader, Best Technical Team and Medic.

Our team placed first in the Immediate Rescue and the Controlled Rescue exercises as well as taking out best Technical Team and Best Medic, making us the Overall Champion Team.

08 PRIORITIES FOR THE FUTURE

PRIORITY
Zero LTIs.

PRIORITY
Review existing Fatigue Policy and implement changes.

PRIORITY
Continue upgrade of hydrocarbon storage facilities.

PRIORITY
Review existing Isolation Policy and implement changes.

PRIORITY
Desktop audit of the EMS and implement changes.

PRIORITY
Development of a Stakeholder Forum.

Premier Coal

Plant operator Rory McDonald being fitted with a dust monitor by Occupational Hygiene Consultant Matt Davies.



WE MINE COAL AT THE PREMIER OPEN CUT
IN COLLIE, ABOUT 200 KILOMETRES SOUTH
OF PERTH IN WESTERN AUSTRALIA.

07

PRIORITIES

- Achieve full environmental compliance.

- Maintain ISO14001 EMS standard.

- Develop environmental awareness and knowledge across company.

- Further improve hydrocarbon management.

- Progress 'value-added' rehabilitation and mine closure outcomes.

- Improve soil monitoring and rehabilitation prescription.

- Maintain community consultation processes.

- 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.

07

OUTCOMES

- Not achieved.** We experienced one water discharge. Two blasts were reported to the Department of Environment and Conservation (DEC) as being above our noise limit. No environmental fines imposed or prosecutions initiated against us.

- Achieved.** Successfully passed surveillance audit.

- Achieved.** A new induction package incorporating information about environmental issues impacting on our site has been shown to all employees.

- Achieved.** Reduction in oil consumption per BCMeq of 22.9 per cent.

- Achieved.** We continued to progress the relinquishment of Lake Kepwari to the community.

- Achieved.** A new geochemical study undertaken during the year confirmed our understanding of soil chemistry. Seeding of 172ha of disturbed mining land with native species was completed.

- Achieved.** Stakeholder meetings held.

- Not achieved.** We incurred three LTIs this year compared with five for 2006. However we reduced our LTIFR from 8.3 down to 5.4.

- Not achieved.** Progress delayed due to changes to Australian Standards and governmental guidelines. Revised Fitness for Work Standards are being developed in consultation with our unions for likely implementation in December 2007.

- Achieved.** Revised and implemented inspections and audits.

- Not achieved.** Australian Standard 4801 selected as framework for compliance. Preliminary implementation audit conducted.

During the year we sold three 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 275 people engaged in overburden removal, coal production, plant maintenance and site rehabilitation.

OVERVIEW

The main challenges facing our business on an ongoing basis are maintaining a safe operation and minimising any adverse impact on the environment or the local community.

In dealing with this challenge, areas which we focused our attention on during the year were noise management, waste management, rehabilitation and mine closure outcomes.

We continued with the maintenance of our noise management practices. Equipment noise did not raise concern for our neighbours and our blasting performance was predominantly within compliance requirements, with two exceptions.

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 almost identical in quantity to last year, being less than a one per cent increase. We achieved 86 per cent recycling efficiency, just short of our 90 per cent target.

An additional 172 hectares of rehabilitation was undertaken and this was offset by 42 hectares of land disturbed by mining and associated activities.

The two main safety areas on which we focused our attention during the year were



the First Priority Enterprise (FPe) system implementation and progress in the implementation of our Fitness for Work programme.

Development of the FPe safety and health management system continued as a Wesfarmers Energy and Wesfarmers Coal initiative. Progress was made in relation to the implementation of our Fitness to Work programme. Management and union representatives are developing revised standards to progress the programme's implementation which is expected by December 2007.

Additionally, we began a voluntary health assessment programme aimed at fitness awareness. One hundred and five people from our workforce undertook a health assessment. General health issue statistics were made available to our occupational health nurse and are currently being considered by management.

We updated our general mine Health, Safety and Environment (HSE) induction package, which included producing a professional quality DVD. This will improve employee/contractor awareness of HSE issues.

As part of our market research and development process, we completed

construction in October 2006 of a demonstration char plant, which produces char from coal. The aim of this process is to explore the possibility of developing our product into fuel and carbon for metallurgical markets. Commissioning of the plant is ongoing.



BUSINESS MANAGEMENT

Training

Environmental

Environmental training is conducted at induction of new employees and contractors. Safety meetings provide an opportunity for additional training and job-specific environmental training is conducted as necessary. Oil spill response training was conducted by a specialist consultant for the emergency response team and environmental staff. A new induction DVD incorporating information about environmental issues impacting on our site has been shown to all employees.

Health and safety

Progress was made in relation to the implementation of our Fitness to Work

programme. Changes to Australian Standards and draft guidelines issued by the Western Australian Department of Consumer and Employment Protection (DOCEP) impact on this programme. Management and union representatives continue to meet to develop revised standards to progress the implementation of the programme. It is anticipated that implementation will occur by December 2007.

We continue to run a monthly physiotherapy clinic as part of our injury management programme. This programme is 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.

In addition to the training mentioned above, our Safety and Health Representatives and some supervisors attended a DOCEP Resources Safety 'Mine Safety Road Show'. This was a seminar on the latest development in the changes in the Mine Safety and Inspection legislation and approaches to managing risks in mines. These included investigations, hazard identification and reporting, working hours code of practice, machinery hazards, provision of personal protective equipment to hired workers,

and a brief update on dangerous goods safety legislation.

Eight of our employees attended the Chamber of Minerals and Energy 2007 Occupational Safety & Health conference which included the National Mine Safety Innovation Awards presentations.

We continued the training competency package for access/egress onto mobile equipment and the adjustment and use of mobile equipment seating. The 'Access/Egress and Seating Posture and Adjustment' training for mobile equipment operators is conducted one-on-one by a physiotherapist/ergonomist. Each operator needs to prove competency as part of the training in access to and egress from large heavy machinery, as well as instruction on seat adjustment and positioning as part of the pre-start set up. This training is necessary from time to time to reinforce safe working procedures and prevent injury.

The Chamber of Minerals and Energy newsletter 'First Watch' featured an article on our operator access/egress, seating training and awareness programme.

Training was conducted for new apprentices in manual handling, access/egress and the Stop, Think, Assess, Act and Review (STAAR), a personal risk assessment programme.

Emergency

Emergency Management Plans are maintained at our site and exercises are carried out on an annual basis. These procedures specify contingencies for responsibilities and actions in the event of an emergency or crisis.

The membership of our mine rescue emergency team stands at 14 and during the year we conducted a series of refresher and update courses to maintain their emergency response skills.

We conducted a Hydrocarbon Spillage Survey and Controls Assessment as a prelude to training our mine rescue team and supervisors to deal with potential hydrocarbon spills.

Our mine rescue training this year involved a number of scenarios, including the use of breathing apparatus, vehicle extraction, fire fighting, advanced first aid, environmental response, rescue from height and hazardous materials procedures. Part of the training routine also required regular checks of all emergency and fire fighting equipment.

Our mine rescue team was runner up in the Chamber of Minerals and Energy's South West Regional Emergency Skills Competition. The team also won the first aid skills event and was equal first in the team skills event.

We conducted a simulated emergency of a crisis nature at the demonstration char plant. The simulated incident involved a major fire

with casualties. This tested our internal and external emergency response capabilities. Overall the exercise was a success.

We met with the Collie Local Emergency Management Advisory Committee (LEMAC) as part of an annual review of its emergency plan.

Emergency procedure training for forward controllers was conducted for maintenance personnel.

We continue to maintain a level of first aid response skills amongst our employees by making first aid courses available during working hours. The total number of employees with current certification stands at 31. Of these 16 hold St John Ambulance Occupational First Aid certification, while the remainder have Senior First Aid certification.

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.

During the year we had one non-compliance with an elevated manganese level in a discharge from the Western 5H mine lake due to higher than expected water levels. We have been filling this lake with water as part of our rehabilitation strategy. This was similar to the discharge reported last year. Based on the fact that the soil testing downstream undertaken last year showed that the discharge had no effect on the environment we did not undertake further testing as a result of the discharge this year. To the best of our knowledge and understanding, this year's discharge had no effect on the environment. The Department of Environment and Conservation (DEC) was advised and has taken no action.

The DEC was informed of two blasts during the year. One blast exceeded the 125 dB(L) limit at 126.2 dB(L) while another blast was reported at 131.6 dB(L) however there is some doubt as to the cause of the higher exceedance.

At the time of the higher exceedance there was considerable background noise, with wind over the recording microphone at the same time as the blast. The blast occurred at 9.30am and the monitor was triggered 22 times at 131.6 dB(L) between 9.26am and 9.54am due to wind passing over the microphone. Contributing factors to the blast exceedances are the fact that mining operations have progressed closer to the blast monitor.

The 131.6 dB(L) blast exceedance was also associated with heavy cloud cover at the time of the shot. Cloud cover helps to trap the noise and these situations can be difficult to avoid.

The 126.2 dB(L) blast occurred around a geological fault and there was difficulty appropriately stemming the hole.

The 131.6 dB(L) reading occurred during a surface blast under heavy cloud conditions and this may have exacerbated the blast. As mentioned previously there was significant background noise during this recording. No environmental fines were incurred or prosecutions initiated against us.

National Pollutant Inventory (NPI)

Emissions notifiable under the NPI were estimated for the 2006/2007 reporting period and submitted to the DEC. Detailed information will be available on their website in due course at www.npi.gov.au. All our substance emissions for 2005/2006 were ranked by the NPI as 'low' and we expect 2006/2007 to be no different.

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 operate under the requirements of the *Mines Safety and Inspection Act 1994* and *Mines Safety and Inspection Regulations 1995*.

Machinery inspectors from the DOCEP Resources Safety Division conducted a general mine inspection, in particular the maintenance areas and classified plant records. Some improvements were needed including a handwritten version of our electronic records of the Classified Plant Record Book. This has since been rectified.

An improvement notice was issued in relation to the demonstration char plant which related to mainly housekeeping and other minor items. We have rectified the non-compliance as specified within the required timeframe.

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

All new mine rescue team members were medically and physically assessed and considered fit to be involved as team members to the requirements of the DOCEP Resources Safety Division.

We maintained communication and consultation with our employees through 12 elected Safety and Health Representatives on our Occupational Health and Safety Committee. Three newly elected Safety and Health Representatives attended an introductory course conducted by the Industrial Foundation for Accident Prevention in Bunbury.

The annual 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



Management systems

Environmental Management System (EMS)

We have a certified ISO14001-standard EMS that 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.

The EMS was subject to a surveillance audit during the year. Areas of concern included the omission of non statutory obligations from the legal register and the lack of process for identifying when sound level metres and blast monitoring instruments require calibration.

Opportunities for improvement included developing a contingency for the overflow of 5H void and a dangerous goods inspection. Work has been undertaken in each of these areas identified to improve the EMS. The auditor also noted that the standard of internal and external verification of data for public reporting was commendable and that the internal EMS auditing was an excellent tool for continual improvement.

As part of our ongoing commitment to the environment, we continued as a signatory to the Commonwealth Government's Greenhouse Challenge Plus programme and the Western Australian Cleaner Production Statement.

At this time the char plant has not been incorporated into our Environmental Management System 14001 certification scope.

An Environmental Management Plan (EMP) was developed for the construction phase of the char plant. The plan addresses such issues as the management of waste, water resources, conservation value and heritage. We have initiated the development of an EMP

system assists in managing dangerous goods and hazardous chemicals storage and the separation distances of potentially reactive substances. This system is available on our intranet and hard copies continue to be maintained.

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'.

Our main Licence to operate is No. 5094 issued by the DEC. This was renewed in October 2006 for a one-year period. Our Dangerous Goods licence was renewed in 2006 for a further year.

The demonstration char plant was also issued an annual Environmental Licence, No 8138/1 by DEC, effective from 17 May 2007.

to cover the operational phase of the plant. This will also capture any outcomes resulting from the upcoming emissions.

Quality system

Since 2003 our maintenance department has attained ISO9001 accreditation for its quality systems. The accreditation relates to the maintenance functions, which support the mining and process operations. An external surveillance audit in May 2007 confirmed our compliance with this standard with only two areas noted for improvement. One related to management reviews and the other to the corrective process. Both of these issues have been resolved.

Safety Management System (SMS)

Our SMS is the RiskMap Safety Management System made up of 66 standards. This is currently under review to align with AS4801.

We progressed the implementation of the First Priority Enterprise (FPe), a Safety, Health and Environment System, by reviewing the medium-term implementation schedule and resources required.

Inspection systems form part of the monthly routines of our operations departments. A revision of these has been completed with a new system currently being implemented as part of the FPe process.

Our Occupational Health and Safety (OHS) committee, which includes the Safety and Health Representative from the demonstration char plant, continues to meet monthly and review a range of topics, programmes and issues.

Our safety meetings combine the maintenance and production groups. The meetings are structured to convey information on serious potential incidents, changes in our safety

Figure 1: Dust Monitoring (microgm/m³)

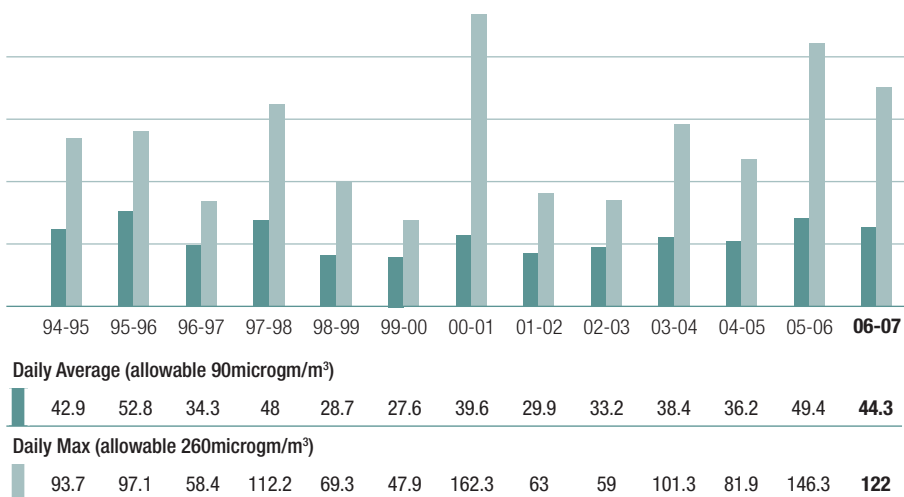


Figure 2: Total CO₂ Emissions by Source (tonnes of CO₂ equivalent)

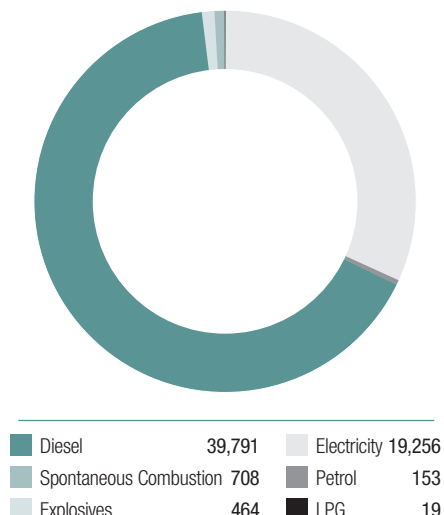


Figure 3: Premier Mine Blasting Buckingham Monitor

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total No.	70	165	262	271	261	349	477	596	547	559	473	616	611
Not triggered	27	49	149	191	197	297	299	443	353	377	385	418	379
No<115	64	149	242	261	254	343	455	586	541	550	464	603	595
% <115dBL	91.4	90.3	92.4	96.3	97.3	98.3	95.4	98.3	98.9	98.4	98.1	97.4	98.4
Average dBL	110	106	106	106	101	102	102	101	104	102	104	103	104

Figure 4: Premier Mine Blasting

	Buckingham	Griggs
<125dBL	99.6%	99.8%
<120dBL	99.3%	99.6%
<115dBL	98.3%	99.5%
Ave dBL when triggered	104	103
Total blasts	611	611
Not triggered	379	597

programme, topics for training and general feedback to allow safety issues to be raised, minuted and actioned.

Any issues that are not resolved at the combined group meeting are referred to the OHS committee.

Other management systems

The safety management plan for the construction of the char plant continues to be used while the plant is being commissioned. Additionally, procedures have been developed and personnel trained to deal with emergencies, confined space entry and manual handling techniques.

A Hazard and Operability (HAZOP) study was conducted from which we developed a project management plan, safety management plan and emergency management plan for use during construction. Copies of these plans

have been forwarded to the DOCEP Resources Safety Division, Senior Inspector of Mines as part of the legislative requirements for mining projects involving a change to a process.

As the char plant involves the heating of coal, a number of risk assessments and safe working procedures have been developed and are monitored by a planned inspection system.

Policy

Our Environmental and Safety and Health Policies remained in place. The Environmental Policy was updated 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 to be open and accountable to all our stakeholders.



ENVIRONMENTAL

Air (Atmospheric emissions)

Dust

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, which is when we conduct our regular monitoring. Results 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 44.3 micrograms per cubic metre and a daily maximum of 122 micrograms per cubic metre, both down on



Char Plant operator Robert Pitt inspects product.

Figure 5: Mine Abstraction
(megalitres)

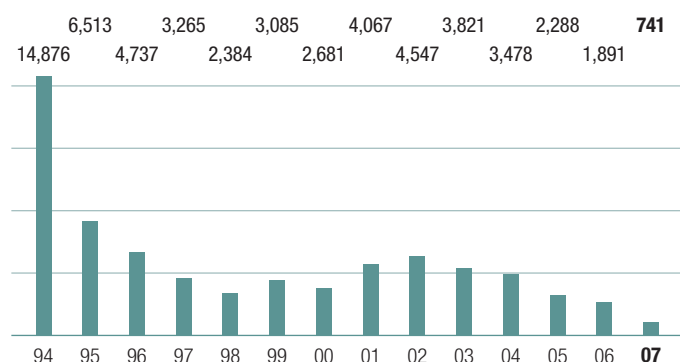


Figure 6: Water Discharge
(megalitres)

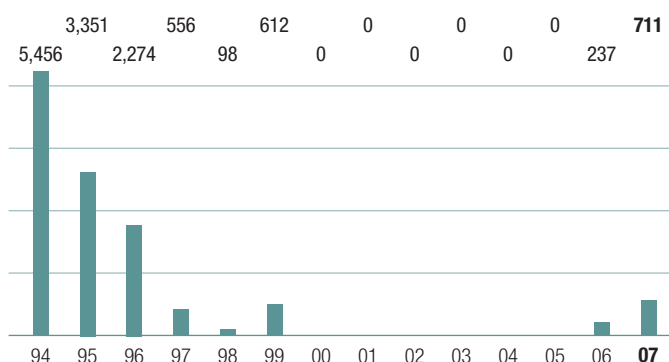


Figure 7: Rehabilitation
(hectares)

	Pre 90	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Total
Clearing	1,353	22	44	2	36	41	211	269	129	104	156	87.12	99.25	44.1	21.32	0	0	23.8	42	2,684.6
Rehabilitation	359	42	33	14	34	41	104	0	50	38	116	0	0	192	186.8	22.1	0	21.02	172	1,424.9

last year (see Figure 1). Management strategies include restricted surface operations in adverse conditions, minimised clearing, rapid rehabilitation when possible, tar sealing major mine road arteries and application of water to suppress dust on roads and operational areas.

Odour

Spontaneous combustion of coal 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. As part of our participation, we submitted our 2005/2006 report during the year.

Our total greenhouse gas emissions were estimated to be 60,475 tonnes of carbon dioxide equivalent, down 15.5 per cent on last year. This equates to 2.46 kilograms of carbon dioxide equivalent per BCM equivalent, down 6.8 per cent on last year. The reduced emissions are related to lower production and improved operating efficiencies.

We have not included carbon credits associated with rehabilitation of cleared land in this data.

The greenhouse gas emissions were largely due to diesel usage (66.1 per cent) and electricity consumption (31.9 per cent), see Figure 2.

Noise

There were eight complaints relating to blasting (six came from the same residence) compared to one complaint last year. Our average triggered blasting level was 1.7dB(L) higher than for last year at 104.7. One possible reason for the increase in complaints and average triggered blast

level is that mining operations in pit 1 have progressed closer to this residence and the blast monitor.

There was one exceedance to the 125 dB(L) limit at 126.2 dB(L) and one possible exceedance at 131.6 dB(L) as discussed previously in the compliance section (see Figures 3 and 4).

Most of the blasts, (97.4 per cent) were below 115dB(L). There were 611 blasts and the percentage of blasts triggering the monitor at Buckingham increased from 32 to 38 per cent. Independent building condition surveys are available to all nearby neighbours.

Other emissions

Our report to the NPI for the 2006/2007 reporting period, estimated our three most significant emissions as particulate matter (1,378,917 kilograms to air), oxides of nitrogen (530,795 kilograms to air) and carbon monoxide (246,350 kilograms to air). Further information will be available at: www.npi.gov.au in due course. All our substance emissions for 2005/2006 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 1,485 cubic metres prior to compaction, within one percent of last year's total. Of this amount, 43 per cent was recycled and 57 per cent was disposed of as landfill. Recycling efficiency for general waste reduced slightly from 88.4 per cent to 86.0 per cent, short of our target of 90 per cent.

We have initiated meetings with our waste management contractor to assist us to improve this performance.

Liquid waste

Our key liquid waste during the year was used and recovered hydrocarbon products captured by evacuation systems and the oil interceptor and skimmer. The oil interceptor and skimmer treats run-off and vehicle wash down waters in the maintenance and fuel bay areas if required. The Dissolved Air Flotation (DAF) plant remained off-line during the year as the silt traps and oil skimmers produced adequate quality water for discharge. There are no current plans to recommission the DAF.

Recovered liquid hydrocarbon waste during the year was estimated to be 173,100 litres, down 14.5 per cent on last year. In addition we collected 14,850 litres of oily water and 2,100 litres of coolant were taken for recycling. Waste oils were disposed of at a licensed disposal facility where they were recycled to produce low-grade oils or fuel oil.

Due to the hydrocarbon management programme, the amount of oil consumed was reduced from last year by 22.9 per cent per bank cubic metres equivalent.

Recycling initiatives

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.

Land

Flora and fauna

Protection of surrounding forests is a priority, with the spread of jarrah dieback a particular

Occupational Health Nurse Natalie Green conducting a respiratory test on Plant operator Ryan Weighell.



concern. Prior to any clearing, the target area is mapped to determine dieback boundaries. Our procedures for clearing, topsoil removal/replacement and land rehabilitation, minimise the risk of spreading the fungus. 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. Routine inspections identify improvement opportunities and permanent monitoring plots track vegetation uptake. Habitat logs are placed in rehabilitation areas to promote recolonisation of native fauna. 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 survey this year included four new and eight past sites.

Seven species of native mammal were recorded during the reporting year. Five were recorded in the four forest sites and six in the eight rehabilitation sites. Three species of frog were identified during the survey with four species being recorded in rehabilitation and one genus (*Heleioporus spp.*) being captured in forest sites. Twenty-one species of reptile were also recorded. Of these, 18 were recorded in forest sites and 15 in rehabilitation areas.

Fifty-five species of birds were recorded during this survey including Baudin's Cockatoo. A flock of 12 Baudin's Cockatoos were observed in forest site WF1 during April 2006. One adult was observed feeding a juvenile at this time. A flock of six Forest Red-tailed Black-Cockatoo birds was observed perched in a small forest island in the vicinity of rehabilitation site WR93 during the December 2006 survey.

Contamination

All potentially contaminated sites were reported to the DEC as required by the Contaminated Sites legislation. The main

contamination possibilities for our operations include our current and previous refuse sites and the water which remains in previous mining voids. These voids contain relatively acidic water however none are discharging into water courses.

Sites will be classified by the DEC and the Department of Health (DOH), according to the risk on human health and the environment, to determine whether:

- further investigation or remediation is required;
- the site is listed on the publicly available database of confirmed contaminated sites; or
- a memorial is registered on the land title.

Rehabilitation

Mining began in 1950 and since then 2,684 hectares of land have been disturbed by mining and associated activities. Revegetation commenced in 1975 and 1,425 hectares (or 53 per cent of the disturbed land) have now been rehabilitated.

During the year, 42 hectares were disturbed by mining and associated activities and 172 hectares were rehabilitated (see Figure 7).

Successful rehabilitation work requires careful planning and diligent machinery operators. A key to success is correct waste rock management with materials likely to generate acidic conditions buried deep in the dump or backfill profile. A geochemical study undertaken during the year provided us with additional information on our soil characteristics and material properties. The study essentially looked at the acid formation potential of certain soils which has implications for spoil management and waste dump formation. The results of the analysis confirmed our existing understanding of the materials and no changes to spoil management are required. 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 Cardiff Sub Basin mines continued with the Wyvern and N9 Mine areas completed.

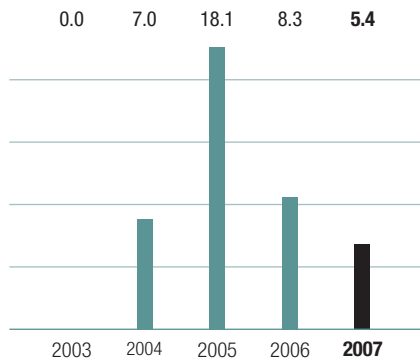
Previous information gained through rainfall simulations and materials studies by Landloch in 2006 has influenced our rehabilitation prescription with regards to water management on dump slopes. The outcomes of this work indicated that drains have not assisted in preventing erosion as previously thought and have not been incorporated into recent rehabilitation.

Due to evaporation over summer, the WO-5B void (Lake Kepwari) water level dropped approximately 0.6 metres. It is intended that this will be replaced by diversion of water from the Collie South Branch. We continue to progress the relinquishment of Lake Kepwari back to the community for recreation and water sports.

Rehabilitation is a key part of our sustainability programme. Artificially filling the void 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 is well suited to water sports such as skiing and rowing. The DEC has recently engaged a consultant to prepare an Environmental Management Plan expanding on issues identified from last years risk assessment.

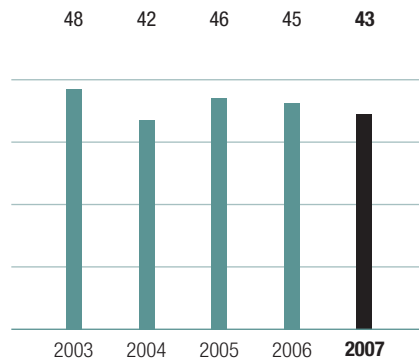
The adjacent Collie Motorplex is based at the former Western 2 mine site, and has successfully built upon existing mine infrastructure including workshops, other buildings and an extensive road network suitable for racing and training. Improvements continued this year and the complex was granted a Confederation of Australian Motor Sport (CAMs) rating.

Figure 8: Lost Time Injury Frequency Rate*



1 July 2002 - 30 June 07 (as at 30 September 07)
*Contractor hours and LTIs included

Figure 9: Number of workers compensation claims



Resource usage

The figures reported below do not include resource usage at our demonstration char plant.

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 632,779 gigajoules, down 15.4 per cent on last year.

Our total energy consumption per million bank cubic metre equivalent (MBCM_{eq}) was estimated to be 25,790 gigajoules down 6.4 per cent on last year. Energy sources are detailed below.

Fuel

Our consumption for petrol, diesel and LPG accounted for 89.6 per cent of our total energy consumption by gigajoule. Our petrol, diesel and LPG consumption was estimated to be 60.80 kilolitres, 14,622 kilolitres and 10.8 kilolitres, respectively.

We have begun a study to consider whether to convert our 240 tonne capacity haul truck fleet to combined natural and gas diesel with the aim of reducing our greenhouse gas emissions.

We finalised a supply agreement with Australian Renewable Fuels for biodiesel to blend with mineral diesel. It is expected that up to 1.5 million litres of biodiesel will be blended at 10 per cent with mineral diesel and displace approximately 1,600 tonnes of carbon dioxide.

Electricity

Electricity accounted for 10.4 per cent of our total energy consumption by gigajoule. Our electricity consumption was estimated to be 18,335 megawatt hours.

Other materials

Explosives were a major consumable with 2,679 tonnes used during the year, an increase of 27 per cent on last year. The increased use of explosives reflected higher production and

an increased blasting requirement in areas we mined during the year.

The overall powder factor increased from 0.16 kilograms per bank cubic metre (BCM) last year to 0.20 kilograms per BCM this year, a 25 per cent increase. Powder factor is the ratio of the weight of explosives used to blast a unit of material.

Energy Efficiency Opportunities

Through our parent company Wesfarmers Limited, we are a participant in the Commonwealth Government's Energy Efficiency Opportunities programme.

Water

Consumption

Water use during the year related primarily to dust suppression (94.3 per cent of abstraction used by us) and process water (5.7 per cent).

Total water consumption was 523 megalitres, down 6.1 per cent on last year.

Our total water consumption per bank cubic metre equivalent was estimated to be 21.3 litres, up 3.8 per cent on last year.

All groundwater was abstracted through bores (100 per cent).

Dewatering is required for safe and efficient mining in the Collie Basin.

All groundwater abstraction is licensed and monitored. During the year, 2.03 megalitres per day were pumped with a total abstraction of 741 megalitres (see Figure 5), down 46.2 per cent on last year. Of this total, 218 megalitres were available to be sent to local power stations – the major users in the area – thus helping to reduce overall abstraction in the Collie Basin.

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. Overflow from Sump A was 1,102 megalitres into Western 5H causing an outflow of 711 megalitres into the natural environment (see Figure 6). No water was diverted from the river to Lake Kepwari.

We continued to monitor adjacent river systems and maintain a database and management system for water quality, abstraction, discharge and regional waterway monitoring.



SAFETY AND HEALTH

Lost time

Our LTIFR was 5.4 (compared with 8.3 last year) see Figure 8 and, during the year, there were three LTIs. Our Average Time Lost Rate, which provides a measure of the severity of such injuries, was 15.3 (compared with 35.4 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. The Board is also advised of serious potential incidents and we also measure restricted work injuries to gauge the severity of injuries as well as the number of people returned to work but not yet fully functional. All safety incidents are discussed at weekly Hazard and Incident Review meetings to ensure investigations and follow-up actions are progressed.

Workers compensation

There were 43 workers compensation claims reported during the year, compared with 45 last year (see Figure 9).

Regular reviews of all injury claims are conducted with our insurers to assess

progress on outstanding claims and any injury rehabilitation plans. On-site injury management clinics are 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 by WorkCover Western Australia as a workers compensation and rehabilitation coordinator.

Hazard and risk

Programmes

Our STAAR personal risk assessment process continues as a primary method of conducting a quick risk assessment before performing any task. STAAR complements our other safe working procedure and risk assessment.

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 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 using a rating system identifies extreme and high-rated risks for control and reduction of each identified hazard.

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

Thirty-one of our employees are currently trained and certified in emergency first aid response skills and of these 16 have advanced certification of Occupational First Aid.

We maintained 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 that 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.

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 our updated ChemAlert Material Safety database.

We have purchased additional equipment to deal with hydrocarbon spill emergencies.

Risk assessment

The STAAR personal risk assessment system as detailed above is supported by the provision of risk assessment booklets.

We reviewed our confined space hazards register by involving our Safety and Health Representatives in risk identification and assessment.

A review of the Griffin boundary risk assessment was completed. A consultative group was formed with Griffin to develop procedures to allow them to operate on our lease near our pit 6 boundary with Griffin's Muja pit. The procedures included communications, blasting, vehicle movements and emergency procedures. Detailed procedures were developed and agreed by the respective OH&S committees and managements in readiness for when agreement on mining the boundary between us and Griffin is finalised.

Employee wellbeing

We sponsor an Industrial Chaplain to provide pastoral care and counselling. Father Mabey visits each week and maintains contact and availability with managers and other employees.

We have health monitoring and promotion programmes in place to ensure our workforce is assessed and educated about health issues. This year voluntary medical assessments undertaken were aimed at identifying health issues associated with fitness, obesity, smoking, diabetes, cholesterol, hypertension and cancer awareness. Doctors attended on site to conduct voluntary health and medical assessments as part of a federal government initiative. General statistics were made available regarding the number of people examined with identified health issues.

Influenza vaccinations were made available to all employees and contractors by having local doctors visit our site. Vaccinations were also made available at each of the local practices. Seventy-five employees (27 per cent of our workforce) took up this programme.

Given the age of our workforce, we again conducted diabetes awareness and prevention sessions for our operations employees.

The HealthMap medical and fitness assessment programme continues to be available to employees who wish to attend their choice of local medical practitioners and a physiotherapist to obtain a free confidential 'snapshot' report of their health status.

ACCESS Counselling conducts our Employee Assistance Programme that 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.

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 agencies, the local communities in which we operate, and shareholders in our parent company, Wesfarmers Limited.

Response to 2006 Stakeholder Survey

As a result of the survey we reviewed the key sustainability risks. We are working, as part of Wesfarmers Coal, in developing strategies to improve coal's image with respect to the issue of climate change. We have engaged Dr Ray Wills, Manager Sustainability Services, SMEC (Adjunct Senior Research Fellow, School of Earth and Geographical Sciences, the University of Western Australia) to advise and assist us in developing our greenhouse strategy.

Feedback/Complaints

We received eight complaints for the year. We had six blast complaints from one residence but these complaints were not in relation to any exceedance in licence monitoring. Two other complainants reported noise from the one blast and this was reported as an exceedance to the DEC.

We responded to all complainants in writing explaining the circumstances and our response actions.

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 that arise.

We hosted tours for politicians and government agencies, such as DoIR, DOCEP and the DEC.

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 South-West 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 Environment committee, the South-West Environmental Forum, the Collie Tidy Towns Committee, the Collie Basin Management and Planning Group, the Collie Air Quality Technical Working Group and the Lake Kepwari 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 was widely distributed throughout the community.

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

During the year, we hosted several mine visits including school groups, universities and international delegations.

Our intranet is available to employees. Information on the intranet includes 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 met and was updated on the demonstration char plant development. Participants were provided data on our business status, environmental performance and community contributions.

Community support

The Schools Compact for Education Excellence continued with Amaroo Primary School. The aim is to deliver improved education opportunities for children through business and school interaction and direct company support programmes.

Progress on a future industrial park at Shotts near Collie has been slow but 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 Commission and LandCorp and we have offered the necessary land for future development.

Under our Safety Voucher fund, a proportion of safety financial incentive awards, managed by employees, is contributed to community projects. Beneficiaries this year included the Smith Family, Little Athletics, the Collie Chaplaincy, Riding for Disabled, community halls, parks, sporting associations and local schools. We contributed \$21,260 to the fund and \$37,357 was paid out to the Collie community. We have given \$96,012 as direct community contributions this year to various sporting associations, schools, clubs, festivals and heritage projects. In addition, we have committed \$35,000 per year for two years towards the Collie Western Entrance Project. The project is to redevelop the town's entrance, which will include an interpretive centre. The centre's development is to showcase the importance of the coal industry in WA and to assist Collie in attracting tourism and economic diversity.

We contributed \$71,810 to the Collie Miners' Welfare Board.

Apprentices and senior managers attended a public Road Safety Forum with the aim of identifying and planning solutions to the region's ongoing road deaths and serious injuries toll.

The Collie Motorplex is a well-patronised driver training and club motor sports centre. Improvements continued this year.

Research

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

The aqua-farm at our former Western 5H mine site continued research on the production of

marron and silver perch using mine water, and was expanded to include a hatchery. It will also provide a base as a long-term teaching and research centre for the local TAFE and the Centre of Excellence in Sustainable Mine Lakes. The Centre's monitoring of the Western 5B lake (Lake Kepwari), to develop a predictive water quality model, was completed. The Centre continues to seek new government funding and industry partners to continue mine rehabilitation research.

As reported last year, 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.

During the year we contributed \$135,271 to the Australian Coal Association Research Programme. We are committed to contributing to the Coal21 programme.

Scholarships

Each year we provide \$2,500 for the J A Ellis Scholarship for university students.

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

We provided work experience to 11 high school/college and 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. We have a partnership with the Collie High School as part of their Industry Reference Group to provide support to vocational engineering trades students. The support includes financial contribution for uniforms, medical expenses, advertising and prizes/awards as well as providing work experience opportunities.

During the year we employed 16 apprentices ranging from those in the first year to those in the fourth year of their indentures.

Awards

We provided assistance to drive the Collie Tidy Towns Programme that was successful in winning the National Tidy Towns Award for 2006. Our rehabilitation projects, Lake Kepwari and the Motorplex, were included in the submission.

Working with the Smith Family

In March 2007 we pledged a three-year financial commitment of \$15,000 annually to The Smith Family. The Coal Miners' Welfare Board have matched our contribution, making a total of \$30,000 each year.



From left: Steve Smith (Premier Coal), Andy Vandijk (Worsley Alumina), Ian Miffing (Miners Welfare Board), Lynette Bouy (Smith Family), John Kearney (Premier Coal) and the mine's General Manager Patrick Warrant at the sponsor launch.

The Smith Family is an independent non-profit enterprise that operates nationally in over 80 communities. Its primary objective and mission is to promote educational opportunities for financially disadvantaged Australian children and their families.

The organisation plays an important role in encouraging greater participation in society by members of the community who are marginalised. Their activities are supported through the engagement of individuals and groups within the community who possess the capacity to give.

The Smith Family opened an office in Collie in February 2005, and during the past 12 months has provided support to 155 students in the town. It hopes to increase that to 235 students in the next 12 months.

Here's an example of how young people are helped, as told by a Smith Family volunteer in Collie:

"A year five student was invited to participate in the instrumental music programme through his school, but the

family was unable to afford an instrument. The Smith Family was able to provide some additional financial and practical support through the Learning for Life programme. This enabled the father to purchase a trumpet for his son.

The student came into the Learning for Life office some time later, and shared with me what he had learnt so far in his instrumental music lessons and then went on to play ALL of the notes he has learnt so far. His dad tells me that he practices diligently every day and really enjoys this opportunity. The boy's instrumental music teacher reports this student to be working extremely hard during all his music lessons and that he is a 'pleasure to teach'.

Eventually, as this student's music ability improves, he will be able to join the school band and have the opportunity to play at various functions and events, not only within his school but also in the broader community.

08 PRIORITIES FOR THE FUTURE

PRIORITY
Achieve full environmental compliance.

PRIORITY
Maintain ISO14001 EMS standard.

PRIORITY
Continue providing environmental awareness training across the company.

PRIORITY
Increase our support for research and development into cleaner coal technology.

PRIORITY
Further improve hydrocarbon management.

PRIORITY
Increase investment into progressing clean coal technology.

PRIORITY
Continue to build support with our community by consultation and working in the community.

PRIORITY
Complete the implementation of AS4801 compliant safety management system.

PRIORITY
Progress to completion the Fitness for Work programme.

Kleenheat GAs

Truck Driver Kerry Lowe refuelling his dedicated LNG vehicle at the Mitchell West Kewdale depot in Western Australia.



WE ARE A MAJOR DISTRIBUTOR OF LIQUEFIED PETROLEUM GAS (LPG) TO A BROAD RANGE OF DOMESTIC, COMMERCIAL, FORKLIFT, AUTOGAS AND INDUSTRIAL CUSTOMERS AND A SUPPLIER OF LIQUEFIED NATURAL GAS (LNG) IN A GROWING MARKET.

07

PRIORITIES

- Contribute to the management of contaminated sites.
- Contribute to the development and implementation of the Wesfarmers Energy, Health, Safety and Environment Project.
- Improve our LTIFR to zero.
- Continue to assist our business partners in operational safety.
- Undertake a driver risk management review.

07

OUTCOMES

- ☒ **Achieved.** Our reporting obligations under the Contaminated Sites legislation were met in relation to four sites. Work continued at Queens Park and Osborne Park to gather more monitoring data.
- ☒ **Achieved.** New Health, Safety and Environment reporting system implemented in March 2007.
- ☒ **Not achieved.** One contractor and three employee lost time injuries sustained in the year, giving a rate of 3.6.
- ☒ **Partially achieved.** Safety audits of dealers continued to be conducted through the year and further opportunities will be sought.
- ☒ **Partially achieved.** The risk management review is ongoing.

We operate in all states and territories of Australia through a network of depots, company-operated branches, commissioned agents, dealers and franchisees servicing more than 14,000 bulk, 220,000 domestic, 13,000 forklift and 2,100 Kwikgas customer installations. We also operate an LPG distribution facility in Bangladesh. We employ more than 430 people.

OVERVIEW

The main challenge facing our business on an ongoing basis is the safe transport of LPG in a way that minimises any adverse impact on our employees, contractors, the environment and the public.

In dealing with this challenge, the two main safety areas on which we focused our attention during the year were driver safety, and Health, Safety and Environment (HSE) compliance.

We continued a driver risk management project which has resulted in a review of driver behaviour, communications and a continuing evaluation of technology to enhance driver safety.

The other safety issue we focused on was the introduction of our new HSE and Compliance system, known as First Priority Enterprise (FPe). This replaces older reporting and recording systems and has resulted in an improvement to our reporting process and data collection. The system was implemented as part of the Wesfarmers Energy HSE project.

We failed to achieve our objective of zero Lost Time Injuries (LTIs). In the year we had four LTIs, (one contractor and three employees), incurring a frequency rate of 3.6. This was significantly higher than last year. Tragically, one of our

contract drivers died when his truck overturned and caught fire near Denmark in Western Australia.

A significant highlight in the year has been the implementation of a business model that has resulted in a greater management focus in 16 new metropolitan and regional based territories.

During the year the two main environmental areas we focused on were our ongoing certification to ISO14001 (Environmental Management Systems) for our Murdoch and Kwinana sites in Western Australia and the management and registration of contaminated sites with the Department of Environment and Conservation (DEC) in Western Australia. Our ISO14001 certification was continued following an audit in June 2007.

We reported four former Kwik Fuel sites under the *Contaminated Sites Act 2003* and we continue to manage contamination at two of the sites.

We continued the review of both customer and operational compliance issues related to our business units. As part of this project, a number of compliance risks have been identified and actions to eliminate or reduce them have been completed with further progress to be made in 2007/2008.



BUSINESS MANAGEMENT

Training

Environmental

Environmental awareness forms part of our employee induction programme. In the year we inducted 28 employees.

Health and safety

With the introduction of the FPe system we trained 89 employees in its use.

Training of our business partners has consisted of the continuation of safety auditing of our dealer network by our business representatives. The audits consist of a review of LPG storage, handling and transport. In the year we audited 123 dealers nationally. One of the opportunities for the coming year will be to review the chain of responsibility between our dealers and us.

Emergency

Training was conducted for 18 members of our crisis management team at our Murdoch office in April 2007.

Compliance

As reported last year we continued our compliance programme which will put in place an improved framework to ensure compliance with the *Trade Practices Act 1974*, related laws and industry standards. The programme is intended to keep up-to-date with compliance issues affecting our business operations and respond to them in a systematic and timely manner. We encourage all employees to be professional in their business dealings and not to take unfair advantage of others. The programme conforms to AS3806 – Compliance Programmes. This includes:

- a commitment to achieving an effective compliance regime and culture;
- enhancing competence with effective training;
- allocation of skilled resources;
- identifying and assigning compliance responsibilities; and
- process and procedural improvement through performance monitoring, reporting and regular review.

Environmental

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

National Pollutant Inventory (NPI)

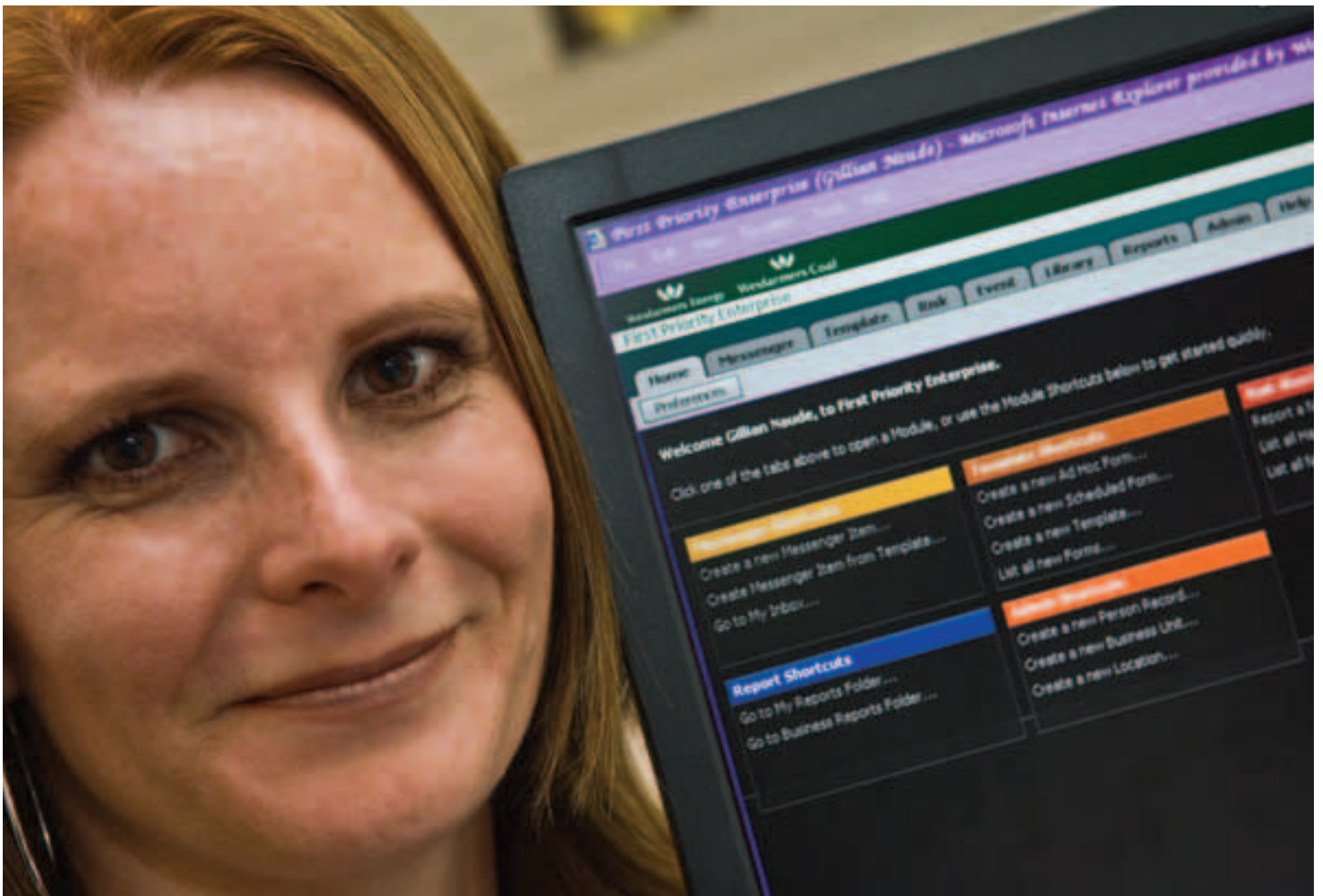
LPG is a volatile organic compound that is reportable under the NPI if a threshold is triggered. The presence and use of all substances listed under the NPI was reviewed during the year for each type of operating site. We did not trigger any thresholds and therefore were not required to report under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

The Victorian Workcover Authority issued an improvement notice to us in April 2007 in relation to a Liquefied Natural Gas (LNG) leak at our Deer Park terminal in Victoria. The notice was in relation to investigating the incident and implementing corrective actions. It has been complied with.

Two improvement notices were issued to us by WorkSafe Western Australia in April 2007 relating to breaches of fatigue management records and driver training. Both have been complied with.



Gillian Naudé, HSE and Compliance Administrator, demonstrating the new First Priority Enterprise Management System.

Leigh Lorberg Test Station Signatory refurbishing a 45kg cylinder at the Kwinana Gas Terminal in Western Australia and (inset) brass cylinder valves collected for recycling.



We have a system in place to ensure that small cylinders (nine kilograms or below) are tested and comply with the relevant Australian Standard at the time of supply and that customer-owned cylinders are not filled if they are out of date. We have a process in place which endeavours to ensure that LPG cylinders owned by us are tested and compliant at the time of supply and when re-filled. While every effort is made to ensure compliance, at any point in time, there may be some cylinders, which may fall out of date while in service.

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.

We continue to hold two site-specific environmental licences. These are required by the relevant statutory authorities for our terminal at Pinkenba in Queensland and our Kwinana LNG plant. We anticipate a periodic environmental inspection at our Mongla terminal by the government of Bangladesh in the coming year.

The Australian Competition and Consumer Commission (ACCC) is continuing an investigation into pricing and other practices with respect to our bulk LPG customers including possible overcharging. We are currently in discussions with the ACCC with a view to resolving these matters. If a resolution cannot be reached, the ACCC may decide to commence court proceedings against us. These matters may result in orders being entered and compensation/penalties being paid by us.

Management systems

Integrated Management System

Our Operations Management System (OMS) is an intranet-based system covering safety, quality and environmental management requirements. This year saw the completion of our document migration into the Oracle

system. During the year, 588 system documents were moved onto the Oracle platform to be controlled as part of the FPE system. The OMS also includes links to Australian Standards, HSE legislation and reference documents, codes of practice and regulators' home pages. It 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. A successful triennial audit was held in June 2007, allowing our certification to continue. Eleven incidents were reported as having an environmental impact, all of which were deemed minor and have been resolved.

Quality system

Our Quality Management System is certified and compliant with AS/NZS 9001. Surveillance audits were held in our Murdoch and Niddrie (Victoria) sites during the year. Some non-conformances were found relating to our engineering processes. We are currently working to rectify these issues.

Safety Management System (SMS)

We held a safety audit at Pinkenba in December 2006. Additionally, in WA, we have combined safety and quality audits. Two of these audits were held in the year.

Other management systems

We continue to maintain a database to capture information on safety and environment training. We also maintain 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. During the year, policies for privacy, journey management, vehicle monitoring and driver communications were developed.



ENVIRONMENTAL

Air (atmospheric emissions)

Dust

During the year, we lodged several complaints with the Kwinana Town Council regarding dust from our neighbours. The council has provided some feedback in relation to those complaints.

There were no other dust issues reported in the year.

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. No odour complaints were recorded in the year.

LPG emissions are minimised through the cylinder exchange programme and remnant gas recovery at our testing stations. During the year 135,580 cylinders were tested and we recovered a total of 216 tonnes of LPG. This is a decrease of 96 tonnes from last year's total of 312 tonnes. Remnant gas recovery can be affected by the number of different cylinder sizes tested during a year and the amount of unused LPG in the cylinders.

The numbers of each cylinder size tested are set out on page 48 in Figure 1.

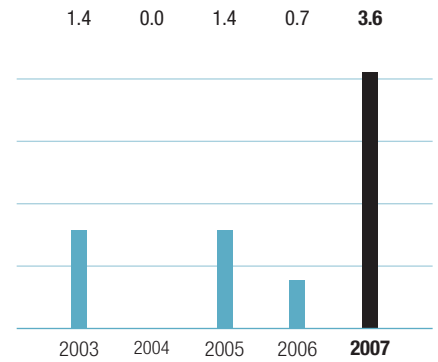
Greenhouse gas emissions

LPG produces up to 15 per cent less greenhouse gas emissions than petrol. This fact was included in the 'Environmental Benefits of LPG' training presented to employees in an effort to increase LPG usage



Paint spraying on a Kwikgas 8.5kg cylinder in the automated spraybooth at the Kwinana Gas Terminal in Western Australia.

Figure 2: Lost Time Injury Frequency Rate*



1 July 2002 - 30 June 07 (as at 30 September 07)
*Contractor hours included

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 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 460 tonnes per annum less than they could otherwise be.

Our total greenhouse gas emissions were estimated to be 14,622 tonnes of carbon dioxide equivalent, 10 per cent less than last year, and this equates to 27.9 kilograms of carbon dioxide equivalent per bulk tonne of LPG delivered, a 19 per cent decrease on last year. A change to the company's product mix over the year contributed to this decrease.

The only sources of greenhouse gas emissions that we have not included are contractor vehicle fuel use for fuel purchased from non-preferred outlets, 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.

Figure 1: Remnant Gas Recovery Tests

Cylinders Tested	05/06	06/07
4kg	0	1,405
9kg	75,321	90,454
13.5kg	0	137
15kg	0	125
18kg	7,746	3,861
45kg	42,087	38,869
190/210kg	999	729
Total	126,153	135,580

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

Expansion of our current vehicle fleet is in progress and an additional eight prime movers have been ordered this year, which will become operational during the next reporting year. Each new vehicle is fitted with dual fuel tanks to use both LNG and diesel. Two diesel-fuelled, rigid tankers will be replaced with two dedicated LNG-powered tankers.

Noise

No noise complaints were reported during the year.

Noise monitoring was undertaken at our Kwinana terminal during the year. The results indicated there were no significant noise-related risks at the site.

Other emissions

Our Gas Houses facilitate the servicing of some unflued gas heaters to ensure that the heaters perform safely with minimal emissions. In the year this totalled 1,348 heaters.

Waste

Solid waste

Solid waste continues to be disposed of via appropriate methods, dependent on type and location.

Liquid waste

Paint waste is generated from the automated spray booth water filters at our Kwinana and Camellia operations where a total of 67,240 litres were collected for disposal by a liquid waste contractor.

Recycling initiatives

Cardboard recycling increased at our larger depots by installing specific cardboard

recycling bins at the sites. We are aiming to implement similar recycling systems for cardboard at our Gas Houses. We are also investigating the recycling possibilities of the low density polyethylene plastic cylinder nets once they can no longer be reused.

A total of 592 tonnes of metal was sent for recycling from our operations across Australia. This included 46 tonnes of brass and 545 tonnes of steel, compared with last year's 53 tonnes and 351 tonnes respectively.

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. LNG also vaporises in a similar way.

The leased site at Camellia is contaminated from previous uses. The surfaces are concreted which assists in preventing remnant rainwater from spreading the contamination. As reported last year, we have now moved from the previously contaminated site at Nowra, New South Wales, into a new premises.

We reported two contaminated sites and two further sites which we suspect may be contaminated under the *Contaminated Sites Act 2003* which came into effect in Western Australia in December 2006. Each of the sites formerly operated as a Kwik Fuel service station. To date, we have fulfilled our reporting obligations under the Act and are awaiting a response from the Department of Environment and Conservation on each of the sites.

Our prior investigations into the suspected contamination at the former Kwik Fuel sites at Pinjarra and Yokine indicated that any

remaining contamination found at the time of the investigation was not related to our activities.

Responsibility for contamination and remediation at Queens Park and Osborne Park has not been determined at this time however we have continued to be involved in the management of these sites pending such determination.

As a proactive measure, we have engaged consultants to assist us with the delineation of the plumes at these sites. The intention is to obtain necessary information about the extent of contamination to ensure that an appropriate management strategy can be implemented for each site. Biological remediation methods will be utilised where practicable.

Resource usage

Energy

As reported in previous years, our main energy use during the year related primarily to transporting LPG and electricity consumption at our sites. Total energy consumption was estimated to be 184,069 gigajoules, down 12 per cent on last year.

Our total energy consumption per bulk tonne of LPG delivered was estimated to be 0.35 gigajoules, down 20 per cent on last year. This number is influenced by changes to fuel and vehicle efficiency within our fleet and an increase in the number of contract drivers, who do not disclose their diesel usage.

Energy sources are detailed below.

Fuel

Petrol, diesel, LPG and LNG accounted for 94 per cent of our total energy consumption by gigajoule. Our recorded petrol, diesel, LPG and LNG consumption was estimated to be 140 kilolitres, 3,900 kilolitres, 578 kilolitres and 146 kilolitres respectively.

Approximately 23.4 kilometres were travelled per bulk tonne of LPG delivered. The efficiency of diesel use cannot be accurately calculated as a significant number of contractors do not disclose their fuel usage.

Electricity

Electricity accounted for six per cent of our total energy consumption by gigajoule. Our electricity consumption was estimated to be 2,915,566 kilowatt hours.

Natural Gas

We are not aware of any significant use of natural gas at our sites other than the use of LNG to fuel some of our trucks.

Energy Efficiency Opportunities

Through our parent company Wesfarmers Limited, we are a participant in the Commonwealth Government's Energy Efficiency Opportunities programme.

Water

Consumption

Water use during the year related primarily to truck washing, cylinder washing and fire deluges. As many of our locations are leased properties without a site-specific water meter, water consumption was not able to be monitored.

Data on sites with washing facilities was not collected in the year.

Reuse and recycling

Fire deluge systems are erected above our bulk storage tanks where required. At Channel Island in the Northern Territory and at our Kwinana site, the released deluge water flows back into a water storage dam for reuse. The automatic spray booths and cylinder washing facilities at Kwinana and Camellia incorporate water recycling.

Construction of a new cylinder washing facility, with water recycling capacity, was completed at our Winnellie (Northern Territory) terminal.

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 LTIFR was 3.6 (compared with 0.7 last year, see Figure 2). During the year we sustained four LTIs. One, in December 2006, was a result of a contractor driver receiving a cold burn.

The second injury, during the same month was the result of a motor vehicle accident where one of our drivers was hit from behind. The third, a manual handling injury, was sustained by a cylinder ramp attendant in March 2007. The last injury, sustained in May 2007, resulted from a driver tripping and falling in our yard at Kwinana.

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

Workers compensation

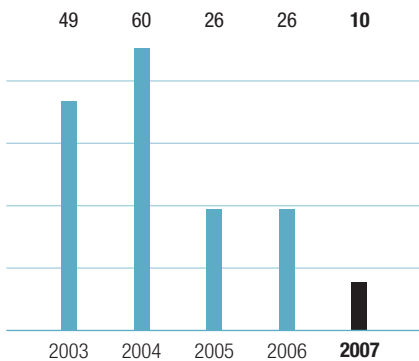
There were 10 workers compensation injuries recorded during the year, a reduction of 16 from the previous year (see Figure 3).

Hazard and risk

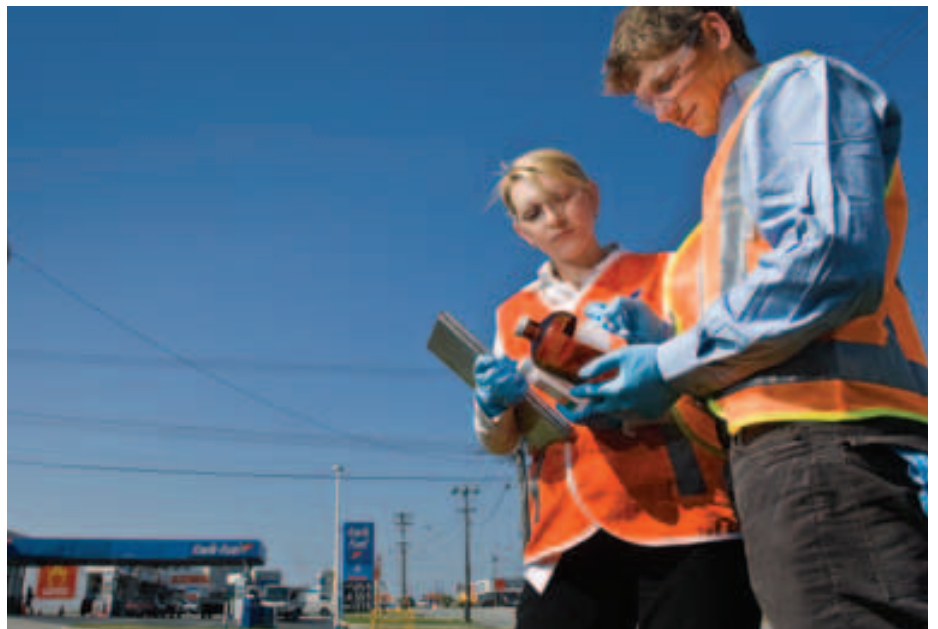
Programmes

One hundred and eight random drug and alcohol tests were conducted during the

Figure 3: Number of workers compensation claims



Megan Nicholas Environmental Advisor and Patrick Heathcote-Amory Environmental Consultant collecting groundwater samples from the Kwik-fuel site at Osborne Park, Western Australia, which was formerly operated by Kleenheat Gas.



year with six positive results. 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.

Vehicle tracking and fatigue management software, (vTrack), was installed on a further 55 bulk tankers and four cylinder trucks in the year. The software displays in real-time the location and speed of a tanker and the time and distance that the vehicle has travelled.

During the year there were three significant heavy vehicle accidents. In July 2006, a rigid bulk road tanker rolled over while trying to avoid a herd of cattle near Baradine in New South Wales. Our contractor driver was not hurt in this incident. The second incident, in December 2006, involved one of our cylinder trucks being hit from behind by a passenger vehicle and rolling off the road near Wyong in New South Wales. Our company driver sustained a shoulder injury in this incident. The third incident occurred near Denmark Western Australia, in March 2007, where, tragically, one of our contract drivers died when his cylinder truck ran off the road, overturned and caught fire. Investigations into this incident are continuing. In addition, there were five other heavy vehicle on-road incidents, two more than last year, and our passenger vehicles were involved in 17 accidents, 11 fewer than last year.

Emergency response

We held crisis management training and a desktop exercise in April 2007 at our Murdoch office. The exercise consisted of a safety and supply crisis at one of our regional locations. Plans are in place to undertake more training and exercises during the next year.

Our Customer Service Team (CST) continues to be provided with updated information for customers and the community to assist with appropriate response to incidents including emergencies. This information also helps with communication to other stakeholder groups during emergency responses.

Materials handling and storage

Our terminals in Swan Hill (Victoria), Pinkenba and Kwinana are major hazard facilities. All three terminals are subject to the oversight process by state authorities.

Risk assessment

Risk assessments are undertaken as part of our engineering process. Significant assessments were undertaken for two LNG projects in Western Australia as well as a detailed assessment to commence the de-registration process of our major Hazard Facility at Swan Hill.

Employee wellbeing

Influenza injections were again offered to employees this year and 88 employees took up this offer.

As with previous years, we published a safety-themed calendar for 2007, with children of our staff submitting drawings. The theme of the 2007 calendar was driver safety.

In the year, we participated in the 10,000 Steps challenge programme, which is highlighted in our Case Study.

We participated in a number of charity days at work during the year, including Red Nose Day, Jeans for Genes Day and WA's Giant Walk .



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.

Response to 2006 Stakeholder Survey

We participated last year in a Stakeholder Survey conducted by URS. The survey gauged responses by internal and external stakeholders on our performance on social responsibility and sought suggestions for change and improvement.

Our performance in social responsibility was perceived to be average to good. The suggestions for improvement made by our stakeholders included:

- our storage, handling and disposal of LPG;
- training and compliance improvement;
- concentration on safe supply of gas and a reduction in LTIFR;
- increased reporting measures for health and safety;
- increased reporting of waste streams; and
- more reporting on customer expectations and staff turnover.

These suggestions were considered when revising our sustainability issues and developing our priorities for the next 12 months.

Feedback/Complaints

Most customer issues are handled first by our CST officers. If an issue requires further attention, the matter is dealt with by the CST Manager, supervisor or other senior personnel. We also handled 110 written feedback issues during the year.

Liaison with authorities

We continued to foster and develop relationships with government authorities through providing submissions, information and specialist expertise.

Communication

Newsletters and reports

As in previous years, we provided the 'Well at Work' newsletter to our employees. Although no other newsletters were published during the year, we are planning to re-introduce a modified company newsletter in the coming year.

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 Liquefied Petroleum Gas Australia (LPGA), formerly known as the Australian Liquefied Petroleum Gas Association. Our staff continue to hold office in the Victorian branch and on the committee in New South Wales and Victorian branches. We also have representation on the LPGA technical committee.

We remain a full member of the Kwinana Industries Public Safety group and an associate member of the Kwinana Industries Council.

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

Community support

As with our areas of operation, the majority of our customers live and work in rural and regional areas of Australia. We continue our sponsorship activities in 2007 to reward excellence in regional community endeavour and support initiatives to improve social, economic and environmental wellbeing to these areas.

We again supported the Awards Australia Regional Achievers and Community awards in Western Australia, New South Wales and Victoria. We actively supported nominations through our dealer and branch network and participated in promotion, judging and presenting stages.

As in previous years, we continue to support the activities of the Clontarf Foundation.

Our community support activities also included staff donations made through 'free dress' Fridays and making smaller donations to community clubs and groups in our areas of operation.

10,000 Steps to a healthier life

“10,000 Steps” is Australia’s first whole of community health promotion physical activity project, funded by Queensland Health and supported by Quit, the Heart Foundation and Sports Medicine Australia.

As most adults spend half their waking hours at work, increasing activity during the workday is a practical way to become more active. The programme provides an opportunity for employees and employers to take positive steps towards better health by participating in a work-specific physical activity. The challenge is for individuals to walk 10,000 steps per day and to make the challenge more interesting, teams and virtual walks can be organised.

Participating staff were given pedometers and put into groups of 10. The first ‘virtual’ journey selected in March 2007 was the Western Seaboard challenge, from Perth to Broome, a distance of 2.9 million steps. Ten teams were involved and the average time required to achieve the journey was one month.

The second challenge, in May 2007, was a ‘coast to coast’ event, from Byron Bay (NSW) to Carnarvon (WA), a distance of five million steps and 17 groups of 10, based in Perth, Melbourne and Brisbane participated. A competition was organised along the way to reward the first team to reach the half way point, at Uluru (NT). The average time to complete this journey was seven weeks. Members in each team who successfully completed the challenge were awarded a Heart Foundation cookbook for their efforts.

More challenges are planned for next year.



Participants in the “10,000 Steps” Challenge leaving the Wesfarmers Energy Head Office in Murdoch, Western Australia, led by the Kleenheat Gas mascot, “Safety Sam”.

08 PRIORITIES FOR THE FUTURE

PRIORITY
To reduce our LTIFR by 50 per cent.

PRIORITY
To continue to assist our business partners in safety.

PRIORITY
To introduce further improvement programmes for safety and compliance.

PRIORITY
To reduce our environmental footprint through improved waste management.

PRIORITY
To continue to contribute to the management of contaminated sites.

Westfarmers LPG

Linde Project Manager Matthias Brüentrup (left) and Operations Supervisor Geoff Morgan discuss progress on the 175tpd LNG plant at Kwinana, Western Australia.



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.

07

PRIORITIES



No workplace injuries.



Lost Time Injury Frequency Rate (LTIFR) of zero.



Identification and control of hazards.



No significant release of hydrocarbons to the atmosphere.



Review stakeholder contact following interview process conducted for this report.

07

OUTCOMES



Not Achieved. We had two employee and three contractor injuries, requiring medical treatment.



Achieved. LTIFR of zero for employees and contractors.



Achieved. Use of site Permit to Work system. Use of workplace inspections.



Achieved. No significant release of hydrocarbons to the atmosphere.



Achieved. Reviewed feedback from interview process and maintained stakeholder contact through local committees.

Production was slightly higher than last year due to increased LPG content levels but plant capacity remains at about 350,000 tonnes per annum. We employ about 50 people.

OVERVIEW

The main challenge facing our business on an ongoing basis is the safe operation of our plant that 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, ensuring compliance with our Department of Environment and Conservation (DEC) licence conditions, completing the environmental approvals process for the new 175 tonnes-per-day liquefied natural gas (LNG) plant and ensuring that its construction progressed with minimal environmental impact from dust due to earthworks.

We continued to meet our DEC licence conditions and have not been advised of any breach of those conditions.

Our environmental approvals process was completed with the issue of a Works Approval for the new LNG plant.

We maintained dust suppression during the earthworks of the new LNG plant to minimise the effect of dust during construction activities.

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.

We continued with the implementation of our Fitness for Work (Alcohol and Drugs) policy with the completion of random drugs and alcohol testing.

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 four years LTI-free in February 2007 and this performance was recognised by presenting a safety award to site personnel for their efforts.

An independent compliance audit of our Safety Report due this year was rescheduled until after the completion of the new LNG plant following discussions with the Department of Consumer and Employment Protection (DOCEP). The audit is required under the national standard for the control of major hazard facilities.

We reviewed feedback from last year's stakeholder interview process and whilst we rated positively, we improved and maintained our stakeholder contact through local committees. We presented on our safety report and sustainability report which included items raised in the stakeholder feedback.



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 302 inductions carried out this year. In addition, our operator training programme covers procedures for the operation of the flare and odorant systems to minimise the formation of black smoke and odour from the plant.

Health and safety

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.

A comprehensive competency-based training programme is in place for all process operators involving demonstration of the 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. Approximately 67 per cent of the internal competency standards scheduled for completion were completed this year. The review process continues.

Our Fitness for Work (Alcohol and Drugs) policy continued to be applied. A total of 159 random tests was conducted with four positive tests (one employee and three contractors) in breach of the policy. These personnel were subject to counselling and disciplinary procedures as provided in the policy.

Emergency

Our comprehensive annual emergency response training programme is 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.

As part of our Safety Report requirements, 31 employees completed an advanced fire fighting course, 11 completed the fire ground command course and 17 went through the fire awareness and control programme.

Compliance

Environmental

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

National Pollutant Inventory (NPI)

Emissions notifiable under the NPI were estimated for oxides of nitrogen, carbon monoxide and particulate matter. Data for the 2005/2006 reporting period was submitted to the DEC. 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.

One of our contractors associated with the construction of the new LNG plant received two safety improvement notices from WorkSafe, due to scaffolding-related issues. At the time corrective measures were in the process of being implemented and once completed were notified to WorkSafe.



ENVIRONMENTAL

Air (Atmospheric emissions)

Dust

To control dust, large areas of grass have been planted and are maintained.

We provided dust suppression during construction activities associated with the new LNG plant.

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. One odour complaint was referred to us by an industrial neighbour during maintenance of our equipment that odorises the gas.

Greenhouse gas emissions

Our total greenhouse gas emissions were estimated to be 136,305 tonnes of carbon dioxide equivalent, down six per cent on last year, and this equates to 383 tonnes of carbon dioxide equivalent per day of production, down eight per cent on last year. 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.

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 DOCEP. The Report-related matters are discussed with DOCEP at our regular meetings during the 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.

As a result of participating in the Wesfarmers Energy Health, Safety and Environment (HSE) project, we have adopted the suite of SMS being implemented by Wesfarmers Energy. We will implement the electronic HSE activity management system (First Priority Enterprise) and competency systems in 2007.

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. Our safety regulations were reviewed and updated during the year. 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 continued, with the election of a new Safety and Health Representative.

DOCEP has agreed for us to carry over some minor compliance issues, mainly related to text changes within the Safety Report to reflect current practice. The next Safety Report update has been scheduled for late 2007.

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'.

Our plant operates under licences issued by the DEC and DOCEP.

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 DEC licence conditions. We have an environmental policy covering the site.

An internal review was undertaken to identify how we could implement an EMS, and in particular an aspects and impacts register.

Quality system

While we recognise that management of the quality of our products is a key element of our business, we do not have a formal documented 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 January 2007 and our certification continues.



Instrument and Electrical Technician Danyul Cvitan conducting checks on an actuator valve.

This figure includes the following substance emissions:

- 126,963 tonnes of carbon dioxide (CO₂);
- 442 tonnes of methane (CH₄); and
- 219 kilograms of nitrous oxide (N₂O).

The greenhouse gas emissions were largely due to fuel gas consumption (approximately 90 per cent) and fugitive gas emissions due to gas turbine starter gas (approximately six per cent).

Noise

The extraction plant operates 24 hours a day. There are items of rotating equipment giving rise to a low level of background noise at the plant boundary. With the addition of the new LNG plant noise reduction options were reviewed to ensure that we continue to comply with the noise regulations.

Other emissions

We have not yet prepared our report to the NPI for the 2006/2007 reporting period or finalised our data estimates. However in 2005/2006 our three most significant emissions were oxides of nitrogen (NO_x) (350,000 kilograms to air), carbon monoxide (50,000 kilograms to air) and particulate matter (5,500 kilograms to air).

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.

Waste

Solid waste

Solid waste during the year consisted of general site waste.

Our total solid general waste stream during the year was estimated to be 744 cubic metres, up less than one 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 4.0 cubic metres, compared with 4.6 last year.

Liquid waste

Liquid waste during the year consisted of waste oil and was estimated to be 2,600 litres which was collected by a contractor, down 81 per cent on last year.

This reduction was mainly due to non change out of the lubricating oil on our recompressors and that this year there was no removal of stockpiled waste oil.

Stormwater run-off from paved sections of the processing areas is directed to oil/water interceptors where any oil present is recovered.

A contract waste disposal firm removed this oily water waste, totalling 13,000 litres.

Recycling initiatives

Paper and cardboard recycling bins continued to be used as part of our paper products recycling policy and about 81 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 contamination discussed in previous reports was reported to the DEC following the introduction of the *Contaminated Sites Act 2003*, which came into effect in December 2006.

Resource usage

Energy

Total energy consumption was estimated to be 2,084,142 gigajoules, up 3.5 per cent on last year.

Our total energy consumption per day of production was estimated to be 5,854 gigajoules, up one per cent on last year.

Energy sources are detailed below.

Fuel

Petrol, diesel and LPG accounted for less than one per cent of our total energy consumption by gigajoule. Our petrol, diesel and LPG consumption was estimated to be 25 kilolitres, 23 kilolitres and less than one kilolitre, respectively.

Electricity

Electricity accounted for less than one per cent of our total energy consumption by gigajoule. Our electricity consumption was estimated to be 4,930,700 kilowatt hours.

Natural gas

Natural gas accounted for 99 per cent of our total energy consumption by gigajoule. Our natural gas consumption was estimated to be 2,064,518 gigajoules.

Energy Efficiency Opportunities

Through our parent company Wesfarmers Limited, we are a participant in the Commonwealth Government's Energy Efficiency Opportunities programme.

Water

Consumption

Water use during the year related to plant processes and general site amenities, such as kitchens and bathrooms.

Total scheme water consumption was estimated to be 16.3 megalitres, down 35 per cent on last year, due to reduced use of the water treatment plant.

Our total water consumption per day of production was estimated to be 45.8 kilolitres, down 36 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

Three bores operating on the site provide water for garden reticulation and for emergency response.



SAFETY AND HEALTH

Lost time

A highlight of this year's safety performance was our achievement for a fourth consecutive year of a zero Lost Time Injury Frequency Rate with no Lost Time Injuries (LTIs), during the year (see Figure 1). Our Average Lost Time Lost Rate, which provides a measure of the severity of such injuries, was zero again. We achieved four years LTI-free in February 2007 and this performance was recognised by giving a safety award to site personnel for their efforts. These statistics include contractor hours and incidents.

We had two employee and three contractor injuries during the year, requiring medical treatment.

Safety statistics, including information on employees and contractors, are reported to Wesfarmers Energy.

Workers compensation

For a second consecutive year there were no workers compensation claims reported (see Figure 2).

Hazard and risk

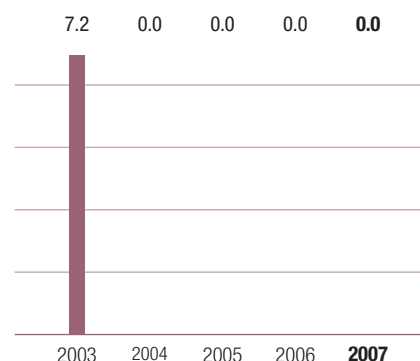
Programmes

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.



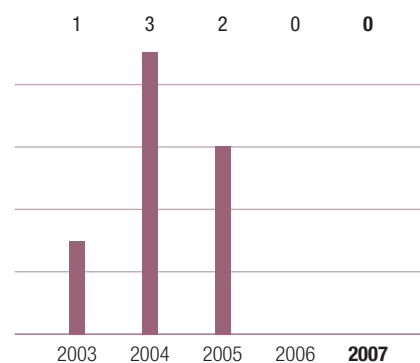
Process Engineer Matthew Neesham discussing the results of the Quantified Risk Assessment for the new LNG plant.

Figure 1: Lost Time Injury Frequency Rate*



1 July 2002 - 30 June 07 (as at 30 September 07)
*Contractor hours and LTIs included

Figure 2: Number of workers compensation claims



The Permit to Work system continued and workplace safety inspections were conducted by our safety and health representatives as part of our hazard identification and control programme.

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 contractors to reduce the risk to personal safety and the surrounding environment in the event of an emergency.

An emergency desktop exercise scenario involving a simulated release of gas from our residue gas line was carried out this year. The exercise involved role play of an injury to an employee and gas release to test our on-site emergency response and included involvement of external resources including our gas supplier, Wesfarmers Energy, emergency services, industrial neighbours and government agencies.

The exercise facilitator's report confirmed that our Emergency Management Team is capable of managing a major emergency.

Two 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 DOCEP licence as a Major Hazard Facility covering the storage of dangerous goods, which includes LPG, condensate (pentane), LNG, ethyl mercaptan (odorant), liquid nitrogen, flammable gas and flammable liquids.

Risk assessment

As part of the new LNG plant referred to earlier, a Failure Modes and Effects Analysis (FMEA) was conducted for the LNG storage tank, which was accepted by DOCEP. Work following the preliminary Quantified Risk Assessment (QRA) continued including discussions with DOCEP on the scope of work to complete the final QRA for the new LNG plant. A Hazard and Operability Study (HAZOP) was also completed for the new LNG plant.

Employee wellbeing

We continued with our Fitness for Work

(Alcohol and Drugs) policy, with the completion of random alcohol and drug testing.

We continue to provide an Employee Assistance Programme that 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 influenza vaccinations were offered to employees and long-term contractors.



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.



Response to 2006 Stakeholder Survey

We reviewed the 2006 Stakeholder Survey and found that although we rated positively on the measured criteria, one opportunity identified by the survey was to formalise our engagement with stakeholders. We hosted and presented to the Kwinana Industries Public Safety Group Liaison Group (KIPSLG) on our Safety Report and our section of the Wesfarmers 2006 Social Responsibility Report this year. We requested participants provide feedback on any potential improvements to our part of the report.

Feedback/Complaints

Senior management handles any complaints from the community.

We maintain an environmental complaints register. One odour complaint was referred to us this year by an industrial neighbour during maintenance of our odorant system and was resolved.

Liaison with authorities

We maintain working relationships with DOCEP and the DEC through our involvement with regular Safety Report meetings and communications 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 them to obtain assistance from neighbours in the event of an emergency.

Community support

We continued to participate in the South Metropolitan Youth Link (SMYL), which provides work experience in the mechanical trades disciplines for local school students. The SMYL programme was extended this year to include students for work experience in plant operations as part of their certificate course in Process Plant Operations.

We continue to support a number of community initiatives including, the Kwinana Industries Education Partnership (KIEP), Rotary Club, Lions Club and research in partnership with the University of Western Australia.

Our Case Study on the next page details our involvement with the Blue Light organisation.

Communication

Newsletters and reports

Information is provided through the KIC as required. The 2006 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 the KIC and the Western Australian police service, which provides the community with information about industrial events 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 KIPSLG. This allows us to formally consult with state government departments and agencies, local government organisations and community interest groups in matters relating to our operations.



Blue Light - working with young people

Blue Light has provided a valuable service in Western Australia since its inception in Albany in 1984. The Blue Light programme is based on early intervention to prevent crime and encourages young people to become responsible community citizens.

The programme provides an opportunity for police, adult community members and young people to meet regularly. Blue Light encourages communication and the development of meaningful relationships built on trust and mutual respect.

As part of our ongoing commitment to the local community, we are proud to support the Blue Light Streetsmart handbook initiative.

The Streetsmart handbook contains information directly relevant for school leavers including information regarding drugs, sex, money, leaving school, driving, healthy mind and much more. It is distributed to students through their local schools, including those in the Kwinana area.

Details are available via the Blue Light website www.bluelight.com.au.

08 PRIORITIES FOR THE FUTURE

PRIORITY
No workplace injuries.

PRIORITY
Lost Time Injury Frequency Rate (LTIFR) of zero.

PRIORITY
Identification and control of hazards.

PRIORITY
No significant release of hydrocarbons to the atmosphere.

PRIORITY
Implement electronic HSE activity and competency systems.

PRIORITY
Review and update our Safety Report.

PRIORITY
Conduct compliance audit of our Safety Report.

Industrial & Safety

The dedicated flammable and combustible goods storage room at the Blackwoods distribution centre at Carole Park, Queensland.



WE ARE A LEADING SUPPLIER OF ENGINEERING PRODUCTS AND INDUSTRIAL CONSUMABLES, SAFETY, PACKAGING, MATERIALS HANDLING AND LIFTING PRODUCTS AND SERVICES IN AUSTRALIA AND NEW ZEALAND.

07

PRIORITIES



Improve our safety performance by at least halving our LTIFR each year with a target of zero LTIs.



Improve our safety performance by reducing our total number of injuries (lost time, medical treatment and first aid) by 30 per cent.



Continue the implementation of GetSAFE across Australia, including change and communication initiatives.



Incorporate positive HSE performance indicators in our performance management systems.



Reduce manual handling injuries by 30 per cent.

07

OUTCOMES



Not achieved. LTIFR of 4.6, down by eight per cent from 5.0 last year. There were 25 LTIs. This data includes Bullivants.



Not achieved. There were 258 injuries compared with 280 last year. Of these 216 were recorded in Australia, compared with 239 last year, and 42 in New Zealand, compared with 41 last year.



Achieved. GetSAFE has been launched in all states in Australia, including an annual branch Health, Safety and Environment (HSE) plan. Monthly updates on HSE performance are communicated to all employees through the Managing Director's monthly newsletter, *In The Know*.



Achieved. Positive HSE performance indicators are included in employee Performance and Development Plans.



Not achieved. There were 108 manual handling injuries compared with 67 last year. Of these 91 were recorded in Australia, compared with 54 last year, and 17 in New Zealand, compared with 13 last year. Our employees are involved in many manual handling activities increasing the risk of exposure to injuries in this regard. We continue to address injury prevention through the implementation of our GetSAFE management system.

With more than 240 outlets we trade in Australia as Blackwoods (incorporating Atkins and Bakers Construction and Industrial), Bullivants, 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 3,200 people.

OVERVIEW

We are committed to focus continuously on the pursuit of sustainable outcomes within our operations. These outcomes must be economically viable, socially responsible and minimise any adverse impact on the environment.

As part of this commitment, the three main environmental areas on which we focused our attention during the year were storage and transportation of dangerous goods, continuing our efforts to better manage energy consumption and participating in activities aimed at preserving our environment.

Our distribution centres hold the majority of our dangerous goods. Following on from the review of these centres as reported last year, each distribution centre storing dangerous goods was upgraded. Improvements undertaken included the installation of secure enclosures for flammable aerosol products and licensing or similar approvals for the storage and distribution of dangerous goods. In Australian distribution centres

we are also implementing an automated process for producing shipping declaration documentation when transporting dangerous goods.

In continuing our efforts to better manage energy consumption, during the year we purchased 116 new dual fuelled (LPG and petrol) fleet vehicles. Employees are required to use LPG except when it is unavailable. Our existing fleet of petrol-only vehicles will be replaced gradually with dual fuelled vehicles over the next four years, as existing vehicles are changed over.

Energy saving initiatives are an important consideration in the design of all new facilities. This year we integrated energy and water saving improvements into our new state-of-the-art Blackwoods distribution centre at Carole Park in Queensland which opened in April 2007. Further details are contained in our Case Study on page 69 of this report.

Opportunities to preserve our environment were identified during the year. In Sydney

and Melbourne we participated in 'Business Clean-Up Day', a Clean Up Australia initiative. In New Zealand our Packaging House business supported the Department of Conservation in its efforts to save the Kiwi, which is under threat of extinction.

We focused our attention on two main safety areas during the year. These were the continuing implementation of our new integrated health, safety and environment HSE management system known as GetSAFE and a strong focus on forklift safety.

In February 2007, the implementation of our GetSAFE Management system, as reported last year, extended to all remaining Australian states. This includes the introduction of an annual HSE plan in each of our branches. The plan requires branches to undertake monthly activities.

Forklift operation is a high risk activity in our business. During the year we implemented traffic management initiatives at many branches, aiming wherever possible to distance people from operating forklifts. We aimed to heighten employee awareness of traffic management issues through training.

Operational highlights this year included the acquisition in December 2006 of Bullivants,

the premier lifting, rigging and materials handling business in Australia and the opening of our Blackwoods Distribution Centre at Carole Park.

Although we did not halve our Lost Time Injury Frequency Rate (LTIFR) this year, we did reduce it by eight per cent to 4.6 (compared to 5.0 in 2006). This data includes Bullivants. As we continue to focus on improving safety in the workplace in Australia there were particularly good results in Blackwoods central region (New South Wales and Australian Capital Territory) with a reduction of 71 per cent in the LTIFR and 73 per cent in Lost Time Injuries (LTIs), whilst Blackwoods southern region (Victoria, Tasmania and South Australia) and Protector Alsafe recorded zero LTIs. NZ Safety, Protector Safety and Group Support in New Zealand also recorded no LTIs across any of their business locations.

Although GetSAFE facilitates the collection of most HSE information, we continue to gather further data from our branches and distribution centres through a survey. This year, responses were received from all branches.

Unless otherwise stated, data provided in this report is for our combined Australian and New Zealand businesses, excluding Bullivants,

with the exception of its safety statistics. Bullivants' systems are detailed in the management systems section of this report.



BUSINESS MANAGEMENT

Training

We continue to invest in programmes and resources aimed at developing our people in support of our pursuit of sustainability.

In Australia, we implemented a revised induction training programme this year, which continues to provide new employees with information relating to company safety standards, business structure, physical work environment and employment conditions.

Ongoing training is also provided where relevant in point-of-sale solutions, field selling solutions, recruitment and selection, equal opportunity and performance management. Online resources to support this training were made available on our intranet.

In Blackwoods, we introduced a five-day residential regional and branch manager development programme to give managers the opportunity to understand the business drivers and to develop their leadership capability. Thirty-five employees attended the programme this year and we expect all managers will attend this training within the next 18 months.

Training is also fundamental to achieving our priorities in HSE. In Australia, our GetSAFE management system incorporates HSE training requirements for all positions within our division. We use a variety of delivery methods including toolbox talks, online competency-based training and formal face-to-face training.

Our New Zealand businesses have continued their HSE monthly awareness communication to increasing employee awareness across a range of topics, including safe racking and stacking, traffic management and floor plans, driver fatigue, chemical hazards, cuts and abrasions, fire evacuation and manual handling.

Environmental

Our environmental policies and accountabilities are communicated to all new employees during induction programmes and scheduled toolbox talks, as described below.

Dangerous goods awareness training was delivered to 37 employees. We provide spill kits and relevant training wherever dangerous goods are stored and distributed.

In New Zealand, we continue to have trained dangerous goods approved handlers at



Protector Alsafe Registered Training Organisation Manager Andrew Goodlace at the safety training centre, at Chipping Norton, New South Wales.

relevant sites. We also provide biosecurity training through the New Zealand Ministry of Agriculture and Forestry for employees opening shipping containers.

Health and safety

In order to reduce the occurrence of safety incidents in our business we aim to ensure that all employees, including contractors, receive the appropriate health and safety training to competently perform work activities.

Training begins on the first day of work when all workers receive a face-to-face health and safety induction from their manager. In Australia this year we implemented an additional induction procedure for our Account Managers, which covers topics specific to their daily activities including driver training, mobile phone use and working at customer premises.

Toolbox talks are formal briefings for our employees to increase the knowledge and awareness around HSE matters. Toolbox talk templates are available on our intranet and topics include manual handling, height safety, traffic management and fatigue management. Online training is also available for contractor management, driver safety and ergonomics.

Formal face-to-face training conducted in the business during the reporting period included such areas as GetSAFE HSE essentials for managers training (attended by 84 managers) and 12 employees attended safety committee training.

Forklift operation is a high risk operation in our business. We trained a total of 274 of our employees in traffic management awareness including the hazards associated with forklift activities.

An initiative is currently underway to develop competency-based training in risk assessment. The aim of the programme is to provide selected employees with the skills and knowledge to facilitate a risk assessment. A pilot programme was conducted at Blackwoods Smithfield in New South Wales in December 2006 and our next step is to identify and train other relevant employees.

In February 2007 our Protector Alsaf business in Australia completed the necessary requirements to become a Registered Training Organisation. Protector Safety Training Services is now delivering nationally-recognised competency-based training in the areas of:

- confined space entry;
- working at height;
- use and operation of fire extinguishers;
- hazard control and personal protective equipment;
- use and operation of gas detection equipment; and
- use and operation of breathing apparatus.

In New Zealand, public Occupational and Health Safety (OHS) training was conducted during the year in the following areas:

- implementing the *Health and Safety in Employment Act 1992* in the workplace;
- *Health and Safety Regulations 1995* and guidelines plus critical Issues for safety in the workplace;
- managing occupational overuse syndrome and general office safety;
- preventing hearing loss at work;
- hazard management in practice;
- accident reporting and investigation;
- stress and fatigue, awareness and management in workplaces; and
- *Hazardous Substances and New Organisms Act* approved handler.

Attendance at these public OHS seminars continued to be strong with 699 people participating during the year, including 155 of our employees.

Emergency

Our goal is to ensure that all branches and distribution centres receive appropriate emergency preparedness training.

This year in Australia 35 of our employees attended fire warden, fire awareness and fire extinguisher training. In New Zealand, fire evacuation refresher training was undertaken and emergency evacuation briefings were conducted.

First aid training continues to be made available throughout the business with a number of employees undertaking training this year.

During the year 10 defibrillators were introduced to our larger employee and customer-visited branches, as they provide a better chance of survival in the event of a heart attack. They are fully automated, allowing a person who has limited or no first aid training to activate the machine.

Compliance

Environmental

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

Last year we reported that our distribution centres were implementing required changes to their dangerous goods stores. Each of our distribution centres has now taken action where required.

In New Zealand, we reported last year that relevant sites were working with the New Zealand Environmental Risk Management Authority Test Certifier to achieve Site Location Certification. This has been achieved.

This year our Blackwoods Paykels Timaru branch in New Zealand was notified by the local council it needed to obtain a Site

Location Certificate for their stationary diesel tank. A Site Certifier has been contacted and will inspect the location in order to identify any requirements prior to having the Site Certificate issued.

National Pollutant Inventory (NPI)

We did not use any of the substances listed under the NPI during the year and therefore were not required to report under the NPI.

Health and safety

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

We received six notices from relevant authorities covering safety-related issues. On 30 August 2006 and 1 September 2006 WorkSafe Western Australia issued four improvement notices to our Blackwoods Osborne Park branch and two improvement notices to our Blackwoods Canning Vale branch respectively in relation to forklift safety. These matters have been rectified.

No other notices were received for any of our operations in other states.

Our branch and distribution centres' HSE plans address various internal compliance issues applicable to our operations around Australia and New Zealand including:

- emergency response;
- dangerous goods and hazardous substances management;
- development of manual handling risk assessments;
- audits/inspections;
- plant and equipment management;
- traffic and pedestrian management;
- isolation lock out/tag out; and
- working at height.

Licensing and approvals

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

Last year we reported that our dangerous goods licensed/registered sites within our Southern, Central and New Zealand regions reviewed their dangerous goods processes. The reviews are complete and each of these sites has successfully met the relevant legislative requirements for the storage and distribution of dangerous goods. Our branches that hold dangerous goods continue to review their dangerous goods processes to ensure compliance with licensing requirements. This year in New South Wales a focus was the caging of aerosols storage areas as part of fire safety requirements and the requirements under the Summary Offences Act.

It was also reported last year that in January 2006 a licence to store aerosols was granted to Blackwoods at Canning Vale on the condition that non-sparking fluorescent lighting be installed. The required lighting is now installed.

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 where local councils enforce this requirement. We will continue to progress registration of unregistered branches with the relevant local councils. In our Western region a bill, which is still before parliament will, if passed, require branches to be registered with their local councils and to pay an annual fee.

Management systems

Integrated Management System

Since the initial launch of GetSAFE, in New South Wales and Victoria in March 2006, we have continued to implement and improve the system across Australia.

One improvement this year was the review of our HSE planning and reporting. New plans have been developed for all of our Australian operations and all branches are required to report on a monthly basis as to their progress on the HSE actions contained within their plans.

A third party audit of health and safety in New South Wales and Victoria was conducted in September 2006. This included a comprehensive gap analysis of GetSAFE against regulatory authority standards. The audit report indicated that we have developed a robust HSE Management System, which meets the Health and Safety regulatory authorities' requirements for self-insurance in Victoria and New South Wales. The audit also acknowledged that we have shown a commitment to the implementation of a vigorous HSE Management System and an awareness of key risks for the business. The improvement opportunities identified by the audit are being addressed through an audit action plan.

Our New Zealand business continues to follow their existing integrated HSE Management system.

All aspects of our management systems are communicated to employees through our intranet to ensure current information is available.

Environmental Management System (EMS)

Our Bullivants business in Australia and our protective clothing, safety products and graphics factories in New Zealand have Environmental Management Systems that are certified to ISO 14001:2004.

Quality system

Bullivants and our safety products factories in New Zealand have current ISO 9001:2000 quality system certification.

Safety Management System (SMS)

Bullivants and our protective clothing, safety products and graphics factories in New Zealand are accredited to AS/NZS 4801.

Our New Zealand businesses retained Tertiary Level status under the NZ Accident Compensation Corporation Workplace Safety Management Programme, providing the business with the maximum workers compensation premium discount.

Other management systems

In Australia all of our Bullivants laboratories are certified to ISO 17025:1999 Mechanical Testing and ISO 17020:2000; On Site Visual Inspection and Non Destructive Testing.

In New Zealand, our Techsafe Laboratory continued accreditation to ISO/IEC 17025:1999- General Requirements for the competence of testing and calibration laboratories.

Policy

In Australia, we reviewed a number of GetSAFE policies during the year to ensure that they remain current and meet legislative requirements. New policies were also introduced to provide a framework for issues affecting our employees such as working from home and lockout and tag-out procedures.

All policies are communicated to our employees through noticeboards and our intranet.



ENVIRONMENTAL

Air (Atmospheric emissions)

Dust

We previously reported the potential dust hazard in our glove-knitting department at our safety products factory in New Zealand. The local council has since advised that monitoring is not required due to the small quantities released by the extraction system. We are also now purchasing cotton that produces less dust.

Odour

At our safety products factory in New Zealand we continue to monitor the potential for any solvent fume hazards through baseline health monitoring for employees. We will implement any remedial actions as required.

Greenhouse gas emissions

Our total greenhouse gas emissions were estimated to be 29,533 tonnes of carbon dioxide equivalent, down 0.83 per cent on last year. This equates to 2.45 tonnes of carbon dioxide equivalent per hundred thousand dollars of sales down 4.3 per cent on last year.

The greenhouse gas emissions were largely due to electricity (61 per cent) and vehicle fuel use (26 per cent).

Noise

In New Zealand, we have identified noise hazards at our Safety Products factory and at Blackwoods Paykels Distribution Centre at Wiri. We continue to monitor this issue and will implement any remedial actions as required.

Waste

Accurate measurements of the wastes we generate continues to be difficult. This is because many branches do not have heavy duty scales or hoists and this information is not provided by the waste management companies as scales are not fitted to many of their vehicles.

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 29,208 cubic metres, down 31 per cent on last year. Of this amount, we estimated that 14 per cent is recycled and 86 per cent is disposed of as landfill.

Total solid waste disposed of to landfill per hundred thousand dollars of sales was estimated to be 2.07 cubic metres, down 43 per cent on last year.

Liquid waste

We generate an inconsequential amount of liquid waste.

The Wetherill Park (New South Wales) branch of Motion Industries has a transmission servicing department generating gearbox oil waste. The oil continues to be collected for recycling by a contractor.

Recycling initiatives

All our branches manage their own recycling. Many branches this year continued to separate paper, cardboard, bottles and cans from general waste.

Our Protector Alsafe Regency Park branch in South Australia introduced the use of recycled bubble wrap for packaging of product to customers.

Our Blackwoods Regency Park branch in South Australia, our Blackwoods Scoresby branch in Victoria and our Macquarie Park office in New South Wales continue to recycle used printer cartridges. It is not practicable to record exact quantities.

Wherever possible we re-use packaging materials to dispatch goods to our customers, but it is not practicable to record.

We participated in 'Business Clean Up Day' in February 2007, a Clean Up Australia initiative. The day provides an opportunity for Australian businesses to help improve the quality of the environment and work towards reducing waste. Employees from Blackwoods branches in Victoria, New South Wales and the ACT took part in these activities.

Land

Flora and fauna

There are no known direct impacts on flora and fauna by our operations.

Contamination

We are not aware of any land, water or air contamination generated from company activities.

Last year we reported that our Blackwoods Coopers Plains branch in Queensland had two underground fuel tanks. The branch has since relocated to Carole Park in Queensland and the property at Coopers Plains was sold. Even though the remediation we intended to carry out as reported last year did not occur prior to the sale, the purchaser was made aware of the existence of the underground fuel tanks.

Rehabilitation

We are not aware of any rehabilitation activities required as a result of company activities.

Resource usage

Energy

We continue to track our energy use and promote our energy awareness.

Energy use during the year related primarily to electricity, gas and fuel.

Total energy consumption was estimated to be 176,234 gigajoules, down 3.5 per cent on last year.

Our total energy consumption per hundred thousand dollars of sales was 14.6 gigajoules, down 0.2 per cent on last year.

Energy sources are detailed below.

Fuel

Petrol, diesel and LPG accounted for 59 per cent of our total energy consumption by gigajoule. Our petrol, diesel and LPG consumption was 2,747 kilolitres, 97.06 kilolitres and 231 kilolitres, respectively.

During the year we purchased 116 new dual fuelled (LPG and petrol) fleet vehicles. LPG is a cleaner fuel than petrol. LPG vehicles emit about one third of the reactive organic gases of petrol-fuelled vehicles. Nitrogen oxide and carbon monoxide emissions are also 20 per cent and 60 per cent less, respectively. Our existing fleet of petrol-fuelled only vehicles will be replaced with dual fuelled vehicles over the next four years.

Electricity

Electricity accounted for 40 per cent of our total energy consumption by gigajoule. Our electricity consumption was 19,763,300 kilowatt hours.

As reported last year our businesses in New Zealand continue to use the Energy Report facility to measure and compare branch electricity usage per square metre. The aim is to investigate the reasons why some branches of the same or similar size consume more electricity. Where differences are identified, further work will be done with the objective of reducing overall energy usage.

Natural gas

Natural gas accounted for 0.6 per cent of our total energy consumption by gigajoule. Our natural gas consumption was 1,001 gigajoules.

Energy Efficiency Opportunities

Through our parent company Wesfarmers Limited, we are a participant in the Commonwealth Government's Energy Efficiency Opportunities programme.

Water

Consumption

During the year we improved our accuracy for capturing water consumption information, which resulted in a significant increase over last year's figure. Our water use relates primarily to general site amenities, such as kitchens and bathrooms.

Blackwoods

Feb-Mar 2007 Edition - Price valid until March 31st, 2007

Blackwoods are proud to participate in Business Clean Up Day

Clean up Australia Day

SEE INSIDE FOR BLACKWOODS WATER WISE SOLUTIONS PAGE 22 & 23

Blackwoods Tipping Comp Coming Soon! NRL - AFL

Ebony Industrial Pedestal Fan \$194.00

Aerogard Roll on Insect Repellent \$4.00

Karcher Cold Water Pressure Cleaner \$1470.00

JES Brand Thor Safety Boot \$100.00

The Blackwoods' bi-monthly workplace publication featuring participants in the Business Clean Up Day.

Total water consumption was estimated to be 146 megalitres, up 80 per cent on last year.

Our total water consumption per hundred thousand dollars of sales was estimated to be 12 kilolitres, up 75 per cent on last year.

Our primary source of water is scheme water.

Reuse and recycling

Our Blackwoods Canning Vale branch and our Group Support office in Macquarie Park, New South Wales have taken an initiative to save up to 887,880 litres of water per year by introducing a waterless urinal system. This system is an environmentally responsible approach to corporate hygiene that reduces water usage dramatically, avoids environmentally damaging chemicals and reduces wastewater discharge and treatment.

Our Blackwoods distribution centre at Carole Park implemented many water saving initiatives.

At our TotalCare operation in New Zealand, where the cleaning of fire service uniforms is undertaken, water recycling forms part of the operation.

Discharges to surface and groundwater

We are not aware of any water discharges to surface and groundwater during the year.

As reported last year, our Industrial Products Warehouse at our Smithfield Distribution Centre houses a detention tank that allows large volumes of stormwater collected from roof discharge to be released gradually into the stormwater system.

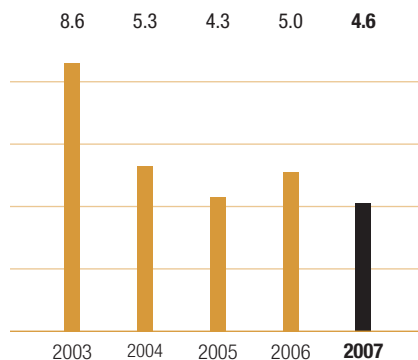


SAFETY AND HEALTH

Lost time

Our LTIFR was 4.6 (compared with five last year) see Figure 1 and, during the year, there were 25 LTIs. This data includes Bullivants.

Figure 1: Lost Time Injury Frequency Rate*



1 July 2002 - 30 June 07 (as at 30 September 07)
*Labour hire hours and LTIs included.

Our Average Time Lost Rate, which provides a measure of the severity of such injuries, was 22.5 (compared with 8.1 last year).

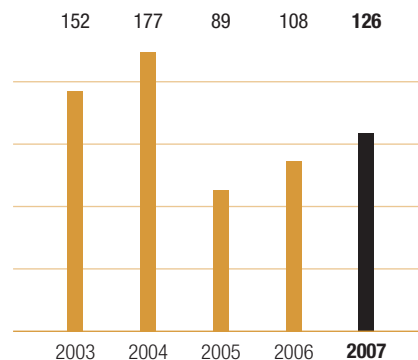
Although we did not halve our LTIFR this year, we did reduce it by eight per cent. As we continue to focus on improving safety in the workplace in Australia there were particularly pleasing results in Blackwoods central region (New South Wales and Australian Capital Territory) with a reduction of 71 per cent in the LTIFR and 73 per cent in LTIs, whilst Blackwoods southern region (Victoria, Tasmania and South Australia) and Protector Alsaf recorded zero LTIs.

NZ Safety, Protector Safety and Group Support in New Zealand also recorded no LTIs across any of their business locations.

To raise focus on all injuries, we now communicate an 'all injuries' measure, which includes first aid, medical treatment and lost time injuries, rather than just lost time injuries. Our all injury frequency rate (AIFR) was 49.9 (compared with 50.3 last year), and, during the year there were a total of 258 injuries (down eight per cent on last year). These statistics include regular labour hire hours and injuries.

Safety statistics are distributed and discussed by management each month and included in all our Board reports.

Figure 2: Number of workers compensation claims



Workers compensation

There were 126 workers compensation claims reported, relating to occurrences during the year, compared with 108 last year (see Figure 2).

Hazard and risk

Programmes

All our branches prepare an annual HSE Plan in accordance with our strategic HSE plan objectives, targets and performance indicators and local and site-specific issues.

In Australia, as part of GetSAFE, an online corrective actions register was made available to all branches. This allows them to efficiently track the progress for addressing issues identified through workplace inspections and audits, testing and risk assessments. The Executive Leadership Team receives a monthly status report on the number of outstanding corrective actions, including details on high-risk corrective actions.

We continue to implement our contractor management policy reported last year as part of the GetSAFE roll out.

A number of plant and equipment registers were completed by branches this year as well as risk assessments for high-risk items of plant such as forklifts.



Blackwoods Storeman Darren Carles in the Carole Park warehouse in Queensland using a specially-designed conveyor system to reduce manual handling.

Protector Alsafe employee Lawrence Anderson receives an influenza injection.



An online Material Safety Data Sheet database is maintained by an external provider for our various hazardous substances.

Emergency response

Emergency response continues to have a focus within the business. All our branches have implemented emergency preparedness and response procedures in accordance with the GetSAFE policy.

We have continued our national contract with CHUBB to provide emergency equipment servicing at all our Australian branches.

As mentioned previously, this year we purchased 10 defibrillator 'heart starter' machines to provide additional medical emergency response capability.

Materials handling and storage

We had 108 manual handling injuries compared with 67 last year. Of these, 91 were recorded in Australia compared with 54 last year and 17 were recorded in New Zealand, compared with 13 last year. Manual handling injuries accounted for 42 per cent of our total injuries this year.

Our employees are involved in various materials handling and storage activities including unloading, packing, unpacking and storage of products. In April 2007 we launched a project to develop visual task cards to provide guidance for avoiding manual handling risks associated with common activities performed within a warehouse environment. In addition, we have developed a draft packaging standard that will require our suppliers to include lifting information on packaging handled by our employees and customers.

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. In designing new facilities materials handling and

storage is an important design consideration. Our new Blackwoods distribution centre at Carole Park in Queensland was built with a tote conveyor system that delivers many advantages in this regard.

To support the release of our GetSAFE pallet racking and storage policy in Australia, a pallet racking safety inspection programme was implemented. This involved an independent consultant conducting an assessment programme at a number of our branches. Recommendations arising from the inspections are currently being implemented at those branches.

Risk assessment

Detailed site specific risk assessments continue to be undertaken and hazards reviewed for all sites. Control measures recommended in the risk assessments form part of the HSE plan for each branch/department. A key focus of risk assessments has been in the area of manual handling, which continues to be a significant cause of the injuries in our business.

In Australia, our risk assessment programme in GetSAFE was reviewed this year as a result of the audit mentioned earlier in the report. In particular, our risk assessment forms and matrix were revised to ensure hazards that presented a high risk were given the required priority for immediate action.

With mobile plant being a high-risk activity in our business, daily forklift pre-operation inspections are completed at our branches and a quarterly forklift compliance checklist was introduced for our branches in March 2007.

Traffic and pedestrian control safety initiatives have continued to be progressively implemented at branches and provided for in pre-planning of branch relocations.

Employee wellbeing

We believe that our business success lies in the hands of all our people working together

as a united team. In October 2006 we surveyed our employees to provide feedback on our business, leadership behaviours and suggestions for improvement. The overall results suggest that our strengths were safety and respect. Our people also see a need to ensure the company remains competitive.

Our HSE Management Systems include policies to address various employee well-being issues including:

- non smoking;
- health assessment and monitoring;
- drugs and alcohol;
- injury/illness management and return to work; and
- Workplace Harassment and Violence

Employee health assessments are carried out for new and existing employees and 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.

This year in Australia, branches in our Southern, Central and Western regions offered influenza injections to their team members.

In New Zealand, a number of employee wellbeing initiatives have been implemented this year. Our Blackwoods Paykels branch at Wiri established a gymnasium, whilst our Group Support Office at Penrose and our Safety distribution centre at Wiri introduced walking programmes. Other fitness initiatives included approximately 75 employees taking part in the 'Round the Bays Fun Run' in March 2007 and an inter-business unit netball tournament held in June 2007.



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.

Response to 2006 Stakeholder Survey

The issues identified in the 2006 Stakeholder Survey presented the following opportunities:

- to address the need to improve OHS systems, including supply chain issues, GetSAFE continues to be implemented throughout Australia, as detailed in this report;
- our focus on the environment continues to be strengthened with such initiatives this year as the introduction of dual fuelled vehicles;
- to ensure internal stakeholder input, commencing June 2007 the Executive Leadership Team will meet at the end of each financial year to review the past 12 months performance in relation to sustainability issues, as well as to identify sustainability issues and priorities for the next 12 months;
- data collection on sustainability issues is continually improving. In Australia, the introduction of GetSAFE has resulted in many reportable areas now being centralised. We continue to use an annual branch survey to obtain data in other areas; and
- human resource strategies to attract excellent people and improve employee retention remain a strong focus.

Feedback/Complaints

We are not aware of any complaints during the year.

Action groups

As reported last year, in New Zealand, employees are being encouraged to get involved with 'Coach Corp', which is an initiative through the Department of Sport and Recreation NZ (SPARC). This programme encourages volunteers to coach sport teams or individuals. SPARC puts together a plan whereby businesses allow their employees to take time during work hours to coach teams or individuals in sporting activities, without any reduction in their pay. This initiative was launched last year and to date we have nine people involved with golf, hockey, orienteering, rugby, soccer, softball and touch rugby.

Communication

We have HSE committees in place across our business as well as HSE champions in our smaller branches. Committee meetings or branch meetings are conducted regularly to address issues within that branch/department.

As reported last year we continue to implement the GetSAFE HSE Communication and Consultation policy.

Lessons learned on HSE issues are communicated to employees via email or notice boards.

Newsletters and reports

A HSE performance report is distributed and discussed by management each month and included in our Board reports.

Our internal monthly company newsletter *In The Know* is circulated to all employees and focuses on ensuring our people are kept up-to-date with current performance and initiatives on safety, financial results, business growth and our people. We also have a *Fit 4 Future* newsletter which is published quarterly to provide an update on strategic initiatives and key achievements to date.

In New Zealand, monthly awareness topics and various newsletters are distributed to ensure employees are kept up to date in the area of HSE.

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.bullivants.com/front/home.php
www.motionind.com.au
www.mullings.com.au
www.bakers.net.au
www.protectorsafe.com.au
www.protectorsafety.co.nz
www.packaginghouse.co.nz
www.nzsafety.co.nz

Community support

Our focus on community support increased this year and our total contribution to charitable organisations was \$23,048, which includes employee contributions.

In one case in New South Wales, Blackwoods Smithfield organised a Safety Awareness Week in early May 2007 in conjunction with Qantas, one of our major customers.

This event was aimed at increasing awareness of Qantas employees about such issues as skin and respiratory protection and safety in general. Blackwoods and its suppliers showcased their safety equipment and services. Over the course of this event, money was raised from Blackwoods' employees, Qantas and suppliers through raffles and donations and gifted to the Sydney Cancer Foundation.

Blackwoods in Western Australia was involved in the Ord Valley Muster, which is an initiative of the Kununurra Chamber of Commerce and Industry to attract visitors to the region, forge community spirit and generate valuable media attention and exposure of the East Kimberley region.

As with previous years we continue to provide support to other community and social organizations. Examples of these are:

- local sporting clubs;
- schools;
- surf life saving clubs;
- Drug Awareness and Relief Movement;
- Salvation Army; and
- Clean Up Australia Day.

A number of our branches also made donations to schools and colleges.

In New South Wales the Blood Bank mobile donor service attends at the Blackwoods Smithfield distribution centre during the year to collect donations from employees.

In New Zealand, our Packaging House business supported the Department of Conservation in its efforts to save the Kiwi, one of New Zealand's national symbols, which is under threat of extinction.

Design focus on energy use, water and safety

In April 2007, our Blackwoods distribution centre at Coopers Plains in Queensland relocated to a new purpose-built facility at Carole Park.

The building has an area of 11,077m² and houses approximately 120 employees. The design team incorporated many energy efficient, water-saving and safety initiatives into this facility.

With the brief to utilise the principles behind the Green Star Office Rating, energy-efficiency initiatives include:

- installation of translucent panels in the warehouse roof area to allow natural light to all work areas, with a switching arrangement in the overhead lighting which allows only active work areas to be illuminated as needed;
- installation of economy air-conditioning which reduces electricity consumption and improves internal air quality; and
- the incorporation of 13 roller doors five metres high by six metres wide that feature mesh in their design. Each door has 7.2 square metres of 40 per cent perforated mesh allowing a natural source of ventilation. The benefit to the working environment during the hotter months, when combined with the vented roof ridge, is increased air flow and an associated cooling effect. This also reduces the requirement for powered cooling devices. The cooling effect is also maintained when all doors are closed and secured.

Water saving features include:

- the installation of a 140,000-litre underground water tank to save on processed water use with recycled rainwater to be used for toilet flushing and irrigation;
- planting drought-tolerant native plants only in conjunction with 150mm mulch coverage for greater moisture retention; and
- diversion of excess stormwater and runoff into a bio retention basin-gross pollutant trap that filters the water and prevents cigarette butts and other waste running to stormwater.



The roof of the Blackwoods distribution centre at Carole Park allows natural light into the warehouse.

Safety initiatives include:

- a first aid room fully equipped with an oxygen demand system, a defibrillator, a blood pressure monitor and stretcher;
- a dedicated flammable and combustible goods store;
- a Forkalert system to warn pedestrians of forklifts and to automatically reduce their speed in defined zones;
- a conveyor system which improved many manual handling tasks, in particular;
- each conveyor crate is labelled with the safe load limit that is allowable for both the employees and the design of the conveyor system;
- there are static accumulation lanes at each work zone to allow orders to be filled at waist height; and
- the conveyor accesses both levels of the picking areas, greatly reducing the need to manually access the pallet loading gates.

08 PRIORITIES FOR THE FUTURE

PRIORITY

Improve our safety performance by reducing our total number of injuries (lost time, medical treatment and first aid) by 30 per cent.

PRIORITY

Continue to drive our GetSAFE management system and a safety-focused culture.

PRIORITY

Continue to upgrade our facility network to improve customer delivery performance.

PRIORITY

Continue to focus on the attraction, retention and development of people.

PRIORITY

Work with our suppliers to develop sustainability of sourced product.

PRIORITY

Continue to improve efficiency of energy and water use.

PRIORITY

Continue to implement waste management and recycling initiatives.

PRIORITY

Encourage employee involvement with the community.

CSBP

Senior Project Engineer Harish Chopra (left) and Business Manager (Chemicals) Mark Scatena at the discharge line which provides waste stream carbon dioxide from our Kwinana ammonia plant to an industrial neighbour for sequestration in residue disposal areas.



WE ARE ONE OF AUSTRALIA'S MAIN SUPPLIERS OF CHEMICALS, FERTILISERS AND RELATED SERVICES TO THE MINING, MINERALS PROCESSING, INDUSTRIAL AND AGRICULTURAL SECTORS.

07

PRIORITIES



At least halve our Lost Time Injury Frequency Rate (LTIFR) with an ultimate aim of zero Lost Time Injuries.



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.



Continue to use recycled water and contribute to reduced scheme water use in Kwinana.



Continue to make beneficial contributions to the communities in which we operate.

07

OUTCOMES



Achieved. Our LTIFR was 2.2 compared to 5.9 last year.



Achieved. We improved our safety performance and reduced our number of workplace injuries.



Partially achieved. Reduced emissions in all environmentally significant areas except ammonia from the sodium cyanide plant and nitrogen and phosphorus discharges to SDOOL.



Partially achieved. Retained endorsement for existing safety reports. The ammonium nitrate business safety report is to be considered by DOCEP in the second half of 2007 as part of the expansion of this business.



Achieved. The Bayswater remediation project has made significant progress and several other projects were advanced.



Achieved. Ongoing use of water from Kwinana Water Reclamation Plant and we continue our water transfer arrangements with an industrial neighbour to reduce their use of scheme water.



Achieved. In addition to existing programmes we entered into a partnership with Youth Focus.

We operate a major industrial complex at Kwinana in Western Australia and other complementary facilities in regional areas and employ more than 600 people. CSBP Chemicals' core products include ammonia, ammonium nitrate, sodium cyanide, sodium hypochlorite 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 75 per cent-owned sodium cyanide joint venture, Australian Gold Reagents Pty Ltd (AGR), are also included in this report, but Queensland Nitrates Pty Ltd, a CSBP/Dyno Nobel Asia Pacific joint venture is not included because we do not manage the business. In addition, subsequent to the 2006/2007 reporting year, we have acquired Australian Vinyls Corporation, based in Victoria, which will be included in next year's report.

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 which we focused on during the year were progressing the Environmental Management System (EMS), continuing to manage our environmental emissions and effectively managing our water sources.

We commenced implementation of our upgraded EMS.

Our wastewater is discharged through the Sepia Depression Ocean Outfall Line (SDOOL). Since October 2005 we have not discharged any effluent to Cockburn Sound,

except for one instance in April 2007 caused by a significant rainfall event. We continue to seek to optimise the efficiency of our pilot nutrient-stripping wetland.

During the year we accepted treated water from the Kwinana Water Reclamation Plant (KWRP). We continue to focus on managing our water use and contaminant discharges.

The main safety focus during the year was again identifying opportunities for improvement and risk management. This included a revised permit-to-work system, which is being introduced progressively across the business, the implementation of a drug and alcohol policy and risk assessment training for employees. All of our programmes and policies support our commitment to achieving zero harm to

our workforce, whereby all risks are managed as effectively as possible so that injuries or negative outcomes are avoided.



BUSINESS MANAGEMENT

Training

We have continued our focus on the training and development of our employees by building a reliable training management framework that will ensure sustainability in the future.

We have appointed four training and improvement coordinators in our business to specifically manage the operational training requirements of production areas.

The focus for training and development includes:

- updating and developing learning materials (including self-paced training modules and procedures) for all technical processes;
- improvement in the management of training records to allow for the identification of training needs;
- improved quality of workplace competency assessments that ensure an appropriate standard of skills are set and maintained; and
- the delivery of identified critical safety training in area training plans.

Environmental

We continue to use an electronic sign at the Kwinana site to promote environmental topics. We have developed a new look employee quarterly newsletter which began distribution in July 2007. Additionally, we provide information to our employees on environmental issues through various means of communication such as the Managing Director's newsletter,

lunchtime seminars, email and distribution of our external newsletter 'Upfront'. All employees as part of their induction undertake an environmental tour.

Health and safety

The focus on safety training contributes to our primary goal of zero harm to our employees. We conducted 38 courses this year to train employees and contractors in the revised permit-to-work system, with over 300 attendees. In addition 117 employees and contractors participated in confined space entry training and 82 employees attended training in breathing apparatus.

During the year we introduced a drug and alcohol policy. As part of the introduction of this policy, education sessions were held to inform employees about the risks associated with drug and alcohol use. Under the programme, employees are randomly selected for drug and alcohol testing.

We also provide certification training in first aid to our employees, with a total of 82 participants this year. This is beneficial to the business as it provides personnel who can apply first response techniques in an emergency. It is also of benefit to employees' families and the community generally.

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.

As reported last year, electronic media training packages are used for business unit and contractor inductions in the ammonia, ammonia nitrate, chlor alkali and sodium cyanide plants. Similar electronic media training packages have not yet been developed for the

remaining business units but we expect this to be completed over the next 12 months.

Emergency

The focus of our emergency response function is on the ability to respond to an industrial or medical emergency at our operating sites and the stewardship of our products in the community.

We undertake annual fitness and medical assessments for all the emergency response team to ensure that each person is physically capable of undertaking any task required of them in an emergency situation.

Where our products are involved in off-site incidents we have the capacity to provide technical and operational support to our clients and government emergency response agencies.

At Kwinana we maintain a strong link with Western Australia's emergency management authority the Fire and Emergency Services Authority (FESA).

We are actively involved in local emergency management committees for Rockingham and Kwinana as well as being a part of the Kwinana Industries Public Safety Group. In addition, our emergency response coordinator chairs the Kwinana Industries Mutual Aid Group.

Compliance

Environmental

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

During the year we notified the Department of Environment and Conservation (DEC) of 48 reportable events. The increase from last year was largely related to our wastewater discharges. We continue to work with the DEC



Registered Nurse Robin King (right) watches Reliability Facilitator Eli Knudsen take an alcohol test as part of our drug and alcohol testing programme.



to align our licence to levels in accordance with ambient environmental standards. We anticipate that several of these licence limits may increase as they are currently well below ambient standards necessary for environmental protection. We are completing a licence assessment report reviewing all of our potential environmental impacts, and this will be available for public review during 2007/2008.

Of the 48 events, 16 were potential non-compliances, 23 related to a reportable threshold (between 75 and 100 per cent of the relevant licence limit) and nine related to licence targets, which incur no potential enforcement action.

Our reportable events for the year were as follows:

- two reportable events related to the prilling plant stack test results. One of these was a potential non-compliance related to a licence exceedance of an average of 266 g/m³ (licence limit is 250 g/m³). We received a letter from the DEC advising no further action regarding this event is required;
- two potential non-compliances related to licence exceedances of nitric oxides (NO_x) at the ammonia plant;
- eight of the reportable events related to air emissions from the sodium cyanide

plant. Four of these involved ammonia exceedances of the licence target. Two concerned hydrogen cyanide above the licence target. One was a potential non-compliance related to an exceedance of the NO_x licence limit from the incinerator on the sodium cyanide plant. The other potential non-compliance arose from the NO_x analyser reliability being less than 90 per cent for the month of May;

- thirty-two of the reportable events related to waste water discharges to SDOOL of copper or cyanide. The concentrations in these instances were below the Cockburn Sound State Environmental Policy for ambient water quality and hence created no environmental harm. Ten of these were potential non-compliances related to licence exceedances and to date, two have been signed off by the DEC with no further action required;
- three reportable events related to waste water discharged from the sodium cyanide plant to our internal effluent system. Of these, one was a potential non-compliance related to an exceedance of our licence limit. This specific incident resulted in a letter from the DEC specifying no further action was required;
- the remaining reportable event concerned untreated surface water run off from our Albany site.

We have investigated each of these incidents and put in place remedial actions as necessary.

We have been advised by the DEC that it will take no further action in respect to any of the incidents raised in last year's report.

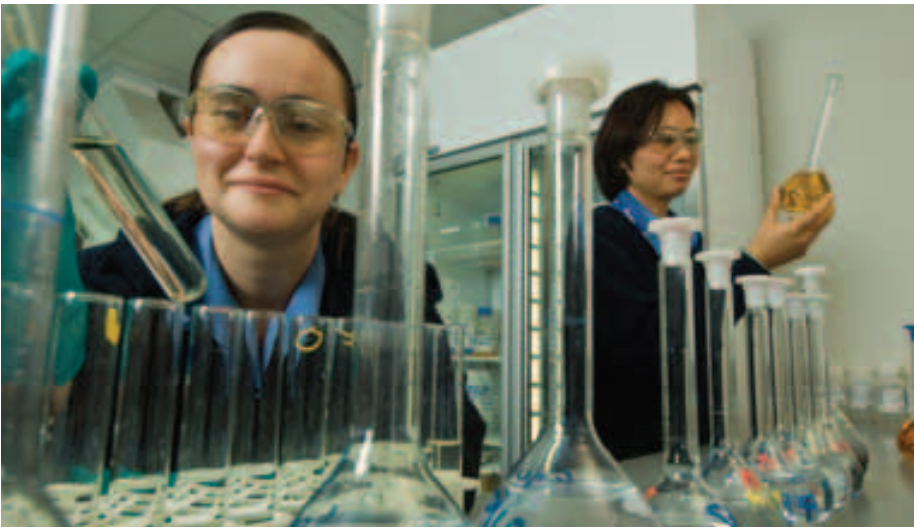
National Pollutant Inventory (NPI)

Emissions notifiable under the NPI were estimated for substances listed on the NPI. Data for the 2005/2006 reporting period was submitted to the DEC. 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 with health and safety legislation or other health and safety requirements during the year, except as set out below.

We received seven improvement notices from WorkSafe during 2006/2007. Of these, four related to our hydrochloric acid tanks; one related to our sulphuric acid tank; one related to an employee failing to wear the correct personal protective equipment; and one related to failing to report hazards. During the year, we also received three prohibition notices relating to our hydrochloric acid storage area. All notices have been resolved within the agreed timeframes.



Chemists Ronesia Morris (left) and Seam Sieng at our Kwinana laboratory.

All of the improvement notices issued by WorkSafe and reported in last year's report have also been resolved.

Licensing and approvals

We are not aware of any potential non-compliance with licensing or approval conditions or other requirements during the year, except as set out above under 'Environmental' or 'Health and Safety'. As reported under 'Noise' we have potential non-compliances with regulations on the northern and eastern boundaries of our Kwinana site.

All relevant licences required under legislation including *Environmental Protection Act*, *Rights in Water and Irrigation Act*, *Poisons Act*, *Dangerous Goods Storage Act* and the *National Industrial Chemicals Notification and Assessment Scheme* were renewed. In addition, approvals were sought relating to the following specific projects:

- the Noise Management Plan for the Kwinana site was developed and has been approved by the DEC. This is available on our website;
- an Upgraded Ammonium Nitrate Production Facility Greenhouse Gas Abatement Programme has been submitted to the EPA for approval. The upgrade included a nitrous oxide improvement plan as required by the Ministerial approval for the ammonium nitrate production facility; and
- the Geraldton Liquid Fertiliser Manufacture facility was approved in March 2007.

As we no longer have manufacturing operations in Albany, we are not required to submit an Environmental Management Plan. However, we have voluntarily supplied a plan for our Albany site, which has been endorsed by the DEC.

Management systems

Environmental Management System (EMS)

We commenced implementation of the reviewed and upgraded elements of our EMS. Our environmental risks are currently being

reviewed and reassessed. Environmental compliance is now managed in our SiteSafe system. Annual environmental action plans continue to provide the basis for improvements across the business. During 2007/2008 we will focus on the review and upgrade of operational elements of our EMS.

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 11 internal audits during the year.

The Kwinana laboratory continued accreditation to AS ISO/IEC 17025 2005 as confirmed by the National Association of Testing Authorities (NATA). Senior laboratory staff were actively involved with NATA as technical assessors, with mentoring of university students via the University of WA Mentor Link programme, as well as with the WA branch of the Royal Australian Chemical Institute in the Management and Career Development group.

Our soil and plant analysis laboratory at Bibra Lake continued to participate 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 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, sodium hypochlorite manufacturing 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 Consumer and Employment Protection (DOCEP) Resources Safety Division for endorsement and are externally audited on a regular basis. Each action arising from the audit is assigned to an employee, who establishes time frames for completion of the action. Some actions include developing long term improvements which are continually tracked with the regulating authority until resolved.

As reported last year, a revised ammonium nitrate safety report has been developed and includes modifications associated with the expansion of this facility.

It is anticipated that DOCEP endorsement will occur during in the second half of 2007.

As a producer of raw materials for explosives and a range of other potentially hazardous chemicals, we continued our focus on security. During the year 119 employees successfully applied for Maritime Security Identification Cards, allowing them to work unsupervised on the Kwinana Bulk Jetty.

A security risk assessment has been completed and development of a compliant security plan has commenced to meet the requirements of Dangerous Goods Safety (Security Risk Substances) Regulations 2007.

Other management systems

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.

During the year we were audited against the International Cyanide Management Institute's (ICMI) code of practice for the transport of sodium cyanide, for which we received accreditation. We are also a signatory to the ICMI for the production of sodium cyanide

and we were audited for compliance in March 2007. We are waiting for ICMI to finish a 'completeness' review of our audit documents. In addition, we also participate in an international advisory group and an Australian-based working group to assist in promoting and implementing the ICMI code.

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.

Through this association we contribute to developing or commenting on legislative proposals and relevant policies such as the Voluntary Code of Conduct for the distribution of ammonium nitrate and major hazard facilities or dangerous goods and security issues in the chemicals industry. We are actively represented at Board and Council level in PACIA, the Kwinana Industries Council, the Chamber of Commerce and Industry of WA and the Fertilizer Industry Federation of Australia.

As reported last year our commitment to working with the Water Corporation on our water auditing process continues. We participated as an industry test case for the Water Corporation's diagnostic water

auditing programme, *One-2-Five* which is now working within industry. In 2006 we received a rating of three stars and we are working on aspects of our water resource performance management system to improve this.



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.

Dust

Our dust emissions are associated with particulate emissions from various operating plants, materials loading on our sites and unsealed surfaces. We estimate our dust emissions using the relevant factors from the NPI and reported them to the NPI in September 2007.

Dust from all sources reported under the NPI last year (to 30 June 2006) was 75 tonnes.

During the year we received two complaints relating to dust from our phosphate rock stock pile impacting on a neighboring industry. These

issues were addressed and a dust suppression coating was applied to the stockpile.

Odour

Over the past 12 months there have been seven events which have resulted in nine odour complaints from external stakeholders.

Seven of the odour complaints related to five events originating from the sodium cyanide facilities venting waste gases during shut down operations. As a result, the sodium cyanide plant incinerator management plan has since been updated to ensure stakeholders are contacted when waste gases are vented from a plant shut down stack.

One complaint related to odours from the ammonia plant.

There was a chlorine release during decommissioning of the chlor alkali plant in December 2006. The start up of the sodium cyanide plant coincided with other operating activities, resulting in a short term visible plume and detection of chlorine odours at neighbouring industry. This incident is being investigated by the DEC.

Greenhouse gas emissions

We are a participant in the Commonwealth Greenhouse Challenge Plus Programme. We have reviewed our cooperative agreement with the Australian Greenhouse Office (AGO) and this has been agreed to. As part of our participation, we submitted our 2006/2007 report during the year.



Environmental Advisor Digby Short at the gypsum stockpile at Wellard Road, in Leda, Western Australia.

The greenhouse emissions summarised in this report differ slightly from those reported under the Greenhouse Challenge Plus Programme. In the Challenge report we use actual analytical data from our natural gas supply and internal power generation but in this report we use the standard AGO emissions factors to ensure consistency across Wesfarmers.

From May 2007 our CO₂ emissions will be reduced by providing up to 70,000 tonnes per annum of CO₂ to Alcoa through a third party, for sequestration in their residue disposal areas. We are also a member of the BP Global Choice programme through which we offset the CO₂ emissions from our use of diesel at Kwinana.

Our total greenhouse gas emissions were estimated to be 1,277,546 tonnes of carbon dioxide equivalent, down 4.72 per cent on last year. This equates to 0.92 tonnes of carbon dioxide equivalent per unit of production, up 9.5 per cent on last year.

The greenhouse gas emissions were largely due to our ammonia plant (39.4 per cent), nitric acid plant (50.9 per cent) and sodium cyanide plant (7.5 per cent). The reduction from the previous year largely relates to an unplanned shutdown of the ammonia plant in April 2007.

Noise

Noise emissions associated with the upgrade of our ammonium nitrate and sodium cyanide plants were outlined in the relevant Public Environmental Reviews advertised in 2005. Our approved noise management plan was released to the public. Implementation of the plan has involved ongoing noise monitoring and incorporation of solutions where possible. This has included installation of additional acoustic insulation and vibrational isolation in the existing nitric acid plant, with work continuing. Our new nitric acid plant design incorporates a more effective silencer on the discharge stack and a low noise cooling tower.

As reported last year we have potential industry-to-industry non-conformances on our northern and eastern boundaries. Noise at the boundary between Coogee Chemicals and AGR is above the current limit largely due to tonality associated with a cooling tower. The noise regulations continue to be reviewed to potentially increase the industry-to-industry boundary level limits from 65dB(A) to 75dB(A). If the limits are increased we will be in compliance with the noise regulations

at our boundary. We have completed a noise management plan which has identified plant modifications that could be taken to further reduce noise at our boundary. We are no longer a significant contributor to noise in any residential areas as defined by the regulations.

Other emissions

We have not yet prepared our report to the NPI for the 2006/2007 reporting period or finalised our data estimates, however, in 2005/2006 our three most significant emissions were ammonia (170,000 kilograms to air and water), oxides of nitrogen (220,000 kilograms to air) and particulate matter 10 microns (75,000 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.

This is an overall reduction in our emissions of this nature from 2004/2005. An environmental consultant, Parsons Brinkerhoff, completed a desktop audit of our Kwinana, Esperance, Bunbury, Albany and Geraldton sites from which an NPI process map was formulated. The process map identified current emission points as well as 'redundant' emission points (emission points previously included, but which should not have been as no emissions occur from these sources). The removal of these redundant emission points from the calculations has led to a decrease in emissions across all substances.

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 with the exception of two results for the ammonia plant, one result for the sodium cyanide plant and during the month of May 2007 the NO_x analyser reliability for the sodium cyanide plant was less than 90 per cent. These four results were reported to the DEC. 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), with the exception of one result in May 2007 on the prill plant pre-dryer stack. This result was reported to the DEC and we

received a letter advising no further actions regarding this event are required. Based on modelling we do not believe the ambient standards were exceeded in this incident.

Emissions modelling conducted as part of the ammonium nitrate plant expansion showed that both the existing and the proposed plants meet the relevant ambient guidelines for particulate emissions.

Chlorine

Our chlor alert monitoring system was activated 115 times during the year. These alarms are set at very low levels in many parts of the chlor alkali plant to detect chlorine before response levels are reached. The monitors are situated throughout the 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.

On 4 December 2006, we ceased operation of our chlorine production system. Some modifications have been made to our sodium hypochlorite production system and this will stay in operation for approximately 18 months (creating sodium hypochlorite from drummed chlorine gas).

Waste

Solid waste

Solid waste during the year consisted primarily of general production waste, construction materials from the expansion of the ammonium nitrate facility and waste from demolition activities at Bayswater.

Our total solid general waste stream during the year was estimated to be 925 cubic metres, 74 per cent less than last year. This is due to the recycling of a large volume of steel waste in 2005/2006 as a result of the completion of the ammonia plant demolition.

During this year 15 per cent of waste generated was recycled and 85 per cent was disposed of as landfill.

In addition to this 132 cubic metres of asbestos was also disposed to landfill.

Nine hundred and sixty-three tonnes of steel and 1,670 cubic metres of concrete from Bayswater was sent for recycling during the year.

Liquid waste

Liquid waste during the year consisted primarily of wastewater from our production processes and stormwater run-off.

At Kwinana our total effluent disposed to the Sepia Depression Ocean Outfall Line (SDOOL) during the year was estimated to be 507,132 kilolitres. This was 30 per cent less than last

Figure 1: Prill Plant Stack Emissions (grams per cubic metre)

	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07
Tower	0.021	0.024	0.028	0.015	0.020	0.019	0.017	0.017	0.025
Pre-Dryer	0.128	0.081	0.186	0.117	0.112	0.111	0.112	0.131	0.115
Dryer	0.133	0.168	0.128	0.145	0.091	0.058	0.067	0.092	0.065

year due to our use of recycled water from the Kwinana Water Reclamation Plant, which, because of its lower salinity than other water resources reduces the cooling water effluent. In addition, our Albany site treated and disposed of 48,890 kilolitres of rainfall-related surface water and our Bibra Lake site disposed of 4,674 kilolitres of industrial effluent to sewer. We reused 20,052 kilolitres of wastewater at Kwinana, a decrease of 11.7 per cent on last year.

We disposed of 390 kilolitres of liquid waste from our Kwinana site, an increase of five per cent compared to last year. We estimate that 27 per cent of this is reused, with the remainder disposed of at a licensed treatment facility.

Recycling initiatives

We have a number of reuse and recycling initiatives on-site, including the reuse of waste oil and drums, as well as the recycling of office material, mobile phones, fluorescent light tubes, batteries and scrap metal.

The beneficial reuse of our gypsum stockpile at the Wellard Road site continues to progress. Manna Enterprises, which has a long-term contract with us, has established a blending operation at the site and has begun producing soil ameliorant material using the gypsum. Alcoa continued to take a significant consignment of gypsum from the stockpile removing 5,497 tonnes during the year, as part of a total reuse of 9,000 tonnes for the year.

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 and removal of feral pigeons. We commenced a programme to control the number of feral cats on site at Kwinana in late 2006. We relocated 13 snakes at the Kwinana site during the year.

Contamination

Our Bayswater site (formerly owned by Cresco) is contaminated from the products of past production of superphosphate. Soil excavations commenced in February 2006 and to date about 136,000 tonnes of contaminated material have been transferred to the Redhill Landfill Facility operated by the Eastern Metropolitan Regional Council, and the Millar Road Waste Transfer Station, operated by the City of Rockingham.

A groundwater treatment plant was commissioned in October 2004, and has treated more than 34,000 kilolitres of water.

In this time it has removed 3.3 tonnes of aluminium, 2.6 tonnes of fluoride and 4.3 tonnes of iron from the groundwater, with a removal efficiency of 84.1 per cent of fluoride, 90.8 per cent for phosphorus, 98.8 per cent for aluminium and 99.1 per cent for zinc.

We have received positive feedback from two audits conducted by the Department of Environment and Conservation in April 2006 and February 2007.

Demolition of the buildings not containing asbestos began. One complaint of vibration was received from a nearby business during demolition of the building footings.

The Preliminary Draft Local Structure Plan for this site at Lot 10 Railway Parade, Bayswater, together with the design guidelines, was provided to the City of Bayswater and the Town of Bassendean for comment and was formally submitted early in September 2007.

The technology used to remediate the ammonia arsenic groundwater plume at Kwinana has not been as successful as planned. During the year, we conducted a research programme to increase the efficiency of the remediation and are now reviewing potential process changes with our contractors.

Resource usage

Energy

Energy use during the year related primarily to ammonia and sodium cyanide production and vehicle/equipment fuel.

Total energy consumption was 9,952,204 gigajoules, down 6.5 per cent on last year, mainly due to restricted gas supplies from the north west of Western Australia, and an unplanned shutdown of the ammonia plant.

Our total energy consumption per unit of production was 7.18 gigajoules, up eight per cent on last year.

Energy sources are detailed below.

Fuel

Petrol, diesel and LPG accounted for 0.24 per cent of our total energy consumption by gigajoule. Our petrol, diesel and LPG consumption was 117 kilolitres, 501 kilolitres and 33 kilolitres, respectively.

Electricity

Externally purchased electricity accounted for 0.79 per cent of our total energy consumption by gigajoule. Our electricity consumption was 21,820,027 kilowatt hours. The closure of the chlor alkali plant removed a significant electricity user from our Kwinana site.

Natural gas

Natural gas accounted for 98.5 per cent of our total energy consumption by gigajoule.

Our natural gas consumption was estimated to be 9,850,266 gigajoules.

Other materials

Our other raw materials are phosphate rock, sulphuric acid, water, caustic soda, sulphate of ammonia, single mono ammonium phosphate and ammonia which we manufacture from natural gas.

Energy Efficiency Opportunities

Through our parent company Wesfarmers Limited, we are a participant in the Commonwealth Government's Energy Efficiency Opportunities programme.

Water

Consumption

Water use during the year related primarily to our production processes, particularly our cooling towers at Kwinana.

Total water consumption at our Kwinana, Bibra Lake, Bayswater and regional depot sites was 2,439 megalitres. Of this amount, 125 megalitres (5.1 per cent) was scheme water (see Figure 2 for Kwinana scheme water use); 1,279 megalitres (52.4 per cent) was from the Water Corporation's KWRP; 290 megalitres (11.9 per cent) of reverse osmosis water was supplied from the Verve Energy Power Station in Kwinana and 745 megalitres (30.5 per cent) was extracted from groundwater at our Kwinana site. In addition, we supplied 1,106 megalitres of artesian water to Tiwest, our industrial neighbour, which reduces their use of scheme water.

Our total water consumption equated to 1.76 kilolitres per tonne of total production. This figure is reduced from 1.96 kilolitres per tonne quoted in the 2005-2006 report due to the increased use of water supplied by the Kwinana Water Reclamation Plant. This water has been used in our cooling towers for the full financial year.

Reuse and recycling

We continue to use treated wastewater from the KWRP. Our wastewater is discharged through SDOOL.

We recycle and reuse production 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.

At Albany our phosphorus discharges decreased during the year from 77.8 kilograms last year to 31.5 kilograms this year. Fluoride discharges decreased from 513 kilograms to 225 kilograms and nitrogen discharges

increased from 388 kilograms to 522 kilograms. This increase is related to higher rainfall therefore the nitrogen discharged is more in line with what would be expected during an average rainfall year. We will continue to focus our efforts on reducing nutrient output and will continue to implement our Environmental Management action plan.

At our Kwinana site:

- discharges of metals decreased from 230 kilograms last year to 56 kilograms this year (see Figure 3);
- nitrogen discharges increased from 25,842 kilograms to 28,812 kilograms;
- phosphorus discharges increased from 4,285 kilograms to 5,268 kilograms (the number reported last year was 3,899 kilograms and should have been 4,285); and
- fluoride discharges decreased from 1,568 kilograms to 1,265 kilograms.



SAFETY AND HEALTH

Lost time

Our LTIFR was 2.2 (compared with 5.9 last year) see Figure 4, and during the year, there were three LTIs compared to nine last year. These statistics include contractor hours and injuries.

Our Average Time Lost Rate, which provides a measure of the severity of such injuries, was 74.3 (compared with 30 last year). This is an increase on the number reported last year. Extra time was lost during this financial year which is attributed to an LTI which occurred in 2005/2006. The severity of one injury impacted significantly on this rate. Our average lost time rate includes contractor hours and injuries.

Safety statistics are distributed and discussed by senior management each month and are reported to each Board meeting.

Workers compensation

There were 16 workers compensation claims reported, relating to occurrences during the year, compared with 31 last year (see Figure 5).

Hazard and risk

Programmes

We have a number of methods for identification of hazards, assessment of risks and ensuring adequate controls are in place to contribute to our aim of zero harm to personnel, plant and the general public.

These include observation of hazards entered into SiteSafe and their investigation, Hazard and Operability Studies, job safety analysis, safety team meetings, team-based risk assessments, safety auditing and safety observations.

Emergency response

Throughout the year, a review of emergency procedures and standard operating procedures has been undertaken.

The emergency response and incident management teams have continued to train on a regular basis with 10 exercises conducted.

A major multi-agency hazardous materials exercise for ammonia transportation was undertaken in November 2006 in Southern Cross.

Other emergency responses included:

- eight fire alarm activations at various locations, which were all minor incidents;
- one off-site response to a chlorine drum leak at Manjimup Aquatic Centre, resulting in the chlorine drum being capped and returned to our Kwinana site for testing; and
- two first aid response calls, which resulted in minor treatment at the medical centre.

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.

The contractors transporting our fertiliser between our distribution sites are subject to a contract that sets out appropriate requirements for such transport, in addition to the essential legal requirements.

In August 2006, a vessel containing cyanide was incorrectly delivered to a container depot in Bayswater. Also in August two containers were exported to Thailand carrying the incorrect weight of cyanide. As a result of these incidents, our processes and procedures were reviewed and updated.

Chem Alert continues to be utilised to manage about 2,000 chemicals approved for use at our sites and the Material Safety Data Sheet register is maintained as part of this system. 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 approximately 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 Assessment (QRA). A revised, comprehensive site QRA for Kwinana was completed in May 2007 and accompanied the ammonium nitrate safety report submission to DOCEP.

The process of team-based risk assessments continued throughout the year with assessments completed in a number of our large operations, including demolition and construction work.

Over the past year, we have recruited a process safety superintendent and process safety advisor, both with extensive MHF experience. All safety-related policy documentation continues to be reviewed to ensure alignment with changes to legislation.

Employee wellbeing

Our first aid centre at Kwinana is the central area for support services and programmes aimed at improving employee wellbeing. The centre runs special health-focused programmes, such as counselling, health awareness topics, fitness programmes and assessments, audiometric testing, immunisations, subsidies for health club memberships, physiotherapy, health monitoring and health programmes looking at risk factors.

We also offer an annual medical check-up to employees. During the year more than 60 per cent of staff had an annual medical. A general practitioner is available on site for all employees.

Employees who 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.

Figure 2: Kwinana Scheme Water Use (kilolitres)

98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07
649,836	366,274	276,196	106,843	160,656	101,143	161,873	183,759	125,207

Figure 3: Heavy Metal Discharges to Cockburn Sound and from October 2005 to Sepia Depression (kilograms/year)

98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07
3,194	2,799	947	1,028	894	363	659	230	56

Note 1: The figures shown are discharge totals. Component metals are arsenic, copper, manganese, molybdenum, zinc.
Note 2: The number reported last year should have been 230 kilograms instead of 159 kilograms.



COMMUNITY

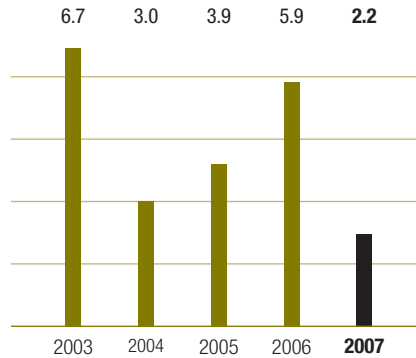
Stakeholders

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 are committed to open communications with our many stakeholders and acknowledge the community's interest in our operations. Our stakeholder liaison during the year included:

- 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;
- participating in the Communities and Industries Forum, a bi-monthly public meeting for local industries, councils and communities;
- supporting the Community Information Service, a telephone-based service that provides access to a range of information about industry;
- hosting a stakeholder forum, attended by representatives of government agencies, community and industry organisations to discuss various aspects of our business. Each year, detailed answers to issues raised at the forum are provided to participants;
- hosting 240 visitors as part of formal tour groups to our Kwinana site;
- making available community information bulletins for residents in Bayswater to fully inform the local community about the progress of remediation plans for the former Cresco fertiliser site;

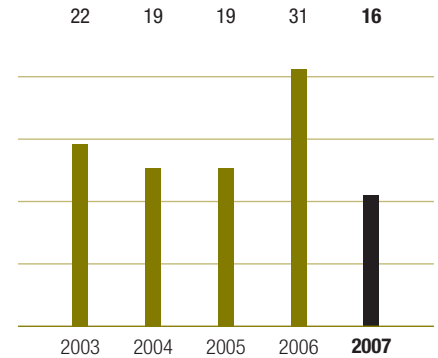
Figure 4: Lost Time Injury Frequency Rate*



1 July 2002 – 30 June 2007 (as at 30 September 2007)
*Contractor hours and LTIs included

In last year's report, we incorrectly stated that contractor hours and LTIs were not included, when in fact it reported total LTIFRs. The change in reported figures for 2003 and 2004 relate to an escalation of injury classification over the past year.

Figure 5: Number of workers compensation claims



- 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;
- participating in the Chamber of Commerce and Industry WA to liaise with other industries and participate in the development of new policies;
- responding to requests for community support or donations; and
- providing information about our operations to local media and responding to media requests for information.

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 conduct presentations for local government and stakeholder interest groups, particularly at Kwinana, as well as providing updates on our operations and environmental improvement initiatives.

Response to 2006 Stakeholder Survey

The 2006 Stakeholder Survey reported that 65 per cent of participants believed last year's Social Responsibility Report was 'good' or 'very good' in terms of addressing stakeholder concerns and adequately communicating these concerns. As we have done in previous years, our section of the Wesfarmers 2006 Social Responsibility Report was printed as a separate publication and distributed to our stakeholders.

The most common sustainability opportunities identified by our stakeholders were water management, product and market development, and community engagement and involvement. We are currently working towards developing a sustainability framework



We support both the junior and senior Country Week Cricket Carnival in Western Australia. Ricardow Truter plays for the Peel Junior Cricket Association.

for our business which will consider these three opportunities amongst other initiatives.

Feedback/Complaints

The complaints we received this year were in relation to environmental issues as reported above.

We have received positive feedback about the educative nature of our tours from various stakeholder groups.

Action groups

We continued to liaise with interested parties regarding our importation of a significant proportion of our phosphate rock from the Western Sahara in northwest Africa. The sovereignty of this region is in dispute and the United Nations (UN) has been unable to implement a decision to hold a referendum on the issue.

As reported last year, we have obtained internal and external legal opinions and consulted the Australian government, which supports holding a referendum but does not recognise any particular claim to the region. We have also continued to monitor UN developments regarding negotiations between the Polisario and Morocco.

This year, we have continued to liaise with the Australian representative of the Polisario organisation. The Polisario opposes export of phosphate rock by Moroccan companies, including the mine at Boucraa which supplies us and other companies.

In May, we met with representatives from the Office Cherifien Des Phosphates, the organisation that exports phosphate from the Boucraa mine.



Managing Director Keith Gordon accepts the Community Partnership Award at the 2006 WA Water Awards from the Minister for Water Resources John Kobelke MLA.

In July 2007, we met with a representative from the Saharawi Journalists and Writers Union.

As reported last year, we began investigating technological changes to our manufacturing process which may allow us in the longer term to accept raw material from other sources where the rock is currently not suitable. Laboratory scale testing has demonstrated the potential of this technology. Engineering studies are underway to determine the feasibility and costs of introducing this technology on a scale suitable for the manufacturing plant.

Our wider social responsibility obligations to our employees and the farming community which we supply will be considered as part of any decision.

We liaised with various local interest groups throughout the year. In addition to attending the bi-monthly Communities and Industries Forums, we also participated in the Kwinana Industry Public Safety Liaison Group. During the year, we gave presentations at the Kwinana Industries Council Noise Reference Group, the 2007 PACIA National Conference, and several other forums.

Communication

Newsletters and reports

We provide information to key stakeholders about our business. Newsletters are produced for both our employees and external audiences.

Website

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

Community support

We provided support to 85 organisations in 2006/2007, either through financial support or through the donation of goods. Our sponsorship guidelines, used to assess requests, specify that support must be directed towards the communities in which we operate.

We entered into a three year partnership with Youth Focus, a not-for-profit organisation which assists young people at risk of suicide or self harm. Part of this partnership has enabled Youth Focus to operate a Kwinana-based counselling service for young people in the local area.

We have also committed to a five-year partnership with the Royal Agricultural Society Hall of Fame, specifically through supporting the production of an electronic video which celebrates the inductees' appointment to the Society's Hall of Fame.

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 continue to support agricultural research programmes including:

- the University of Western Australia's Turf Research Programme which investigates irrigation and fertiliser management strategies for turf; 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.

This year we contributed to the funding of nutrient research on dairy pastures in the south west in conjunction with the Department of Agriculture and Food.

We invest approximately \$500,000 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.

We continued to engage Murdoch University in researching the performance of our pilot nutrient stripping wetland.

Through these initiatives we strive to minimise the impact of our products on the environment and community.

Scholarships

During the year, we provided funding for an Australian Nuffield farming scholarship. We also supported engineering graduates by providing funding for three end of year prizes for the Engineering Department at the University of Western Australia, as well as the Best Design Project prize at Curtin University of Technology.

Awards

Our sodium cyanide business won the Premier's Award for Excellence and the Large Advanced Manufacturers Award at the WA 2006 Industry and Export Awards. We were also awarded the Community Partnerships Award at the 2006 WA Water Awards.

CASE STUDY

New ammonium nitrate facilities

In late 2007 we will commission a major expansion of our ammonium nitrate production facilities, with new storage and distribution facilities, at Kwinana.



Work continued during the year on the construction of the new ammonium nitrate facilities, at Kwinana, Western Australia.

The project will expand our ammonium nitrate production to 470,000 tonnes per annum and includes a new nitric acid/ ammonium nitrate plant, a new prilling plant, replacement storage and new security features.

As a major growth project for our business, it also reflects the increased focus we have on sustainability throughout the life of a project.

While the plant will provide vital inputs to Western Australia's mining and agricultural industries, and reduce imports to Australia, the success of the facility will also contribute to the long-term sustainability of our business. In addition, there are a number of environmental and social considerations which have been incorporated in the project.

From an environmental perspective, world standard energy efficient design will be utilised to maximise waste heat recovery from the nitric acid plant and the ammonium nitrate plant, increasing power generation and hence reducing

greenhouse gases. In addition, the plant is designed to incorporate the technology to reduce N₂O emissions (an important greenhouse gas) when the technology is commercially viable. The new prilling plant includes a scrubbing system which is designed to significantly reduce particulate emissions and all of the plants have been designed to minimise noise significantly. We have already acquired sufficient water resources from the KWRP to supply the new plant.

The project has also had a positive impact on our community, with the construction process employing over 200 people for 18 months. Once the project is complete it is expected that approximately 20 new ongoing roles will be required.

The success of this project will impact on the success of our business. Ensuring we consider our employees, our communities and our environment has been an important part of the project.

08 PRIORITIES FOR THE FUTURE

PRIORITY
Improve workplace safety, control risk and minimise injury.

PRIORITY
Reduce contaminant emissions to air, water and land.

PRIORITY
Operate our manufacturing and storage facilities to high standards of process safety.

PRIORITY
Effectively deal with our legacy wastes.

PRIORITY
Attract and retain a skilled workforce.

PRIORITY
Supply quality products and services to our customers safely.

PRIORITY
Increase our use of recycled and reclaimed water supply sources.

PRIORITY
Positively contribute to and engage with the communities in which we operate.

Insurance

OAMPS Senior Account Executive, Paul Stavrou (left) discusses insurance needs with Melbourne café owner Neil Zumpo.



WE ARE A SIGNIFICANT GENERAL INSURANCE BUSINESS IN AUSTRALIA AND NEW ZEALAND THROUGH THE OPERATIONS OF LUMLEY GENERAL AUSTRALIA (LGA), LUMLEY GENERAL NEW ZEALAND (LGNZ), OAMPS, CROMBIE LOCKWOOD AND WESFARMERS FEDERATION INSURANCE.

07

PRIORITIES

Reduce our Lost Time Injury Frequency Rate (LTIFR) by at least 50 per cent with a target of zero Lost Time Injuries (LTIs).

Reduce our greenhouse gas footprint.

Increase our community/social initiatives.

Review our safety management systems with a view to better integration across the division.

Increase internal awareness of environmental issues including possible impacts of climate change.

Develop and implement a divisional sustainability policy.

07

OUTCOMES

Not achieved. The LTIFR was 2.7 compared with 3.0 for the prior period. LGNZ, OAMPS, Crombie Lockwood and Koukia achieved the target of zero LTIs however LGA and WFI reported four and three LTIs respectively.

Not achieved. Total emissions went from 5,645 tonnes to 5,679 tonnes. LGNZ and WFI reduced consumption by 118 and 260 tonnes respectively but this was offset by an increase of 413 tonnes at LGA.

Achieved. We increased the number of community initiatives and invested a total of \$412,797 during the reporting year.

Achieved. New safety programmes were implemented across WFI and LGNZ including safety-tracking systems, safety committees for all businesses and safety incentive schemes for all employees at WFI and senior managers at LGNZ and LGA.

Partially achieved. Each business now has environmental committees to develop initiatives to improve awareness and employee participation in sustainability initiatives.

Partially achieved. A sustainability policy was developed and partially implemented.

OAMPS in Australia and the United Kingdom and Crombie Lockwood, New Zealand’s second largest insurance broker, were acquired during the year, along with a number of smaller broking businesses in Australia, New Zealand and the United Kingdom. Data on OAMPS and Crombie Lockwood, apart from safety data, is not available for inclusion in this report but will be included in 2008. One aspect of Crombie Lockwood’s business is covered in the Case Study on page 89. We also have an interest in superannuation and financial management through OAMPS and in software development through our majority-owned Koukia business. We are represented in 119 locations in Australia with 23 offices in New Zealand and four in the United Kingdom. We employ more than 3,000 people.

OVERVIEW

The main challenges facing our business on an ongoing basis are to improve awareness across our organisations of the importance of sustainable business practices, the adoption of a broader view on how we can positively influence the communities in which we operate and to make our workplace the safest available for our employees.

In dealing with these challenges, the main environmental area on which we focused our attention during the year was raising employee awareness of sustainability issues that affect our business and customers. To achieve this we introduced environmental committees comprised of employees from a cross section of each business. These committees consider, develop and recommend ways in which their business unit can reduce its impact

on the environment and improve employee awareness of environmental issues. They also aim to improve employee engagement in these initiatives. WFI began monthly meetings in February 2007 and LGNZ started fortnightly meetings in June 2007. LGA has formed committees and commenced meetings in July 2007.

We also sought to improve our contribution to the communities in which we operate. We support a range of community and charity initiatives including the Create Foundation and the provision of reconditioned equipment for those affected by Cyclone Larry. Contributions were made to farm safety, juvenile diabetes and a range of community support groups such as the Cancer Council, Rotary and Activ Foundation.

The three main safety areas on which we focused our attention during the year were a review of our safety management systems, hazard management and improved safety awareness through the introduction of an annual bonus incentive to improve employee focus on safety issues.

Our safety improvement project began in May 2007. WSP Risk Solutions have been engaged to conduct a risk and hazard assessment and develop solutions for risk mitigation. This work is expected to be completed by December 2007.

In LGNZ, hazard management has been achieved by compiling hazard registers across the business and reporting on any new hazards monthly with quarterly summary reports tabled at Health and Safety Committee meetings. The summary reports include ways to eliminate, isolate or minimise the identified hazard therefore proactively monitoring potential hazards in the workplace. LGA also maintain a hazard register.

At WFI, all employees are entitled to profit share through an annual bonus incentive payment. Overall personal performance comprises half of the incentive payment and safety is one of four items included. For LGNZ and LGA the bonus scheme for senior managers takes safety issues into consideration. Regular awareness campaigns continue to be run by all businesses in various forms including poster campaigns, intranet resources and newsletters.



BUSINESS MANAGEMENT

Training

We have continued to develop and implement employee safety training within our businesses.

We continued the WFI driver training programme reported last year with nine drivers participating. Our LGA and LGNZ employees also participated in similar programmes with 18 employees completing the training.

New LGA and WFI employees undergo induction training which includes Insurance Code of Conduct compliance training and an occupational safety and health module covering topics such as ergonomics, stress and manual handling. WFI employees are assessed at the conclusion of the training. At LGNZ all new employees receive personal safety training upon induction.

Environmental

Although we have no formal environmental training programmes in place, we have a number of initiatives within our business

to increase employee awareness of environmental issues as detailed later in the report.

One of the outcomes from last year's divisional leadership development programme was the creation of a sustainability policy. Two initiatives that have been implemented were the formation of environmental committees and the adoption of environmentally-friendly technologies.

The WFI committee has met monthly since February 2007. An executive team member chairs the meetings and reports regularly to the rest of the executive management team. Initiatives developed by the committee include paper recycling programmes, promotion of double-sided printing to reduce paper usage and environmental reminders on email footers.

The LGNZ and LGA committees started regular meetings in June and July 2007 and intend to follow a similar model to WFI.

LGA promotes environmental awareness via the Lumley 'Goes Green' section of the 'Lumley Times' staff newsletter and ideas are sourced and shared across the business.

LGNZ have created a senior role within its business for accountabilities that include enhancing the social responsibility programme (including environmental) and community impacts.

Health and safety

Fifty-seven employees have been trained in first aid. Additional training and educational material is provided to enhance safe work practices at selected sites.

Emergency

All our major sites have documented emergency plans in place.

Compliance

Environmental

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

National Pollutant Inventory (NPI)

We did 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 with licensing or approval conditions or other requirements during the year.

Management systems

Integrated Management System

An integrated safety incident reporting system that requires all safety incidents to be reported to our Managing Director is in place in LGA, LGNZ and WFI.

Safety Management System (SMS)

To support an improved and collaborative approach to occupational health and safety across the division, a safety improvement project began in May 2007. This project will review our safety management systems with a view to better integration across the division.

The initial stage of the project includes reviewing current safety management systems to identify best practices. Elements of these various systems will then be adapted and customised to improve our safety management system.

An external consultancy was engaged to assist with the safety improvement project. It will provide expertise in conducting a risk and hazard review for the division and develop solutions and mitigate identified risks. The project is expected to be completed by December 2007.

LGNZ has Accident Compensation Corporation (ACC) Workplace Safety Management Practices in place to Audit Standard (AS-NZ4801:2001). There are three standards - primary, secondary and tertiary. Although only required to achieve a primary level of compliance, accreditation is maintained at secondary level.

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 and our LGNZ business has formal OHS procedures in place.



ENVIRONMENTAL

Air (atmospheric emissions)

Greenhouse gas emissions

Our total greenhouse gas emissions were estimated to be 5,679 tonnes of carbon dioxide equivalent, up 0.6 per cent on last year, and this equates to 0.0048 tonnes of carbon dioxide equivalent per hundred thousand dollars of sales. Carbon dioxide emissions are down 13.16 per cent on last year when adjusted for increased sales.

The greenhouse gas emissions were largely due to electricity consumption for air-conditioning and lighting (64 per cent) and motor vehicle travel (36 per cent).

Waste

Solid waste

Given the nature of our business operations we do not measure solid waste generation.

Liquid waste

The only liquid waste which we are aware of is vehicle lubricants replaced when our vehicles are serviced by external service providers. Amounts are not measured.

Recycling Initiatives

Across all businesses we have a range of recycling practices in place which includes recycling paper and toner cartridges in most offices and wherever possible redundant computer equipment is reconditioned and redeployed to community groups. We also use double-sided printing and copying as default settings where possible and minimise the use of internal building lighting and air-conditioning outside business hours.

LGA implemented the Lumley 'Goes Green' project which encouraged recycling awareness via the regular staff newsletter.

Land

Insurance operations are exclusively office-based in built up areas. Impact on flora, fauna and land is minimal.

Contamination

We are not aware of any contamination issues, except as reported last year for some ground water contamination at our Perth head office site at Bassendean which is leased from Wesfarmers Limited.

Resource usage

Energy

Energy use during the year related primarily to electricity for use in our offices and motor vehicle fuel.

Total energy consumption was estimated to be 43,504 gigajoules, up five per cent on last year.

Our total energy consumption per hundred thousand dollars of sales was estimated to be 0.04 gigajoules, down nine per cent on last year.

Energy sources are detailed below.

Fuel

Petrol, diesel and LPG accounted for 64.6 per cent of our total energy consumption by gigajoule. Our petrol, diesel and LPG consumption was 0.0683 megalitres, 0.016 megalitres and 0.159 megalitres, respectively.

Electricity

Electricity accounted for 35 per cent of our total energy consumption by gigajoule. Our electricity consumption was 4.3 megawatt hours.

Natural gas

Natural gas consumption for the division is not recorded given the minimal usage.

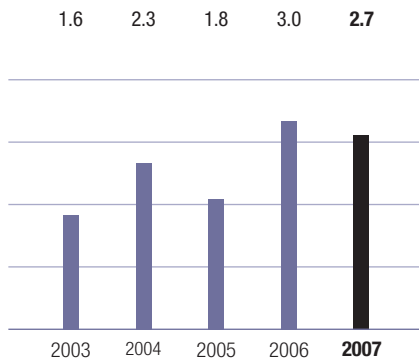
Energy Efficiency Opportunities

Through our parent company Wesfarmers Limited, we are a participant in the Commonwealth Government's Energy Efficiency Opportunities programme.



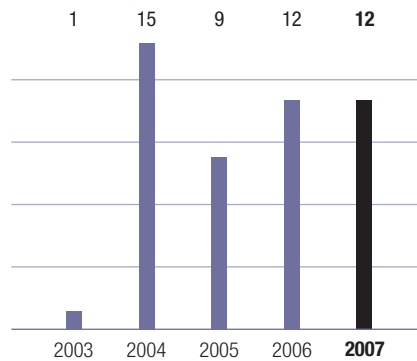
Wesfarmers Federation Insurance (WFI) employees at our Bassendean office donned outlandish hats for Hat Frenzy Friday. WFI is the major sponsor of the event, held to raise money for the Western Australian Activ Foundation which provides support for people with disabilities.

Figure 1: Lost Time Injury Frequency Rate*



1 July 2002 – 30 June 2007 (as at 30 September 2007)
*Contractor hours and LTIs not included

Figure 2: Number of workers compensation claims



Water

Consumption

Apart from our WFI head office at Bassendean, which uses bore water for the grounds, water use during the year related primarily to building ablution facilities. Because the majority of our sites are shared tenancies this is not measured.



SAFETY AND HEALTH

Lost time

Our LTIFR was 2.7 (compared with 3.0 last year) see Figure 1 and, during the year, there were 10 LTIs. Our Average Time Lost Rate, which provides a measure of the severity of such injuries, was 12.0 (compared with 13.4 last year). These statistics do not include contractor hours and injuries. One repetitive strain injury accounted for 56 percent of this figure.

The LTIFR for WFI was 4.4 (compared with 1.4 last year), for LGA it was 7.5 (compared with 4.3 last year) and for LGNZ it was zero (compared with 2.7 last year). OAMPS and Crombie Lockwood also recorded zero LTIs for the period. The major contributing factors to this increase were transit, slipping and sport injuries.

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

Workers compensation

There were 12 workers compensation claims reported, relating to occurrences during the year, the same as last year (see Figure 2). Our workforce has increased by around 1,500 with the acquisition of OAMPS and Crombie Lockwood in November 2006 and February 2007 respectively.

Hazard and risk

Programmes

As a major risk insurer it is in our own commercial interest and in the interest of

the community at large to encourage safer conduct on the roads. Hazard reduction programmes are a regular feature of our business. Lumley is a significant fleet insurer and Lumley New Zealand have in place risk reduction programmes including: vehicle fleet inspections; safety and stress awareness campaigns; safety benchmark and performance programmes and driver education and training.

In addition, Lumley proactively manages fleet safety. One example of this is a programme called DriveCam. DriveCam's unique approach consists of a palm-sized event recorder mounted behind the rear-view mirror of vehicles being monitored. Risky behaviours such as tailgating, distracted driving, hard braking and swerving cause the recorder to save audio and video of the moments immediately before and after the incident. Events are downloaded upon return to the depot, reviewed by DriveCam specialists and assigned a risk score. The footage of the incident and accompanying analysis aids fleet supervisors in providing feedback and appropriate coaching to drivers.

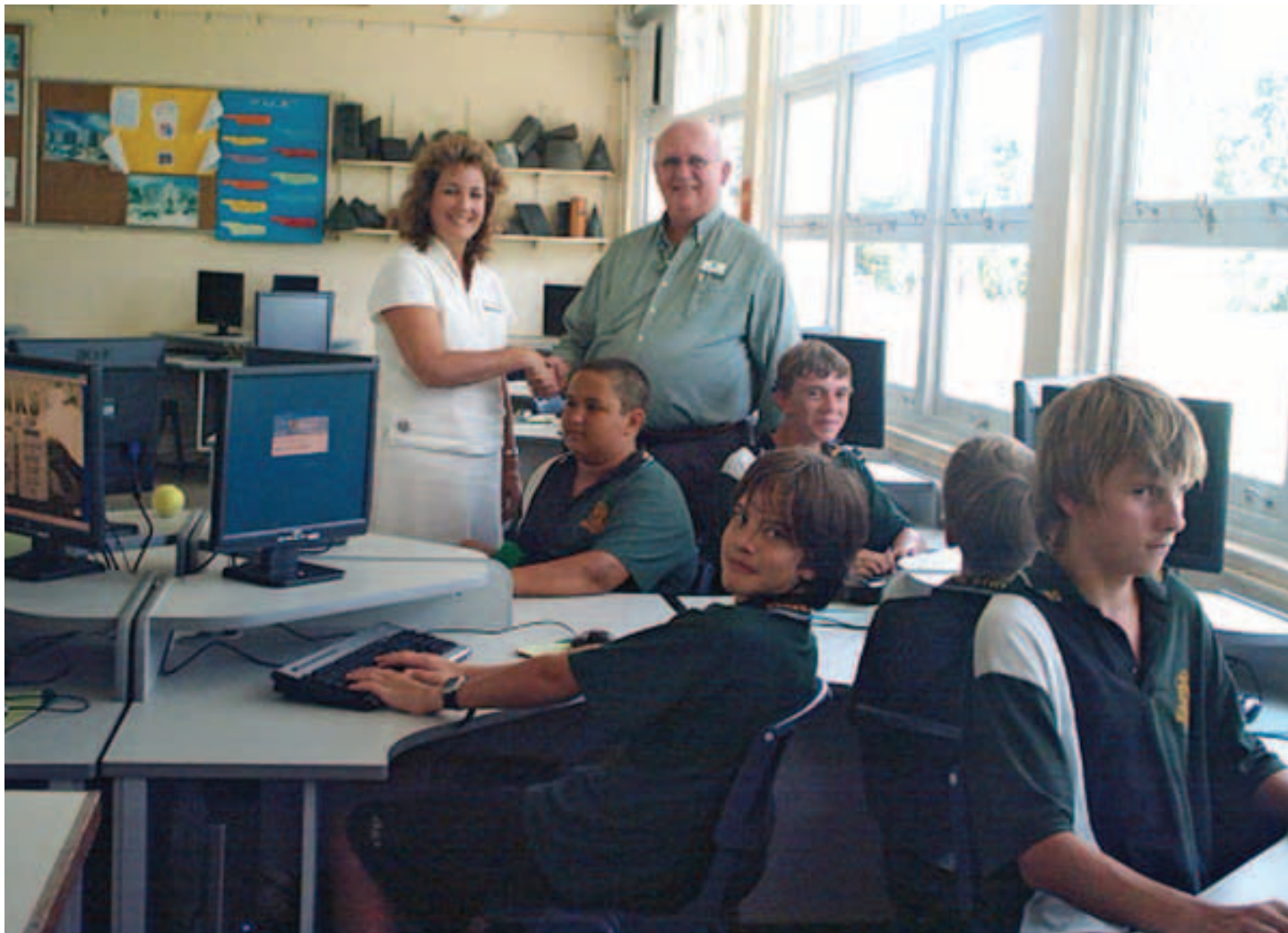
The technology is not meant to be punitive, but rather as a way to help drivers identify risky behaviours they may not realise they exhibit. The DriveCam solution enables fleet managers to analyse near misses and provide coaching and customised training to help prevent these incidents from recurring. The device improves driver behaviour and also allows analysis of 'near miss' events.

Emergency response

LGNZ has a crisis management plan that has been developed to provide a coordinated management response to any actual or potential adverse event. Emergency evacuation plans are in place across the organisation.



DriveCam in action. The recorder sits behind the rear vision mirror and logs driver behaviour.



Risk assessment

All our businesses now have Occupational Health and Safety committees reporting regularly to management.

Employee wellbeing

There are a range of employee wellbeing initiatives in place across our businesses. Most have been adapted to the individual needs of the particular business.

Examples include:

- voluntary influenza vaccinations at selected sites in all businesses;
- *Well at Work* monthly newsletters distributed to WFI employees promoting healthy work practices and general wellbeing tips;
- the LGA and LGNZ employee assistance programme that provides counselling services for employees and their immediate family members on a range of social issues;
- free supply of fruit at selected locations across all businesses to encourage healthy eating; and
- staff discounts on gym memberships at

various locations. WFI and LGA provide funding for gym membership with repayment via payroll deduction and LGNZ subsidise gym membership at head office.



COMMUNITY

Stakeholders

Our stakeholders include our employees, our customers, 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.

Response to 2006 Stakeholder Survey

The 2006 Stakeholder Survey canvassed seven key internal and external stakeholders. The survey revealed the top sustainability issues for the insurance industry as being climate change, remaining competitive (in a less predictable environment) and occupational

health and safety. When asked to rate the division on individual elements of sustainability, economic and social areas were rated very good and good respectively. Environmental and integrated sustainability were rated as average. Overall presentation of the report was generally regarded as effective.

Feedback/Complaints

Following the introduction of the *Financial Services Reform Act* in 2001, the general insurance industry developed a Code of Practice to accommodate new legislation and higher customer expectations. Our LGA and WFI businesses are bound by the General Insurance Code of Practice and all staff have received compliance training. The code identifies minimum standards applicable when:

- selling insurance;
- managing claims;
- responding to catastrophes and disasters;
- educating customers; and
- resolving complaints and disputes raised by policyholders.

This code complements the regulatory system governing Australia's financial services sector.

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 (i.e. third party claims) and provides general 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, 211 complaints were dealt with internally, 128 related to WFI and 80 related to LGA. Of these complaints, 10 were referred to the IOS. Two related to WFI and eight were related 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 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, three complaints were referred to the ISO of which two were ruled in the complainant's favour and one remains unresolved.

Liaison with authorities

Our Australian businesses liaise with APRA on matters relating to prudential standards. In New Zealand, Rieny Marck, LGNZ's Chief Executive Officer, is a board member of the Insurance and Savings Ombudsman.

Communication

Newsletters and reports

Regular newsletters are provided to staff in print and electronic forms covering business, social and workplace issues within each of the businesses. LGA has introduced Lumley 'Goes Green', a quarterly communication initiative that promotes and encourages environmentally friendly practices among staff.

Website

Our websites include information about our operations for the community:

www.wfi.com.au
www.lumley.com.au
www.lumley.co.nz
www.oamps.com.au
www.oamps.co.uk
www.crombielockwood.co.nz
www.koukia.com.au

Liaison groups

Our businesses remain involved with industry groups. LGA and WFI contribute to the Insurance Council of Australia. LGA CEO David Matcham is a member of the National Board of the Insurance Council of Australia and the LGNZ CEO, Rieny Marck, is the president of the Insurance Council of New Zealand.

Community support

All of our businesses support a wide range of community initiatives ranging from significant sponsorships to local involvement in community activities. Key initiatives included:

- WFI and LGA joined forces to assist communities rebuild after the devastation from Cyclone Larry. In addition to the efforts applied to fundraising as reported last year, a coordinated effort was launched to supply schools in affected areas with computer equipment. The programme involved refurbishing equipment that had been decommissioned from business use and converting it for use in an education environment. WFI and Lumley offices from across Australia provided the equipment, staff donated their time to rebuild and package the units for transport and local branches organised distribution to schools in the most need. Overall 100 computers were distributed to schools in North Queensland and one school has applied to the education department to have their computer room named after WFI; and
- LGA is a supporter of the Create Foundation, a national organisation providing opportunities for children and young people in care who are unable to live with their birth parents due to abuse and/or neglect. LGA's support contributes to improving the lives of children in care through innovation, education and development.

In addition, the following organisations each received more than \$5,000 support during the period - Agforce Queensland, Kondinin Group for a farm safety programme,

Juvenile Diabetes (LGA matched \$17,847 raised by staff), Royal Agricultural Society of WA, Tasmanian Farmers & Graziers Association, Plumbing Industry Association, Australian Sports Foundation, Farmsafe, Meat & Livestock Australia, Master Plumbers Association, Activ Foundation, Cancer Council, and New Zealand Neighbourhood Support Trust. LGNZ also supported the Starship Children's Hospital and Auckland City Mission.

Scholarships

LGNZ continues to support the Rotary youth leadership award which provides leadership training for young leaders of the future.

Awards

LGNZ, in conjunction with business partner Westpac, won the Australia and New Zealand Insurance Industry Award for Technological Innovation of the Year 2006 for their unique online delivery platform for Westpac customers. This year Bob Buckley, our retiring Managing Director, won the Insurance Leader of the Year category and Crombie Lockwood was one of three finalists in the Insurance Broker of the year category. The broker software platform used by LGA, "Lumley online" also won the 2007 award for technological innovation.

CASE STUDY

Being proactive on safety

In February 2007 we acquired Crombie Lockwood (CL), New Zealand's second largest insurance broker. As a significant player in liability insurance the management at CL noticed that a large number of clients were suffering losses through accidents and mishaps that could have been avoided.

To help these clients CL developed a unique and proactive safety management and monitoring system called Safety Assist. This study describes the immediate benefits of the programme for a particular client and, on a broader view, how we can positively influence the communities in which we operate.

The case in point involved a roofing contract business in New Zealand that experienced a serious harm injury after an employee fell 8.2 metres through a brittle section of asbestos cement roofing. Following the accident the business entered into the Safety Assist programme to ensure that they were taking all possible steps to protect the health, safety and wellbeing of their employees.

The business was able to get immediate guidance and support regarding the steps needed to be taken as a result of the incident. This included reporting to the relevant governmental authority and the procedures involved in the investigation and the appointment of and liaison with legal representatives through the statutory liability underwriter. Most importantly, they began a safety implementation programme minimising the chance of future accidents.

The construction industry currently faces significant recruitment, skill and training challenges. Such shortages of experienced, skilled workers can create time pressures and, as



Safety Assist has helped to reduce accidents in the New Zealand roofing industry.

a result, safety training can suffer, resulting in the risk of higher injury rates compounding the skill shortage. Programmes such as Safety Assist not only enhance the profitability of our business but serve a wider community need to improve workplace safety.

In the particular case reported here, introducing Safety Assist has increased client confidence contributing to repeat contracts and contract pre-qualifications. New business has also been won on the basis of the safety systems introduced into the business.

Any increase in the premiums as a result of their previous serious harm incident was kept to a minimum because the business was able to demonstrate detailed safety information and processes to their insurance broker.

Safety Assist now has 600 customers with programs covering 8,000 employees in New Zealand.

08 PRIORITIES FOR THE FUTURE

PRIORITY
Develop an energy efficiency policy for the division and investigate the feasibility for moving to a carbon neutral position.

PRIORITY
Promote sustainable business practices to our business partners and customers.

PRIORITY
Develop a sponsorship policy that maximises returns to the community from our contributions.

PRIORITY
Increase internal awareness of environmental issues including possible impacts of climate change.

PRIORITY
Continue to improve and develop the divisional sustainability policy.

PRIORITY
Reduce our Lost Time Injury Frequency Rate by at least 50 per cent with a target of zero Lost Time Injuries.

OTHER BUSINESSES

This section covers operations of smaller business units either wholly or partly owned by Wesfarmers.

ENERGY GENERATION (enGen)

We are an independent power producer specialising in the design, construction, operation and maintenance of power stations for the mining industry and townships in remote areas that are not serviced by a major distribution grid.

Our existing power stations are diesel and gas-fuelled. New endeavours include the conversion of diesel-fuelled power stations to Liquefied Natural Gas (LNG)-fuelled power stations. We are also investigating the use of renewable generation at a number of sites. Our head office is in Canning Vale, Western Australia and we employ about 70 people.

Overview

We implemented First Priority Enterprise (FPe) as part of the Wesfarmers Energy Health, Safety and Environment (HSE) project in November 2006. FPe is an electronic HSE management system that has enabled us to improve our ability to schedule and assign HSE activities and actions.

Health and safety remains a company priority and we continue to maintain a Lost Time Injury (LTI) free record.

Fitness for work awareness sessions were conducted in February 2007.

Business management

Emergency

Both our Emergency Management Plan (EMP) and Crisis Management Plan (CMP) were reviewed in 2007. An emergency evacuation drill was held in April 2007 to test the EMP and an independent crisis management practitioner ran a crisis exercise in July 2007.

Management systems

We have a Management Plan (Health, Safety and Environment) that defines our policies and systems and the framework for their implementation. The plan describes actions required, frequencies, durations, responsibilities and accountabilities.

Environmental

We minimise dust exposure at power stations that we own and operate (Sunrise Dam, Hill 50/60, Wodgina, Leonora, Coober Pedy, Cue, Meekatharra, Mt Magnet, Sandstone, Wiluna, Yalgoo, Gascoyne Junction, Laverton, Menzies and Warmun) by the use of blue metal and at Canning Vale by concreting areas or planting lawns.

Greenhouse gas emissions

We signed a Cooperative Agreement to participate in the Commonwealth Greenhouse Challenge Plus Programme. We will conduct an energy efficiency audit during the 2007/2008 financial year. Findings of this audit will be used to identify and establish actions to manage greenhouse emissions.

Our total greenhouse gas emissions were estimated to be 286,098 tonnes of carbon dioxide equivalent, down seven per cent on last year. Of this amount 167,828 tonnes relates to stations which we built, own and operate and 117,771 tonnes is attributable to those stations which we operate and maintain on behalf of a customer. The decrease is due to a combination of campaign mining and Cyclone George damage at Wodgina. In the case of Sunrise Dam, which is a combination of the two categories (we own some of the generating assets and the customer owns some of the generating assets which we operate and maintain), 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

Woodman Point in Western Australia which we operate on behalf of the Water Corporation.

National Pollutant Inventory (NPI)

We have not yet prepared our report to the National Pollutant Inventory (NPI) for the 2006/2007 reporting period or finalised our data estimates, however in 2006/2007 our most significant emission was carbon dioxide. Further information is available at: www.npi.gov.au. All our substance emissions for last year were ranked as "low" by the NPI. In relation to the power stations we operate but do not own, data is provided to our clients for inclusion in their NPI reporting.

Resource usage

Our total energy consumption during the year was estimated to be 4,127,441 gigajoules, down about seven per cent on last year. Of this amount, approximately 2,366,348 gigajoules or 57 per cent can be allocated to the stations we built, own and operate.

Safety and health

Our LTIFR was again zero. Our Average Time Lost Rate, which provides a measure of the severity of such injuries, was again zero. These statistics include contractor hours and injuries.

During the year there were 36 incidents reported, (the same as last year), of which six were injuries requiring first aid, three were injuries requiring medical treatment and 27 were non-injury incidents.

There was one workers compensation claim reported, relating to occurrences during the year, compared with two last year. Material Safety Data Sheets (MSDS) are accessible through the ChemAlert system we use for hazardous substances held on site. Bunded storage areas are provided where required.

We use Job Safety Analysis and Work Instructions for tasks to identify risks and assess their impact on employees, the public, plant and equipment.



New power station for remote Western Australian Aboriginal community.

Two members of the Warmun community (left) with the Member for Central Kimberley-Pilbara and the Managing Director of Horizon Power marking the opening of the power station with a commemorative plaque set into a specifically-chosen rock. Photograph courtesy of the Office of Energy.

Delivery of essential services to indigenous communities in Western Australia has been a point of contention between indigenous communities and the state and Commonwealth governments for a number of years.

The Aboriginal and Remote Communities Power Supply Project (ARCPSP) was a joint initiative of the Australian and Western Australian Governments to address the lack of reliable power supply in remote Aboriginal communities. The project was set up to initially provide new power stations and uniform state electricity tariffs at five aboriginal communities, with the possibility of later extending this to other communities.

Horizon Power called for tenders for parties to build, own and operate power stations at these five locations, and enGen was announced as the preferred tenderer and signed the formal power supply agreement in October 2006.

There was extensive consultation with the communities throughout the development of the project and enGen, Horizon Power and both governments were focused on ensuring that the communities were supportive of the project. Native title holders and traditional owners granted heritage clearance over all sites for the new power stations and aboriginal service provider, Mamabulanjin Aboriginal Corporation, provides first level operations and maintenance support at the power stations.

There are many benefits to the communities from the new power stations, including less noise and air pollutants and the new stations are significantly more reliable than the existing ones.

Community residents will be able to obtain electricity at the state uniform tariff and those eligible will receive extra subsidies. The project also creates the opportunity for increased local employment in the communities and increased spending in the communities during construction.

The first of the five power stations, at the Turkey Creek community of Warmun, commenced operation in February 2007 and enGen is on track to complete the remaining four stations in the second half of the 2007 calendar year.

The official opening of the Warmun power station occurred in late April 2007. The Warmun community carried out a corroboree and smoking ceremony to celebrate the opening and we later shared a barbecue with the community residents. The traditional owners of the land at Warmun (the Kitja people) selected a suitable rock for us to attach a plaque to commemorate the official opening.

enGen is proud to have successfully constructed and commissioned the Warmun power station and is looking forward to the successful construction and commissioning of the remaining stations.

COREGAS

We are a wholly-owned subsidiary of Wesfarmers Energy and are a major national producer and distributor of industrial, medical and scientific gases. Acquired in February 2007, we have operations in most Australian states. We employ about 180 employees.

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.

The two main safety areas on which we focused our attention during the year were maintaining accreditation to ISO 9001 Quality Management System and delivering safety training.

Safety Training is presented to the workforce. Topics include manual handling, dangerous goods, hazardous substance, transport of dangerous goods and safe handling of gas cylinders.

Our Quality Management System is certified and compliant with AS/NZS 9001. Triennial audits were held at our Brisbane, Newcastle, Yennora (western Sydney) and Melbourne sites during the year. No non-conformances were identified.

We have a Safety, Environment and Quality Policy which is displayed on our noticeboards at our operating sites.

Business management

Environmental

We have a Refrigerant Trading Authorisation which is administered by the Australian Refrigeration Council Ltd. It provides authorisation to buy, sell, store and handle refrigerant gases.

We have a Controlled Substances Licence, administered through the Federal Department of Environment and Heritage. It provides authorisation for the import and sale of ozone depleting and/or synthetic greenhouse gases.

Safety and health

Our LTIFR was 8.2 and since owned by Wesfarmers there has been one LTI. Safety statistics are distributed and discussed by management at the Management Team meetings held quarterly.

There were nine workers compensation claims reported since 1 March 2007.

We focused on auditing and safety training. In the year we held 22 training sessions and conducted 19 audits.

During the year we had one significant on-road accident.

We reviewed our Yennora Emergency Plan and in April we conducted an emergency evacuation exercise at the site.

The Yennora site is licensed for EPA Chemical Storage and Chemical Handling. All seven of our sites are Dangerous Goods-licensed.

Website: www.coregas.com.

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 a provider of home healthcare services.

We are 40-per cent owned by Wesfarmers Limited with the remaining shares held by Air Liquide Australia Limited, a wholly-owned subsidiary of Air Liquide of France. Wesfarmers Energy has management responsibility for the company. The head office is located in Murdoch, Western Australia.

We have three operational sites at Kwinana and one at Henderson, all south of Fremantle. Our healthcare division is located in Nedlands, Perth, and we have branches in Kalgoorlie, Karratha and Darwin. Through a network of 73 agents we operate throughout Western Australia and the Northern Territory. As at June 2007 we employed 85 people.

Overview

Our main ongoing environmental challenge is the management of lime waste at the Henderson site, this being a by-product from our acetylene production facility. The waste is regularly removed by a contractor for use as raw material in a manufacturing process. Special care is taken to ensure there is no discharge to land.

On safety, we focused our attention during the year on updating our Emergency Management Plan. This included in-depth training for appropriate personnel and a simulated emergency exercise at our Henderson plant. The Fire and Emergency Services Authority participated.

The Henderson site incorporates an acetylene manufacturing plant, industrial and medical gas refilling and a distribution operation.

We also conducted a noise exposure assessment at our Henderson plant and at the Mason Road Air Separation Unit at Kwinana.

As part of our licence to operate we reviewed and updated the Henderson Major Hazard Facility Safety Case.

Business management

Environmental

Our Environmental Policy is displayed prominently in relevant places throughout the company, included in all induction material and available on our Industrial Management System (IMS).

To maintain and improve on a good safety record we conducted 26 health and safety meetings during the year with a focus on safety awareness and assessing/controlling any hazard. We also conducted 34 internal safety observations focusing on compliance and observed hazards.

All employees undergo training in hazards associated with the gases and equipment they are required to handle. Senior workplace first aid training continued to be provided as appropriate. A simulated emergency exercise was conducted at Henderson in June 2007 to test our Emergency Management Plan. The exercise, a simulated acetylene explosion, incorporated many issues such as fatalities, medical treatment, plant damage, supply interruption and reputation issues. A de-brief was completed immediately afterwards with all stakeholders so that lessons learnt could be applied into the Emergency Management Plan as appropriate.

Compliance

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

National Pollutant Inventory (NPI)

Data for the 2005/2006 reporting period was submitted to the National Pollutant Inventory in July 2006. Detailed information is available at: www.npi.gov.au. Our substance emissions for the 2005/2006 year were ranked by the NPI as 'low'.

Noise

The Air Separation Unit at Mason Road Kwinana operates on a 24 hours per day continuous basis. A noise survey conducted by a third party was completed in March 2007 for the purpose of providing a noise assessment in compliance to occupational health and safety regulations. We did not receive any noise complaints during the year.

Greenhouse gas emissions

We do not directly produce greenhouse gas emissions. Our indirect emissions from imported electricity were estimated at 79,902 tonnes of carbon dioxide equivalent, down one per cent on last year's actual figure of 80,933 tonnes of carbon dioxide equivalent.

Our carbon dioxide recovery plant at Kwinana recovers carbon dioxide gas from the adjacent

CSBP ammonia plant, removes impurities (oxygen, nitrogen, H₂O), and liquefies the product for sale throughout Western Australia and the Northern Territory or sells by pipeline to Kwinana-based industries.

We re-sell ozone-depleting substances (refrigerant gases) to approved industry users under its Trading Authorisation Certificate issued by the Department of Environment and Heritage.

Water

Water use during the year related primarily to usage at our air separation plant to keep the plant and compressors cool during the gas liquefaction process. Water is also used during the Henderson acetylene cylinder filling process where water is used with calcium carbide for the production of acetylene and mist sprayed over the cylinders while they are being filled to dissipate heat build up during refilling.

Total water consumption was estimated at 121 megalitres, up 16 per cent on last year.

Waste

Our total solid general waste stream during the year was estimated to be 91,626 kilograms, up eight per cent on last year. Of this amount, we estimated that 100 per cent was recycled.

Our total liquid general waste during the year was estimated at 4,040 tonnes, up 28 per cent on last year. Of this amount, we estimate that 100 per cent was recycled.

Resource usage

The main use of energy relates to the liquefaction process of gas separation at our Mason Road Kwinana ASU site, carbon dioxide recovery at the CSBP site and cylinder filling at our Henderson facility.

Total energy consumption was estimated at 307,696 gigajoules, up five per cent on last year.

Safety and health

Our Lost Time Injury Frequency Rate (LTIFR) of zero compared with 10 last year and during year there were no LTI's.

We recorded 10 near misses for the year. We have encouraged the reporting of these near misses over the last year, as they are an indicator to a source that could potentially lead to a lost time incident. All near misses are thoroughly investigated with appropriate actions and measures implemented. Safety statistics are distributed and discussed by management each month.

There were eight workers compensation claims reported, related mainly to manual handling injuries, during the year, compared with six last year.

Hazard and risk

We maintained accreditation from the Department of Consumer and Employment Protection – Dangerous Goods Safety Branch Resources Safety Division, for the purposes of assessing and endorsing applications for the storage of specified classes of dangerous goods.

Website

For further information on our operations is available from our website www.airliquidewa.com.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.

INDEPENDENT ASSURANCE STATEMENT

To the Board of Directors, Executive and Stakeholders of Wesfarmers Limited:

Wesfarmers Limited (Wesfarmers) commissioned Net Balance Management Group Pty Ltd (Net Balance) to provide independent assurance of this *Sustainability Report 2007* (the 'report'), the organisation's tenth such report. The report presents Wesfarmers' sustainability performance over the period 1st July 2006 to 30th June 2007. Wesfarmers was responsible for the preparation of the report and this statement represents the assurance provider's independent opinion. Net Balance's responsibility in performing our assurance activities is to the Board and Executive of Wesfarmers alone and in accordance with the terms of reference agreed with them. Any reliance a third-party may place on the report is entirely at that party's own risk.

Assurance Objectives

The objective of the assurance process is to provide stakeholders of Wesfarmers with an independent opinion on the materiality, completeness and accuracy of the information presented in the report, and whether Wesfarmers has responded to stakeholder concerns and adequately communicated those responses within the report. This is confirmed through a verification process of the claims made, underlying systems, processes and competencies that support the report, as well as the embeddedness of policies and strategies on sustainability. Ensuring continuous improvement in data management systems and associated reporting processes is also a complementary objective.

Wesfarmers moved from a data verification process to a broader level of assurance last year using the *AA1000 Assurance Standard* and has continued this in 2007. The scope of this assurance process is described below.

Assurance Process

Our approach to assurance provision is undertaken using the *AA1000 Assurance Standard*, to which the lead assurance provider is accredited by the International Register of Certified Auditors UK (IRCA UK). The assurance engagement was undertaken between May and September 2007. The process involved the following activities:

- Interviewing management and internal stakeholders of Wesfarmers Premier Coal and Bunnings Business Units as part of a four-year plan to cover stakeholder engagement for all business units (subsequent to undertaking consultation of all business units last

year) to ascertain their views on, and responses to, the material sustainability issues faced by these business units, and the communication of these issues. A total of 12 interviews were conducted.

- Interviewing selected external stakeholders to ascertain their perception of the material sustainability issues faced by Wesfarmers Premier Coal and Bunnings Business Units, and the appropriateness of Wesfarmers' response to these issues in terms of their performance as well as external reporting. A total of 15 interviews were conducted with government, industry peers, suppliers, non-government and government organisations, clients, partners and industry associations.
- A review of the key sustainability strategies, policies, objectives, management systems, measurement and reporting procedures, background documentation and data collection and reporting procedures for Wesfarmers and each of its business units.
- A review of the report for any significant anomalies, particularly in relation to significant claims as well as trends in data.
- An overview of the embeddedness of the key economic, environmental and social policies for Wesfarmers and each of its business units.
- A series of interviews with key personnel responsible for collating and writing various parts of the report in order to substantiate the veracity of selected claims.
- The examination of the aggregation and/or derivation of, and underlying evidence for, over 200 selected data points and statements made in the report. The verified items were broadly selected to not only satisfy the principles of materiality, completeness and responsiveness, but also as supporting evidence for conclusions reached.
- A review of selected external media sources relating to the sustainability performance of Wesfarmers and each of its business units, so as to further substantiate reported claims and, more importantly, to ensure that no significant omissions were made in the report.

Assurance Limitations

Our scope of work did not involve verification of the accuracy and robustness of financial data, other than that relating to environmental, social or broader

economic performance. Each of the wholly-owned business units were visited or interviewed by members of the assurance team. These were Bunnings, Curragh, Premier Coal, Kleenheat Gas, Wesfarmers LPG, CSBP, Industrial and Safety, Insurance and Energy Generation. The Corporate office was also visited and data was examined from the 40 per cent-owned Air Liquide WA. Our observation of stakeholder engagement activities was based on reviewing external stakeholder engagement processes and outcomes, and the 27 interviews with internal and external stakeholders, as well as from the more comprehensive stakeholder engagement program undertaken last year.

Our Independence

Net Balance was not responsible for preparation of any part of this report. Net Balance has not undertaken any commissions for Wesfarmers in the reporting period concerning reporting or data collection. However, Net Balance has assisted the Bunnings business unit on a technical project concerning energy efficiency and carbon. Our team's independence was ensured by selecting an assurance team that had no other involvement with Wesfarmers during the reporting period that could impair the team's independence or objectivity.

Our Capacity

The assurance team comprised of individuals with expertise in sustainability and in environmental and social performance measurement and reporting in various industry sectors including the manufacturing, energy, finance and chemical sectors. The assurance team has collectively undertaken over 60 assurance engagements in Australia over the past 10 years and is also led by a Lead Sustainability Assurance Practitioner (Lead CSAP) accredited by the IRCA UK. The team is also a global leader in the use of the AA1000 Assurance Standard in assurance provision.

Our Opinion

Based on the scope of the assurance process, the following represents the assurance provider's opinion:

- The findings of the assurance engagement provide confidence in the information reported within the report. The level of data accuracy was found to be within acceptable limits, but additional improvements to data management, including the reduction of manual aggregation and transcription processes are recommended to reduce potential for

minor anomalies and inaccurate statements. Data trails selected were easily identifiable and traceable, and the personnel responsible were able to reliably demonstrate the origin(s) and interpretation of data.

- Three of the business unit audit scopes were expanded to ensure that any systemic errors were found and corrected.
- The statements made in the report appropriately reflect environmental, social and economic performance achieved during the period.
- All suggested changes were satisfactorily addressed by Wesfarmers prior to finalising the report.

Overall, the assurance provider is satisfied that the report addresses an appropriate representation of the sustainability performance of Wesfarmers during the reporting period.

Conclusions and Recommendations

- **Materiality:** Materiality was determined by assessing compliance performance, issues material to stakeholders, policy-related performance and peer-based norms.

With regard to key sustainability opportunities for business units, the most common responses from internal and external stakeholders during stakeholder engagement related to product development and quality, occupational health and safety, resource use (e.g. water, energy and waste), supply chain management, procurement, climate change risk management and incidents management. It is the assurance provider's opinion that whilst initiatives and commitments are in place to address the majority of issues raised by stakeholders there is room for improvement in the reporting of Wesfarmers' performance in some of the above areas.

Review of peer-based norms and policy development noted that most areas are comparable to peers, and well-addressed, but some areas, particularly around issues raised by stakeholders (above) are yet to be fully enunciated and policy positions established.

Completeness: The report was found to be mostly complete in addressing key environmental, social and economic performance as well as all wholly-owned operations of Wesfarmers, using the Global Reporting Initiative's (GRI) *G3 Sustainability Reporting Guidelines (October 2006)* as a guide. As noted by stakeholders, the assurance provider agrees that the diversity of the Wesfarmers' business remains one of the more significant challenges to the organisation in collating and presenting consistent group-level environmental and social performance data. Whilst improvements have been made in the way this data was collected and reported over the years, there are several recommendations made below for further improvements to improve the quality and consistency of information presented.

Data for businesses that are not wholly-owned/controlled by Wesfarmers is presented in a concise

form, but not covering the complete breadth of information presented by wholly-owned business units. This is considered appropriate. Following a recommendation last year, an organisational ownership structure diagram has been included in the front section of the report which may improve clarity for the reader.

The data was also reviewed for whether or not reporting boundaries and reporting periods were being appropriately considered. It was found that this was the case with the majority of data except for some data sets where there was a time lag in data entry, and except for some sites and regional operations, which were considered non-material, where disclaimers capture such omissions and inconsistencies. Recommendations have also been provided around increasing the consistency of information received from business units by better defining data requirements.

- **Responsiveness:** Net Balance tested the responsiveness of the organisation through a review of management systems, documents and policies prepared by the organisation relating to the way it responds to stakeholder concerns and interests. Responsiveness was also tested by assessing the resources allocated to implement the aforementioned policies and commitments; by assessing the timeliness and accessibility of reported information; and by undertaking a review of key policies, targets and indicators and assessing the extent to which these are implemented by Wesfarmers. Net Balance also engaged with 27 internal and external stakeholders using a structured-survey process to gain an appreciation of their perception of the sustainability performance and reporting thereof of the Wesfarmers-owned Bunnings and Premier Coal business units. Stakeholders felt that the organisation's responsiveness is in general 'average' to 'good' and that it was performing well in economic, social and environmental areas.

The Way Forward

Based on discussions last year, Wesfarmers has re-named its Social Responsibility Report this year to *Sustainability Report*, recognising the growing awareness of the term and what it broadly means. However, the report structure and content has not altered from last year providing consistency for the reader. The internal stakeholder engagement process (particularly for Bunnings) reflects a growing awareness of the need to, and an interest in, taking a lead in addressing environmental and social aspects of operations.

The diversity of the business presents continuing challenges to Wesfarmers in terms of how it integrates sustainability into its operations. Growth of the business has also brought with it similar challenges of integrating environmental and social performance objectives that are consistent across business units. These challenges are not likely to disappear, and indeed are more likely to increase with time. Accordingly, the assurance provider has carried over last year's recommendation for additional quality controls in data

to increase consistency, whilst allowing business units some flexibility in the way they identify and report upon what they (and their stakeholders) consider material sustainability issues for their business.

The assurance provider's recommendation last year for annual executive level meetings on material sustainability issues to the business and in setting sustainability goals has been taken on board and formalised at each business unit. This also needs to be embedded at the corporate level for whole-of-business. Commitments made in 2006 were reviewed, concluding that appropriate progress had been made. Focus on broader business-level challenges such as climate change, supply chain management and community engagement need to be better articulated, and Wesfarmers' level of response and performance management reported. Stakeholder engagement needs to continue, and in particular awareness amongst employees and highly interested and influential external stakeholders needs to be raised.

In terms of direct impact, the organisation's characterisation of its environmental footprint is advanced, and comprehensive. The development of the social footprint is less advanced, and requires more work, but is not inconsistent with peer norms.

The report itself continues to be a significant effort for Wesfarmers, particularly given some of the challenges highlighted above. We found that comments and input had been sought from several levels within Wesfarmers. The report also continues to be internally verified prior to external assurance. One of our concerns is that the amount of text that may limit the readability of the document, and this will continue to present a challenge as the organisation grows. Report sizes are starting to shrink globally, and Wesfarmers needs to continue to look to manage the size of the report, despite diversity and growth. Development of some systems and quality controls for data would further assist in reporting efficiency and in reducing potential for human error or loss of intellectual property through natural staff turn-over. These are key risks in performance measurement and reporting for an organisation such as Wesfarmers.

The assurance provider has provided additional suggestions for reporting improvement in some areas, including a *System Diagnostic Audit* in early 2008 in preparation for next year's reporting cycle. The assurance provider has also suggested a training session for staff involved in developing the report on verifiability of claims, and accuracy of data, as well as development of appropriate procedures for measurement and reporting of key performance indicators. These have been outlined in a more detailed report presented to Wesfarmers.

On behalf of the assurance team, 28th September 2007, Melbourne, Australia



Terence Jeyaretnam
Director, Net Balance & Lead CSAP (IRCA UK)

GLOSSARY

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. The ATLR provides a measure of the severity of occurrences.
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
FESA	The Fire and Emergency Services Authority of Western Australia.
Fugitive emissions	Generally deliberate but not fully controlled emissions that typically result from leaks from pumps, pipes and valves. For example methane emitted from coal mine seams and vapour emitted when petroleum storage tanks are filled.
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.
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



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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.

Feedback

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Did this report meet your information needs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Did you find the report to be transparent and open?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Did you find the information easy to understand?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Did you find the information useful?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	POOR	GOOD	EXCELLENT
How would you rate our environmental performance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How would you rate our health & safety performance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How would you rate our community involvement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	LESS FAVOURABLE	SAME	MORE FAVOURABLE
How has this report changed your opinion:			
• of our environmental practices?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• of our health and safety practices?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• of our community involvement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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