

Making a difference together



Our businesses

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INDUSTRIAL

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Communication

SUSTAINABILITY = RESPONSIBILITY

Wesfarmers is one of Australia's largest retailers and leading public companies.

Our sustainability approach is guided by the overarching principle that a sustainable business ultimately depends on a healthy economy, community and environment.

Our broad portfolio of diversified businesses now includes retail operations covering supermarkets, general merchandise and specialty department stores, fuel and liquor outlets and office supplies in addition to our existing home improvement business. Wesfarmers' industrial operations include coal mining, chemicals and fertilisers, gas processing and distribution, energy generation, and industrial and safety product distribution. We also operate a significant insurance business.

In each of these businesses there are a broad range of sustainability challenges and in this report we seek to bring these together in an accurate and comprehensive overview of how we sustainably manage our operations.

In late 2007 we completed the acquisition of the former Coles Group of companies, which considerably expanded the scale and nature of our retail operations in Australia and New Zealand.

In addition, it brought a range of sustainability challenges that are new to Wesfarmers and more opportunities to further improve Wesfarmers sustainable business policies and outcomes.

As explained in this report, we are in the process of integrating the sustainability practices of the former Coles Group of businesses into the existing Wesfarmers sustainability reporting structure. Where possible, we have reported on the performance of these businesses over the full year, including the period not under our ownership.



MANAGING DIRECTOR'S WELCOME

In 1998, Wesfarmers released its first annual sustainability report outlining how we as a company think about and manage our interaction with the environment and the community, and benchmark our performance. A lot has changed since that time.

Many of the environmental and community issues we've reported on over the last decade, like greenhouse emissions, have become bigger and more pressing, demanding long-term, strategic responses.

As a company, Wesfarmers has also changed considerably during that time.

Over the past decade our business operations have grown significantly, including the acquisition of the Coles Group completed last November.

Our revenue next year will exceed \$50 billion. We now employ nearly 200,000 people and hundreds of thousands more Australians directly benefit from the business we transact.

The diversity and depth of our business operations - ranging from retail, insurance, industrial, energy to mining - means that, in many ways, we are a microcosm of the Australian community and the diverse sustainability challenges it faces.

It also means that as one of Australia's largest companies, Wesfarmers has a huge responsibility in getting our sustainability efforts right - not only towards our shareholders and wider customer base, but to the communities and environment where we operate.

Our sustainability approach

For all the changes within and external to the company over the last decade, Wesfarmers' underlying approach to sustainability remains very similar to the principles which guided our first sustainability report.

We're a company which prides itself on a unique, highly focused and disciplined business culture.

We believe success across every aspect of our operations should be gauged on the basis of practical, measurable processes that result in practical, measurable outcomes.

Some of the sustainability challenges are common across the company. But as you will read in this report, many more are unique to our individual divisions.

As a diversified company we know there is often no one-size-fits-all approach or solution to these challenges.

That's why we encourage our managers and employees to bring their own diverse experiences and expertise to the table and to think innovatively about how to meet these challenges so they are connected to the most appropriate solution.

We may not always get it right and there are areas outlined in the report where we can improve.

But the disciplines and focus we have accumulated over the past 10 years through each report has ensured sustainability is embedded in all our operations and objectives.

And that means we're committed to addressing shortfalls - and if we can't within the timeframes we set ourselves in previous reports, we'll detail why we need to do better and how we'll do it.

Making a difference together

At the same time sustainability is not just about companies minimising the potential negative impacts of their operations.

It also means a commitment to increasing their positive footprint in the community and environment. After all, a sustainable business sector and economy ultimately depends on a healthy community and environment.

Within these pages, you'll see how Wesfarmers and its divisions are committed to investing money, time and expertise in a wide range of partnerships and projects we believe are important to sustaining a strong community and environment.

Again, the scope and diversity of our operations is a significant advantage.

Because we are involved in so many areas of the economy and the community, we believe that together we are making a real difference across many areas of the community.

These range from supporting or directly investing in land care projects, low emissions and renewable energy technologies, improved opportunities for education and training in the broader community, medical research and the arts.

Initiatives undertaken during the past year which have had a positive impact include:

- Our Chemicals and Fertilisers division in developing its expanded ammonium nitrate production facilities, incorporated a state-of-the-art scrubbing system to significantly reduce levels of particulate emissions;
- Our Resources division reduced its total greenhouse emissions, energy used and water consumed in a year when it also achieved record coal production levels;
- Bunnings contributed over \$12.5 million to the community during the year through direct donations, in-kind support and fundraising initiatives;
- A strong focus on managing hazards and post-injury management resulted in Target achieving major improvements in its workplace safety performance;
- In a year of major change, Coles and its customers invested approximately \$8 million in community donations, grants and charitable fundraising, which included supporting Foodbank, the Cancer Council, Landcare, the Australian Red Cross, the Coles Indigenous Food Fund and the Education Foundation; and
- The Kmart Wishing Tree Appeal celebrated its 20th anniversary in Australia and collected over 334,000 gifts throughout Australia and New Zealand to distribute to those in need.

“The diversity and depth of our business operations - ranging from retail, insurance, industrial, energy to mining - means that, in many ways, we are a microcosm of the Australian community and the diverse sustainability challenges it faces.”

Climate change

No sustainability report is complete or credible without a significant focus on greenhouse emissions.

Over the past few years, the challenge of reducing carbon emissions has become the single biggest sustainability issue facing Australian business.

It remains the number one sustainability priority for the company.

We support the introduction of an emissions trading scheme for Australia and have actively contributed to the Federal Government's consultation process to ensure the scheme strikes the right balance between sustainability and economic growth.

With the acquisition of the Coles group, we now account for about one per cent of Australia's total greenhouse emissions.

So we have a significant interest and responsibility in making sure we get our involvement in the scheme right.

As this year's report shows, we're making inroads in reducing our emissions footprint through a range of practical measures, including a continuing push for greater energy efficiency across our operations.

Examples of our commitment include Wesfarmers Insurance resolving to become carbon neutral in 2009, and Bunnings - one of Australia's largest retailers - committing to achieve this objective by 2015 or earlier.

But Wesfarmers can and will do more.

Over the course of the next year, we will set internal targets for each of our divisions to ensure that our company's overall emissions footprint is reduced.

Each division will be asked to determine the best way to meet these targets, in line with the Wesfarmers view that our managers and employees have the authority, responsibility and accountability to make sure these benchmarks are achieved.

Going forward

Finally, I want to thank everyone within Wesfarmers for their efforts in achieving the sustainability outcomes detailed in this report.

The work and effort in maintaining a sustainable business as large and as diverse as Wesfarmers, in a way that supports a sustainable economy, community and environment, is never complete.

I'm confident that by applying the practices and disciplines that we have developed since our first report, Wesfarmers will continue to make a positive difference to the environment, community and economy that in turn sustains our performance as a business.

Richard Goyder
Managing Director



ABOUT THIS REPORT

This section provides an outline of what's covered in our 2008 report and how we've gone about preparing it.

Timing

Coverage is for the financial year ended 30 June 2008. 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. This is particularly so for Lost Time Injury data.

What we cover

All wholly-owned and operationally-managed businesses as at 30 June 2008 are included.

This year we are including the companies in the former Coles Group Limited that Wesfarmers acquired in November 2007. Where we can, we have reported on the performance of those businesses for a full 12 months, which extends beyond the Wesfarmers ownership period, to give a summary of their impacts that is as comprehensive as possible. However because reporting in the former Coles Group was of a different form you will notice some gaps in the data sets for these businesses that we are working to resolve for our 2009 report. We have also reported for the full year on the Australian Vinyls business that was acquired in September 2007, and the Coregas business we acquired in early 2007.

The structure of this report has grouped the Wesfarmers companies into retail, industrial and insurance businesses to allow the reader to easily review like activities, and groups a range of other part-owned businesses such as the Bengalla coal mine in New South Wales, Wespine softwood sawmill in Western Australia, Queensland Nitrates in Queensland and Gresham Partners Group Limited in the Wesfarmers section of the report. We provide links to websites for readers wishing to find out more about their activities. Within the report we also cover the operations of entities we do not fully own but for which we have operational control in the relevant divisional reports.

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 2008". 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, and also that they could be different to those in the Wesfarmers Limited Annual Report which is prepared at an earlier date.

Lost Time Injury Frequency Rate (LTIFR – please refer to the Glossary) 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. All businesses have reported on LTIFR except Coles, which is amending its reporting base to be consistent for the 2009 financial year.

Greenhouse emissions

Greenhouse 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 emissions. Further information is available at www.climatechange.gov.au.

We have used an emission factor for New Zealand for electricity generation and consumption from the Energy Greenhouse emissions 1990-2006. Further information is available at www.med.govt.nz

Report preparation

Data collection and report drafting is the responsibility of business unit environmental, safety, sustainability 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.

The report this year is titled Sustainability Report 2008. This document has evolved constantly since first being published in 1998 and the 2008 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 (or studies) highlighting a particular aspect of their year's experience with respect to the environment, safety or community interaction. In addition, we have included a case study of one of the community partnerships Wesfarmers developed during 2007/2008.

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.

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, which assessed the 2007 report as well. 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 8. The Net Balance Management Assurance Statement is published on page 130. Net Balance also provides a detailed report to management on its assessment of the reporting process, and Wesfarmers will respond to that.

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. In particular this year the companies from the former Coles Group are reported in combination, simply reflecting their history as being parts of a large public company.

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. A general glossary can be found on page 120.

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 4366.

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 last year's report we assessed stakeholder attitudes for our Bunnings and Premier Coal businesses. This reporting year it was agreed with the external assurers that we should assess a further two businesses, in this instance our insurance and chemicals and fertilisers divisions. A summary of their report is set out below. This was part of a four year plan to cover all divisions in more detail, but with the acquisition of the Coles Group in late 2007 we will review this plan for the 2009 report.

In the case of insurance, the key stakeholders consulted generally considered the organisation's sustainability performance to be either 'average' or 'good', with an 'average' rating received for sustainability being integrated into the business framework. There was mixed response to the adequacy of sustainability related communication from the insurance business which received ratings between 'poor' and 'good'. The majority of stakeholders felt they had no influence over the organisation's sustainability related activities. The key sustainability opportunity for this business unit is to develop products that manage risks arising from climate change. Most respondents were satisfied with the content and layout of the Sustainability Report and that it allowed them to make informed decisions.

In the case of chemicals and fertilisers, key stakeholders rated its sustainability performance as either being 'good' or 'very good', with the extent of sustainability being integrated into the business framework being 'large'. Stakeholders are generally aware of the division's business and are interested in its sustainability activities. A key sustainability opportunity is to become a global leader in delivering sustainable solutions to the agriculture and mining sectors. Continued employment of local students was also seen as a positive contribution. The report rated highly from a completeness, materiality and responsiveness perspective.

Detailed reports, including recommendations for improvement, have been provided to both the Insurance and Chemicals and Fertilisers Divisions by Net Balance Management Group.

Collie Shire CEO Jason Whittaker and Shire President Wayne Stanford with Premier Coal's General Manager Patrick Warrand at the Collie Western Entrance Project, supported by Premier Coal.



OUR SUSTAINABILITY SCORECARD

An overview of our performance using indicators linked to the three Key aspects of sustainability - economic, environmental and social.

The business unit reports outlined in this document include a significant amount of detailed information on the environmental, safety and health performance and community interaction across the business operations that comprise the Wesfarmers Group. Recognising that the company has grown significantly over the past year, this year's report has grouped our nine divisional operations into three categories - retail, industrial and insurance. This has meant some changes to the way data is presented compared to previous reports. These changes are highlighted and explained in this section and throughout the report to help with understanding the information presented.

This section provides:

- A group-wide summary of the sustainability issues, opportunities and challenges which Wesfarmers' diverse business structure is responsible for;
- Snapshots of key data that summarise Wesfarmers overall sustainability contribution related to economic impacts and outcomes which are referred to detail in the company's Annual Report for 2007/2008 (available on the website at www.wesfarmers.com.au.)
- A summary of the sustainability performance of those parts of the Wesfarmers Group that do not fall directly under the nine operating divisions.

Economic

Starting as a farmer's co-operative in 1914, the company has progressively evolved and diversified to become one of Australia's largest publicly-listed companies and one of the country's largest private-sector employers, with more than 465,000 shareholders and nearly 200,000 employees.

Our major operating business interests in the full year covered by this report include 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 November 2007, Wesfarmers acquired the former Coles Group Limited, significantly increasing our retailing business and scope to include Coles supermarket, liquor, and fuel and convenience businesses, Target, Kmart and Officeworks.

In the year to 30 June 2008 our company recorded a net profit of \$1,050 million, compared to \$786 million in 2006/2007. Key indicators of the Group's financial performance indicators are summarised below in Figure 1.

Figure 1 – Financial performance (\$m)

Sales Revenue	33,584
Cost of goods, services, materials and other external costs	25,480
Wages and salaries to employees	4,459
Dividends to shareholders	1,533
Interest paid on borrowings	800
Income tax and other payments (including royalties) to governments	1,280
Movement in retained earnings	32

Overall, our operations make a significant contribution to the economies of Australia and New Zealand. These contributions included more than \$4,459 million paid in salaries and wages to employees, dividends to our shareholders totalling \$1,533 million and \$1,280 million paid to governments at all levels in the form of taxes, levies and royalties. More than 90 per cent of our revenues and earnings are derived from our Australian operations.



We are one of 19 Australian companies selected for inclusion in the Dow Jones Sustainability World Indexes (DJSI World) for 2008. The DJSI Index includes 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

Wesfarmers' diversified structure, in terms of the range of its businesses and the group's geographical spread across Australia and New Zealand, means the company is responsible for managing a wide range of environmental issues. Because of this diversity, the group's overall environment policy requires business units to develop policies and procedures that are relevant to their particular circumstances while ensuring these policies and actions are in line with the group's overarching guideline of 'placing strong emphasis on protection of the environment'.

Across the group a number of significant environmental programmes are being developed and implemented, ranging from Bunnings' commitment to become carbon neutral by 2015, initiatives to promote greater energy efficiency, renewable energy sourcing and carbon offsets, the completion of CSBP's ammonium nitrate expansion project which includes significant pollution abatement and prevention, reductions in greenhouse and energy footprints within our Resources division, and successful waste reduction and recycling programmes, focused particularly in our retail businesses. For example, following the launch of its successful plastic bag reduction programme to New Zealand in April 2007 and the very positive response to a 10 cents per bag levy introduced in Australia in September 2003, Bunnings announced in early 2008 that it would no longer supply plastic bags for customer use and would instead encourage the use of alternatives.

We recognise that the use of fuels other than petrol and diesel is becoming increasingly important in the context of both achieving lower overall pollution levels and the climate change debate. We encourage the purchase of vehicles suitable for liquefied petroleum gas (LPG) use where practical in recognition of LPG's environmental benefits over petrol and diesel. We continue our efforts, through our energy division, to expand the market for liquefied natural gas (LNG) as a substitute for diesel in the heavy duty vehicle and remote power generation sectors. The construction of a 175 tonne-per-day LNG plant at the Wesfarmers LPG site at Kwinana and investment in distribution infrastructure and two remote area power stations will greatly expand the availability of LNG as an alternative fuel in Western Australia. The LNG plant was commissioned in 2008.

Figure 2: Greenhouse Emissions (tonnes CO₂ equivalent)

Division	2006/2007	2007/2008
Home Improvement and Office Supplies	182,802 ⁽¹⁾	186,525
Coles	n/a	2,938,829
Target	n/a	230,545
Kmart	n/a	347,893
Resources	834,654 ⁽²⁾	614,619
Chemicals and Fertilisers	1,277,546 ⁽³⁾	1,407,618
Industrial and Safety	29,533 ⁽⁴⁾	33,546
Energy	318,755 ⁽⁵⁾	583,602
Insurance	5,679	12,975
Corporate Office	n/a	n/a ⁽⁶⁾
Total for Wesfarmers	2,648,969	6,356,152

Notes:

1. HIOS does not include Officeworks.
2. The 2006/2007 figure includes an over estimation of methane emissions at Curragh, which has been remedied in the 2007/2008 data. The over estimation was largely responsible for the reported decrease in emissions.
3. CSBP in 2006/2007 did not include Australian Vinyls.
4. The Industrial and Safety data for 2006/2007 did not include Bullivants.
5. The Energy data for 2006/2007 did not include Coregas.
6. The absence of data from the Corporate Office does not materially affect Wesfarmers emissions – this will be rectified in the next report.

Group environmental indicators

As mentioned, given the different sustainability reporting systems and structures of the Coles group, there are some environmental activities that are subject to partial reporting. These are clearly outlined in the text. The Coles group’s businesses are implementing systems which will align themselves with Wesfarmers’ best practice model in subsequent sustainability reports.

Greenhouse emissions

Basing our Greenhouse emissions measurement on Australian Greenhouse Office methodology, total direct and indirect greenhouse emissions for the Group in 2007/2008 (converted to carbon dioxide equivalents) were estimated at 6.36 million tonnes (see Figure 2). This was 3.71 million tonnes above emissions reported last year and compares with 2.75 million tonnes in 2005/2006. The increase is almost all due to the acquisition of the Coles Group Limited, and includes its emissions for the entire year, including the period when the Coles businesses were not owned by Wesfarmers.

Wesfarmers was again a respondent to the Carbon Disclosure Project (CDP) in 2008. Our submission, publicly available on the CDP website www.cdproject.net, provides full disclosure on our greenhouse emissions and our overall approach to climate change issues. In addition, Wesfarmers made a submission to the Federal Government’s Green Paper on the proposed Carbon Pollution Reduction Scheme for Australia. Wesfarmers supports the establishment of a national trading scheme. We believe while such a scheme will provide an effective platform for reducing emissions, it must also carefully factor in economic conditions and ensure that the scheme is aligned with similar schemes in other countries while encompassing as many gases as possible. As part of our submission to the Federal Government’s Green Paper, the Group outlined what it believed were important changes that needed to be considered to minimise the impact on Australia’s economic performance.

Figure 3: Energy Use (million gigajoules)

Division	2006/2007	2007/2008
Home Improvement and Office Supplies	0.64 ⁽¹⁾	0.75
Coles	n/a ⁽²⁾	7.02
Target	n/a	0.76
Kmart	n/a	1.05
Resources	3.51	3.33
Chemicals and Fertilisers	9.95	10.71
Industrial and Safety	0.18 ⁽³⁾	0.20
Energy	4.64	7.17
Insurance	0.04	0.08
Corporate Office	n/a	n/a
Total for Wesfarmers	18.96	31.07

Notes:

1. HIOS in 2006/2007 did not include Officeworks.
2. n/a in all these figures, indicates the data is not available.
3. The industrial and safety data for 2006/2007 did not include Bullivants.

During 2007/2008, Wesfarmers also commissioned an internal report on carbon emissions and mitigation opportunities for the Group, and on the basis of this report, the Board has endorsed the preparation of internal carbon emission targets for the Group. These targets will be achieved through a mix of energy efficiency, emission reduction and other related activities. Detail on and progress toward meeting these targets will be reported next year.

As part of our overall efforts to reduce emissions, we continue to contribute to a major emissions reduction initiative, the COAL21 Fund, which levies coal producers to fund research into clean coal technologies. Our contribution to this fund is likely to reach \$30 million over 10 years.

Energy use

Total estimated energy use for our Group in 2007/2008 was 31.07 million gigajoules, an increase of about 64 per cent on last year. Again, most of the increase was due to the acquisition of the Coles Group Limited, and the inclusion of the data from those businesses for the full 12 months. Business-by-business energy usage is summarised in Figure 3.

Wesfarmers is registered under the Federal Government’s Energy Efficiency Opportunity (EEO) laws, and our Assessment and Reporting Schedule (ARS) gained regulatory approval this year. The ARS for the former Coles Group Limited was also approved but has since been subsumed under the Wesfarmers ARS. As a result, Wesfarmers submitted a revised ARS for the Wesfarmers’ group, to include the Coles Group. The revised ARS incorporates assessment of at least 93 per cent of all Wesfarmers energy use, covering the Group’s large energy users across the retail, industrial and insurance operations.

As part of the preparation for the introduction of a national carbon emissions trading scheme the Federal Government commenced the National Greenhouse and Energy Reporting Scheme on 1 July 2008. This system will record the majority of Australia’s greenhouse emissions and energy use. Wesfarmers has registered

Sustainability Issues

The major priority issues for our businesses in the medium term, in order to progress Wesfarmers as a sustainable business, are summarised below:

OUR SUSTAINABILITY SCORECARD

Coles

- improve on shelf availability for customers
- investment in new and existing stores
- leverage in supply chain to improve efficiency and effectiveness
- improving workplace safety for our team members and visitors

Home Improvement and Office Supplies

- achieve carbon neutrality by 2015 or earlier
- improve efficiency in our supply chains, and develop products with enhanced sustainability traits
- maintain our contributions to the social well-being of the communities we operate within
- exceed our 'all injuries' reduction targets in the workplace
- continue to pursue our energy and water efficiency programmes

Target

- improve our safety performance, particularly with manual handling activities
- enhance the energy efficiency of our operations
- continue to support our community partnerships
- increase our investment in recruiting, training and retaining team members
- continued strong investment in our store refurbishment and roll out programme

Kmart

- simplify our business processes to improve effectiveness and focus further on the customer
- ensure our stores are safe and exceed customer and team member expectations
- improve our data collection systems to both measure and drive improvement in our environmental performance
- develop a sustainability plan for all our operations
- develop a greater connection with the communities in which we operate

Resources

- reduce the energy intensity of our mining operations whilst increasing production
- pursue continuous improvement outcomes in all our operations
- maintain and enhance our community partnerships programmes to support the communities in which we operate
- reduce water use in our operations in line with our targets
- continue to support our team in delivering a safe workplace

Chemicals and Fertilisers

- minimise contaminant emissions to air, land and water
- operate our manufacturing facilities to high standards of process safety
- improve workplace safety, control risk and minimise injury
- maximise our use of recycled and reclaimed water supply sources
- continue to effectively deal with our legacy wastes

Industrial and Safety

- focus on the safety, wellbeing and success of our people
- develop our supply chain and source sustainable products
- improve the efficiency of our natural resource use
- drive further improvements in waste management
- continue to support the community

Energy

- continue to develop more effective products that offer sustainable environmental benefits for customers
- pursue new power generation alternatives
- continue to drive further improvements in our safety performance and develop sound safety cultures in our workplaces
- ensure we maintain high standards of process safety in our production plants

Insurance

- continue to improve customer service and efficiency with online solutions
- ensure we tailor effective insurance solutions to meet our customer needs
- implement a policy of carbon neutrality
- continue to develop and implement the ISAFE programme to achieve our workplace safety objectives
- attract, develop and retain the best possible people to deliver our business objectives

Wesfarmers Limited

In addition to the divisional priorities outlined here, the entire Wesfarmers Group will focus on:

- develop and publish a sustainable business strategy for Wesfarmers encompassing many of the policies and initiatives outlined in this report
- develop, implement and report on carbon reduction targets for our company in 2009
- continue our significant contributions to the countries in which we operate through employment, ethical conduct and legitimate payments to governments
- continue our significant partnership programmes with relevant organisations to deliver sustained benefits to the communities in which we operate
- maintain our substantial contribution to public policy processes throughout the Group and our considerable involvement with industry and business associations

Figure 4: Water Consumption (megalitres)

Division	2006/2007	2007/2008
Home Improvement and Office Supplies	858	844
Coles	n/a	1,725
Target	n/a	n/a
Kmart	n/a	n/a
Resources ⁽¹⁾	3,869	3,654
Chemicals and Fertilisers	2,439	3,293
Industrial and Safety	146	29
Energy	16 ⁽²⁾	337
Insurance	n/a	n/a
Corporate Office	n/a	n/a
Total for Wesfarmers	7,328	9,882

Notes:

1. The 2006/2007 data increased over last year's reported figure as it is now consistently based on water abstracted, as is the 2007/2008 data.
2. Energy in 2006/2007 only included Wesfarmers LPG.

to participate and we are now developing measurement and recording systems to comply with the complex requirements of these laws. We will report fully on these reporting systems and their implementation in next year's report.

Water consumption

Estimated water use (scheme and bore water) across the Group totalled 9,882 megalitres (see Figure 4). This figure excludes water used by Kmart, Target and Kleenheat Gas, because many of their operating sites are leased and as a result, no adequate measure is available. However, systems are being developed to allow these businesses to accurately gauge their water usage in 2008/2009. 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 7,328 megalitres, with the reported increase largely due to increases at CSBP and in the Energy division, resulting from expanded operations.

Waste

Solid and liquid waste data is presented, to the extent it is available and can be verified, in each of the individual business reports. In each of the business unit reports there are detailed comments on many of the waste reduction and recycling initiatives undertaken in each division. As a result of these programmes and initiatives, our retail businesses alone recycled more than 158,700 tonnes of consumer packaging materials during the year.

Several of our retail businesses are also signatories to the National Packaging Covenant (NPC), a voluntary packaging waste reduction and recycling initiative underpinned by a National Environment Protection Measure, and reported publicly on their activities in late 2007. The next reports were submitted in October 2008, and at that stage Wesfarmers will seek to become a registered entity under the NPC, and will include several of our operating businesses that deal with packaging and brands in that registration.

Data on waste disposed to landfill is not complete, although gaps in recording and monitoring are being addressed ahead of next year's report. These include the Coles business, which is developing reliable estimates of its waste disposal impact, our Insurance and Industrial and Safety businesses, which generally operate in leased and shared premises, where identifying the quantity of waste generated between tenants is sometimes

Figure 5: Environmental related expenditures (\$ million)

Division	2006/2007	2007/2008
Home Improvement and Office Supplies	5.32	6.84
Coles	n/a	2.27
Target	n/a	0.24
Kmart	n/a	n/a
Resources	4.74	14.20
Chemicals and Fertilisers	8.65	6.19
Industrial and Safety	n/a	0.04
Energy	0.34	0.35
Insurance	n/a	0.13
Corporate Office	1.28	0.88
Total for Wesfarmers	20.33	31.15

difficult, and Insurance which currently do not measure solid or liquid waste.

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. In several of the business reports, there are detailed comments dealing with interactions with the various regulators during the year.

National Pollutant Inventory (NPI)

All of the Group's Australian businesses required to report under the NPI mention this in their sections. Full details are available on the NPI website www.npi.gov.au, with 2007/2008 data available at the end of January 2009.

Environmental expenditures

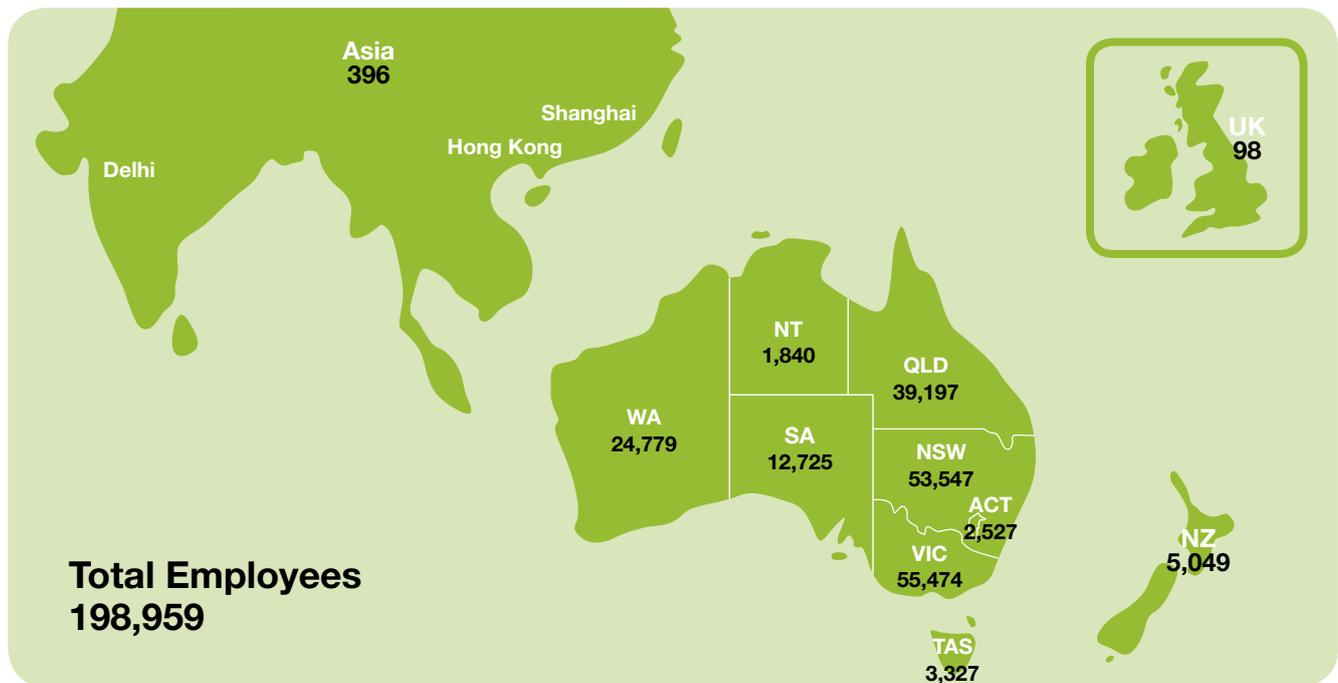
Total environmental expenditures, including land remediation costs for the full 12 months, including those by the former Coles Group, is \$31.15 million (see Figure 5). This compares with a 2006/2007 total of \$20.3 million. These costs include salaries and overheads, specific environmental projects 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 individual divisional reports. The most significant of these involve our CSBP chemicals and fertilisers business, some former forest products operations of Sotico and some sites formerly operated by Wesfarmers Transport, a business that was sold several years ago. Financial provision has been made to cover the estimated cost of these remediation activities.

CSBP is engaged in remediation of a former fertiliser site at Bayswater in Western Australia, details of which are outlined in the relevant section of this report. During the year we made some significant progress at the Pemberton and Manjimup sites formerly owned by Sotico, with extensive investigation, monitoring and review efforts including agreement with the Western Australian Government on the appointment of an Independent Expert to report on the outcome of our remediation activities at the Pemberton site. At the Manjimup site there are several properties

Figure 6: Employee numbers and locations – 30 June 2008



owned by third parties that have been classified as Contaminated – Remediation Required under the Western Australian *Contaminated Sites Act 2003*. Our efforts this year have been directed at investigating and modeling groundwater in the area to demonstrate the risk to these properties is minimal and allow consideration for the site classification being amended.

Extensive remediation activities were undertaken at, and adjacent to, the former Wesfarmers Transport site in Carnarvon to remove over 2,000 tonnes of contaminated soil from the site, in preparation for its use for a major state infrastructure project in the town. Our remediation and monitoring at the former Wesfarmers Transport site in Port Hedland also proceeded satisfactorily with a significant quantity of hydrocarbon contaminated soil excavated and treated. We are hopeful to conclude both these operations in 2008/2009 to allow future land use to proceed.

Social

Our people

Wesfarmers is one of Australia's largest private sector employers. More than 99 per cent of our nearly 200,000 strong workforce is located in Australia and New Zealand (see Figure 6).

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 35 people and approximately 400 people are employed at our retail offices in Asia. Many additional people are employed in businesses where we are an investor, but not operator. Overall, in the 2007/2008 year, we paid \$4.45 billion in salaries, wages and other benefits and our employees worked over 200 million hours (see Figure 7).

In terms of workplace relations, we recognise the right of those we employ to negotiate either individually or collectively, with or without the involvement of third parties. The large majority of our employees are covered by collective agreements. At the same time, the company believes in maximising the flexibility of workplace arrangements available to employees and their managers. Some use is currently made of Australian Workplace Agreements, which are to be phased out by law.

At the end of the year under review, 90 per cent of eligible permanent employees held shares in the company with a take-up rate of 99 per cent among eligible employees for the Group's employee share scheme. This figure excludes employees who joined Wesfarmers

from the former Coles Group and Australian Vinyls, as they were not eligible for the share scheme within the reporting period.

Gender diversity remains an important issue. Around 57 per cent of our employees are women and women occupy 924 (24 per cent) of the company's 3,805 management positions. At the

senior management level (210 positions) there were 36 women, comprising 17 per cent of the total. At year's end, our 19-strong Executive Committee had three women members.

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

Given our autonomously-operating business unit structure, training is one of the key human resource issues within the direct responsibility of business units. At the same time, key human capital development policies and processes apply across the Group. These include remuneration policies for the Group's senior managers, 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, in line with the Group's objective to retain key people.

We regularly conduct a major best practice conference for senior managers across the Group to come together to identify and discuss a broad range of issues that have potential importance to the company, with input from external and internal speakers.

We have a Code of Ethics and Conduct that covers employee behaviour and while business units are encouraged to adopt standards that align best with their activities, these must embody the principles laid down in the Group Code, which is available on our website. The Code also contains a specific provision to protect whistleblowers.

Safety

Workplace safety remains one of the Group's highest priorities. We believe we have an obligation to do all we can to ensure the safety in the workplace of everyone who works for our company, our visitors and customers. Part of the remuneration of our



During the year Wesfarmers entered a three year partnership with Surf Life Saving Western Australia (SLSWA). Managing Director Richard Goyder (far left) with SLSWA President Mike Smith, and members of the Wesfarmers Emergency Response Team at North Cottesloe beach, Western Australia.

managing directors and key direct reports is linked directly 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 is Lost Time Injury Frequency Rate (LTIFR) which is explained in the Glossary section at the end of the report.

This year saw an overall improvement in the Group's safety performance, as measured by the LTIFR. For the reporting period, Group LTIFR was 9.94, down from 10.6 for the previous corresponding period (this figure excludes the Coles Group supermarket, liquor and convenience businesses which will commence reporting in line with Wesfarmers' LTIFR benchmarks from 2008/2009). There were 1,017 lost time injuries over the period, excluding the Coles Group retail business.

On a business-by-business basis, Air Liquide WA, Wesfarmers LPG, Energy Generation and the Corporate Office maintained a zero LTIFR and Coles, Kmart, Target, Officeworks, Bunnings, CSBP, and the Industrial and Safety division all improved or maintained their safety performance as measured by LTIFR (or the Coles equivalent). Details of individual business safety outcomes are found in Figure 8 and their individual reports.

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 pro-active approach and support a culture of safe work practices. These include statistics on all injuries, near misses and restricted work cases. Full details where applicable are available in their individual sections.

The number of workers compensation claims for the year is shown in Figure 9.

Non-compliance/prosecutions

Details of instances where individual divisions are the subject of potential regulatory breaches are included in the various business reports.

Governance

In our Annual Report (available at www.wesfarmers.com.au) we provide a very detailed account of the governance structure and responsibilities of Wesfarmers Limited.

Figure 7: Hours worked by staff in each business

Division	Hours
Home Improvement and Office Supplies	38,230,797 ⁽¹⁾
Coles	104,317,176
Target	20,246,165
Kmart	26,075,503
Resources	2,650,770
Chemicals and Fertilisers	1,633,798
Industrial and Safety	5,817,131
Energy	2,535,929
Insurance	5,078,144
Corporate Office	304,392
Total	206,889,805

Notes:

1. Includes Officeworks.

The Board's Charter requires it to have a majority of non-executive independent directors, a non-executive independent Chairman and different people filling the roles of Chairman and Chief Executive Officer.

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

The Board'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 and partnerships

The continuing successful operation of the Group's businesses, in an ethical and socially responsible way, is the cornerstone of our contribution to the community. Through the creation of employment opportunities and the flow of economic benefits to employees, shareholders, suppliers and through the payment of taxes and royalties to governments, we are committed to having a positive impact in the broader community.

In addition, we believe in supporting the local and broader communities in which we operate by direct and indirect assistance to organisations and activities that provide a public benefit. That support is delivered by direct financial assistance and partnerships with Wesfarmers Limited, the parent company, and through financial contributions, sponsorships and other assistance from the Group's individual businesses. The scope of these community investments is outlined in each of the various business sections in this report.

The Board of Wesfarmers Limited contributes up to 0.25 per cent of the Group's before-tax profit each year. In deciding the distribution of these funds, the Board gives preference to activities focused on medical research and health, indigenous partnerships and education.

A major new initiative developed and announced in 2008 is the contribution over five years of \$4.5 million to the Western Australian Institute for Medical Research (refer to the case study in this section).

Figure 8: Lost Time Injury Frequency Rate (LTIFR)

Division	2006/2007	2007/2008
Home Improvement and Office Supplies ⁽¹⁾	14.48	13.79
Coles	n/a	n/a ⁽²⁾
Target	10.36	9.34
Kmart	10.41 ⁽³⁾	9.66
Resources	3.4	6.8
Chemicals and Fertilisers	2.2	3.06
Industrial and Safety	4.6	4.6
Energy	2.56	6.31
Insurance	2.7	3.7
Corporate Office	0	0
Total for Wesfarmers ⁽⁴⁾	10.6	9.94

Notes:

1. HIOS does not include Officeworks. Officeworks 2007/2008 figure was 9.23.
2. Coles will report on LTIFR in 2008/2009.
3. Kmart in 2006/2007 did not include their New Zealand data.
4. The 2006/2007 figure does not include the former Coles Group.

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 significant and positive contribution to the society in which we live.

This year, direct support totalling about \$1.7 million was provided to a range of leading performing and visual arts companies and organisations, including a \$1 million commitment to the Art Gallery of Western Australia to support the purchase of artworks of national and international stature. Wesfarmers Arts received the Partnership of the Year award in the national Australian Business Arts Foundation Awards for our support of major new performing works with the Perth International Arts Festival from 2004 to 2007.

Sara Macliver and Douglas McNicol in Richard Mills' opera, *The Love of the Nightingale*, an award-winning Wesfarmers Arts Commission with Perth International Arts Festival and West Australian Opera.



Figure 9: Workers Compensation claims

Division	2006/2007	2007/2008
Home Improvement and Office Supplies	1,331 ⁽¹⁾	1,068 ⁽¹⁾
Coles	5,522	5,182
Target	684	837
Kmart	1,035	966
Resources	52	41
Chemicals and Fertilisers	16	21 ⁽²⁾
Industrial and Safety	126 ⁽³⁾	138
Energy	31	50
Insurance	12	40
Corporate Office	0	0
Total for Wesfarmers	8,829	8,565

Notes:

1. HIOS does not include Officeworks. They had 222 claims in 2007/2008.
2. Includes Australian Vinyls since September 2007.
3. The industrial and safety data for 2006/2007 did not include Bullivants.

Political donations

We believe that the democratic process is strengthened if political organisations have the resources to develop sound public policy positions to put to the electorate. Financial contributions to parties can be made only by Wesfarmers Limited and not by any of our business units. During the year we donated a total of \$228,000, 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.

Wesfarmers corporate office renovation

This year we continued the floor by floor renovation of our Corporate office in Perth. The renovations included recycling and reusing all possible materials from the demolition and construction activities; maximising the use of natural light in office areas; incorporating manual glare control blinds on all external windows; sensor activated lights in meeting and storerooms; and the use of recycled timber in the corporate office's new reception area.

Other businesses

In this report we provide detailed information on all the businesses we operate in Australia, New Zealand and other countries, whether they are fully or part owned by Wesfarmers. There are, however, a range of significant businesses in which Wesfarmers is a major investor, and some brief details are provided here, together with the relevant website address which includes more detailed information.

Queensland Nitrates Pty Ltd (QNP): through our Chemicals and Fertiliser division (CSBP) we own a 50 per cent interest in QNP, located at Moura in the Bowen Basin in Queensland, an ammonium nitrate producer and supplier to the mining industry. For further information please visit www.csbp.com.au.

Bengalla coal mine: through our Resources division we own a 40 per cent interest in the Bengalla coal mine in the Hunter Valley in New South Wales, through a joint venture with Coal and Allied, a member of the Rio Tinto Group of companies. The Bengalla mine produces steaming coal for domestic and export markets. For further information please visit www.coalandallied.com.au.

Gresham Partners Group Limited: Wesfarmers owns a 50 per cent interest in the Gresham Partners investment banking activities. Through several Gresham Private equity funds we are involved in the ownership and development of several companies including Silk Logistics Group, Barmingo Limited, Witchery

Fashion, and the GEON Group in the printing sector. For further information please visit www.gresham.com.au.

Bunnings Warehouse Property Trust (BWPT): Wesfarmers owns 22.7 per cent of BWPT, which develops and owns properties for our Bunnings business and other retail/commercial companies. For further information please visit www.bwptrust.com.au.

Wespine Industries: Wesfarmers owns 50 per cent of the Wespine pine sawmill at Dardanup in Western Australia, which processes some 400,000 cubic metres of logs annually into about 180,000 cubic metres of structural and appearance grade timbers for the Australian and export markets. In addition the sawmill residues are used at a nearby plant for the production of particle-board. Wespine employs about 200 people and in December 2007 achieved a 12 month LTIFR of zero – subsequently there were two lost time injuries in the 2007/2008, compared to one in 2006/2007.

Wespine uses electricity to operate its sawmill and natural gas for its drying kilns, and is investigating options to reduce its energy use. For further information please visit www.wespine.com.au.

In addition to these part owned businesses Wesfarmers also owns and operates Sotico Pty Ltd. Sotico has a large landholding of approximately 12,000 hectares at Boddington in the south-west of Western Australia, on which is located about 3,500 hectares of actively managed and harvested softwood plantation, and about 1,000 hectares of eucalypt plantations operated by lessees. The balance of the land comprises native forest which is not logged currently. Sotico supplies over 20,000 cubic metres of pine log products to customers annually and complies with all relevant legislation in these operations. In addition Sotico owns approximately 11 hectares of land in the Pemberton township in Western Australia (some of which is reported on under 'Contamination' above and the remainder of which is in the process of being subdivided in preparation for sale).

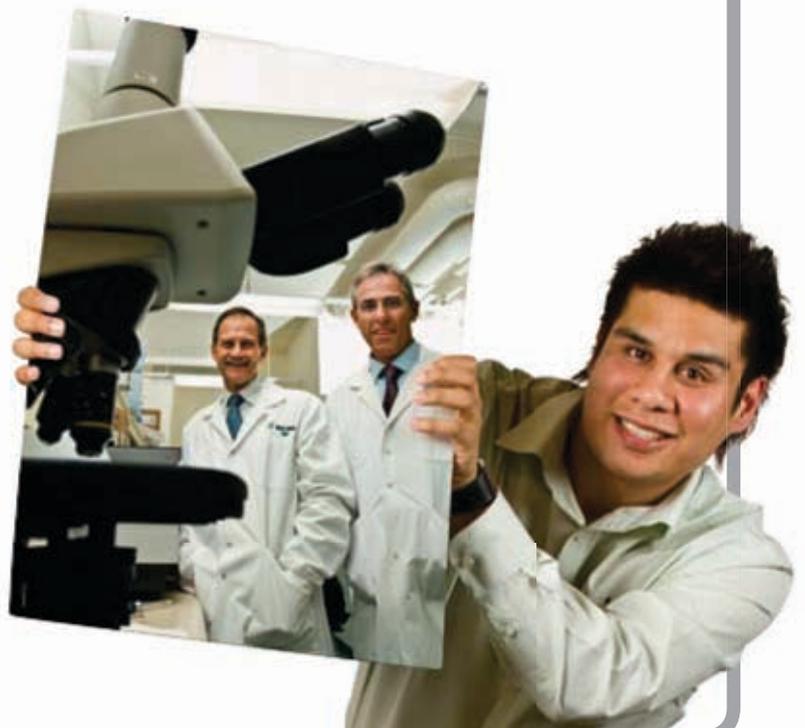
Case study

Commitment to medical research

Wesfarmers has a long history of supporting medical research in Australia.

During the year we developed a partnership proposal with the Western Australian Institute for Medical Research (WAIMR), which was announced in August 2008, through which Wesfarmers committed \$4.5 million over five years to fund a new research centre at WAIMR.

The new research centre will focus on three areas vital to community health – heart disease, diabetes and obesity, and will particularly seek to develop research that can be quickly translated from the laboratory to patient care and treatment. Wesfarmers assisted to establish WAIMR in 1998 through an initial funding grant of \$5 million.



Professor Peter Klincken (left) and Peter Leedman from the Western Australian Institute for Medical Research.

BUNNINGS



Our business

We are the leading retailer of home and garden improvement products in Australia and New Zealand and a major supplier of building materials.

Operating from a network of large warehouse stores, smaller format stores, trade centres and frame and truss manufacturing sites, we cater for do-it-yourself customers as well as builders and contractors.

Revenue during the year reached 5.4 billion dollars. At year-end there were 165 warehouse stores and 61 smaller format stores operating across Australia and New Zealand. We employ about 27,000 people.



08 Priorities

- Achieve carbon neutrality by 2015 or earlier.
- Accelerate water saving initiatives.
- Continue work with suppliers to further reduce resource waste within supply chains and develop products with stronger sustainability traits.
- Continue to proactively provide customers with access to information about environmentally-friendly products and projects that can support sustainable living.
- Maintain our contributions to improve the social wellbeing of the communities in which we operate.
- 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.

08 Outcomes

- = **Partially achieved.** Achieved a 8.1 per cent reduction in net carbon dioxide emissions per hundred thousand dollars of revenue. Continuing actions towards energy and fuel efficiency, green power and carbon offsets.
- = **Achieved.** Installation of 50 rainwater harvesting systems across Australian stores and a return to hand watering in nurseries.
- = **Achieved.** Conducted in-store take back trials for batteries and plastic plant pots. Completed a packaging review and commenced actions to reduce impact with our supply chain. Improved recycling services rolled out to stores.
- = **Achieved.** Increased sustainability resources available to our customers via our website, in-store information and catalogues, DIY workshops and our new online 'Sustainability Home'.
- = **Achieved.** Contributed over \$12.5m directly and indirectly through donations, fund raising, in-kind support and paid and unpaid team member hours provided towards community projects.
- = **Partially achieved.** Introduced a wide range of new and revised safety communication tools, training and reporting systems directed at high risk areas. All injuries frequency rate (AIFR) reduced by 12 per cent.

09 Priorities

- Achieve carbon neutrality by 2015 or earlier.
- Continue strengthening water saving initiatives.
- Increase work with suppliers to reduce supply chain resource waste and develop products with stronger sustainability traits.
- Continue providing customers with access to information about environmentally-friendly products and projects that can support sustainable living.
- Maintain our contributions to improve the social wellbeing of the communities in which we operate.
- Exceed our 'all injuries' 15 per cent reduction target through refreshed training, increased safety awareness levels, strengthened reporting and management systems all with a stronger focus on high risk areas.

Overview

Our major focus is to continue operating in a safe and sustainable way, reducing our impact on the environment. This extends to reducing the direct carbon dioxide emissions from our operations and the indirect emissions of our supply chains by means that are measurable.

During the year we focused our attention on taking meaningful steps to achieve carbon neutrality by 2015 or earlier through the installation of energy efficient lighting technology in 12 Australian stores, introducing 55 hybrid vehicles into our fleet, purchasing five per cent of our grid energy needs in Australia from renewable sources and offsetting up to 16,000 tonnes of 2007/2008 emissions through Landcare CarbonSMART native revegetation projects.

Our two year installation plan for rainwater harvesting systems progressed, with 50 Australian stores now completed. All nurseries in Australia have now reverted to hand watering from June 2008 with total estimated water savings of up to 80 per cent per annum when compared to our usual irrigation technologies. We are collecting data in respect to this change and will report on it next year.

A positive change in our safety performance resulted in fewer team members being injured and a reduction in workplace health and safety incidents across the business. Over the past 12 months, we have successfully reduced our All Injury Frequency Rate (AIFR) by 12 per cent from 51.2 to 45. One of the key factors has been renewed attention on effective operational health and safety plans to address high risk activities and situations. A range of new safety campaigns and training programmes has also strengthened our position to ensure that our management teams 'lead safety' and all team members 'own safety' to ensure that nobody gets hurt.

Environmental expenditure

The total expenditure made directly to improve our environmental performance was \$6.8m or 1.1 per cent of EBIT. This investment included a proportional amount for salaries of five team members who perform sustainability functions, store upgrades aimed at increasing energy and water efficiency, consultancy services for energy use and packaging research projects.

Business Management

Training

We have expanded our training investment, using a multi-channel approach including an expansion of our online learning system as an effective tool to provide access to non-tactile 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 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

We continued to invest in training to assist our team members identify sustainability attributes in the products we sell and help communicate these to our customers. As an example, a 'Water Wise' training course run in conjunction with water utilities in Western Australia was attended by 166 garden coordinators and team members. Information on sustainability drivers and green marketing guidelines for products and packaging was presented to our marketing and merchandising team to lift awareness of these aspects when sourcing new products.

To support the roll out of the improved waste management services to stores in Australia a DVD-based training programme was distributed to stores to aid understanding of the new systems and the eco-efficiency benefits from recycling.

Health and safety

Our commitment to safety training continued with face-to-face training and the implementation of new and strengthened online training modules for forklift spotters, manual handling and team member inductions.

Team member Maria Treloar presenting a DIY workshop on water wise products at the Whitfords Bunnings warehouse in Western Australia.



Other training highlights for the reporting period include safety leadership training attended by over 700 management team members and commencement of the roll out for the new Team Member Safety programme. This behavioural-based safety team member programme has been 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 over 2,500 supplier representatives completed the online course.

Emergency response

During the year every location was required to undergo an emergency warden team training exercise in the form of a fire drill 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 outlined below.

Australian Quarantine and Inspection Service (AQIS) conducted an investigation into exotic wood borer found in a small quantity of imported product in Western Australia. This matter was concluded by AQIS and no fault was found in our supply-chain process.

An investigation by the Department of Primary Industry and Resources in South Australia (reported last year) regarding a delivery of prohibited grapevines brought into that state inadvertently, was concluded with no further action being taken.

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.

WorkCover New South Wales has instigated proceedings against us in relation to an incident at our Tuggerah store in December 2006, where a team member was injured handling a gas cylinder. In June 2008 we pleaded guilty to charges relating to failure to provide safe systems of work, instruction and supervision. The matter is currently adjourned for consideration of a penalty. We have actively pursued a range of actions to improve gas handling procedures.

We received 23 notices to comply from relevant authorities covering safety-related issues including traffic management, forklift safety, manual handling, housekeeping, dangerous goods storage and provision of risk assessments. Although any breach of safety compliance is unacceptable, we recognise that hazards and safety non-compliances do occur. Our store management teams work closely with health and safety representatives and Safety Improvement Teams to ensure that any safety hazard or non-compliance is addressed 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 set out above under 'Environmental' or 'Health and Safety'.

Management systems and policies

We have several management systems in place to record and monitor sustainability performance.

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.

The BSAFE manual exists in both physical and virtual (intranet) formats 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, aided by our internal occupational health and safety (OHS) incident record management system that monitors and reports trends across the business.

Environmental management

An internal Sustainability Reference Group coordinates the key sustainability strategies underway across the business and provides progress reporting through to the senior executive team. Active monitoring and reporting systems for electricity use, waste and recycling are under development to assist in benchmarking and monitoring performance to drive further efficiencies.

Quality systems

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

An internal OHSE audit of all operational sites is conducted twice annually to target potential high-risk areas. An annual review of the audit criteria occurs to ensure the scope remains relevant to the business needs.

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 relevant mandatory standards, are fit for purpose and provide instructions for safe use as appropriate.

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

Our returns processing system tracks product returns and provides exception reports where high return rates are evident. A product isolation and recall procedure ensures that potentially serious incidents are investigated and appropriate action taken.

We are currently testing an online incident reporting system that will improve our data capture, reporting and analysis for safety, customer incidents and product safety matters.

We have formal policies for quality, safety, and environment that are contained within our vision statement which is available at www.bunnings.com.au or www.bunnings.co.nz.



Environmental

Air (atmospheric emissions)

The air quality in our stores is maintained through the use of mechanical ventilation systems and high efficiency sweep fans.

Dust

At our stores safe operating procedures are in place to manage infrequent cutting of medium density fibreboard and other wood products for customers. 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. Similar systems are in place at our frame and truss manufacturing locations.

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 emissions

We measure our greenhouse gas footprint according to the 'full fuel cycle' emission factors recommended in the Australian National Greenhouse Accounts Factors (January 2008) and the New Zealand Ministry for the Environment Guidelines (April 2008). Our reported emissions take into account the renewable energy and offsets we purchased during the year.

Our net greenhouse emissions were estimated to be 186,525 tonnes of carbon dioxide equivalent, up two per cent on last year, which equates to 3.4 tonnes of carbon dioxide equivalent per hundred thousand dollars of revenue, pleasingly down 8.1 per cent on last year. The emissions were largely due to electricity consumption at our stores, distribution centres and support centres (approximately 79 per cent) and waste disposed off-site (approximately 18 per cent). The industry standard emission factors used to calculate our emissions evolve from year to year to maintain accuracy. An increase in the emission factor used for solid waste from 0.9 tonnes of carbon dioxide equivalent in 2007 to 1.66 in 2008 resulted in an increase in total emissions from this source although a decrease in waste volume was experienced.

Since the May 2007 announcement of our carbon neutral goal we have progressed with a number of sustainability initiatives to reduce electricity and water consumption, decrease waste volumes and implement other actions that reduced our impacts on the environment that lead to climate change.

Lighting systems

A trial of a new low wattage light fitting was undertaken at our Frankston store in Victoria in December 2007. The trial identified that energy consumption reductions of around 35 per cent were attainable once the new lighting system was installed. The Frankston store is potentially able to reduce its Greenhouse emissions by approximately 600 tonnes per annum through reductions in electricity consumption attributable to the new lighting system.

Based on the success of this trial further roll outs of this system have been undertaken at 12 stores with older generation lighting during the 2007/2008 year and a further 27 stores are planned to be retrofitted in the 2008/2009 year.

During the 2007/2008 year 60 warehouses were fitted with a switching device that reduces electricity consumption during shelf filling operations outside of normal trading hours.

This device allows store lighting to be reduced to 60 per cent of its normal operating capacity. Data collected from the Nerang store in Queensland found that electricity consumption was reduced during the out of hours fill period by up to 10 per cent through the use of this device.

Murdoch University Research Institute for Sustainable Energy

In June 2007 we entered into a formal research partnership with Murdoch University in Western Australia. The objectives were two fold:

- targeted research into micro generation of energy at warehouse stores; and
- a review of the current built environment, and future building standards at warehouse stores.

During 2007/2008 the Institute completed the research and provided the findings in April 2008. This research identified several potential initiatives relating to the built environment of the warehouse stores. We are now evaluating these initiatives for possible inclusion into new building specifications and also refits where appropriate.

In addition, the research concluded that micro generation of energy at warehouse stores was currently not commercially feasible. Further advances in technology in solar power systems in particular may become commercially feasible in the future and we will remain alert to developments in this area.

Hybrid vehicles

During the 2007/2008 year, we began purchasing hybrid vehicles as an alternative option to the standard petrol fuelled company owned vehicles.

As at June 2008 we have 55 hybrid vehicles in the company fleet, representing 29 per cent of our total vehicles. This number will increase.

Renewable power

From January to June 2008 we purchased five per cent of our total Australian electricity needs from renewable energy equivalents. This equates to approximately 3,500 mega watt hours of accredited renewable power at an additional annual cost

of \$190,000. This purchase reduced our carbon dioxide emissions by approximately 3,700 tonnes in 2007/2008.

Carbon Offset Project

We contracted to purchase 22,222 tonnes of carbon offsets (sequestration from tree planting projects) from Landcare CarbonSMART of which 16,000 tonnes were allocated to us in respect of the year ended 30 June 2008.

Our New Zealand operations have also developed sustainability strategies aligned to the overall business objectives that will be implemented during the next year. These strategies are aimed at reducing consumption of petrol and diesel fuels, reducing electricity consumption through energy efficient lighting systems and improving performance of recycling to reduce waste to landfill.

Noise

Environmental impact studies are submitted to local authorities as required when a warehouse store development is undertaken. 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/liquid waste

Solid waste during the year consisted primarily of cardboard, paper, plastic shrink-wrap material, timber, damaged products and transport packaging. Cardboard and plastic shrink-wrap is recycled at all locations with co-mingled waste and timber recycling services used on an as needed basis.

Waste service provider contracts were implemented during the year with Visy in Queensland and the Northern Territory and SITA in all other Australian states.

Our total solid waste delivered to landfill during the year was estimated to be 21,502 tonnes, down 22 per cent on last year. Total solid waste to landfill per hundred thousand dollars of revenue was estimated to be 0.4 tonnes, down 20 per cent on last year. The reduction is a combination of improved accuracy in the data generated by our two major service providers as well as an improvement in our recycling rate.

The solid waste tonnages are calculated using volume reports provided by our service providers representing a sample size of over 80 per cent of stores. Where data has not been available from historic contractual arrangements we have applied an estimate based on a store average.

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.

During the 2007/2008 year waste reduction initiatives were rolled out to the store network. These included:

- rationalising the number of service providers in Australia to two (SITA and Visy);
- an education programme provided to stores on correct recycling practices;
- mandatory recycling of plastic, cardboard and timber in stores; and
- the introduction of co-mingled bins to stores from July 2008.

"We estimate that over 4,600 tonnes of cardboard and over 350 tonnes of plastics were recycled during the year."



▲
Left: All our stores are now plastic bag free – a customer uses a cardboard box at Port Melbourne Bunnings warehouse, Victoria.
Right: Customer using plastic plant pot recycling bin at the Whitfords Bunnings warehouse in Western Australia.



Recycling rates doubled during the year from 12.5 per cent to 25 per cent as a percentage of the total waste stream. Some stores are now achieving recycling rates of 50 per cent of their total waste stream.

Detailed store level reporting of waste and recycling volumes by waste stream has been developed during the year ready for circulation on a monthly basis commencing in the next reporting year.

These reports should enable store management to identify and take actions to achieve higher recycling rates in future.

We estimate that over 4,600 tonnes of cardboard and over 350 tonnes of plastics were recycled during the year.

Product stewardship

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

We continue our commitment to diverting all end-of-life computer equipment from landfill Australia-wide with a major recovery project diverting over 9.4 tonnes of equipment from landfill.

As a signatory to the National Packaging Covenant in Australia we have made good progress with our action plan by conducting a packaging life cycle review and implementing packaging improvements.

A packaging life cycle review commissioned in March 2008 identified opportunities to reduce the packaging of products for purposes of in-store presentation and of packaging used for transportation purposes. A sample of the top 20 imported product lines through our distribution centres and the top 10 product lines sourced from our local suppliers formed part of the initial review. Findings were provided in June 2008 and the recommendations are now being assessed for possible implementation in the 2008/2009 year.

Discussions with a working group of suppliers have been taking place since May 2008, working collaboratively to reduce unnecessary packaging. These suppliers have been provided with information on best practice and will meet regularly to share progress reports.

An example of improved packaging on an imported diverter hose product has resulted in a reduction of 32.8 tonnes annually of cardboard and plastic material by shifting to a simple plastic strap and tag.

From January 2008 in New Zealand and April 2008 in Australia single use plastic shopping bags were totally removed from all stores. Customers previously had an option of purchasing a plastic bag and paying a 10 cents levy which was then donated to the Keep Australia Beautiful Council.

During 2008 several of our executives visited Bosch in Germany to discuss and review recycling programmes. This visit provided a better understanding of the commercial framework and supply chain impacts of operating an effective recycling programme.

In February 2008 we initiated a power tool and rechargeable battery recycling trial at five Victorian warehouses. The four month trial aimed to develop a new recycling service for customers, minimising waste to landfill. Results indicated that the development of an economically viable national battery recycling scheme will require wider industry and stakeholder support. We have joined the Australian Battery Recycling Initiative as the primary retail member of the group to help drive this goal.

We also began a plastic plant pot recycling trial in conjunction with SITA in 23 metropolitan stores in Western Australia in May 2008. Collection bins are placed at Bunnings nursery entrances and pots are recycled by SITA at their Kewdale plant. The reprocessed material will be sold as a substitute for virgin stock in a variety of poly propylene products including new plant pots. The trial is continuing until October and results will be reported in the 2009 report.



BUNNINGS

▲ Team member Ryan Callaghan hand watering in the nursery at the Whitfords Bunnings warehouse in Western Australia.

Timber procurement

We have continued to work closely with our suppliers of timber and wood products towards the goal of ensuring all products supplied to us originate from legal and sustainable forest operations.

Our commitment in this area commenced in 2001 and we continue to have a zero tolerance approach to illegal timber in our supply chain. We are now confident that only four per cent of our whole timber product purchases remain meaningfully at risk, compared to eight per cent last year. We expect this will further reduce in the next reporting period when all purchases of whole wood tropical timber products will be required to achieve independent verification of legal source from December 2008.

Our risk-focused approach to our supply chains continues to seek 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. It is a condition of supply to us that independent verification of legal source is provided for supply of whole wood tropical timber products from December 2008.

The 2007 annual survey of timber and wood product suppliers indicated that supply of independently verified legal products increased by 14 per cent and products that were credibly certified by the Forest Stewardship Council (FSC) or in progress to FSC certification increased by 66 per cent, compared to last year.

Inclusive of products from independently verified sources, we increased our purchases of timber products that are sourced from plantation and other known low risk sources by 28 per cent compared to last year.

"...the move to hand watering will potentially allow the stores to have the equivalent of 45 days supply of their nursery water requirements."

Our major suppliers of Indonesian merbau decking who took part in the Société Générale de Surveillance SA certification services Timber Legality and Traceability Verification pilot reported last year, have now progressed to the final stages of verification of their supply chain. It is expected that full chain of custody (COC) verification will be provided for merbau decking product before the end of 2008. In 2007 eighty-six per cent of our merbau decking purchases originated from independently verified legal origin or sources in progress towards FSC certification under the Tropical Forest Trust. The remaining 14 per cent of supply originated from known or legal sources that are subject to being independently verified according to the December 2008 benchmark.

We continue to set a high standard in our timber furniture range with the exclusive purchase of FSC certified and labelled products for our Australian spring 2008 range.

We remain a member of the World Wildlife Fund (WWF) Australia Forest and Trade Network and provide regular updates and reports on the progress of our action plan. 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 is an active long-term member of the Imported Tropical Timber Group, an industry association working collaboratively with the government and environmental organisations to encourage sustainable timber procurement. In New Zealand we are also becoming FSC COC certified which assists our major trade customers to add value to their own

business by promoting the FSC product they purchase from us to their customers.

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

Resource usage

Energy

Our main energy use during the year related primarily to electricity consumption at our stores and vehicle fuel use. Total energy consumption was estimated to be 694,998 gigajoules, up 8 per cent on last year. Our total energy consumption per hundred thousand dollars of revenue was estimated to be 12.9 gigajoules, down 1.5 per cent on last year. This energy use is broken down into fuel at 15 per cent of total energy consumption and electricity at 81.5 per cent.

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 844.3 megalitres, down 1.5 per cent on last year. Our total water consumption per hundred thousand dollars of revenue was estimated to be 15.6 kilolitres down 10.9 per cent on last year.

During 2007/2008 we reviewed our current nursery irrigation systems because of concerns that most of our existing systems were not water efficient and a range of alternative irrigation systems were examined for suitability. This review found that hand watering was the most viable option. In June 2008 all Australian stores commenced hand watering of plants within the nursery area. The existing nursery irrigation systems in stores are in the process of being disconnected and the design brief for new stores will make allowance for hand watering.

An initial trial of hand watering at the Box Hill store in Victoria last year highlighted that approximately 1,500 litres of water were used per day in the nursery area when plants were hand watered versus up to 10,000 litres consumed per day when using the sprinkler system.

Given that the average capacity of the rainwater harvesting tanks currently being rolled out to stores is 67,500 litres when full, the move to hand watering will potentially allow the stores to have the equivalent of 45 days supply of their nursery water requirements.

Reuse and recycling

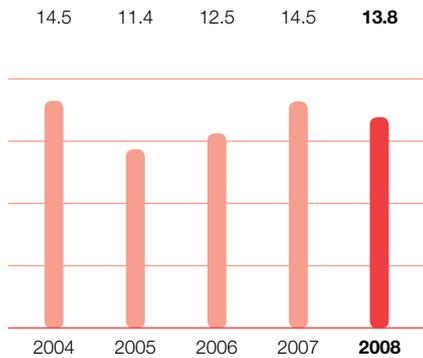
Rainwater tanks are now part of the standard design brief for new stores. By June 2008 approximately fifty stores have had rainwater tanks retro-fitted to provide water for the nursery area. In addition over the past two years, eight stores have had rainwater harvesting systems installed during construction.

Our public commitment is to have rainwater harvesting systems installed in all warehouse stores in mainland Australia (excluding the tropics) by June 2009 (this being the six million dollars investment commitment announced in May 2007). By June 2008, 36 per cent of the targeted stores have been completed.

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.

Figure 1: LTIFR



1 July 2003–30 June 2008 (as at 30 September 2008)

*Contractor hours and LTIs not included.

We continue with our arrangements to purchase FSC-certified A4 plain copy paper for use company-wide as reported last year.

Safety and Health

Lost time

In 2008, we successfully reduced our injury frequency rates by:

- 12.2 per cent reduction in our All Injury Frequency Rate (AIFR), down from 51 to 45;
- 4.8 per cent reduction in our Lost Time Injury Frequency Rate (LTIFR), down from 14.5 to 13.8 (see Figure 1).

These statistics do not include contractor hours and injuries, and as we have very few full-time contractors, we do not believe that contractor hours and injuries would materially affect our AIFR or LTIFR.

In addition to our injury frequency rates, we also measure the total number of incidents reported (including near miss incidents) and those that were deemed serious. In 2008, we achieved the following results:

- four per cent reduction in the number of incidents reported, down from 6,393 incidents to 6,154.
- 31 per cent reduction in the number of serious incidents reported, down from 216 serious incidents to 149.

Approximately 75 per cent of all serious incidents reported related to dangerous events or near miss incidents where nobody was injured as a result. This statistic illustrates our strong focus on reporting near miss incidents so that learnings can be shared and risk controls implemented to prevent a reoccurrence.

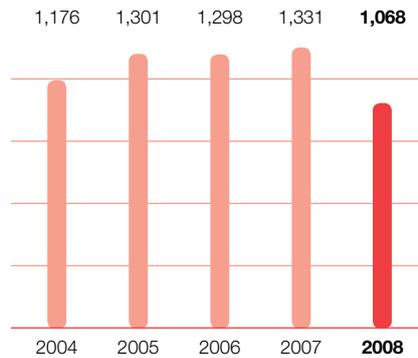
Targeted safety campaigns and risk control initiatives focusing on sprains, strains and laceration type injuries have been the two key reasons why we have been able to achieve a reduction in our injury frequency rates.

We are committed to the rehabilitation of all team members following an injury, aiming to minimise the impact to their home environment and maximise their working life. Management support and effective injury management and rehabilitation processes assist the team member to remain at work or return soon after an injury through the offer of suitable duties and early intervention strategies. This proactive approach to injury management is having a positive influence on team members' recovery and ability to return to work following an injury.

Number of workers compensation claims

There were 1,068 workers compensation claims reported for the entire business, relating to occurrences during the year, compared with 1,331 last year (see Figure 2).

Figure 2: Workers compensation claims



Safety awareness and hazard management

Our safety achievements for 2007/2008 include:

- the introduction of stronger health and safety plans for each business function which ensured that each area has a better understanding of what their key risks are and how they plan to address them to keep the workplace safe;
- improved process for communicating and sharing 'learnings' to stores via safety alerts;
- revised safety leadership training package, which 700 managers and co-ordinators completed;
- developed and rolled out a new team member safety programme. The training is delivered onsite and has so far been rolled out to over 14,000 team members;
- regular safety awareness campaigns launched around busy trading periods in 2008. The Christmas Campaign focused on the personal impact that a work related injury can have on your life whilst the Easter Campaign targeted Safety Improvement Teams;
- new initiatives trialled to reduce manual handling risks. Higher volume heavy and bulky items such as lawnmowers and barbecues are now pre-merchandised on "ready to go" trolleys so that manual handling can be done in a more controlled environment;
- a new online incident reporting system was trialled across 15 sites with wider online reporting beginning early 2009;
- new equipment trials completed include electric platform lifters and safety knives. Wider use of 'two person lift' weight icons for product packaging has been implemented; and a
- Health and Safety Report Card for 2007 was developed and distributed to all team members in the business.

Asbestos

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

Emergency response

Annual fire drills are conducted with emergency warden teams employed at all locations.

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.

Trained first-aiders at our locations ensure that someone is available to assist at any time.

Employee wellbeing

We offer a wide range of health and wellbeing initiatives including influenza vaccination, warm-up campaign, quit smoking programmes and walking competitions.

In addition to these, three major programmes were offered across the business:

- Senior Manager Health Programme - A comprehensive medical assessment and monitored awareness and intervention programme.
- Aware Programme - A medical assessment and awareness programme developed for managers.
- Energy for Life - An awareness and resource programme developed for team members.

These programmes are aimed at improving the health of team members by providing health awareness and resources that develop healthy balanced lifestyles. Expected benefits include the reduction of unplanned absence, greater health awareness and work/life balance across our business. An additional factor is the broader positive impact to our employment offer and recruitment brand.

We are committed to providing a positive work environment free from all forms of discrimination or inappropriate 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.

 **Community**

Stakeholders

The following table identifies our key stakeholders and an example of how we engage with them:

Stakeholder group	Examples of engagement
Employees	Daily team meetings for operational team members.

Kent Town team members Kim Flugelman and Victoria Vabolis help with a makeover of the McGuiness McDermott Foundation Children's Oncology ward in South Australia.



Customers	Advice and information on 'how to' save water and energy and increase recycling in the home and garden through expert team members in-store, free DIY workshops, in store brochures and website information, including our online Sustainability Home.
Suppliers/contractors	Supplier briefings held and letters distributed to major suppliers introducing them to Bunnings' sustainability strategies and encouraging them to improve performance in this area.
Government agencies/authorities	Letters updating our key sustainability actions were sent to state and federal ministers and heads of key government departments in April 2008. Developing relationships with state agencies in the areas of sustainable water and energy to investigate opportunities for strategic alliances.
Environmental Non-government organisations	Regular face-to-face and written communication to inform them of progress on our sustainability commitments.
Local communities	Extensive interaction with a wide range of local organisations by all stores with activities such as local school and hospital garden makeovers and fundraising sausage sizzles.
Shareholders in parent company (Wesfarmers Limited)	Wesfarmers Limited annual report, this sustainability report and website information.

Response to 2007 stakeholder survey

A sustainability stakeholder survey was undertaken in 2007 and stakeholders generally considered our performance to be 'good' to 'very good' and performing better than other retailers in the area of sustainability. Some of the key recommendations from the survey related to communication and providing more information on activities and progress to team members, customers and other stakeholders, continuing to develop products that meet consumers' increasing need for resource efficiency and continuing to develop supply chain and procurement policies and practices.



▲ Rockdale team members Hazel Costal, Noelene Keene, Nicholas Fazzalavo, Keivan Keut and Grant Palmer work on a community garden project in New South Wales.

Interest groups

We continued to consult with interested parties in the ongoing implementation of our Timber and Wood Products Purchasing policy, including Greenpeace and WWF Australia regarding forest practices in the Asia-Pacific region. Likewise we consult widely on broader sustainability initiatives.

Website

Our websites www.bunnings.com.au and www.bunnings.co.nz include information about our operations for the community, including environmental, safety and health information relating to our business. They also provide an effective tool to engage customers on reducing environmental impact through sustainable living and product choices.

We have received over 200,000 Australian and New Zealand page views on our community and sustainability web pages from customers 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 homepages.

During the year the online Sustainability Home (at www.bunnings.com.au and www.bunnings.co.nz) was launched as an interactive tool for customers and team members. The programme allows a virtual tour of a sustainable house and garden and provides advice on how to save energy and water and increase recycling in the home.

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 restoration of local wetlands, park clean ups and tree planting.

Feedback and complaints

Our philosophy is to proactively communicate with our stakeholder groups and encourage feedback and comment on our performance.

Store teams hold feedback forums involving customers to obtain direct feedback. We provide a feedback tool at every location through 'How Did We Do?' cards, promoted at the front of the store and our websites also provide customers the ability to give feedback online or contact us directly. We received an average of 2,172 responses per month from customers via our websites.

We also received 177 written complaints from customers relating to product performance.

Community support

We receive and grant many requests for financial, labour and material assistance from a wide range of charitable organisations, sporting bodies and schools. Our community involvement focuses primarily on local organisations through each of our stores and we also support regional and national organisations.

During the year, we helped raise funds and contributed more than \$12.5 million to various charities and community groups throughout Australia and New Zealand. We also made a large 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. We also provide free on-site facilities to enable these community events to run effectively including a portable kitchen and shelter, commercial barbeque and gas cylinders. The sausage sizzles are enjoyed by thousands of our customers each weekend and the community groups that held them raised over \$8.9 million in gross proceeds in the past year.

Our team members have continued to donate their own time to participate in a diverse range of local community amenity projects. Many of these projects have had a sustainability focus, for example during our 2007 annual conference held in Wollongong, where team members from Australia and New Zealand volunteered to assist in renovating nine local community locations. The projects included six local public schools, the Port Kembla Hospital, the local netball courts and the Wollongong Police and Citizens Youth Club. A variety of activities including painting, mulching, gardening and renovations were undertaken by the volunteers to great effect.

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 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 other activities. During the day, donation cheques for \$1,000 are drawn and presented to five local organisations who have participated in the event.

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

- a national water saving weekend was run in October 2007 to coincide with National Water Week. The event included in store information, DIY workshops on saving water in the home and garden and supplier demonstrations and giveaways.
- as a partner in "Change the Globe 2008" we handed out more than 157,000 energy efficient light globes from Victorian warehouse stores during February 2008. The campaign was designed to raise awareness of energy saving behavior and was supported by energy saving information and workshops in stores.
- during the 2007 Christmas period we partnered with the Salvation Army Red Shield Appeal to raise funds for needy families. Fundraising barbecues were held at our stores nationally and raised more than \$70,000 for Christmas welfare.
- the McGrath Foundation was supported on Mothers Day 2008 by our stores through fundraising barbecues, morning teas and a variety of in store activities. More than \$100,000 was raised which will go directly toward placing breast care nurses in rural and regional Australia.
- volunteer fire-fighters - throughout January 2008, 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

"Our community involvement focuses primarily on local organisations through each of our stores and we also support regional and national organisations."

\$220,000, taking the total amount raised since the campaign was launched in 2003 to over \$1.2 million donated to fire fighting 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.

- the Bunnings Fathers Day Appeal in August 2007 aimed to increase awareness of men's health issues while raising much needed funds for hospital equipment. Bunnings Fathers Day aprons were sold at stores to contribute much needed funds to nominated hospitals across Australia including The Alfred (Victoria), the Children's Hospital at Westmead (New South Wales), the Mater Foundation (Queensland), Sir Charles Gairdner Hospital (Western Australia), the Royal Hobart Hospital (Tasmania), the Queen Elizabeth Hospital Research Foundation (South Australia) and the Royal Darwin Hospital (Northern Territory).
- The national Breast Cancer Foundation was supported during October 2007 with the proceeds from the sale of Osram pink LED lights sold during October from all stores across Australia.

Over 1,700 litres of paint, headed for waste disposal, was instead donated to benefit the Pelican Point Sea Scout Group. Finding a use for the paint reduced our waste and helped the scouts maintain their boats. Members of the Pelican Point Sea Scout Group with one of the works in progress on the Swan River foreshore, Crawley, Western Australia.



Case study



▲ The energy efficient lighting system at the Frankston Bunnings warehouse in Victoria.

Case study

Burma Sausage Sizzle Appeal

In May 2008 Cyclone Nargis struck the south west coast of Burma with winds of over 190 Kilometres per hour and significant related flooding. Severe devastation of homes and communities followed with more than 200,000 people killed and a further 2.4 million left affected by the disaster.

The Save the Children Fund was working on the ground in Burma when the cyclone struck and had the capacity to offer immediate assistance in the worst affected areas.

We responded to the disaster by arranging a dedicated sausage sizzle at all our stores across Australia and New Zealand to raise funds for Save the Children's Burma Appeal. A marketing campaign helped raise awareness and team members volunteered their time to operate

all the barbecues. A terrific community response saw \$135,000 raised from all the sausage sizzles which was then topped up via a direct donation from Bunnings to a total of \$180,000 for the cyclone victims.

All funds raised were promptly passed on to Save the Children's Burma Appeal and the money assisted in providing emergency relief in the form of food, water, materials and basic household items.

Working toward Carbon Neutrality - Frankston Lighting Trial

A Key component of our carbon neutrality programme is the pursuit of greater energy efficiency across store operations. In-store lighting was an immediate focus and a variety of energy efficient lighting technologies were considered.

In December 2007 we began a pilot at our Frankston warehouse store to trial a new energy efficient lighting system. This system uses a 250 watt globe and adjusts to 60 per cent of its full lighting capacity based on available ambient lighting.

The trial confirmed that a reduction of approximately 35 per cent in energy consumption is achievable with results showing that the lighting can reduce greenhouse gases by up to two tonnes per light fitting per store per annum, based on older generation stores with electricity produced

from brown coal. The reduction is equivalent to an energy consumption saving of 600 tonnes of greenhouse gases per store per year.

From December 2007 the system has now been successfully rolled out to 12 older generation warehouse with a further 27 planned for conversion in the 2008/2009 year.

Bunnings will continue to work on innovative energy saving initiatives to lower its carbon footprint.



◀ One of the many sausage sizzles held across Australia and New Zealand to raise money for the Save the Children Fund.

COLES

Our business

The Coles division is one of Australia’s leading retail organisations with brands including Coles and Bi-Lo Supermarkets, 1st Choice Liquor Superstores, Liquorland, Vintage Cellars and Coles Express. We have more than 100,000 team members and over 2,200 stores nationwide and are an integral part of the Australian retail sector.

In addition the division is responsible for 54 facilities in Australia, largely offices and distribution centres that support entities in the former Coles Group Limited. These facilities are included where relevant in this report.

At 30 June 2008 the breakdown of our operating categories was as follows:

Brand	Number of trading sites
Coles Supermarkets	685
Bi-Lo Supermarkets	65
Coles Express	619
1st Choice Liquor	52
Vintage Cellars	85
Liquorland	630
Hotels	95
Total	2,231



Former Coles Group

In November 2007 Wesfarmers completed the acquisition of the former public company Coles Group Limited. This acquisition created three new divisions within Wesfarmers: Coles Group (supermarkets, liquor, fuel and convenience); Target (department stores focussed on apparel and homewares); and Kmart (discount department stores and tyre and auto servicing), as well as broadening an existing division incorporating Bunnings into Home Improvement and Office Supplies through the addition of the Officeworks business.

The acquisition has meant many changes for Wesfarmers, not the least of which involve the structure and nature of this report. Public reporting of sustainability outcomes was undertaken differently in the former Coles Group Limited, and since the acquisition it has not been possible in this year to put all the measurement systems in place for the new businesses to allow them to report on the same terms as the businesses existing in last year's Sustainability Report. Hence we thought it best, given that these businesses began the year together in a corporate structure, with many common information systems, that we group them for sustainability reporting purposes this year.

In many instances we have been able to report activities and outcomes in these businesses on the same basis as the remainder of Wesfarmers, and where we are unable to do this, it is clearly mentioned in the text. All these businesses have plans in place for greater standardisation of reporting across Wesfarmers sustainability outcomes in 2008/2009. In this context Officeworks, even though it is part of the Home Improvement and Office Supplies division, is reported in this section for this year only.

Wherever possible in this report we have reported on the 12 month impact of these businesses, even though they were only in Wesfarmers ownership from late November 2007, to give the reader some context of Wesfarmers interactions with the Australian and New Zealand communities.

09 Priorities

- > Training and development of our team members.
- > Customer trust in our product range, value and quality.
- > Water saving and energy efficiency in our stores.
- > Workplace safety for our team members.
- > Support the local communities in which we operate.

Overview

A major focus of our business during the year has been the sale of our business to Wesfarmers and subsequent integration of the business into the Wesfarmers group.

In May, our new Managing Director joined the business charged with the role of rebuilding Coles into a successful and relevant business for its customers and other stakeholders. In recent years, our stores have suffered from significant under-investment.

Now, we have a major change agenda and a new leadership team in place to create a sustainable business and restore pride in the Coles brand.

Australian Competition and Consumer Commission (ACCC) Grocery Price Inquiry

In January 2008, in response to community concerns over rising food prices, the Federal Minister for Competition Policy & Consumer Affairs, asked the ACCC to inquire into the

competitiveness of retail prices for standard groceries. The inquiry looked at pricing, competition and commercial practices across the supply chain from farm gate to checkout. The ACCC released its initial report to government in August 2008.

Coles welcomed the inquiry as an opportunity to raise awareness of the many factors currently affecting retail grocery prices and to demonstrate the strengths and highly competitive nature of the Australian retail food sector. In May, we voluntarily appeared before the ACCC inquiry to answer detailed questions about our business, made a public submission and provided a large amount of data in response to specific questions from the ACCC.

The ACCC Inquiry concluded that grocery retailing in Australia is workably competitive and made a range of recommendations including the introduction of unit pricing.

Environmental initiatives

One of the main areas of environmental management that we focused on during the year was to reduce water consumption in our sites, particularly in areas of Australia hardest hit by drought and water restrictions. In some of these areas, we have installed water saving equipment, which exceeds compliance requirements and reduces water consumption.

In September 2007 we opened the fourth of our environmental concept stores at Rouse Hill, New South Wales. We have been involved in planning and developing these stores for many years with our first store opening in 2005. These stores include a number of energy, water and waste related initiatives that are trialled for possible inclusion in other stores. At Rouse Hill, we are using:

- natural refrigerants in the store refrigeration plants;
- light emitting diode (LED) lighting in the upright freezer cases;
- waterless urinals in the staff amenities area; and
- night blinds on refrigeration cases to retain cold air.

Lightweight plastic shopping bags continue to be a significant issue for the retail industry in Australia. We have continued to develop and implement a number of alternative bag options, and continued research into the alternatives to the single-issue lightweight shopping bag.

This year, Coles, through its industry association, the Australian National Retailers Association, agreed to participate in a trial with the Victorian Government and introduce a 10 cent charge for plastic bags at our stores in Narre Warren (including Fountain Gate), Wangaratta and Warrnambool. The trial will run for a month and all funds raised by the charge will be contributed to local environmental projects.

Food safety

In June this year, we launched a six-month comprehensive Food Safety training plan for team members working in supermarkets. The objective of the programme is to deliver ongoing improved store standards and to provide a strong foundation for improving our fresh produce offer over the coming months for customers. The programme covers all aspects of food safety and involves auditing stores for future benchmarking and improvement plans.

Emissions

Coles has considered the impact of the Federal Government's proposed Carbon Pollution Reduction Scheme. There are three main areas of impact for our business, which are:

- electricity usage
- natural gas and LPG usage and
- leakage of refrigerant gases from our refrigeration and air conditioning equipment and plant

We have trialled and installed a number of technologies in the area of refrigeration, air conditioning and lighting in recent years. We have also worked with our refrigeration partners to develop alternative refrigeration plans incorporating natural refrigerants and will look to step up this programme to reduce the amount of high global warming synthetic refrigerant gases in our stores.

Energy efficiency capital and operating expenditure this financial year will target projects such as refrigeration re-commissioning, with a significantly increased energy efficiency programme in 2009/2010.



Business Management

Training

We will report more fully on this area in the next report.

Compliance

We deal with compliance issues from federal, state and local government across all issues including environmental compliance, occupational health and safety, licensing, code of conduct and other regulatory requirements.

Environmental

Abandoned shopping trolleys remain an ongoing issue for our supermarket business; we recorded infringements from local government throughout the year in relation to trolley fines and impoundments relating to more than 1500 abandoned trolleys.

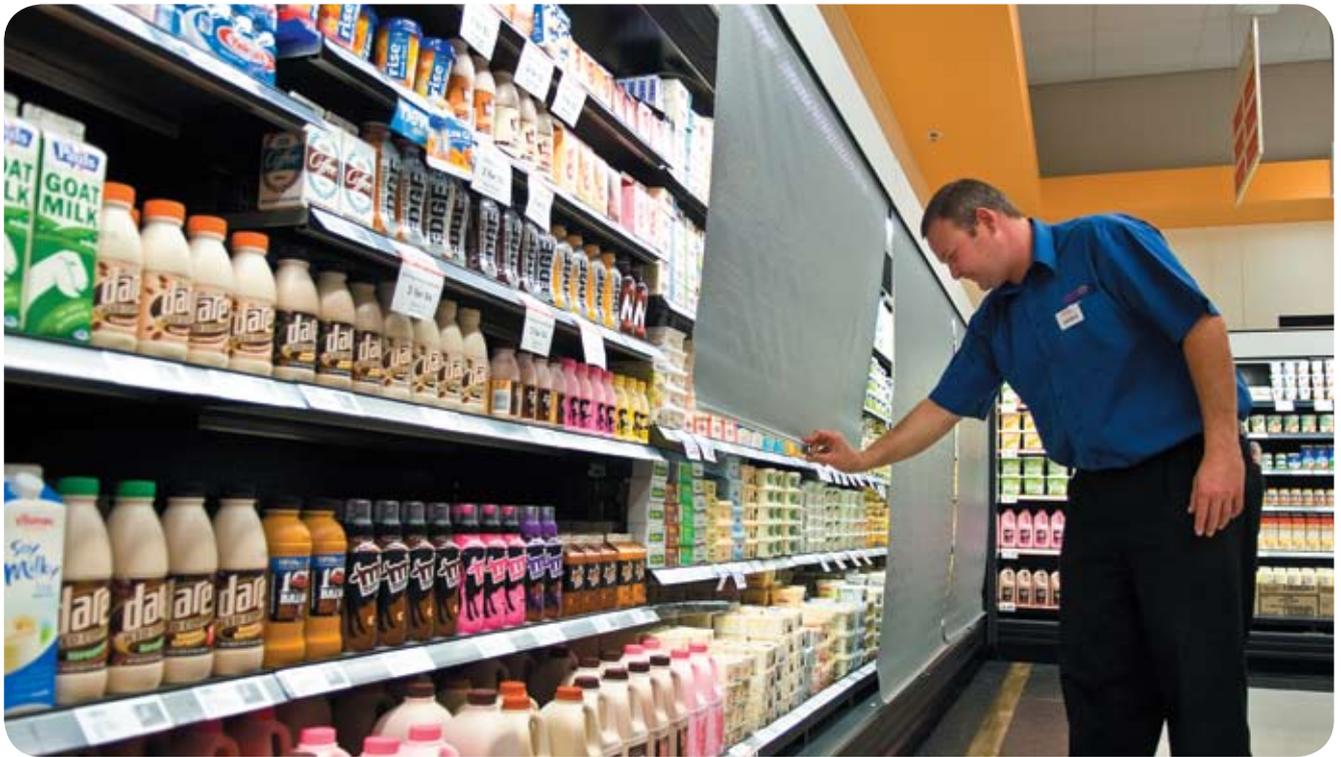
We are committed to improving our trolley management performance and collection systems. In October 2007 we commenced a trial of a GPS tracking device in the Logan City Council in Queensland. The trial involved the installation of GPS tracking devices in contractor vehicles to enable us to collect more detailed information about their trolley street patrols and hot spots for abandoned trolleys. The trial has led to an improvement in our trolley collection performance in the Logan City Council.

We continue to work closely with councils around Australia on specific trolley issues and possible solutions (e.g. trolley tagging, street run frequency, collection times and hours allocated to trolley collection etc). We have also worked closely with those councils that have introduced new legislation requiring the installation of coin operated deposit systems to reduce trolley losses and collection costs.

In Victoria for example, many councils are now assisting us by providing e-mail notifications and communicating directly with our trolley collection contractors. In addition, at least one contractor in Victoria is now installing GPS tracking devices in their vehicles so they can demonstrate compliance with their contractual obligations to perform regular street patrols.

In February/March 2008 we also conducted National Roadshows to ensure that all trolley contractors and subcontractors were clear about their workplace obligations and had third party auditing conducted on our trolley contractors to ensure compliance with regulatory requirements.

We must comply with a large number of environmental regulations. In Queensland for example, there is a requirement that Coles Express sites upgrade our Underground Petroleum Storage Systems, Stormwater or Wastewater Management Systems. Whilst there are currently 18 Coles Express sites in Queensland that are non-compliant with their Development Approvals, because they are not yet upgraded, our Alliance Partner (the Shell Company of Australia Limited) is responsible for these upgrades and is currently preparing a schedule of works or negotiating with relevant councils to resolve the outstanding conditions. Of these 18 sites, five sites currently have applications for works submitted to relevant local councils.



Store Manager Andrew Bryant lowering blinds used in dairy cases at night to reduce energy consumption at the Ropes Crossing store in New South Wales.

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 health and safety legislation and self-insurance requirements that vary between jurisdictions. Our Safety Management System is known as SafetyCARE and is used to identify and establish standards and procedures for safety and hazard management and reporting.

We are currently being prosecuted by WorkCover New South Wales in relation to two incidents in February 2006 at Bi-Lo Vincentia.

The case is progressing and the circumstances are being considered.

Licensing and approvals

We have a broad range of licenses and approvals within our wide operation and we strive to comply with all regulatory requirements or immediately rectify non-compliances.

As a key liquor retailer and hotel operator in Australia, we have a duty to act ethically and responsibly in the service of alcohol and gambling. We operate more than 800 licensed liquor outlets, including 82 hotels with gambling facilities.

Excessive alcohol consumption and problem gambling have the potential to cause social harm and we recognise an obligation to operate and promote our business responsibly for the benefit of our customers, communities and other stakeholders.

Apart from strict compliance with regulatory requirements, we require all team members selling alcohol to undertake Responsible Serving of Alcohol training and we are expanding the application of similar training for the provision of gambling. Additionally we have a policy of asking all customers who appear to be under 25 years of age for proof of identification.

This year we adopted new guiding principles to communicate to all our team members and regulators our approach to the provision of liquor and gambling. Additionally we decided to cease

stocking single serve ready to drink spirit and soft drink mixers containing more than two standard drinks, removed five litre wine casks from sale in some at risk communities and adopted more stringent criteria for marketing and promotions.

Our Casuarina Liquorland store in the Northern Territory was required to stop trading for a day in July 2008 in relation to an earlier offence of selling alcohol to a minor.

We support the governments' aim to reduce the sale of cigarettes to minors and have also adopted a stronger identification policy than is required by law for the sale of tobacco. We have a policy of asking all customers who appear to be under 25 years of age for proof of identification to minimise the risk of selling to minors.

In January 2008 the NSW Health Department commenced proceedings against 26 Coles Express stores in New South Wales relating to a verbal tobacco multi-buy offer, alleging a breach of tobacco restrictions in the Public Health Act. The case is being defended and is progressing through the courts.

During the year Coles Express received six notices for breaches of Western Australian Petroleum Products Pricing Regulations, which resulted in \$5,000 in fines. We ensure that these instances of non-compliance are given the highest priority with all notices being addressed within agreed timeframes and to the satisfaction of all parties. All team members involved receive counselling and undergo retraining.

We have adopted procedures at our sites in compliance with legislation to ensure satisfactory storage and handling of dangerous goods.

Management systems and policies

We have several management systems in place to record and monitor our performance. These include quality, safety system, customer feedback and training.

SafetyCARE is our health and safety management system that all sites, operations and team members use to help promote a safe workplace for our team members, customers, contractors, visitors and neighbours.

Monitoring of our energy use, waste generation and recycling is done as a basis to improve processes to reduce our environmental footprint.

Our call centre receives calls and written feedback from our customers. All our brands and their corresponding websites have a customer relations phone number that enables customers to seek information or provide feedback to the relevant stores.



Environmental

Air (atmospheric emissions)

Greenhouse emissions

Our total greenhouse emissions were estimated to be 2,938,829 tonnes of carbon dioxide equivalent. The Greenhouse emissions were largely due to electricity consumption at our stores, distribution centres and support centres and also due to emissions related to refrigerants leaked from our refrigeration and air-conditioning systems.

The refrigerant leakage is based on the default refrigerant leakage rate from the *National Greenhouse and Energy Reporting (Measurement) Technical Guidelines 2008 v1.0*. It is our intention to better measure the actual refrigerant leakages in future years with the goal of reducing the leakage.

The emissions generated from our waste disposal are not included here, however we will incorporate this information next year.

Noise

We must comply with a range of noise regulations that are set by the state and territory environmental protection agencies and/or relevant local authorities. We continue to work closely with relevant authorities to address noise related issues.

Our supermarkets received eight notices to comply and Coles Express received five notices to comply from authorities relating to noise. All instances of non-compliance are addressed with the relevant regulator.

"We recycled approximately 115,000 tonnes of cardboard and 2,700 tonnes of plastic in the past year."

Waste

Solid/liquid waste

Solid waste generated on our sites consisted primarily of packaged and unpacked goods. Prior to sending to landfill, we have infrastructure in stores to encourage recovery of recyclables such as cardboard and plastic. We are also trialling the diversion of organic waste from landfill.

During the year Coles Express has cooperated with Shell's upgrade to the liquid trade waste equipment of 45 Coles Express sites under the jurisdiction of Sydney Water to meet strict new permit conditions to discharge to sewer. Review and upgrade of remaining sites under Sydney Water jurisdiction will continue during the next year.

Recycling initiatives

We have been recycling cardboard and plastic film from our stores and operations for many years. We recycled approximately 115,000 tonnes of cardboard and 2,700 tonnes of plastic in the past year across our supermarkets, Coles Express and liquor operations.

We continue to look at alternative ways to reduce our waste to landfill.

Product stewardship

We work hard to facilitate customers' health options and to assist them to choose nutritious foods that contribute to health and well-being and combat Australia's growing problem with overweight and obesity.

In late 2007, we launched ColesPLUS (Coles Product Lifecycle User System), a software system that helps us better manage each stage of our house brand product lifecycle.

ColesPLUS represents the way we intend to manage our house brand range moving forward and offers full Product Lifecycle Management from 'idea to deletion'.

ColesPLUS will give us and our house brand suppliers a more efficient means of collecting and sharing data on our products and offer a common source of information about our house brand range, as well as improving the management of product queries around quality, legislation and regulation.

In February this year, we launched our Housebrand Quality Brand Standards, which set targets for our house brand products in areas such as salt and fat reduction and the use of natural colours and flavours where possible. Our aim is to minimise the use of added salt by 25 per cent over five years to be lower than the leading market brand equivalent.

We continue our commitment to providing an environmentally responsible range of non-food formulated packaged products for our consumers that encourages the use of sustainable plant based raw materials where possible and that surfactants used in non-food products are biodegradable in accordance with the *Australian Standard for Biodegradability AS4351.1*.

From a packaging perspective, we continue to work on minimising the use of unnecessary packaging in our house brand products. We also follow the principles of reduce, re-use, recycle and compostable in our packaging.

We remain a signatory to the National Packaging Covenant and seek to reduce the environmental effects of packaging on the environment. In addition, as part of the ColesPLUS system that has recently been rolled out to suppliers, suppliers will be expected to guarantee that packaging conforms to the Environmental Code of Practice for Packaging. This requires producers to document the rationale employed when designing packaging.

Land

Contamination

In 2003 a soil and groundwater contamination issue was identified at Coles Express, Mooroopna, Victoria, and adjoining property. Action was taken to remediate the site and ongoing monitoring of the groundwater table has been carried out since that date and a continued reduction in hydrocarbons is occurring through natural breakdown. The site will continue to be monitored until the contaminant levels no longer pose risk to public health or the environment.

Resource usage

Energy

Our main energy use during the year related primarily to electricity consumption at our stores for lighting, heating and cooling and refrigeration. We also use natural gas and LPG in our stores, however this represents approximately three per cent of our total energy consumption. Total energy consumption was estimated to be 7,023,538 gigajoules.



▲ Service Manager Roseanne Warren restocking a freezer case which features low energy LED lighting, at the Rouse Hill store in New South Wales.

Figure 1: LTCFR



1. Acquired by Coles in 2006.
 2. The 2008 figure is for 11 months to align with Wesfarmers' reporting periods.

We are a participant in the Commonwealth Government's Energy Efficiency Opportunities Programme. The former Coles Group was originally registered for this programme, but has now been deregistered because it is now part of the Wesfarmers' registration. This programme will operate in conjunction with our existing energy management programme.

Water

Consumption

Water use during the year related primarily to washing and cleaning in delicatessen, meat and produce areas of our stores, evaporative air-conditioning and kitchen and bathroom facilities.

Our actual water consumption is not measured because many of our stores do not have separate water meters installed and we are not directly billed for water usage by water utilities. This is generally due to our stores being located in shopping centres and not being separately metered.

We can estimate that the water consumption for a typical supermarket is between one and five megalitres per annum (depending on the size of the store and the retail offer in the store). We estimate that our water use is 1,725 megalitres across 750 Coles and Bi-Lo supermarkets based on an average of 2.3 megalitres per store. At this time reliable estimates are not available for water use in Coles Express and our liquor business.

We are installing water meters progressively in our supermarkets with the goal of monitoring our water consumption to improve efficiency.

Reuse and recycling

We have been working together with local water authorities to save water and have demonstrated our commitment over and above compliance requirements.

In South East Queensland we have developed water efficiency management plans for sites that use high volumes of water. This includes installing flow control devices to taps and showers,

COLES

Case study

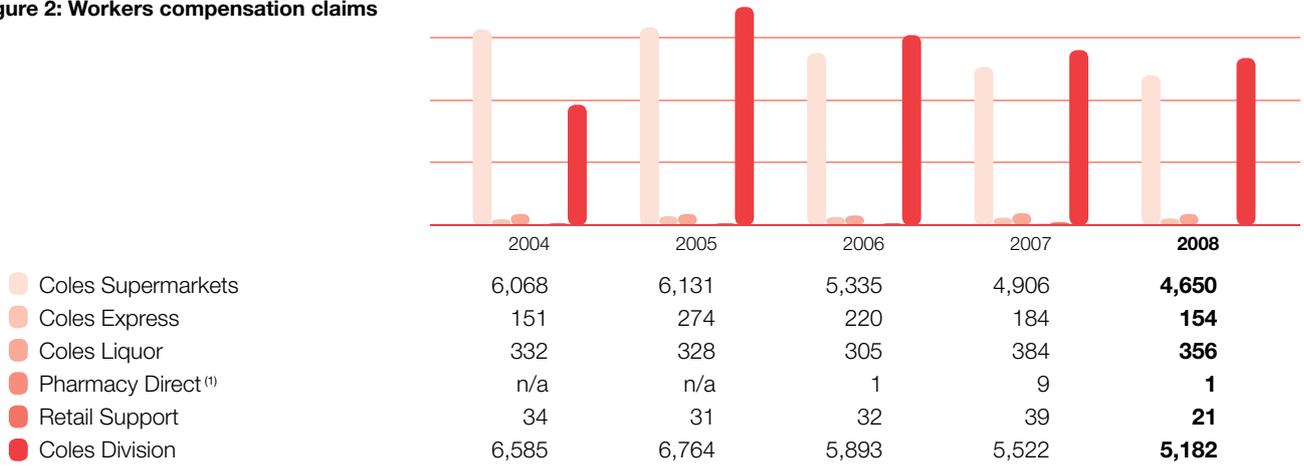
Ethical Sourcing Code

In November 2005, the former Coles Group launched an Ethical Sourcing Code to generate commitment to the sourcing of ethically produced products. The code aims to ensure products sold in Target, Kmart and Coles are produced in safe working conditions and that the basic human rights of workers are respected.

Over the past three years steady progress has been made in understanding the complexity of the supply chain, social compliance issues in China and India and the training needs of the buying teams and suppliers.

In line with a risk matrix, the focus of the companies in the former Coles Group has been on direct imports from Asia. This resulted in social compliance audits and a detailed analysis of primarily the general merchandise and apparel suppliers to Target, Kmart and Coles supermarkets. As at 30 June 2008 audits and audit documentation has covered 253 factories and over 65 per cent of purchases through Coles Group Asia.

Figure 2: Workers compensation claims



1. Acquired by Coles in 2006.

trigger nozzles to hoses in wash down areas, replacing single flush toilets with dual flush toilets, retro-fitting urinals which use less water and installing a water saving pre-rinse spray food services gun to assist in food preparation and cleaning.

In addition to this, we have been granted partial funding from the Department of Environment and Climate Change Green Business Programme, to implement this application throughout our 240 stores in New South Wales, with the objective of saving over 40 megalitres of water each year.

Safety and Health

SafetyCARE consists of an overall policy statement and a set of standards and guidelines that outline what will be achieved and how it will be achieved. The system also includes brand procedures that provide more detail on how to meet these requirements.

Our Health, Safety and Injury Management Policy is the guide that outlines our commitment to the health and wellbeing of our team members.

To support the policy, we have "Our Health & Safety Issue Resolution Process" poster displayed across all our sites and outlines a simple process for team members to raise health and safety issues so these can be addressed as soon as possible.

Lost time

We report our lost time figures as Lost Time Claims Frequency Rate (LTCFR). It is defined by the number of Lost Time Claims (LTC) per million hours worked, excluding journey claims. LTC is counted the first time a workers compensation claim loses a shift.

During the year, the LTCFR was 15.4, compared to 15.7 in 2006/2007 (see Figure 1). Average Lost Time Rate has decreased over the last 12 months. In next year's report we will report on safety statistics consistently with other divisions in Wesfarmers.

COLES



 Our Ethical Sourcing Code plays an important role in sourcing product in China and India.

Number of workers compensation claims

During the year we had 5,182 workers compensation claims, compared to 5,522 in 2006/2007. (See Figure 2.)

Hazard and risk

We have a hazard management process that proactively manages hazards based on risk to prevent harm to team members, customers, contractors, visitors and neighbours.

The hazard management process and its outputs are regularly reviewed by conducting hazard inspection checklists, self and formal evaluations and issues identified are actioned and addressed.

When required external subject matter experts/consultants are engaged to assist in the hazard management process.

Programmes

A manual handling awareness project has been implemented to develop tools, training and skills in team members to improve their manual handling techniques and processes, to reduce manual handling related incidents and injuries. The programme has commenced rollout in supermarkets with deployment scheduled for Coles Express during the next year.

Emergency response

Emergency planning and response procedures are based on the SafetyCARE Emergency Planning and Response Standard. The intent of these procedures is to ensure that plans, processes and responsibilities are in place to safeguard the health and safety of people during an emergency.

Coles Express has a contract with Orica Australia Limited to provide a 24 hour emergency response service to all sites and team members. This service holds contact names and telephone numbers for the relevant Coles Express operational management team and includes five levels of escalation should the need arise.

Coles Division has a contract with Chemwatch to provide a 24 hour emergency telephone response service for all sites to assist in the management of chemical emergencies.

"During the year we provided \$600,000 to support three key national partnerships with Landcare Australia, the Education Foundation and Cancer Council."



Stakeholders

The following table identifies our key stakeholders and examples of how we engage with them:

Stakeholder group	Examples of engagement
Employees	Team members forums, intranet, team newsletters
Customers	Catalogues, customer surveys and feedback lines
Suppliers/contractors	Coles forums, newsletters, industry events
Government agencies/ authorities	Submissions and feedback on regulatory reforms, visits and participating in forums and industry associations
Local communities	Through partnerships and store fund raising events and activities
Shareholders in parent company (Wesfarmers Limited)	Wesfarmers Limited annual reports and this sustainability report

Community investment and support

Every year, Coles invests in community programmes and supports charitable organisations across Australia. More than 50 organisations benefitted from \$1.2 million dollars in community grants and our Workplace Giving Programme supported 26 charities chosen by our employees.

During the year we provided \$600,000 to support three key national partnerships with Landcare Australia, the Education Foundation and Cancer Council.

Through our work with Landcare, we have been able to fund 95 school gardens through the Junior Landcare Grants Programme. One thousand dollar grants are awarded to successful schools to plant gardens and encourage children to be more active and environmentally aware.

Other projects with Landcare Australia help tackle the problem of salinity in urban and rural environments. The Landcare/Coles Salinity programme began in 2002 and since then the programme has addressed salinity problems in areas such as Wagga Wagga, Phillip Island, Horsham and the Western District in Victoria and Western Sydney.

Our funding also assists the Education Foundation with its Back to School programme and the Cancer Council's Mobile Outreach Service.

Further, we are a major supporter of Foodbank, providing over 1,000 tonnes of food, which is distributed to people in need through a number of welfare agencies.

Coles also assists indigenous communities. The Coles Indigenous Food Fund provided \$100,000 to encourage ongoing indigenous involvement in the bush food supply chain and promote consumer awareness and sales of bush foods. Since 2000, we have helped the Arnhem Land Progress Association operate its 13 stores in the Northern Territory by providing training tools for store managers and team members.

TARGET

Our business

We are a destination for apparel and homewares and as at June 2008 there were 159 Target and 118 Target Country stores located across metropolitan and regional Australia. We have more than 23,000 employees.



09 Priorities

- Introduce a new Manual Handling Programme across Australia to improve our safety performance.
- Enhance our systems and procedures to more accurately measure our environmental performance.
- Improve our energy efficiency by exploring effective energy savings opportunities.
- Continue to support our community partnerships.

Overview

A major focus of our business is the safe operation of our stores and distribution centres, with a particular focus on the manual handling of stock in our stores.

The main areas of environmental management that we concentrated on during the year were reducing waste through recycling and introducing systems to more accurately measure our environmental impact.

Business Management

Training

We value our people and recognise the importance of providing appropriate training for our team members. Every new team member receives a combination of on-line and face-to-face safety training. They also receive 'Safe Work Practices' a series of fact sheets that are relevant to the work they perform and assist them to work safely. These guides are regularly reviewed to ensure each team member has current information to assist them to carry out their tasks safely.

New courses are continually being investigated and this year we developed a partnership with the Australian Centre for Retail Studies at Monash University to deliver a specific training programme in merchandise planning. Specialised merchandise planners are in short supply in the Australian marketplace and this investment builds key business capabilities. This programme was included in our merchandise trainee programme and we are now considering applying it elsewhere in the business.

During the year we enrolled a third intake of store managers in the Diploma of Business through Deakin University. This will result in approximately 30 per cent of our store managers gaining a tertiary qualification after approximately two years of study. Participation in this programme increases the skill set of the individual and assists in expanding training in the retail sector.

Compliance

We are not aware of any potential non-compliance during the year with environmental or health and safety legislation. During the reporting year we paid fines of \$1,574 related to the management of trolleys.

Management systems and policies

We have formal policies and management systems for quality, safety, environment and training. In response to the growing concern regarding unsubstantiated environmental claims on products we introduced a formal environmental claims compliance policy in May 2008. The policy seeks to ensure that we are compliant with the *Australian Standard (AS/NZS ISO 14021:2000 Environmental labels and declarations – Self-declared environmental claims (Type II environmental labelling))* for environmental claims and statements made on products, product packaging and labelling, advertising and promotional material.

Environmental

Air (atmospheric emissions)

Greenhouse emissions

Our total greenhouse emissions for 2007/2008 were estimated to be 230,545 tonnes of carbon dioxide equivalent. The emissions were largely due to electricity consumption at our stores, distribution centres and support centres (approximately 86.4 per cent), synthetic gases used in our air-conditioning units (approximately four per cent) and waste disposed off-site (approximately 6.6 per cent).

Waste

Solid waste

Solid waste during the year consisted primarily of cardboard and plastic material that is collected at our sites for recycling.

Our total solid waste to landfill during the year was estimated to be 20,559 tonnes. This data is based on the collection data provided by our waste collection contractors. An assumed density was applied to convert the data from cubic metres to tonnes based on a number of waste audits.

Recycling

All our stores are involved in our cardboard and plastic recycling programme. During this year we diverted more than 15,184 tonnes of cardboard and paper and 503 tonnes of plastic from landfill. This cardboard is generally recycled into packing cartons.

As part of the former Coles Group Limited we maintained our signatory status for the National Packaging Covenant in Australia and continue to progress with our action plan.

We use black plastic bags and black shrink-wrap to protect our merchandise during the distribution process. As the recycling options for black plastic are limited, we have put in place new measures to reduce its use. We now only use black plastic on high-risk merchandise including confectionery, apparel and home and entertainment items. The initiative was introduced in July 2007 and has reduced waste to landfill. We also recycle (with Kmart) over 80 million garment hangers each year. (See case study on page 41.)

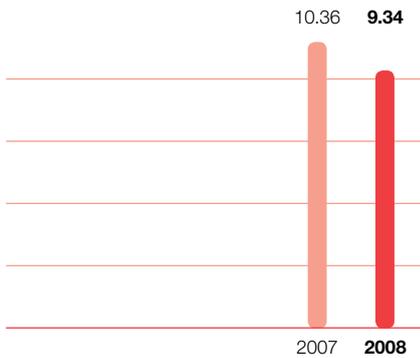
Resource usage

Energy

Our main energy use during the year was primarily electricity consumption at our stores and vehicle fuel use. Total energy consumption was estimated to be 757,907 gigajoules. This energy use comprised electricity (86.6 per cent of total energy consumption), fuel (7.4 per cent) and gas (six per cent).

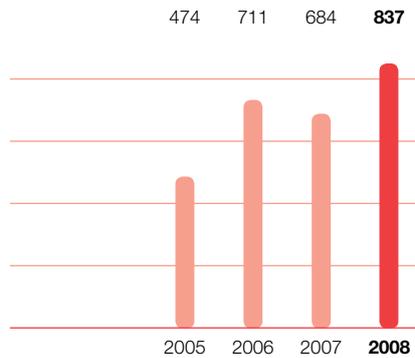
Energy efficient T5 fluorescent lights are now used as the standard fitting for selling floor lighting in all new Target stores. The T5 fitting uses 25.7 per cent less energy than the T8 fitting it replaced.

Figure 1: LTIFR*



1 July 2006 – 30 June 2008 (as at 30 September 2008).
 *Contractor hours and LTIs are/not included.

Figure 2: Workers compensation claims



TARGET

Water

We are unable to accurately measure our water usage as most of our stores are in centres operated by third parties. However we have commenced a number of water audits to more accurately estimate our water consumption.

Water conservation

In 2006/2007 the new extension at our Geelong office won the savewater! Awards ® Built Environment Award for achievements in water conservation. The project included installing 16 tanks under the building to collect water from the roof to flush toilets in the building. The gardens at this office are maintained using grey water from the washing machines in our textile laboratory.

 **Safety and Health**

Lost time

During 2008, there were 189 LTIs, compared to 203 in 2007 which led to an LTIFR of 9.34 (see Figure 1). The Hours Lost Rate has decreased over the last 12 months from 2.98 to 2.66. This is due to reduced severity of injuries and the increased use of medical practitioners for all but the most minor incidents. These statistics do not include contractor hours and injuries. Safety statistics are distributed and discussed by management each month and reported to our board. Lost Time Injuries and other serious incidents are also included in the weekly store operations conference call.

Manual handling continues to be our greatest single cause of LTIs. In the year manual handling injuries were 55 per cent of all lost time claims.

To reduce manual handling tasks we have limited the amount of heavy and bulky merchandise handled by stores and made a number of items home delivery only. We have also introduced mobile height adjustable lift platforms that allow team members to raise or lower heavy items mechanically rather than by lifting them manually.

We use steel stock cages with wheels to move stock onto the sales floor. During the year we introduced a programme to phase out all tall stock cages and replace them with short stock cages. Apart from reducing the height of the cage, the total volume of the stock that can be placed in each cage is reduced, resulting in a lighter load. This reduces the manual handling risks involved in moving the cages.

Number of workers compensation claims

There were 837 workers compensation claims reported during the year compared with 684 last year (see Figure 2).

Employee wellbeing

We have a health and wellbeing programme to create awareness of health issues, give team members the opportunity to access information on health concerns and provide support for team members to improve their health and wellbeing.

In October 2007, we held a one-day Health and Wellbeing Fair at our Geelong office. The fair was open to all our team members with an estimated 550 team members attending. The fair addressed a broad range of community health concerns, including diabetes, cardiovascular health and mental health issues.

Each year in October our stores and sites participate in Target Safety Week. This company wide event enhances the focus on safety and health and wellbeing and includes the Safety Targeting Excellence Awards, the Safety Quiz and fun ideas on health and fitness.

 **Community**

Stakeholders

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

Stakeholder group	Examples of engagement
Employees	Monthly team member news letter (Target Talk), email bulletins, road shows
Customers	100% Happy advertising campaign
Suppliers/contractors	Target Business Summit, supplier forums
Government agencies/ authorities	Participation in a Federal government inquiry into the sexualisation of children in advertising
Local communities	Partnerships with National Breast Cancer Foundation, Uniting Care, Bonnie Babes Foundation
Shareholders in parent company (Wesfarmers Limited)	Wesfarmers Limited annual reports and this sustainability report

Stakeholders

In November 2007 we held the first Target Business Summit, a business-planning event involving 120 people including

40 external participants. They included suppliers, customers and charitable organisations. The summit resulted in twelve key business initiatives, which are currently being actioned by project teams. These include training and development, supply chain, our environmental management and role in the community.

Team member diversity

Diversity includes aspects of difference such as gender, age, culture and physical ability and also ensuring we have a broad mix of thoughts, skills and ideas. We are committed to building better awareness and support for diversity in our business.

A key priority of the business is to improve the promotion and retention of women into senior management and executive roles. As at the 30 June 2008 the number of women in operational leadership roles was 31 per cent.

We encourage and support the employment of workers with disabilities. We partner with Disability Works Australia to initiate a company-wide programme helping us recruit and retain team members with disabilities. We currently have 303 team members who have been assisted by Disability Works Australia since October 2007.

Feedback and complaints

We are committed to communicating openly about our products and services with our customers, suppliers and team members. Our customer relations programme provides a complaint handling process in accordance with the *Australian Standard ISO 10002-*

2006: Customer Satisfaction – Guidelines for complaints handling in organisations (ISO 10002:2004, MOD). Our store teams are trained to deal quickly with complaints as they arise. The central customer relations team received over 41,988 customer contacts during the year, all of which were recorded and resolved. Regular customer feedback reports are circulated across the business to let managers know how we are performing, where we have improved and where we need to make changes.

Community support

We undertake a number of activities designed to build community and workplace relationships in all the communities in which we operate.

Each year we support many requests for assistance from a wide number of charitable organisations, sporting groups and schools. Our community involvement is focused primarily on the needs of families and children. During the year we engaged in national cause-related marketing initiatives including selling women's fashion apparel to support the National Breast Cancer Foundation's Fashion Target's Breast Cancer programme, raising over \$160,000 for medical research. For the past 14 years we have supported the Bonnie Babes Foundation with a focus on National Babies Day in October, raising more than \$121,000 this year to support the quality of life of babies born prematurely.

The annual Uniting Care Share Christmas Appeal held in all our stores resulted in 125,000 gifts and \$57,000 in gift-cards being donated to local communities throughout Australia. Nearly 1.4 million gifts have been donated to this appeal since 1992.

Case study

Clothes Hanger Recycling

Kmart and Target have been reusing and recycling clothes hangers through the TIC (a logistics company) Group for many years.

Most of our apparel is removed from the hangers once sold, and the hangers are stored until they are ready for collection. The TIC Group then sort them out into the different types of hangers, remove and sort the size tags and then box them up ready for shipping to our suppliers. New garments are then hung on the hangers and returned to store. Last year Kmart and Target returned over 82 million hangers to the TIC Group for reuse, with any damaged hangers being recycled.



Register Supervisor Sue Belcher at Target Carousal in Cannington, Western Australia, with a clothes hanger recycling 'tote' trolley.

KMART



Our business

We are one of Australia's largest discount department store retailers, with 182 stores throughout Australia and New Zealand, product sourcing offices in Hong Kong, Shanghai and Delhi; and more than 25,000 team members. We are proud of our team members, and aim to provide quality products and services in a fun and engaging store environment.

Kmart Tyre and Auto Service (KTAS) is Australia's largest automotive service, repair and tyre business with 263 stores and is one of Australia's largest employers of mechanics and apprentice mechanics with a team of over 1,200 people.

Key categories for Kmart are Toys, Leisure, Entertainment, Home, Menswear, Womenswear, Childrenswear, Footwear, Underwear and Consumables. In our KTAS business key categories include tyres, automotive servicing and repairs.

We offer a mix of own brands such as Now, Girl Express, Alpha and Jackeroo, as well as national brands such as Revlon, Sony, Bonds and Kodak. KTAS offers brands including Goodyear, Bridgestone, Dunlop, Kumho, Shell, Ferodo and Monroe.



09 Priorities

- Develop our sustainability plan.
- Develop a new action plan for the National Packaging Covenant and commence work on packaging reductions.
- Implementation of the Energy Efficiency Opportunities programme throughout our business.
- Preparation for the introduction of the National Greenhouse Energy Reporting laws.
- Introduce new recycling services for store teams.
- Introduce improved data collection and management systems for environmental performance, particularly in relation to:
 - Natural gas and LPG usage;
 - Waste generation and electricity use in our distribution centres;
 - Water use in our business;
 - Environmental expenditure; and
 - Trolley fines.
- Introduce a 100-day health and safety plan to assist in further reducing our lost time injury frequency rate.
- Introduce our new Community Strategy to further assist the communities in which we operate.

Overview

Our major focus has been on rebuilding following the change in ownership and moving from a centralised support structure to an autonomous business. Most support functions have been integrated into our business and during the year we relocated to a new national office at Mulgrave in Melbourne's eastern suburbs.

As a standalone business, we will place an increased focus on our long-term sustainability. This focus will include areas relating to our people, safety, systems, financial, environment, community and reputation.



Business Management

Our team

With over 400 sites across Australia and New Zealand, our business has a diverse group of people who worked over 26 million hours in 2007/2008.

We had a total of 5,288 full time, 7,506 part time, 13,561 casual team members, and 49 contractors at 30 June 2008. Over 17,000 team members are female, representing approximately two thirds of our workforce. At 30 June 2008, our management structure comprised:

- 382 male managers
- 177 female managers
- 45 male senior managers
- four female senior managers

Training

We are committed to providing development to assist team members in their current role and in managing their career.

All team members are required to complete an induction and orientation programme that provides them with an introduction to the company and some key business and regulatory information.

Our compliance programme sets out additional training requirements covering areas including, safety, fair-trading, the sale of tobacco, privacy, equal opportunity and diversity.

Every store team member receives safe work practice training in how to perform a specific task in a safe manner. These are continuously reviewed and updated to ensure each team member has the most current information to allow them to perform their tasks safely.

In addition we offer training to those performing specialist roles within our stores. Examples of this include the training for

photographic specialists and online product training for sales specialists in our entertainment/audio visual departments.

We currently have 150 trainees participating in our 12-month manager-in-training programme, designed to provide potential frontline managers with the skills and knowledge to understand the retail business, their obligations as a manager and the successful management of their teams. We also have approximately 400 apprentice mechanics in our KTAS business, representing around one third of our KTAS workforce. The typical apprenticeship offered is the Automotive Technician (Light) certificate in Automotive Mechanical Technology. This is a four year programme and includes formal technical training with a registered training office, as well as on-the-job practical experience.

In November 2007 we launched a new buyer and planner development pathway. This pathway has three key phases designed to provide team members with merchandising knowledge, technical merchandising skills and management capabilities. There are currently 32 trainees completing phase one of this pathway. Each trainee is assigned a workplace coach and a series of workplace activities and assessments to complete over the 18-month to two-year period.

We are currently developing a store manager development programme, designed to provide store managers with the tools and confidence to be great coaches who empower their teams.

Compliance

Our compliance programme covers areas in relation to the *Trade Practices Act 1974 (Australia)* and the *Fair Trading Act 1986 (New Zealand)*. Our quality control, compliance and buying teams (particularly in health and beauty, apparel and garden), have been working together to ensure that where we sell products with an organic or natural product claim, it is verified using the appropriate testing procedures.

Environmental

We were fined \$20,595 in relation to shopping trolleys and impoundments. We are unable to report on the number of fines or the number of stores involved as the data is not available, however we have processes in place to report on this next year.

We are currently working with our fire protection contractor to ensure that all maintenance work carried out on our sprinkler systems meets and exceeds the requirements of *Australian Standard AS 1851:2005 (Incorporating Amendment Nos 1 and 2) Maintenance of Fire Protection Systems and Equipment*. We are also working with our maintenance contractors to ensure that cooling towers used for air conditioning in some stores are maintained appropriately.

Health and safety

New South Wales (NSW) legislation requires us to register all elevators with Work Cover NSW. We are currently establishing which elevators belong to us and which are owned and maintained by shopping centres and landlords, so that we can report this information and comply with these requirements. We anticipate full compliance by the end of this year.

Throughout the year we received 37 notices to comply from the relevant regulator in relation to health and safety. The issues notified included manual handling, plant and equipment, housekeeping and contractor management. All notices have been resolved. The percentage of visits with no notices issued from the regulator was 39 per cent for the year.

Licensing and approvals

Kmart received building approvals for two site refurbishments throughout the year, and sought approval for a third but were told by the council it was not required.

Management systems and policies

We have formal policies and procedures in place for quality, safety, compliance and training.

Quality control

Our quality control team are the custodians of quality for our brand. The team has introduced communication tools and processes for our products with respect to safety and legal requirements, brand positioning, guaranteed performance and effective product end use.

Our policies and standards are posted on our electronic-trading site. They are available to all team members, vendors, suppliers, third party NATA-accredited test authorities and Kmart-preferred test authorities.

The documents consist of three levels:

- *policies by product category* - these communicate mandatory requirements, warning statements, additional requirements and bans to all stakeholders.
- *Kmart Brand performance standards* - these communicate Australian Standards testing procedures where available and our minimum required performance standard testing results across textile products in line with the Australian Garment Mark.

KTAS Service Centre Manager Elias Paraskeva at the Sylvania Service Centre in New South Wales.



- *work-aids* - mannequins and fit models have been developed across our garment ranges in line with Australian and Kmart sizing standards. These accurately maintain a consistent standard of fit. In addition computer-aided design systems are being developed that will allow us to generate standard garment fit blocks for issue to suppliers along with a request for them to purchase our standard mannequins and models. This will ensure that consistency of fit by category is maintained across the supplier base.

Electronic information systems, containing all approved compliance documentation for our house brand products have been established for our Asian, New Zealand and Australian operations.

They contain at least the following information:

- a buyers product form which contains information relating to the supplier, country of origin, product details and a photograph;
- information relating to the specific dimensions of the product, components and value added attachments;
- confirmation that the products meet mandatory legal and safety requirements and that all claims have been substantiated; and
- approved copies of relevant packaging and labelling indicating that the artwork meets all mandatory and brand requirements, the correct warning statements where required are illustrated and that all claims have been substantiated.

The majority of products are assessed against this documentation before being placed for sale, and the documents then are available electronically to team members across the business.

We have quality assurance and control teams in Australia and New Zealand, as well as in India, China and Hong Kong, where many products are sourced. Support for our overseas teams is based in Australia and video conferencing is used regularly as an efficient means to provide this support and reduce travel emissions.

Safety systems and policies

SafetyCARE is our health and safety management system that enables the business to provide a safe system of work for our team members, customers, contractors and visitors.

We have undertaken generic risk assessments for hazards that are common across our sites, which list the controls that must

be in place to manage hazards. Sites are required to complete a site hazard inspection checklist each month to identify and manage hazards.

Muscular stress is one of the most common injuries in our stores – 42 per cent of lost time incidents and 24 per cent of all incidents. We provide a number of manual handling devices to assist in handling products throughout our stores. During the year, we approved 14 stores to have receiving area upgrades in 2008/2009. These upgrades will include introducing mobile height adjustable lift platforms to reduce the manual lifting required by team members.

We have an incident reporting and investigation process that ensures all notifiable and lost time injuries, or high-risk incidents are reported to senior management. Detailed health and safety statistics are provided each month to key stakeholders to measure and monitor performance and are reviewed at the national and state health and safety steering groups.

Compliance systems and policies

We have a number of policies in place that cover areas relating to our fair-trading obligations, responsible sale of tobacco, privacy and the sale of video games and films. We have also identified potential risks in relation to green marketing, which involves highlighting the suggested environmental benefits of products and services and have developed an information pack for office team members. This outlines the requirements of the *Australian Standard (AS/NZS ISO 14021:2000 Environmental Labels and Declarations - Self-Declared Environmental Claims (Type II Environmental Labelling))* and the form of claims allowed. Examples are used to show how to comply, and where businesses have gone wrong in the past.

In addition, we will conduct monthly briefing sessions with our office-based team members this year on various topics, including compliance, environmental and sustainability matters.



Environmental

Environmental improvements represent a significant opportunity for our businesses. In the past the former Coles Group managed these opportunities on our behalf, but now we have taken the decision to place more emphasis on environmental and community issues by creating a Corporate Affairs and Sustainability team.

This team will develop our environment and sustainability plan, and gather information to report on our progress. To commence this journey, the team developed a survey that was issued to all national office team members and regional and store teams. The survey aimed to assess their understanding of environmental matters and establish what is important to them from a community perspective. Results of this survey are currently being reviewed.

Through completing this report, our team has identified that we have many data gaps in relation to these matters. We will develop information systems to allow us to report in more detail over the coming years.

Air (atmospheric emissions)

Greenhouse gases

Our total greenhouse emissions are estimated to be 347,893 tonnes of carbon dioxide equivalent (CO_{2-e}). This figure comprises the following sources:

- Approximately 260,097 tonnes from electricity used in Kmart and KTAS stores.
- Approximately 30,593 tonnes from electricity used in our distribution centres

- Approximately 4,873 tonnes from waste sent to landfill in our stores
- Approximately 1,638 tonnes from fuel used in company-owned vehicles in KTAS
- Approximately 71 tonnes from fuel used in company-owned vehicles in Kmart
- Approximately 289 tonnes from fuel used in team member leased vehicles in KTAS
- Approximately 2,283 tonnes from fuel used in team member leased vehicles in Kmart
- Approximately 48,050 tonnes from synthetic gases used in air conditioning units in Kmart

In our business, greenhouse gases are also emitted from the use of natural gas and liquid petroleum gas (LPG). We are unable to include this figure in our report, as data provided from our suppliers cannot be measured consistently therefore we unable to draw any meaningful conclusions from it.

We have also excluded any other emissions not listed above that are outside of the direct control of our business, commonly referred to as scope three emissions. These include emissions from sources such as transporting goods in vehicles not owned by the business.

Energy consumption

Our direct energy consumption was estimated to be 1,052,892 gigajoules. This figure comprises the following sources:

- Approximately 893,339 gigajoules from electricity used in Kmart and KTAS stores;
- Approximately 101,020 gigajoules from electricity used in our distribution centres;
- Approximately 22,404 gigajoules from fuel used in company-owned vehicles in KTAS;
- Approximately 965 gigajoules from fuel used in company-owned vehicles in Kmart;
- Approximately 3,954 gigajoules from fuel used in team member leased vehicles in KTAS; and
- Approximately 31,210 gigajoules from fuel used in team member leased vehicles in Kmart.

In our business, energy from the use of natural gas and liquid petroleum gas (LPG) cannot be included in our report, as data provided from our suppliers cannot be measured consistently therefore we unable to draw any meaningful conclusions from it.

During the year, we were registered as a participant in the Commonwealth Government's Energy Efficiency Opportunities Programme through the former Coles Group. In 2008 it is proposed that the former Coles Group will be deregistered from this programme, and we will be included in the Wesfarmers Limited registration.

We will undertake a number of energy audits in our stores during the next year, and comment on these in the next report.

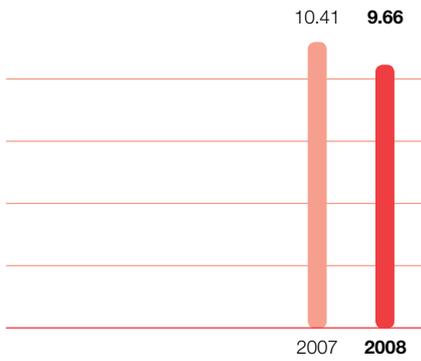
Water consumption

In our stores water use relates mainly to cleaning, team amenities, garden centres and air conditioning. Most of our stores do not have individual water meters because they are co-located with other businesses and reporting water use is not possible. Our aim is to commence installing sub-meters in a representative sample of our stores so we can commence monitoring our water usage and report next year.

Waste

As a large retailer, we produce a significant amount of waste and seek to divert as much as possible from landfill. We believe almost all of our waste stream can be recycled. In 2008/2009 we will trial new recycling services across our stores and will extend some of our existing successful trials to all stores.

Figure 1: LTIFR*



1 July 2006 – 30 June 2008 (as at 30 September 2008).
*Contractor hours and LTIs are/not included.

The total amount of solid waste produced in our operations (including recycled waste) was estimated to be 23,761 tonnes.

Solid waste to landfill

In our Kmart business, solid waste to landfill is comprised primarily of damaged products that cannot be returned or recycled. In our KTAS business, solid waste comprises replaced car parts, plastic and cardboard. In our business we produced approximately 5,458 tonnes of waste to landfill.

Solid waste recycled

We recycled over 28 million garment hangers throughout 2007/2008 or over 1,000 tonnes. Further information on this programme is available in the case study in this report. We also recycle the majority of our cardboard and plastic film and have facilities in our stores for customers to return unwanted plastic shopping bags for recycling. Throughout 2007/2008, our business recycled over 16,000 tonnes of paper and cardboard and over 517 tonnes of plastic film.

Most stock that is offered on a “sale or return” basis to us, faulty products and recalled stock can be returned to a central facility managed by the TIC Group. We receive a credit back from the supplier for some goods, whilst others are resold where possible (i.e. slightly soiled garments may be purchased at heavily discounted prices by selected charities). Goods that cannot be resold are disposed of to landfill, and are included in the 'solid waste to landfill' figure above. Through this agreement, stores sent approximately 378 tonnes of material to the TIC Group during the year that was salvaged and resold.

From June 2008, our Victorian KTAS stores began recycling car tyres and batteries with Sims Tyrecycle. We plan to roll this service out to all stores by 1 October 2008. After a successful trial in Victoria we are currently introducing recycling systems to divert oil filters, steel, lead weights, disc pads and cardboard from landfill, which will be extended to all stores by 2009.

These initiatives have resulted in us recycling approximately 18,300 tonnes of our waste.

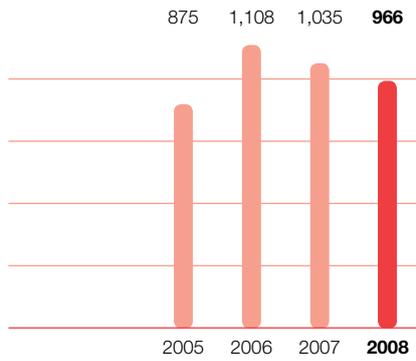
Liquid waste

Apart from sewage wastes, our liquid wastes include oil and coolant from our KTAS sites, and chemicals from our photo laboratories. During the year, it is estimated that we recycled over 1,850 kilolitres of liquid wastes from our stores (excluding sewage waste).

Product stewardship

Most of our Kmart sites have drop-off facilities for customers to recycle unwanted plastic shopping bags. We are a signatory to the National Packaging Covenant and are currently finalising

Figure 2: Workers compensation claims



Team members only, excludes Kmart New Zealand.
1 July 2004 - 30 June 2008 (as at 30 September 2008).

a new action plan for 2008/2009. This action plan will include targets to reduce the amount of packaging used throughout our operations and to begin reporting on packaging volumes used.

Environmental expenditure

We are unable to report comprehensively on environmental expenditure over the past year. However we are putting systems in place to be able to report on this next year.

Contaminated sites

To the best of our knowledge, we have one contaminated site.

The KTAS site in Durack, Queensland was contaminated when an underground storage tank at the adjoining Coles Express service station leaked. The site was closed for 10 weeks while Shell undertook work to clean up the site, replace the tanks and make good. No further work is required at this site.

Safety and Health

Lost Time

Our LTIFR for the year was 9.66 (see Figure 1). We cannot compare this figure to last year, as New Zealand data is not available. Our LTIFR excluding New Zealand stores was 9.97 for the year, down from 10.41 in 2006/2007. We are currently developing a 100-day health and safety plan to assist in further reducing our LTIFR. These statistics do not include contractor hours and injuries. Safety statistics are distributed and discussed by management each month and reported to our board.

During 2007/2008, there were 252 LTI's across our business. Average Hours Lost Rate has decreased over the last 12 months and this is due to improved incident, injury and claims management.

Number of workers compensation claims

There were 966 workers compensation claims during the year (see Figure 2).

Hazards and risk

Emergency Response

We have team members that are trained to be fire wardens and first aid attendants in our stores, distribution centres and offices. The first aid programme is designed to impart the knowledge and skills necessary to care for the ill or injured until medical aid arrives.

As at 28 April 2008, we had 44 team members attend the fire extinguisher training course and 890 team members attended first aid training courses, including CPR training, First Aid Senior and First Aid Senior Recertification.

Store Manager Baden Brockwell providing some helpful advice to manager-in-training Collette Speake at Kmart Booragoon, in Western Australia.



Employee wellbeing

We are committed to creating an environment that respects differences in age, race, gender, sexual orientation, ability and disability, family responsibility and many other aspects. An equal opportunity policy has been developed to ensure a healthy working environment for team members, customers, suppliers, contractors and anyone who interacts within our working environment.

Site hazards

A 2007 site inspection of 160 Kmart sites and 178 KTAS sites (including 44 stand-alone sites) revealed the following:

- 41 Kmart and 17 KTAS sites inspected contain asbestos, with a further 82 Kmart and 56 KTAS possibly containing asbestos. Asbestos is primarily used in cement sheeting or vinyl floor tiles. The audit showed that there were no items that needed immediate attention and that all asbestos containing materials posed a negligible health risk.
- Synthetic mineral fibres (SMF) are used in building materials and can result in the release of fibres if not maintained correctly. There are 145 Kmart and 135 KTAS sites that have SMFs. The audit showed that there are six sites that require maintenance and we are currently identifying suitable remedial works.
- Lead-based paints were assessed if they were peeling or showing signs of deterioration. There are 12 Kmart sites and 11 KTAS sites where this was identified. Of these sites, none required immediate attention.
- Polychlorinated biphenyls are predominantly used in lighting capacitors. There are 14 Kmart sites and four KTAS sites that contain this material, with another four Kmart and 20 KTAS sites possibly containing it. These capacitors do not represent a health risk if they are in good working order and not leaking, and this was found to be the case in all instances.

Assisting the community

Working with our communities and assisting our stakeholders where we can is important to us. We receive thousands of requests for support every year and we have been able to assist with 'goods in kind' or donations for many of these requests.

One example of this was the donation of 10,000 backpacks containing a blanket, towel, t-shirt, and toiletries to 10 welfare organisations including the Sacred Heart Mission in Victoria and the Asylum Seeker Resource Centre. Each organisation was truly thankful for such a practical donation and has started to distribute the backpacks to those in need.

Our biggest community event is the Kmart Wishing Tree Appeal. Last year the appeal reached its 20-year milestone and is proving to be one of the most popular Christmas gift collection appeals in Australia. Over 334,000 gifts were collected across our stores during the five-week campaign in 2007. Each Kmart store nominated a team member to be the wishing tree champion and liaise with one of our charity partners and collect the gifts. Further information on this programme is available in the case study in this report.

Feedback and complaints

We are committed to communicating openly about our products and services with our customers, suppliers and team members. In support of our customer relations programme, we provide a complaint handling process and our store teams are trained and empowered to deal quickly with contacts as they arise.

The central customer relations team received over 193,000 customer contacts during this past year, all of which were actioned. Regular customer feedback reports are circulated throughout the business to advise performance, where we have improved and where we need to make changes.

Liaison with authorities

We receive numerous contacts from regulators in relation to business practices. These are all responded to by our compliance, quality, legal or operations teams within prescribed timelines.

Our aim is to achieve the best possible outcome for the business in these situations.

Communication

We use a wide variety of internal and external communications tools to communicate with all stakeholders. An example of this is our OK magazine – an internal magazine that is released quarterly to all team members featuring business updates and team member recognition articles.

Our websites are used to communicate key information to customers, including store and product details and general information on the company. Our KTAS team also use their website to offer mechanical, driving and tyre advice to customers, whilst both businesses advertise current specials on line.

Awards

On Friday 19 October 2007, Kmart was announced as the winner of the Coles Group CEO award for outstanding dedication and commitment over the previous 12 months. One of our team members, Damian Lucia, also won the "Excellence in Non-Store Leadership" award.

"Working with our communities and assisting our stakeholders where we can is important to us."



Stakeholders

Stakeholder group	Examples of engagement
Employees	Various methods, including national conferences, team magazines, daily communication emails, team notice boards, Kmart radio and our intranet.
Customers	Media releases, catalogues, in store display material, our website, television commercials, press advertising and radio, and responding to inquiries.
Suppliers/contractors	Letters/email communication, electronic trading, meetings and supplier websites
Government agencies/ authorities	Letters/email communication and meetings.
Local communities	Supporting community requests for donations and/ or goods in kind, gift collection point for the Kmart Wishing Tree Appeal.
Shareholders in parent company (Wesfarmers Limited)	Wesfarmers Limited annual reports and this sustainability report.

Case study

Kmart Wishing Tree Appeal

The Kmart Wishing Tree Appeal is proving to be one of Australia's and New Zealand's largest Christmas gift appeals and it is our largest community initiative.

Thanks to the generosity of the general public, the appeal has distributed more than 4.08 million gifts to needy Australians over the past 20 years and more than 170,000 gifts to New Zealanders in need over the past 13 years.

The appeal was first established in 1989 and provides a forum for the community to donate gifts to people and support the associated welfare groups.

The Kmart Wishing Tree Appeal works with some of Australia and New Zealand's largest and most respected welfare organisations, including The Salvation Army, The Smith Family, The Brotherhood of St Laurence, Charity Link (a group of charities in Western Australia) and Barnardos.

The Appeal's success is largely driven by the Kmart Wishing Tree Champions who facilitate the appeal in each store, working with the welfare groups, local community organisations, schools and customers.



▲ The Salvation Army's Colin Eldridge explains the importance of the appeal to families at Christmas to team member Casey Pealson at Kmart South Morang, Victoria.



OFFICEWORKS



Our business

We are Australia's largest retailer and direct supplier of quality office and technology products for home offices, students and small to medium size businesses.

The group is made up of three channels, Officeworks, Officeworks Business Direct and Harris Technology and is part of Wesfarmers Home Improvement and Office Supplies Division.

At 30 June 2008 there were 115 Officeworks retail stores and 11 Harris Technology stores across Australia. We also operate four call centres and four customer fulfilment centres (where customer orders are picked and packed) and employ over 4,000 people.



09 Priorities

- Develop an ethical sourcing policy in relation to our paper and timber products.
- Provide customers with information about office products with a lower environmental impact.
- Develop waste and emissions data systems.
- Increase our contribution to improve the social wellbeing of the communities in which we operate.
- Commence work on improving the use of plastics in our product packaging.

Overview

The major focus of our business is the safe operation of all our sites as well as operating our stores, customer fulfilment centres, support centre and our supply chain in a sustainable way that reduces our impact on the environment.

We have begun developing a transparent chain of custody for our paper and timber products. We are working to develop a procurement policy for products we retail as well as those we use in our business in day-to-day operations.

We seek to provide our customers with information that helps them to purchase products with a lower environmental impact. In addition we provide facilities for customers to recycle office waste products such as printer ink and toner cartridges and we are conducting an electronic-waste recycling trial.



Business Management

Training

In 2007/2008 no significant training was carried out for team members. In 2008/2009 we have committed to a target of 38 hours training per Full Time Equivalent team member.

In 2008/2009 we will introduce a future leaders programme that offers a Diploma and Advanced Diploma in Business Studies, both of which have been developed in conjunction with and are recognised by RMIT University in Melbourne.

A new online learning and development programme is also being introduced as a tool to provide access to training for our team members. Courses will initially cover safety, product and technical skills.

Compliance

We are not aware of any environmental, health and safety or licensing compliance issues during the year.

Management systems and policies

We have formal policies for quality, safety, environment and training which are all available on the intranet and at operating sites. In addition we record and monitor performance information.



Environmental

Air (atmospheric emissions)

Due to the nature of our operations we believe our emissions to be below workplace exposure standards.

Greenhouse emissions

Due to insufficient data collection we are unable to report in detail on our greenhouse emissions this year.

We will pursue improved accuracy and site level reporting as we implement new data collection policies and procedures.

Noise

No noise complaints were reported during the year.

Waste

Solid waste/liquid waste

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

Due to the nature of our operations we do not produce significant amounts of liquid waste other than normal sewerage systems discharge.

Recycling initiatives

We will work to reduce our waste to landfill by improving the way we reduce, reuse and recycle throughout our own operations as well as supporting product stewardship initiatives with our suppliers.

The majority of our sites have cardboard and plastic recycling systems. We estimate that over 2000 tonnes of cardboard and plastic were recycled during the year. We will implement a paper recycling system with VISY in the last quarter of 2008 that allows for the waste paper from our Print Works operations to be recycled.

In 2007/2008 through our partnership with Planet Ark, we collected over 358,000 ink and printer toner cartridges for recycling. Business Direct is currently developing a process to participate in this programme.

In June 2008 we announced that two of our stores will participate in a trial of the electronic-waste Byte-Back programme. This programme allows customers to return their unwanted end of life computers and accessories to our stores. After collection, materials are transported to a specialised electronic recycling and recovery centre. Equipment is disassembled into its parts (plastic, precious metals, batteries, cathode ray tubes, printed circuit boards, insulated wiring) and sent off to various parts of Australia and the world for recovery and recycling.

Product stewardship

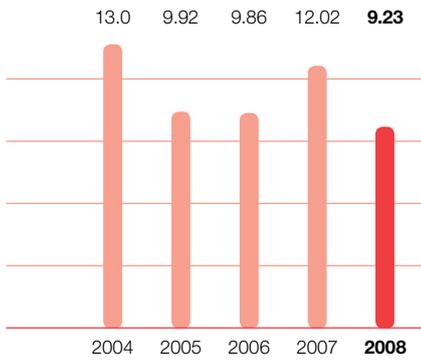
We began a product stewardship initiative to develop a timber and paper procurement policy for our business.

We intend to work closely with our timber and paper products suppliers towards the goal of ensuring all products supplied to us originate from legal and sustainable forest operations.

We will investigate the feasibility of other product stewardship initiatives for products such as batteries and mobile phones.

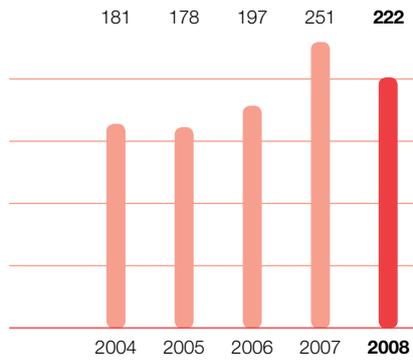
During the year, as part of the former Coles Group Limited business, we participated in the National Packaging Covenant and will report on this in October 2008.

Figure 1: LTIFR



1 July 2004 – 30 June 2008 (as at 30 September 2008)
 *Contractor hours and LTIs not included.

Figure 2: Workers compensation claims



OFFICEWORKS

Resource usage

Due to insufficient data collection we are unable to report in detail on our consumption of natural gas, LPG and liquid fuel. It is our intention to report on this next year.

Energy

Our main energy use during the year related primarily to electricity consumption at our stores. Our total electricity consumption was 14,048,934 megawatt hours which equates to 50,576.2 gigajoules.

During the year we were a participant in the Commonwealth Government’s Energy Efficiency Opportunities Programme through the former Coles Group Limited. It is the intention of Wesfarmers Limited to seek to remove us from this programme in 2008/2009 because of our low energy use relative to the rest of Wesfarmers.

Water

Consumption

Due to the nature of our operations, in particular the location of the majority of our stores in centres owned and operated by external parties, we are unable to report in detail on our water consumption. We intend to develop procedures to rectify this over several years.

Safety and Health

Lost time

During 2007/2008, there were 50 LTIs, compared to 66 in 2006/2007. The average Lost Time Rate has decreased over the last 12 months and this is due in part to a continued positive take up rate of the InjuryCARE programme.

Number of workers compensation claims

The decrease in workers compensation claims over the last 12 months from 251 to 222, can be attributed to the decrease in our Lost Time Injury Frequency Rate as detailed in Figures 1 and 2 above.

Hazard and risk

Our occupational health and safety (OHS) policy provides the framework for us to manage our OHS risk.

Emergency response

Fire drills are conducted with emergency warden teams employed at all locations. Refresher training for wardens is designed to

improve our capacity to manage emergencies and contingency plans are in place to address major incidents or security breaches.

We endeavour to have a Team Member trained in first aid at all times in each of our stores.

Employee wellbeing

We will increase our focus on team member health and wellbeing. An Energy for Life programme will be introduced in 2008/2009 i.e. for all our team members. The programme is designed to help our team maintain a healthy approach to life with particular focus on work-life balance.

We are committed to providing a positive work environment by ensuring that it is free from all forms of discrimination and inappropriate behaviour and have policies available on our intranet to support this commitment.

Community

Stakeholders

The following table identifies our key stakeholders and an example of how we engage with them:

Stakeholder group	Examples of engagement
Employees	Our Intranet is available to all team members and it is our intention to significantly increase the level of formal communications throughout the year.
Customers	Our website includes information about our operations for the community and our catalogues include information and advice on relevant topics.
Suppliers/contractors	In 2008 we introduced our supplier engagement programme designed to increase the level of formal and informal communication with suppliers.
Government agencies/ authorities	We endeavour to engage and establish an open working relationship with authorities that regulate our business and the non-government organisations that take an interest in our operations.

Local communities

Community noticeboards were installed at some store locations in 2008 and our website contains information about our operations.

Shareholders in parent company (Wesfarmers Limited)

Investor presentations.
Wesfarmers Limited annual report and this sustainability report.

Feedback and complaints

We seek to establish an open dialogue with our stakeholder groups and encourage feedback and comment on our performance. Our in-store customer feedback cards will be revised in 2008 and our website also provides stakeholders with the opportunity to provide us with feedback.

Community support

Supporting the communities in which we operate is an important part of our organisational culture. In 2007/2008 we contributed in excess of \$80,000 to various charity and community groups including significant involvement with The Smith Family's Learning for Life programme. Over the course of 12 months one per cent of sales from all Officeworks branded A4 paper was donated to the programme and all Officeworks stores sponsored a child participant in the programme.

Team members also had the opportunity to participate in the Work Place Giving scheme.

Team member Mineh Burn using the Planet Ark recycling boxes which collect used ink and printer toner cartridges at Officeworks Subiaco, Western Australia.



OFFICEWORKS

RESOURCES

Our vision

To become a high performance resource company delivering shareholder value through initiative, innovation and the growth of our mining and resource assets.

We were established in November 2006 with a mission to build and manage a portfolio of high quality mining and resource assets, delivering excellent operational and financial performance. We are a significant Australian open-cut miner and a leading metallurgical coal producer operating the Curragh open cut coal mine near Blackwater in Queensland's Bowen Basin, the Premier Coal mine near Collie in Western Australia, and have a 40 per cent interest in the Bengalla mine in the Hunter Valley of New South Wales. The Bengalla mine is not covered in this report as it is managed by Coal and Allied and is included in their public reporting.



Divisional priorities for the future

08 Outcomes⁽²⁾

- | | |
|--|---|
| ➤ Reduce greenhouse emissions by five per cent. ⁽¹⁾ | = Greenhouse emissions have increased by six per cent, compared to the 2006 figure. |
| ➤ Reduce energy intensity by eight per cent. ⁽¹⁾ | = Energy intensity has increased by 0.5 percent, compared to the 2006 figure. |
| ➤ Reduce water consumption by 10 per cent. ⁽¹⁾ | = A reduction of 23 per cent compared to the 2006 figure. |

⁽¹⁾ per BCM equivalent by 2012 based upon 2006 figures.

⁽²⁾ Our 2008 outcomes are a measure of the progress we have made towards our divisional priorities which will be finally assessed in 2012 (see Figures 1, 2 and 3 on page 57).

Overview

Our Curragh mine produces high quality metallurgical coal for the export steel market and steaming coal supplied for domestic power generation. Premier Coal is a major Western Australian coal producer, mainly providing the energy source for the state's electricity network. The combined coal production for the two mines was over 12.1 million tonnes, approximately five per cent more than the previous year. We contribute to the nation's balance of trade through our export of metallurgical coal as well as making a significant contribution to the state of Queensland through the payment of royalties. Our steaming coal is a reliable and cost effective energy source for power generation supporting low energy costs for families and businesses.

We employ about 750 people across the Division, with about 26 in our Brisbane Head Office, 426 at our Curragh Mine and 300 at our Premier Mine. These employees along with an estimated 630 contractors make a substantial contribution to the local communities of Blackwater in Queensland and Collie in Western Australia.

This year we have achieved a number of significant improvements in our environmental performance with a reduction in our total greenhouse emissions by three per cent, energy usage by 5.2 per cent and water consumption by 5.5 per cent. This was a very pleasing result particularly given that the amount of coal we produced increased by approximately five per cent. It also reflects the efforts made by our business units to improve their environmental performance.

Our challenge is to reduce the intensity level of these indicators per bank cubic metre (BCM) equivalent in order to achieve even better outcomes in the future. (See Figures 1, 2 and 3.)

Disappointingly our safety performance fell away this year after a big improvement in 2007. This year we had 18 LTIs an increase of 64 per cent compared to last year. We remain committed to providing an injury free workplace and have commenced efforts to improve our safety performance. This includes the introduction at Curragh of a behavioural-based safety training system and a complete review and rewrite of the Curragh Safety Management System to be completed by June 2009.

The main focus for our business units is their safe operation in a sustainable way that minimises any adverse impact on the environment or the local communities. Indeed many of our rehabilitation and social programmes are designed to have positive outcomes for the local environment and communities.

We will continue to focus our attention on seeking improvements in the way we manage our people, safety and skills; engaging with and adding value to the local communities; and minimising the impact of our operations on the environment. The better management of our greenhouse emissions, energy and water consumption is a high priority for us.

This was highlighted by the decision this year to establish targets for the reduction of greenhouse emissions, energy and water consumption per BCM equivalent by 2012, based on 2006 levels. Achieving the targets set out above is now a priority for the division.

Both our mines are voluntary participants in the Commonwealth Government's Greenhouse Challenge Plus Programme and are registered in the Energy Efficiency Opportunities Programme. We also participate, through our parent company Wesfarmers Limited, in the international Carbon Disclosure Project.

A new initiative this year was the launch of the Wesfarmers Resources Partnership Programme, which underpins our commitment to promoting social sustainability in the communities within which we operate. This year we announced a new Principal Partner in the Queensland Theatre Company (see case study on page 57). In total we contributed over \$460,000 through our partnership programme in support of our local communities. We continue to support many worthwhile community organisations and regional initiatives including the Blackwater International Coal Centre and the Collie Western Entrance Project (see case study on page 73).

Our commitment to the environment has been further demonstrated by our decision to join the Advanced Solar-Thermal initiative, which looks to deliver cost-effective renewable energy in Australia in the immediate future, along with our continued support for the development of low-emission technology through the COAL21 Fund. This Fund has been established by the black-coal industry to support development and demonstration of clean coal technology with the division's contribution estimated to be \$30 million over 10 years.



▲
Curragh Mine, Blackwater, Queensland.

Figure 1: Divisional greenhouse emissions kg CO₂e/BCM

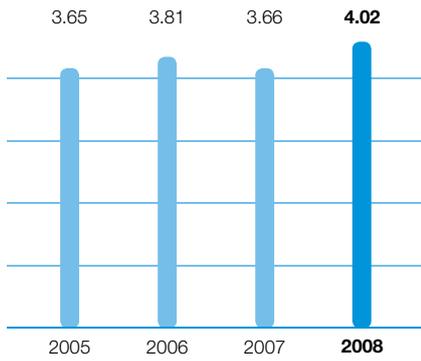


Figure 2: Divisional energy consumption Megajoules Energy/BCM

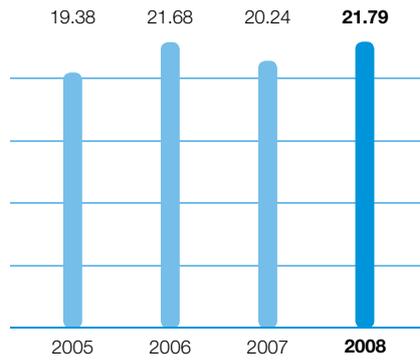
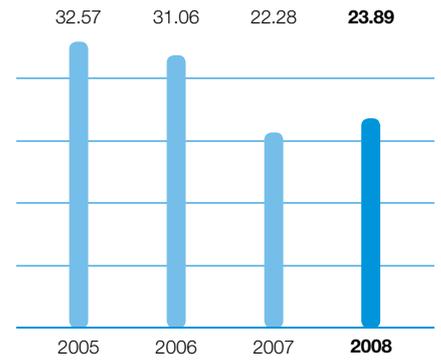


Figure 3: Divisional water consumption Litres water/BCM



Case study

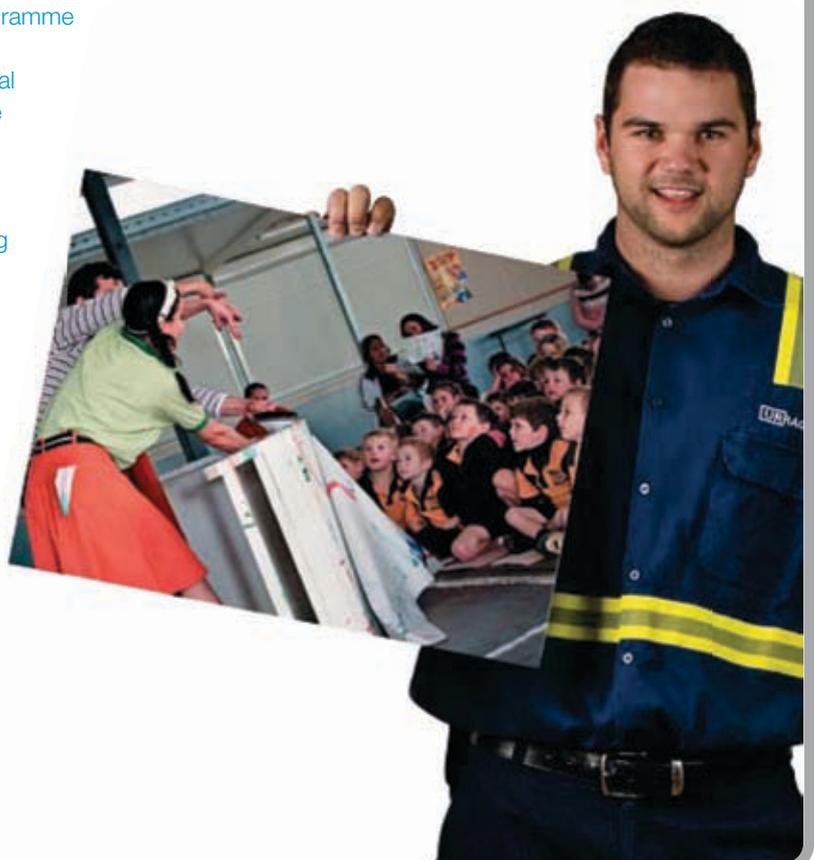
The Wesfarmers Resources Partnership Programme

This programme seeks to complement the economic benefits that our operations bring to local communities by providing positive social outcomes.

In April 2008, we announced a two-year partnership with the Queensland Theatre Company which is our Principal Partner. As part of this partnership, Wesfarmers Resources is the major sponsor of the Wesfarmers Resources Regional Acting Studio, which will tour regional Queensland, including Blackwater, during 2008.

The Wesfarmers Resources Partnership Programme will encompass and complement the existing programmes run by Curragh and Premier Coal through their community programmes. These programmes have been making significant contributions to their local communities for many years through direct financial and in-kind support. This support has created strong partnerships between the mines and the communities and delivered many positive outcomes such as the aquaculture project in Collie and the upgraded Police and Citizens Youth Club in Blackwater.

The Partnership Programme also supports youth education through the Queensland Minerals and Energy Academy and the Australasian Institute of Mining and Metallurgy scholarships.



Queensland Theatre Company perform *Funny Voices* for students at Blackwater, Queensland.



CURRAGH

Our business

We operate the Curragh open cut mine near Blackwater, 200 kilometres west of Rockhampton in Queensland's Bowen Basin.

We produce high quality metallurgical coal exported to steel makers and steaming coal supplied for domestic power generation. Our production of over nine million tonnes was approximately nine per cent higher than the previous year. We employ 426 people along with 634 contractors.



08 Priorities

- Zero LTIs.
- Review existing Fatigue Policy and implement changes.
- Continue upgrade of hydrocarbon storage facilities.
- Review existing Isolation Policy and implement changes.
- Desktop audit of EMS and implement changes.
- Development of a Stakeholder Forum.

08 Outcomes

- **Not achieved.** 13 Lost Time Injuries recorded for the past 12 months.
- **Partially achieved.** A Fitness For Duty (FFD) committee was formed to review the policy and other FFD protocols and is seeking external advice.
- **Achieved.** The key components of the hydrocarbons storage facilities upgrade were constructed or installed during the year.
- **Achieved.** Policy for the isolation of energy sources reviewed and implemented. Relevant employees trained and training on going as required.
- **Not achieved.** The Environmental Management System (EMS) was further reviewed. A new environmental policy was developed and several procedures were issued, however the desktop audit was not undertaken.
- **Partially achieved.** A formal stakeholder forum was not established, however communication has been maintained with our neighbours and public consultation forums were held in conjunction with key projects.

09 Priorities

- Relaunch a behavioural based safety training programme.
- Review the health assessment process and increase employee awareness.
- Integrate existing Environmental Authorities into a single site wide licence.
- Review and align the Safety Management System to AS4801 and the Coal Mine Health and Safety Act 1999.
- Develop and seek agreement with the Queensland EPA on land Rehabilitation Success Criteria.
- Conduct site open day in conjunction with the mine's 25th anniversary celebrations.

Overview

During the year we reduced our total greenhouse emissions by 2.9 per cent, total energy use by six per cent, and total water use by six per cent. We also reduced solid waste by 20.6 per cent and liquid hydrocarbon waste by 12 per cent. These reductions were achieved despite a nine per cent increase in the amount of coal produced.

The main focus of 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.

The main safety areas on which we focused our attention during the year were establishing energy isolation procedures and reviewing our fitness for duty procedures, including fatigue and drug and alcohol.

In regard to environmental matters we focused this year on hydrocarbon storage, establishing water recycling infrastructure and the ongoing management of mining impacts on flood protection at the Curragh North mine. The first stage of the hydrocarbons storage facilities upgrade was completed during the year. The main components included the construction of a heavy vehicle wash down facility, installation of drive-in sumps and catch drains around major workshops and service facilities, oily-water separators on industrial area water catchments, and the installation of a light vehicle refuelling area and bulk fuel unloading station.

Business Management

Training

We recognise the importance of developing our people and provide opportunities for them to attend role-specific training as necessary to maintain and develop career pathways and individual growth.

In this regard, a number of our people attended training both onsite and in various locations across Australia, 15 of our professional staff also undertook external study through our Educational Assistance Policy.

We are a Registered Training Organisation and delivered learning and assessment in MNC20104 Certificate II in Coal Surface Operations during the year.

Seventeen employees attended a two-day snake handling course which included theory and practical sections. Damage mitigation permits are required to allow trained staff to handle and safely relocate snakes and other reptiles. Relocation is only undertaken when the reptiles pose a danger to people or our workplace activities place them in danger.

We conducted informal training sessions on the FPe (a hazard incident reporting and investigation system) database on an as required basis. The sessions are designed to assist those people who are required to manage their FPe messenger tray, enter incidents, near misses or hazards, complete investigations and review events.

After every five years of service employees are required to undertake refresher training. During the year six employees received this training which included topics such as the 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.

A voluntary two-day Senior First Aid course was offered to employees and family members.

Confined space training courses and re-certification courses were delivered by external providers during the year. Fourteen staff completed the full course and 42 employees were re-certified.

Compliance

Environmental

The Queensland EPA issued an Infringement Notice and a \$1,500 fine to the company in December 2007 for breaching an environmental licence condition at the Curragh North mine. The breach related to the creation of surface cracks within the 30 metre exclusion zone as a result of the adjacent mining activity. The surface cracking was inside the mining area and did not pose a threat to the environment.

In June 2008 we were the subject of a compliance audit by the Queensland EPA. The audit focused on one the agency's main area of interest being water management. The results of the audit were positive and the EPA congratulated the mine on the implementation of a best practice site water management system.

During the year we had one unlicensed discharge of water to land from a retention dam at the Curragh mine. The discharge, which resulted in water flowing onto a neighbouring property, was investigated and a report prepared for the Queensland EPA. The water infrastructure upgrade project which includes the installation of telemetry monitors with alarm level indicators in retention dams at Curragh mine will assist in preventing this type of incident occurring in the future.

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

Health and safety

In May 2008 a SafeGuard audit was undertaken by the Queensland Department of Mines and Energy (DME) with the aim of assisting us in the continuous improvement of our SMS. The audit focused on the areas of contractor management, explosives use, ground control, maintenance and transport.

As a result of the SafeGuard audit we received nine mandatory corrective actions and nine recommended corrective actions. A consultant has been engaged to facilitate the completion of the mandatory and recommended actions over the next 12 months.

During the year we reported 37 High Potential Incidents (HPI) and Serious Accidents to DME. The six Serious Accidents included a severe laceration to an arm, a fractured ankle and a crushed foot. The 31 HPIs ranged from a number of small fires on operating equipment and explosives misfires to the most serious, a coal hauler rolling over an unoccupied light vehicle. The crushed light vehicle was placed near the site entry gate to increase awareness of the inherent dangers in our workplace.

We continued to conduct drug and alcohol testing both during site inductions and on a random basis during the year. Employees and contractors who return a positive result for either alcohol or drug screening are subjected to disciplinary procedures which range from counselling to temporary removal from site and ultimately dismissal, as provided by the SMS.

A total of 44,391 alcohol tests were conducted with 56 positive tests recorded, down 38 per cent compared to the previous year.

3,247 drug tests were conducted with 47 positive samples, laboratory testing found that 16 of the positive tests failed for illegal substances. We substantially increased the number of random drug tests conducted during the year as a deterrent to illegal drug use. The percentage of positive tests has decreased by 48 per cent compared to last year.

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

National Pollutant Inventory (NPI)

Emissions notifiable under the NPI were estimated for 26 substances including particulate matter, cadmium and compounds, polycyclic aromatic hydrocarbons and oxides of nitrogen. Data for the 2006/2007 reporting period was submitted to the Queensland 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' except for particulate matter which was ranked as 'medium'.

Licensing and approvals

Our Plan of Operations for the Curragh mine and the Plan of Operations for the Curragh North mine were both due to expire in June 2008. An independent audit of compliance to the plans was undertaken in May 2008 to develop two new plans. The plans are compliance documents required by the Queensland EPA. The plans outline how we will comply with the conditions of our Environmental Authorities and identify any changes to the operation over the timeframe of the plan. The two new plans were submitted to the Queensland EPA within the required timeframes and have now been approved.

Management systems and policies

We have several management systems in place to record and monitor performance information. These include our SMS and our EMS.

We also have formal policies for health and safety and environment. These are all available on the intranet and are displayed in prominent places throughout our operations.

Curragh Safety Advisor David Banford locks onto the multi-lock out system for dragline 302 shutdown as part of the new isolation procedure.





▲ Workshop Fitter Evan Prewett washes down a rear dump truck using the upgraded heavy vehicle wash.

Both our SMS and EMS were reviewed during the year as part of our continual improvement process. The EMS was updated with several new procedures issued and a revised environmental policy developed. We had intended to conduct a desk top audit of the EMS during the year; however this was not undertaken due to resourcing constraints.

Environmental

Air (atmospheric emissions)

Dust

No dust complaints were received during the year. We continue to monitor ambient dust conditions to increase our understanding of potential impacts of dust on the environment and to ensure compliance with legislative requirements in the event that a dust related complaint is received.

Greenhouse emissions

Our total greenhouse emissions were estimated to be 557,790 tonnes of carbon dioxide equivalent, down 2.9 per cent on last year. This equates to 4.18 kilograms of carbon dioxide equivalent per BCM equivalent, up eight per cent on last year. The greenhouse emissions were due to fugitive emissions (36 per cent), electricity (36 per cent), diesel (27 per cent) and explosives and waste disposal (one per cent).

A review of our calculation process found that we have overestimated our fugitive greenhouse emissions in previous years, when compared to the National Greenhouse Accounts Factors issued by the Department of Climate Change in January 2008. Our emissions for the last five years have been recalculated. The revised data is used in the Wesfarmers Resources section of this report.

Noise

One complaint was received regarding blast vibration during the year. On investigation into the complaint we found that we did not conduct any blasting activities during the complaint timeframe. No other noise related complaints were received during the year.

Waste

Solid/liquid waste

Solid waste during the year consisted primarily of packaging and plastics. Waste is disposed to onsite landfill or sent to an offsite recycling facility. Our total general waste stream during the year was estimated to be 4,641 cubic metres, down 20.6 per cent on last year. Of this amount we estimated that 26 per cent was recycled and 74 per cent was disposed of to landfill.

Liquid waste during the year consisted of oily water and waste oil. Total liquid waste generation during the year was estimated to be 394,400 litres, down 12 per cent on last year.

Solid hydrocarbon wastes such as heavy grease totalled approximately 167,280 litres, up 13 per cent on last year. Of this amount we estimated that 21 per cent was used in a trial refinement process and 79 per cent was disposed of in accordance with Queensland EPA requirements.

We also disposed of 343 cubic metres of oil filters and oil contaminated materials and 13 cubic metres of batteries using licenced disposal companies. The waste oil filters are drained of residual oil which is then collected and disposed of in accordance with Queensland EPA requirements. The filters are then collected as scrap metal for recycling.

Recycling initiatives

During the year, we began a waste oil reprocessing programme with a specialist fuel company. Once reprocessed, the waste oil hydrocarbons are blended at low concentrations with onsite diesel supplies. We are also trialling the refinement of heavy greases,

"The EMS was updated with several new procedures issued and a revised environmental policy developed."



▲ Curragh Environmental Advisor Mathew Crisp inspects a long term soil erosion study plot.

if this is successful in creating a product of acceptable quality, the refined product will be used as lubricant in our draglines.

CURRAGH

Land

Flora and fauna

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

The flora study project to monitor species emergence being carried out by the University of Queensland's Centre for Mined Land Rehabilitation will continue for another four years. Data from this study is being collated to assist in the development of Rehabilitation Success Criteria for submission to the Queensland EPA in November 2008.

The soil erosion project being undertaken by the Queensland Department of Natural Resources and Water as reported last year has continued with an expected completion date of 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.

Throughout the year 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*.

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 in groundwater.

At Curragh North mine, contaminated soil from the old cattle dip site was entombed in an engineer-designed cell, approved by the Queensland EPA.

Rehabilitation

Mining began in 1983 and since then 6,394 hectares of land have been disturbed by mining and associated activities. Revegetation began in 1987 and 1,091 hectares (or 17 per cent of the disturbed land) has now been rehabilitated.

During the year, 346 hectares of land were disturbed by mining and associated activities and 47.3 hectares of land were rehabilitated.

Resource usage

Energy

Our main 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 2,706,560 gigajoules, down six per cent on last year. Our total energy consumption per BCM equivalent was estimated to be 20.26 megajoules, up five per cent on last year. This energy use is broken down into fuel (74 per cent of total energy consumption) and electricity (26 per cent).

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, potable water supply and dust suppression on our haul roads. Total water consumption was 2,935 megalitres, down six per cent on last year. Our total water consumption per BCM equivalent was estimated to be 22 litres up five per cent on last year.

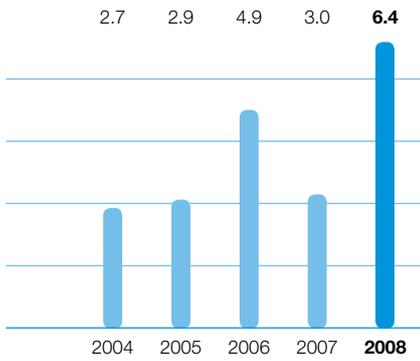
Reuse and recycling

We have continued to focus on reducing the use of water purchased from Sunwater. Our water management infrastructure project was issued for tender in September 2007. The project will be completed by October 2008 and will allow water to be captured and distributed across the Curragh mine more efficiently.



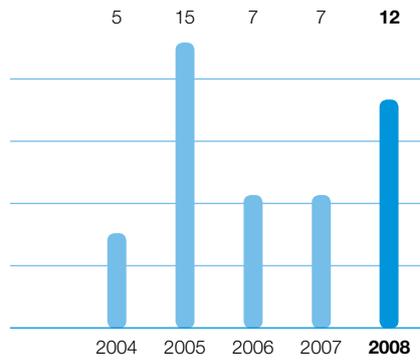
▲
Curragh Environmental Advisor Mathew Crisp inspects the new automated water management system.

Figure 1: LTIFR*



1 July 2003 – 30 June 2008 (as at 30 September 2008)
 *Includes contractor hours and LTIs.

Figure 2: Workers compensation claims



Safety and Health

Lost time

During 2008, there were 13 LTIs, compared to seven in 2007. The increase in LTIs can be attributed to several system insufficiencies including, change management processes, communication of procedures, and contractor management.

This year our Average Lost Time Rate increased from 12 to 13. This was due to the increase in the severity of the injuries and the amount of time lost. These statistics include contractor hours and injuries. Safety statistics are distributed and discussed by management each month and reported to our Board.

Number of workers compensation claims

There were 12 workers compensation claims reported, relating to occurrences during the year, compared with seven last year (see Figure 2).

Hazard and risk

Emergency response

Training for the members of the Crisis Management Team (CMT) was held in November 2007, followed by a mock exercise in December. This exercise was designed to enable participants to practise, under realistic operational conditions, their individual roles and responsibilities and to build upon the collective experience of team members.

The exercise required the activation and establishment of the Wesfarmers Resources CMT in Brisbane and both the Incident Management Team (IMT) and the Emergency Response Team (ERT) at Curragh mine site. It was an opportunity for members of the CMT and IMT to practice the implementation of the Crisis Management Manual (CMM), and perform incident management, communication and decision-making activities. The exercise also tested the team's interaction with a variety of key stakeholders.

Increased ERT manning in accordance with the review of SMS 006 Emergency Crisis Management required a concentrated training effort for new team members during April and May of this year. Training was conducted in First Aid, Road Accident Rescue, Breathing Apparatus, Rope and Fire training.

During the year, we activated our emergency response process 25 times, with either the full ERT or the on-site paramedic responding to the incident. On-site incidents ranged from vehicle rollovers to sick employees. The ERT also assisted the State Emergency Service at an off-site rescue of a person trapped in a vehicle at the flooded Bedford Weir crossing.

In January the ERT provided assistance during significant flooding around Curragh North mine. This situation is described more fully in the case study on page 65 of this report.

Employee wellbeing

We continue to offer the services of a physiotherapist to employees for work and non-work related injuries. The physiotherapist also provided functional capability assessment for our new ERT members.

Our nominated medical adviser continued to visit our site during the year to consult with employees and management. In April we commenced our voluntary influenza inoculation programme for employees.

Ongoing health assessments were provided to us by the external consultants 'Corporate Bodies'.

These assessments were aimed at alerting the individual to potential health problems, to consult their general practitioner where necessary and to encourage lifestyle change to improve health outcomes.

Community

Stakeholders

The following table identifies our key stakeholders and an example of how we engage with them:

Stakeholder group	Examples of engagement
Employees	Bi-monthly newsletters Quarterly Business Update Forums Training and Communication Days
Customers	Periodical commercial and technical visits to purchasing departments and works sites. Hosting visits to mine site
Suppliers/contractors	Contractor Safety Forums
Government agencies/authorities	Statutory reports and site meetings
Local communities	Blackwater Interagency Meetings (bi-monthly)
Shareholders in parent company (Wesfarmers Limited)	Contribution to Wesfarmers Limited annual reports and this sustainability report

Feedback and complaints

We received two formal complaints during the year. One complaint related to blasting, it was found that no blasting occurred on-site at the time indicated by the complainant. We advised the complainant of this. The second complaint was received from an anonymous complainant regarding the disposal of material on an adjacent mining lease. This complaint was investigated and found to be unsubstantiated.

All formal complaints are recorded in the FPe database and referred to the appropriate employee for attention and implementation of corrective action, if required and feedback is provided to the complainant.

Community support

We made community contributions and donations of \$218,000 in the 2007/2008 financial year.

As a result of our major financial support for two significant local community infrastructure projects in 2007, our overall community

contributions for the year decreased. These projects were the Blackwater International Coal Centre and the Police and Citizens Youth Club Gym Project. Both of these projects are now nearing completion and are expected to be fully operational before the end of 2008.

We made 81 donations and in-kind contributions to community, cultural and educational facilities in Blackwater and surrounding region. One of these was a major contribution of \$126,893 to the Blackwater Hospital Mines Consortium Medical Funding Agreement Project to provide a second doctor in Blackwater.

Case study

Flood 2008

Curragh's emergency and crisis management procedures were tested in January 2008 when a 1 in 50 year flood event threatened the Curragh North mining operations.

Built on the Mackenzie River flood plain, Curragh North mine is protected by a 22 kilometre levee designed to protect the mine from a minimum of a 1 in 200 year flood. During the flooding Curragh and contract personnel worked together to ensure the integrity of the levee was maintained.

At one point, a section of the levee became supersaturated and water leaked through it, requiring major sandbagging and earthworks to be undertaken. This work not only prevented flood waters from entering the pits but also averted a potential major environmental incident and operational loss had the mine flooded.

The flood crisis highlighted the importance of getting the design and construction of the levee right, the need for regular levee maintenance and the value of having an emergency plan that can be quickly put into effect during a major flood event.

The leadership and teamwork displayed by all involved ensured that the mine returned to full operations once flood water had receded and that we did not suffer the same fate as a neighbouring mine which sustained significant loss when its levee failed, resulting in the flooding of two of their pits.

Aerial view of the flooded Mackenzie River adjacent to the Curragh North Mine in Queensland.



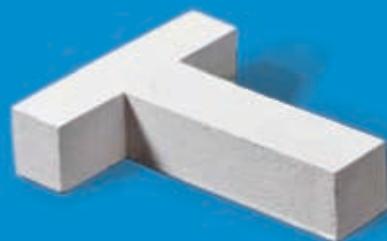
PREMIER COAL



Our business

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

During the year we produced 2.77 million tonnes of low-sulphur, low-ash steaming coal, primarily for major power generating stations. We also supply coal for a variety of industrial and agricultural applications. We employ about 300 people engaged in overburden removal, coal production, plant maintenance and site rehabilitation.



08 Priorities

- Achieve full environmental compliance.
- Maintain ISO14001 EMS standard.
- Continue providing environmental awareness training across the company.
- Increase our support for research and development into cleaner coal technology.
- Further improve hydrocarbon management.
- Increase investment into progressing clean coal technology.
- Continue to build support with our community by consultation and working in the community.
- Complete the implementation of AS4801 compliant safety management system.
- Progress to completion the Fitness for Work programme.

08 Outcomes

- = **Not achieved.** We experienced three potential non-compliances; one related to blasting activities, one related to water discharge and an administrative breach with our dust monitoring programme.
- = **Achieved.** Successfully passed our surveillance audits.
- = **Partially achieved.** The environmental induction and training package has been further developed and is currently in the final stages of review.
- = **Partially achieved.** We were involved in The Collie Coal Futures Group study into geosequestration opportunities in South West Western Australia and contributed to the Australian Coal Association COAL21 fund.
- = **Achieved.** Infrastructure was introduced to contain oil and oily wastes.
- = **Achieved.** Maintained contributions to the CRC for Coal in Sustainable Development and COAL21 fund.
- = **Achieved.** We held stakeholder feedback meetings during the year. We commenced a commercial feasibility project involving local aboriginal group, Ngalang Boodja. We contributed to the new Collie Western Entrance Tourism Precinct.
- = **Partially achieved.** The implementation of the First Priority safety management system was completed. Mapping of existing standards against AS4801 was completed.
- = **Achieved.** Fitness for work policy and procedures implemented. Drug and alcohol testing has commenced.

09 Priorities

- Achieve full environmental compliance.
- Maintain accreditation to ISO14001 EMS standard.
- Commence projects as part of our commitment to Energy Efficiency Opportunities that produce energy intensity savings of greater than five per cent.
- Implement further improvements to our waste management.
- Complete the handover of Lake Kepwari to the Western Australian Government.
- Maintain community consultation.
- Align our safety management system with AS4801 as part of our HSE systems integration.
- Reduce by our total injury numbers compared with the previous year by 25%.

Overview

During the year we continued to maintain a safe operation and minimise any adverse impact on the environment or the local community.

The major safety area we focused our attention on was the development and implementation of First Priority enterprise (FPe), which is a component of our Safety Management System (SMS). FPe will assist in aligning our current system to AS4081 compliance. During the year we also successfully implemented our Fitness for Work programme.

This year we have focused our attention on maintaining our environmental management system certification to the ISO14001 standard, and improving hydrocarbon management on-site and progressing with the identification of projects that will improve the efficiency of energy use within our business. The identification of several energy efficient projects through our business improvement process should not only improve energy utilisation but also reduce ongoing business costs.



Business Management

Training

This year we began a front line supervisor leadership training programme and during the year completed the delivery of the safety leadership component to 15 personnel.

Our emergency response mines rescue team comprises of 13 members, all of whom undertook competency and refresher training to maintain their skills. We also conducted a crisis management scenario to test our response capabilities during a major event. The lessons from this exercise have been used to update our crisis management and emergency response procedures.

We continued to train employees and contractors who wished to attain competency in first aid skills with 53 personnel successfully completing this training during the year. In addition our supervisors, union representatives, and safety and health representatives were trained to deal with the management of issues such as alcohol, drugs and fatigue.

Having first aid response skills amongst our employees is important and we achieve this by making first aid courses available during work hours. We currently have 75 employees with first aid certification, of these 18 hold St John Ambulance Occupational First Aid certification, while the remainder are certified Senior and workplace First Aiders.

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

A new environmental training DVD is currently in the final stage of review and will be used as a training tool for employees.

Compliance

Environmental

During the year we had three potential non-compliances. Of the three events, one was due to the concentration of manganese discharged from the Western 5H mine lake, another was due to a blast event exceeding the 125 dB(L) noise limit, and the final event was an administrative breach due to a delay in the summer dust monitoring programme. The Department of Environment and Conservation (DEC) was advised of the potential non-compliances and no response has been received from the department as yet.

Apart from the potential non-compliance outlined above, we are not aware of any other environmental non-compliance events during this period.

Health and safety

We conducted an internal audit, using the publicly available DoCEP SMS auditing template, and no non-compliances were identified.

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

We maintained communication and consultation with our employees through 13 elected Safety and Health Representatives on our Occupational Health and Safety Committee. Two of these Safety and Health Representatives were re-elected for another 2 year term and one newly elected by the employees in their respective departments.

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

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

National Pollutant Inventory (NPI)

Emissions notifiable under the NPI were estimated for the 2006/2007 reporting period and submitted to the DEC. This information is available on the NPI website at www.npi.gov.au. All our substance emissions for 2006/2007 were ranked by the NPI as 'low'.

Licensing and approvals

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

Management systems and policies

Our management system combines the Health, Safety and Environmental (HSE) components of our business into one

"A drugs and alcohol programme was recently introduced on site as part of our Fitness for Work Programme with the initial round of random testing undertaken in June 2008."

coherent structure. This integrated approach has many benefits including creating consistency, reducing duplication and improving accessibility and communication.

FPe was introduced in August 2007 to advance hazard management in all our activities. It performs many roles, including tracking incidents and actions, scheduling audits, inspections and license and lease renewals.

Open access software has been incorporated to manage system documentation to ensure consistency with the requirements of the workplace systems ISO14001 (Environmental Management Systems) and AS4801 (Occupational Health and Safety Management Systems).

Environmental Management System (EMS)

Environmental management has remained one of our highest priorities. Our guiding policy principle is to take responsibility for minimising the impact of our operations on the environment.

We continued our certification to the requirements of ISO14001. These requirements define the key principles for continually improving components of the EMS. The EMS was subject to surveillance audits in December 2007 and February 2008 which highlighted several areas of concern and one minor non-conformance. Controls have been implemented to manage these issues.

At present the recently commissioned Char Plant has not been incorporated into our EMS ISO14001 certification scope, however an Environmental Management Plan (EMP) to cover the operational phase has been developed.

Safety Management System (SMS)

Our SMS is progressing towards certification to AS4801 and complete integration with our business processes. The initial implementation of FPe has been completed. Further planned developments will be the transfer of hazard management information into the FPe Risk Module, implementation of a training programme, and a review and update of safety-related procedures and work instructions.

A drugs and alcohol programme was recently introduced on site as part of our Fitness for Work Programme with the initial round of random testing undertaken in June 2008.

Quality System

Since 2003 we have maintained ISO9001 Quality Management Systems certification however it was decided in August 2007 that this certification would no longer be continued as it did not deliver sufficiently better outcomes for the effort required in maintaining it. However, our management systems will continue to be aligned with the ISO9001 standard.

Policy

We have formal policies for environment, and health and safety which are regularly reviewed and available on our website at www.premiercoal.com.au.

Air (atmospheric emissions)

Dust

Dust at Premier is generated from roads, overburden stockpiles and cleared areas. Dust measurements were below the *Environmental Protection Act 1986* licence targets with the summer daily average and maximum of 37.1 and 176.6 micrograms per cubic metre, respectively. The summer average was down by 16 per cent on last year while the daily maximum increased by 45 per cent, still 32 per cent below the licence target.

Greenhouse emissions

Our total greenhouse emissions were estimated to be 56,829 tonnes of carbon dioxide equivalent, down nine per cent on last year. This equates to 2.94 kilograms of carbon dioxide equivalent per bank cubic metre (BCM) equivalent, up 16 per cent on last year. Our main contributions to greenhouse emissions came from the use of mineral diesel (73 per cent) and electricity (24 per cent).

Noise

There were four noise complaints relating to blasting compared to nine last year. One of the complaints was associated with the blast event that exceeded the 125 dB(L) limit (for further information refer to the feedback and complaints section on page 72).

Waste

Solid/liquid waste

In 2007/2008 the accounting for our volumes of solid waste was not to an adequate standard and as such we can not accurately

Rory McDonald, Keith Davis, Robert Leonarduzzi, Alan Fontana and Shane Ballingall carry a patient in a basket stretcher during an emergency skills training exercise.



record a waste disposal figure for this year. A new waste management contractor has been appointed and will commence operating in July 2008. This contract stipulates that waste streams generated on site will be measured and reported.

As part of our focus on hydrocarbon management, purpose-built hydrocarbon waste bins were introduced into the maintenance workshop in May 2008.

Recovered liquid waste during the year consisted of liquid hydrocarbon, oily water and coolant. Total liquid waste recovered per BCM equivalent was estimated to be 0.011 litres, up 47 per cent on last year. We continued to capture and recover hydrocarbon products using an oil interceptor and skimmer. However, an oil recovery trailer was also introduced to capture any oil released as part of our in field maintenance operations which successfully increased the volume of waste liquid captured.

Recycling initiatives

We have been trialling biodiesel mixtures with our fuels since February 2007. However, due to an increase in feedstock costs, our supplier was forced to cease production. This resulted in the suspension of our 10 per cent tallow-based biodiesel trial in February 2008.

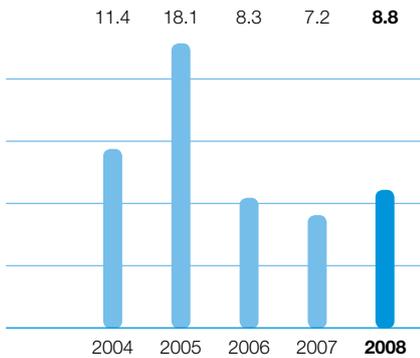
Given the environmental and financial benefits achieved when using biodiesel, we sought other potential biodiesel suppliers and in June 2008 we were able to resume using a tallow-based biodiesel at a 15 per cent blend. The tallow was sourced from a local beef processor and manufactured by Australian Renewable Fuels in Bunbury.

In October 2007, we purchased an offline oil filtration system that improves oil recycling and minimises oil wastage. Equipment oil is no longer required to be changed after a specific number of operational hours, but can now be topped up or changed depending on its condition. Three additional on-board oil filtration systems were purchased and fitted to our excavators.

Conan Ugle distributes fish pellets in one of the marron ponds during aquaculture training.

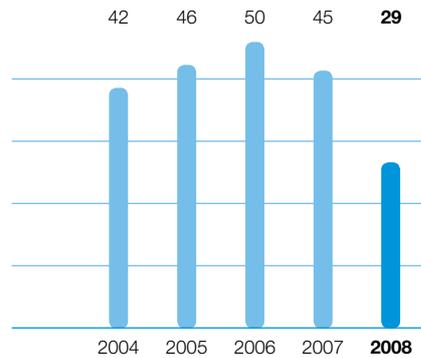


Figure 1: LTIFR*



1 July 2003 – 30 June 2008 (as at 30 September 2008)
 *Contractor hours and LTIs are included.

Figure 2: Workers compensation claims



Land

Flora and fauna

Protection of surrounding forests is a priority, with the spread of the pathogen *Pythophthora cinnamomi* (jarrah dieback) a particular concern. Over the past 12 months 172 hectares of native vegetation on our mining lease was surveyed, with 1.7 per cent of the area identified as having symptoms consistent with jarrah dieback. Our procedures for clearing, topsoil removal/replacement and land rehabilitation, reduce the risk of spreading the pathogen.

Following a two-season vertebrate fauna monitoring survey on our mining lease, which resulted in the capture and release of 27 Chuditch, we continued to monitor this species. One of the key observations from this survey was that the Chuditch captured at our site are in good condition, with no obvious signs of stress from environmental conditions or competition from other Chuditch.

Contamination

All potentially contaminated sites were reported to the DEC as required by the Contaminated Sites Act 2003. The main potential contamination sources for our operations include our current and previous refuse sites, and the water which remains in previous mining voids. The sites will be classified by the DEC and the Department of Health (DoH), according to the risk on human health and the environment.

Rehabilitation

Mining began in 1950 and since then 2,714 hectares of land have been disturbed by mining and associated activities. Revegetation commenced in 1975 and 1,497 hectares (or 55 per cent) of the disturbed land have now been rehabilitated.

During the year, 30 hectares were disturbed by mining and associated activities, while 72 hectares were rehabilitated.

Resource usage

Energy

Total energy consumption was estimated to be 627,045 gigajoules, down one per cent on last year. Diesel for vehicles and mobile equipment and electricity for pumps, shovels and lighting were our main users of energy. Our energy intensity was estimated to be 32.4 megajoules per BCM equivalent, up 26 per cent on last year.

Through our parent company, Wesfarmers Limited, we are a participant in the Commonwealth Government's Energy Efficiency Opportunities Programme. We have a business improvement process which has been able to identify several projects that should provide opportunities to improve energy efficiency within the business.

A project to improve the productivity of trucks removing overburden is currently underway. It is anticipated that improvements could increase productivity from 420 BCM per hr to 450 BCM per hr and ultimately optimise fuel usage.

Another project identified aims to increase the proportion of biodiesel blended with mineral diesel. If successful this could reduce the use of mineral diesel by 15 per cent.

Water

Consumption

All the water consumed on site was abstracted through licenced bores that are monitored. During the year, 719 megalitres of groundwater was abstracted, down three per cent on last year. Our total water consumed was estimated to be 37.2 litres per BCM equivalent, up 23 per cent on last year.

Reuse and recycling

As a short term strategy Verve (our primary coal customer, and the state-owned electricity generator) removed 1.67 gigalitres of water from the void 5H for cooling purposes during the summer. This has increased our water storage capacity during the winter months and reduces our potential to discharge water off site.

Following consultation with the Department of Water, 136 megalitres of water was extracted from Pit 3 and diverted to the East Branch of the Collie River as part of a river pond supplementation programme.

Safety and Health

Lost time

The LTIFR for the year was 8.8 compared to 7.2 last year (see Figure 1). During 2008, there were five LTI's, compared with four last year. Average Lost Time has increased in 2008 from 11.5 shifts lost per LTI to 21.8 shifts lost per LTI, due to the additional time required for surgery and recuperation in some cases. These statistics include contractor hours and injuries. Safety statistics are distributed and discussed by management each month as well as being reported to the board.

Number of workers compensation claims

We had 29 workers compensation claims during the year (see Figure 2). Regular reviews are conducted with our insurers to assess all injury cases, as well as to review our rehabilitation programmes. On site injury management clinics are held to monitor ongoing musculo-skeletal injuries.

Our Occupational Health Nurse is accredited by WorkCover Western Australia as a workers compensation and rehabilitation coordinator.



Assistant farm manager, Phillip Ugle, tests water quality at the aquaculture farm.

PREMIER COAL

Hazard and risk

Stop, Think, Assess, Act and Review (STAAR) our 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 procedures and risk assessment measures. 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 FPe.

"We provided work experience to 17 high school/college and TAFE students from the south-west region and paid vacation employment to five tertiary students."

Emergency response

A facilitated test of our crisis management and emergency response procedures was conducted simulating a collision between heavy machinery at our mine. The exercise was assessed and our procedures deemed effective with a few minor improvements noted. We had our documentation reviewed by external consultants and have updated our emergency procedures to follow the national standard for crisis and emergency response.

Employee wellbeing

We have engaged the services of a local provider who is experienced in dealing with employees working in the industrial sector to run our Employee Assistance Programme counseling. This company has extensive experience and as such is well suited to support our business.

Community

Stakeholders

The following table identifies our key stakeholders and an example of how we engage with them:

Stakeholder group	Examples of engagement
Employees	Regular 'employee updates' from General Manager, Quarterly publication 'Premier Post', fortnightly publication 'Fortnightly Focus', Monthly HS & E feedback Meetings
Customers	Weekly and quarterly feedback meetings
Major suppliers and contractors	Quarterly major supplier feedback meetings
Government agencies/ authorities	Annual reports to government agencies through the Collie Coal Mines Environmental Committee
Local communities	Bi-annual and annual stakeholder feedback meetings
Shareholders in parent company (Wesfarmers Limited)	Wesfarmers Limited annual report and this sustainability report

Feedback and complaints

We received four complaints for noise from blasting for the year. All were from the same residence. One of the blasts was reported as an exceedance to the DEC. On each occasion we responded to the complainants in writing and explained the circumstances of each event.

Community support

Our contribution to various community based organisations during the year totaled \$190,264. This includes payments from our employee managed safety voucher fund to Hospitality House Australia, the Collie Chaplaincy, Riding for the Disabled, sporting associations and local schools. We have provided direct community contributions to various sporting associations, schools, clubs, festivals, the Collie Miners' Welfare Board, university scholarships and heritage projects.

The commercial feasibility of producing marron using mine lakes has been demonstrated from research undertaken by the Centre for Sustainable Mine Lakes, including a study into its economic feasibility. Following this successful research phase we have agreed to support a local aboriginal group to proceed with a commercially viable aquaculture project. The project will be run by a commercial entity that is owned by the Ngalang Boodja Council Aboriginal Corporation. We have committed \$150,000 and a further \$150,000 in-kind support over the next three years.

The final rehabilitation of the former mine void known as Lake Kepwari is being completed in preparation for its handover to DEC for recreational purposes. This will provide valued community facilities for the people of the south-west region.

We provided work experience to 17 high school/college and TAFE students from the south-west region and paid vacation employment to five tertiary students. We have a partnership with the Collie High School, through an Industry Reference Group, to provide support for vocational engineering trades students. We will continue to provide work experience opportunities as well as make financial contributions for uniforms, medical expenses, advertising and prizes and awards.

We continue to offer apprenticeships and this year 16 apprentices ranging from first to fourth year students were employed.

Case study

Collie Western Entrance Project

During the year we contributed \$35,000 to the Collie Shire Council to assist with funding to complete the Collie Western Entrance project. Moreover, we have committed an additional \$35,000 over the next 12 months.

The project was developed by the community to provide a tourism precinct which will incorporate a visitor and interpretive centre for Collie. The centre will show Collie as a town rich in heritage, holding significance to the south west region and Western Australia through its coal mining, power generation and water supply industries.

We believe this centre is an important development to assist Collie in attracting tourism and economic diversity, and will showcase the importance of the coal industry.

The centre will help to ensure our coal mining heritage is not lost to future generations and continues to be recognised as a reliable resource industry for Collie, the south west region and Western Australia as a whole.



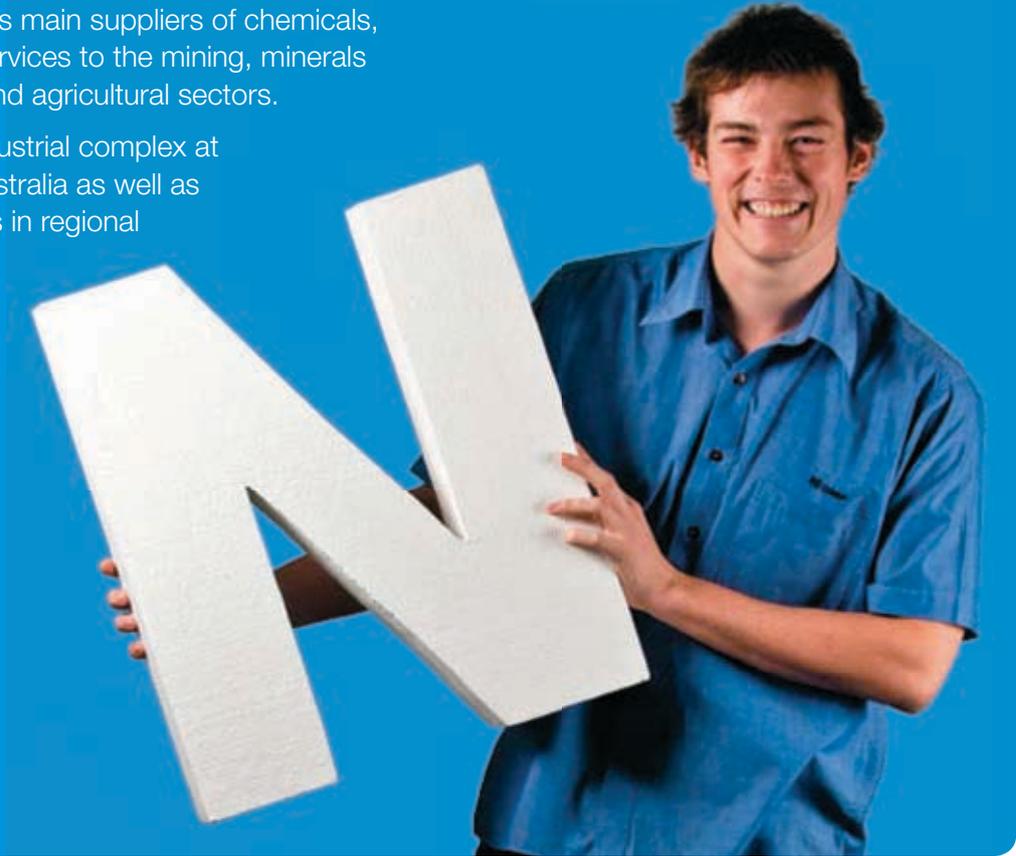
▲ From left: Collie Shire President Wayne Sanford, Premier Coal's General Manager Patrick Warrant, and Collie Shire CEO Jason Whittaker, at the new Collie Visitor Centre, part of the Collie Western Entrance project.

CHEMICALS & FERTILISERS

Our business

We are one of Australia's main suppliers of chemicals, fertilisers and related services to the mining, minerals processing, industrial and agricultural sectors.

We operate a major industrial complex at Kwinana in Western Australia as well as complementary facilities in regional Western Australia.



In September 2007, we acquired Australian Vinyls (AV), a leading supplier and manufacturer of polyvinyl chloride (PVC or vinyl) resins and wood-plastic composite products located in Victoria. The business also supplies specialty chemicals for the plastics industry and caustic soda to a variety of downstream manufacturing industries.

AV's results are being included in this report for the first time. AV data included in this year's report is for the full financial year 2007/2008 including the period before the business was acquired by CSBP. National Pollutant Inventory (NPI) data is for the previous financial year and LTI data for AV is included from the time of acquisition.

CSBP in the context of this report refers to all of our operations, including AV. Where required, this will be qualified to specify if we are referring to our Western Australian operations exclusive of AV, or to our AV operations in Victoria exclusive of our Western Australian operations.

ModWood, a subsidiary of AV that produces wood-plastic composite products at its Campbellfield plant in Victoria, will

be referred to specifically where relevant, but otherwise is to be read as being part of AV.

The operations of our 75 per cent-owned sodium cyanide joint venture, Australian Gold Reagents Pty Ltd (AGR) are included in the report, but Queensland Nitrates Pty Ltd, a CSBP/Dyno Nobel Asia Pacific joint venture, is not included because we do not operate this business.

As at 30 June 2008 CSBP employed 788 people, excluding contractors and other indirect employees.

CSBP's main chemical products include ammonia, ammonium nitrate, sodium cyanide, sodium hypochlorite, caustic soda and, through the recent addition of AV, vinyl resin and wood-plastic composite products.

CSBP also manufactures, imports and distributes an extensive range of phosphate, nitrogen and potassium fertilisers, in blended and liquid form.

The following performance against 2008 priorities relates to CSBP's Western Australian operations only:



08 Priorities

- Improve workplace safety, control risk and minimise injury.
- Reduce contaminant emissions to air, water and land.
- Operate our manufacturing and storage facilities to high standards of process safety.
- Effectively deal with our legacy wastes.
- Attract and retain a skilled workforce.
- Supply quality products and services to our customers safely.
- Increase our use of recycled and reclaimed water supply sources.
- Positively contribute to and engage with the communities in which we operate.

08 Outcomes

- **Partially achieved.** 12.5 per cent reduction in workplace injuries. 90 per cent of scheduled safety management system and quality management system audits completed.

The number of personal hazard checks met targets but uptake was varied across the business.

Drug and alcohol testing continued.

New permit to work system using lockout processes fully introduced.
- **Partially achieved.** Metals discharged from CSBP's Kwinana site continue to trend down from 56 kilograms in 2006/2007 to 42.7 kilograms in 2007/2008. Nitrogen load discharged has increased from 28.8 tonnes to 41.9 tonnes.
- **Achieved.** CSBP has safety reports, approved by DoCEP, for all Major Hazard Facilities (MHFs) operated at the Kwinana facility.

Introduced measurement indices for process safety.

Internal process safety auditing in our MHFs commenced in 2008.
- **Achieved.** Legacy waste plan continued to be successfully implemented.

Excavations at Bayswater refilled in 2008 and the water treatment plant continued to operate successfully with 1.5 tonnes of aluminium, 1.3 tonnes of fluoride and 1.8 tonnes of iron removed this year.

8,179 tonnes of neutralised waste removed from our Bunbury site and 2,330 tonnes of neutralised lime solids removed from our Albany site for safe disposal.
- **Partially achieved.** Business initiatives including developmental programs, more frequent benchmarking of remuneration and benefits, and improvements to our recruitment programme have been implemented.

Turnover is higher than in previous years, but this can in part be attributed to Western Australia's resources-fuelled skill shortage.
- **Achieved.** ISO9001 re-certification for the manufacture of ammonium nitrate. Our Kwinana laboratory retained its National Association of Testing Authorities accreditation and conducted thousands of quality-based tests of our products.
- **Achieved.** KWRP water use increased to 1,395 megalitres in 2007/ 2008, up from 1,287* megalitres in 2006/2007. Use of recycled water within plants increased from 20,052 kilolitres in 2006/2007 to 20,115 kilolitres in 2007/2008.

*Note: figure recalculated based on revised methodology
- **Achieved.** Membership and participation of key Kwinana Industries Council committees including:

 - Kwinana Industries Public Safety Group;
 - Kwinana Industries Public Safety Liaison Group; and
 - Kwinana Industries Public Affairs and Communications Advisory Committee.

Kwinana Industries Environment and Planning Committee.

Community support activities continued and CSBP representatives attended Kwinana Community and Industries Forum meetings.

AV also published priorities for 2007/2008 in its 2006/2007 sustainability report. Its performance reported below refers to these priorities where relevant. Information on

AV's specific priorities for 2007/2008 can be found in its 2006/2007 sustainability report available through its website at www.av.com.au.

09 Priorities

- Improve workplace safety, control risk and minimise injury.
- Minimise contaminant emissions to air, water and land.
- Operate our manufacturing and storage facilities to high standards of process safety.
- Effectively deal with our legacy wastes.
- Attract and retain a skilled workforce.
- Supply quality products and services to our customers safely.
- Maximise our use of recycled and reclaimed water supply sources.
- Reduce waste sent to landfill.
- Positively contribute to and engage with the communities in which we operate.

Overview

Our focus is the safe operation of our facilities in a way that minimises any adverse impact on our employees, the environment or the communities in which we operate.

During the year we completed the introduction of a new permit to work system and drug and alcohol policy at our Western Australian operations. These initiatives have been an ongoing part of our efforts to continually improve our safety performance.

We focused on increasing solid waste recycling through the introduction of a recycling efficiency scorecard across the Kwinana site, continued implementation of our legacy waste management plan and reduced metal contaminant discharges to water through the use of our nutrient-stripping wetland.

CSBP commissioned a new ammonium nitrate facility at our Kwinana site. The facility includes a nitric acid plant, ammonium nitrate plant, a prilling plant, a replacement prilled ammonium nitrate storage and dispatch facility incorporating new security features and has expanded our ammonium nitrate production capacity to approximately 470,000 tonnes per annum.

AV and ModWood's priorities focus on reducing energy and water consumption, reducing emissions and waste, protecting employee and community health, and being responsible stewards of our products.

During the past year, AV's manufacturing plant experienced a prolonged production curtailment due to difficulties in commissioning an upgraded distributed control system following a planned shutdown. As a consequence, resin production for the year was significantly lower than usual, and the performance reported here for the business has therefore been affected.

Data for the year on key indicators such as energy use, water consumption and greenhouse gas show that the PVC plant performed well in relation to its sustainability targets during the reporting period until the time of the shut-down in March 2008.



Business Management

Training

CSBP is committed to training and developing our employees to retain and maintain a skilled workforce for our operations.

We appointed a safety and compliance trainer to deliver specific courses on safety-critical and compliance-based training for our operational workforce in Western Australia, and a people development advisor to drive development of leadership and business skills across the organisation.

In 2007/2008 we focused our training efforts by:

- continuing to update technical learning modules, including defining competency standards and developing classroom-formatted training to support our employee learning in Western Australia;

- designing a new training database as part of our Western Australian human resources information system that records and reports employee competence, allowing better management of compliance and skills development;
- working towards establishing a dedicated training facility at Kwinana to deliver CSBP's safety-critical training as well as improve the rigour and efficiency in competency assessment; and,
- conducting on-the-job training using structured programmes, detailed procedures, training modules or job-cycle checks at all of CSBP's plants.

During the year, CSBP spent more than \$1.4 million on training and development, equating to 2.26 per cent of payroll costs.

The company supported 19 apprenticeships and traineeships during the financial year.

Compliance

The CSBP Compliance, Safety and Environment teams and the AV Risk and Support Services team provide guidance and advice to the business on current and changing legislative and public policy requirements, and support the business in complying with these requirements.

Environmental

During the year, we notified the DEC of 22 reportable events under the Environmental Protection Act 1986 in Western Australia.

There has been a reduction in reportable events from last year relating to our wastewater discharges due to an increase in the volume of wastewater treated in our nutrient-stripping wetland prior to discharge.

Of the 22 reportable incidents, five were potential non-compliances, while 17 incurred no potential enforcement action, and, of these 17, five related to a reportable threshold (between 75 and 100 per cent of the relevant licence limit), eight related to licence targets and four related to commitments in our Albany Environment Management Plan.

In Western Australia our reportable events for the year were:

- three potential non-compliances related to stack test results for the ammonia plant auxiliary boiler being above our licence limit (results were 168mg/m³, 160mg/m³ and 152mg/m³ - the licence limit is 144mg/m³). The DEC advised that no further action was required. In November 2007 this licence limit was amended to a licence target.
- six reportable events related to stack test results for the ammonia plant auxiliary boiler being above our licence target. We continue to work with the DEC to align the air emission conditions of our *Environmental Protection Act 1986* licence to levels in accordance with ambient air standards.
- two potential non-compliances related to stack test results from the superphosphate manufacturing plant being above our

licence limit for hydrogen fluoride (April and June results were both 0.06g/m³ - the licence limit is 0.05g/m³). DEC is yet to provide advice regarding these events.

- three reportable events related to wastewater discharges to the Sepia Depression Ocean Outfall Line (SDOOL) being above the reportable threshold for the total inorganic nitrogen three monthly rolling average (June to August 2007 - 162 kg/day; July to September 2007 - 152 kg/day, April to June 2008 - 174 kg/day - the reportable threshold is 150 kg/day).
- one event related to wastewater discharged through the emergency beach outfall being above the reportable threshold for copper (0.23mg/l - the reportable threshold is 0.21mg/l).
- one event related to wastewater discharged to the SDOOL being above the reportable threshold for methyldiethanolamine (MDEA) (13.0 mg/l - the reportable threshold is 12.0 mg/l).
- two events related to stack test results at our sodium cyanide plants. One result was for the ammonia emission rate for the solid sodium cyanide plant (2.6g/sec - the target is 1.5g/sec) and the other for the ammonia emission rate for the No 2 sodium cyanide liquid plant (13.95g/sec - the target is 0.6g/sec) as a result of deterioration of the selective catalytic reduction catalyst, which was subsequently replaced.
- four events occurred at our Albany site. These related to untreated surface water overflowing our weir, a high total suspended solids result, an elevated pH result and the total nitrogen discharged was above the Environmental Management Plan target of 1,000 kilograms per year.

One of AV's priorities is to ensure there are no accidental releases of either vinyl chloride monomer (VCM) or ethyl chloroformate from unlicensed points in the PVC plant. In 2007/2008, the company's goal of zero accidental emissions was achieved.

Licence breaches at AV are recorded in real-time using our online, continuous monitoring system. There was one event at AV during the year resulting in the PVC plant exceeding its Environment Protection Authority Victoria (EPA) Waste Discharge Licence emission limits. In July 2007, VCM was being vented to the degasser in order to fix a leak in a vent cap seal when the seal broke, releasing the remaining contents of the vent up a stack. We breached our stack licence limit for VCM, resulting in an emission of 6.8 kilograms of VCM over a ten minute period. The incident was reported to the EPA. No action was taken by the EPA.

CSBP Safety and Compliance Trainer Andy Raxworthy (centre) delivers confined space entry training.



Health and safety

In Western Australia we received one improvement notice from DoCEP in relation to the lift installed and used at the new prilling plant which is part of the ammonium nitrate expansion project at our Kwinana site. The lift was not registered with DoCEP prior to operation. This was immediately corrected.

There were no cases of non-compliance with the Australian Safety and Compensation Commission exposure standard for VCM during 2007/2008 in our AV business.

One of the Laverton plant's cooling towers recorded a positive reading for Legionella in December 2007 during a government investigation into Legionnaires disease in the area. The reading was at the minimum detectable level and was believed to have come from off-site. No further positive results were recorded in follow-up testing and no employee exposure was found.

National Pollutant Inventory (NPI)

Emissions notifiable under the NPI were estimated for substances listed on the NPI for CSBP Kwinana, Albany, Bunbury, Esperance and Geraldton sites and AV at Laverton.

Data for the 2006/2007 reporting period is available at www.npi.gov.au.

All of our substance emissions for 2006/2007 were ranked by the NPI as low, except VCM at AV which was ranked as high. AV, as the only PVC manufacturing plant in Australia, is the largest point source emitter of VCM. Data for 2007/2008 will be provided to the Government as required in September 2008, and will be publicly available in 2009.

In 2006/2007, the three most significant emissions from CSBP's Kwinana site were ammonia (88,346 kilograms to air and water), oxides of nitrogen (338,580 kilograms to air), and 10 microns particulate matter (102,226 kilograms to air). This is a 48.2 per cent decrease in ammonia emissions, and an increase in both oxides of nitrogen (54.5 per cent) and particulate matter emissions (46.7 per cent) compared to 2005/2006.

The decrease in ammonia emissions is contributed to by a correction in the calculation method used for emissions from the ammonium nitrate prilling plant, as well as decreased fertiliser granulating plant operations.

The increase for oxides of nitrogen results from an increase in these emissions from the auxiliary boiler and primary reformer in the ammonia plant. Both of the sodium cyanide liquids plants had an increase in emissions with the inclusion of direct measurement data not previously included in reporting.

While a reduction in wharf operations in 2006/2007 resulted in a decrease in particulate matter emissions from this area, more accurate data for 2006/2007 from the prilling plant dryer and pre-dryer stacks were the major factor in these increased emissions.

AV's total volatile organic compounds emissions of 23.9 grams per tonne of PVC produced in 2006/2007 were slightly lower than emissions during the 2005/2006 year.

Licensing and approvals

AV is a licensed Major Hazard Facility (MHF) in Victoria. Its current five-year licence was renewed in June 2007. In Western Australia our ammonium nitrate, ammonia and sodium cyanide facilities are classified as MHFs under the relevant dangerous goods legislation and all have current licences to operate. We also hold a licence to operate a hypochlorite manufacturing facility, also classified as an MHF, at our Kwinana site.

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



Australian Vinyls in Laverton, Victoria.

CHEMICALS & FERTILISERS

Management systems and policies

The safety management system for our Western Australian operations was reviewed during the year and submitted for internal management review and approval in April 2008.

A complete review of the work permit system at Kwinana was conducted in 2005/2006 and the implementation of a new system was completed during 2007. This new system and associated procedures incorporated the use of locks for isolations, as required by legislation, and included more stringent risk assessment.

We continued to implement our environmental management system with ongoing review and assessment of our environmental risks. Environmental action plans and management plans continue to provide the basis for environmental improvement across the business in Western Australia.

AV maintains an environment management system for its operations and continues to implement a community-agreed, three-year environment improvement plan (2006-2009) which identifies actions to improve our safety, health and environmental performance. In addition AV has a safety, health and environment policy which requires us to recognise the principle of sustainable development in developing and improving products and processes.



Environmental

Air (atmospheric emissions)

Dust

Our dust emissions in Western Australia are associated with particulate emissions from various operating plants, materials loading on our sites and the large area of unsealed surfaces on our sites. We estimate dust emissions using the relevant factors from the NPI and will report them to the NPI in September 2008.

Dust from all sources reported under the NPI last year (to 30 June 2007) was 102 tonnes. We continued to apply a dust suppression coating on our phosphate rock stockpile at Kwinana.

During the year we received two complaints relating to particulate emissions from our Kwinana site. One was from a member of the community regarding a visible emission from our prilling plant tower stack. The plant was operating normally and stack test results were well below licence limits at the time. The visible emission was attributed to the weather conditions on the day.

The other complaint was from an industrial neighbour relating to dust during movement of phosphate rock on our Kwinana site.

During 2007/2008 we installed two ambient dust monitors at our Kwinana site. These read and record real-time data on a continuous basis. The data is then sent to a database for retention and analysis.

ModWood had three dust complaints during the year all of which were notified to the company by EPA Victoria. Two of the complaints related to wood dust emitted offsite to neighbouring property. The third complaint notified to the EPA related to our sawdust unloading process. Investigation led to the discovery of the sources of leaking sawdust and a new dust collector was installed and commissioned.

Odour

No odour complaints were received during the year.

Vinyl chloride monomer and ethyl chloroformate

Vinyl chloride monomer (VCM) is a liquefied gas maintained at pressure and is the primary raw material required for the manufacture of PVC. AV operates a real-time monitoring system for emissions to ensure licensed emission limits are not breached and fugitive emissions are minimal. We aim for less than 30 grams of VCM emitted per tonne of PVC produced. In 2007/2008, total emissions of VCM to air and water were 20.9 grams per tonne PVC produced, compared to 17.4 grams per tonne last year due to lower production and the estimation methodology which reports the lowest detectable limit levels of emissions even when there is no production.

Plant emissions of ethyl chloroformate, an initiator in the PVC reaction process and a hazardous substance, were well below the licence limit of 0.36g/minute. There were no spills or exposures above the time weighted average permitted by the EPA for ethyl chloroformate.

Greenhouse emissions

Our total greenhouse emissions were estimated to be 1,407,618 tonnes of carbon dioxide equivalent, up 10 per cent on last year. This includes a contribution of 62,992 tonnes from AV and ModWood.

Our carbon dioxide equivalent emissions per unit of production were:

- 0.86 tonnes per tonne of production for CSBP in Western Australia, down 6.5 per cent on last year

- 0.54 tonnes per tonne of production for AV in Laverton, up 3.9 per cent on last year
- 1.2 tonnes per tonne of production for ModWood in Campbellfield, up 33 per cent on last year.

In Western Australia our greenhouse emissions were largely due to our Kwinana ammonia plant (37 per cent), nitric acid plants (56 per cent) and sodium cyanide plants (four per cent). The total greenhouse gas emission in Western Australia was reduced due to the suspension of onsite ammonia and sodium cyanide production in June 2008 as a result of the disruption to Western Australia's gas supply.

The overall increase from the previous year is due to the incorporation of data from AV and the second nitric acid plant, which was commissioned in February 2008 and contributed 136,006 tonnes carbon dioxide equivalent for the year.

CSBP has been a signatory to the Australian Government's Greenhouse Challenge Plus programme, or its predecessor, since 1997. AV has been a signatory since 2000.

AV's total greenhouse emissions at Laverton were 13 per cent lower this year due to reduced energy consumption because of the prolonged plant shut down in the second half of the year. Despite the lower production base, on a per tonne of product basis, emissions met AV's target of less than 550 kilograms carbon dioxide equivalent per tonne of PVC.

Last year, AV commenced reporting greenhouse emissions related to the road transport of its resin products to customers by its two largest carriers. In 2007/2008 emissions from this transportation amounted to 5,260 tonnes carbon dioxide equivalent, representing 8.1 per cent of AV's total estimated emissions. These emissions are not included in CSBP's total.

ModWood contributed 3,355 tonnes of greenhouse gas to AV's total.

Noise

No noise complaints were reported to CSBP in Western Australia during the year.

As reported last year, we have potential industry-to-industry non-conformances on the northern and eastern boundaries of our Kwinana site.

The Western Australian *Environmental Protection Act 1986 Noise Regulations* are under review 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 Regulations at our boundary.

Our Kwinana site is not a significant contributor to noise in any residential area as defined by the Regulations.

AV received a noise complaint from a local resident at night. The cause of the noise was addressed and the matter resolved.

Waste

Solid/liquid waste

At Kwinana, our solid waste during the year consisted primarily of general waste created during the construction of our new ammonium nitrate production facilities.

Our total solid waste stream during the year was estimated to be 1,008 tonnes, down 16.2 per cent on last year. Of this amount, we estimated that 17.6 per cent was recycled and 82.4 per cent was disposed of as landfill. In addition to this, 593 tonnes of asbestos cement sheeting was also disposed of as landfill. The increase from last year is due to our shed recladding project which involved the removal of asbestos sheeting from the superphosphate shed at Kwinana and replacement with polycarbonate.

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 597,266 kilolitres. This was estimated to be 17.8 per cent more than last year due to the ammonium nitrate expansion which resulted in additional blowdown from an increase in the number of cooling towers on site.

We reused 20,115 kilolitres of wastewater at Kwinana, an increase of 0.5 per cent on last year.

We disposed of 1,993 kilolitres of liquid waste from our Kwinana site, an increase of more than 400 per cent compared to last year. Liquid waste generated during construction, commissioning and operation of our new plants contributed to this increase. We estimate that 12 per cent of this was reused, with the remainder disposed of at a licensed treatment facility.

Our Albany site treated and disposed of 103,465 kilolitres of rainfall-related surface water and our Bibra Lake site disposed of 3,754 kilolitres of industrial effluent to sewer.

AV focused on reducing the amount of prescribed industrial waste (PIW) generated by the production process and diversion of both PIW and non-prescribed waste from landfill. The waste generated by AV in the year was equivalent to approximately 1.75 per cent of production.

Our PIW includes rogue polymer (residue from the reaction process), chemicals packaging and waste chemicals including some specialty products waste. AV sent a total of 19.9 tonnes of solid PIW and 13.1 kilolitres of liquid PIW to treatment, landfill or storage in 2007/2008, including significant volumes of flushing water removed from site. Nearly eight tonnes of solid PIW and 1.3 kilolitres of liquid PIW were sent for recycling.

In terms of general waste, AV recycled 438 tonnes of cardboard, office paper, old reusable bulk bags and packaging. A total of 1,451 tonnes of general waste were sent to landfill, significantly higher than in 2006/2007 and not meeting our target of a five per cent reduction. We believe the large increase was due to the commissioning of a new control system, a major clean-up of the warehouse and significantly more people on site during the prolonged shut down.

The CSBP logo is repainted on the recladded superphosphate storage bin following the completion of the removal of asbestos sheeting earlier this year.





▲ Farmer and CSBP fertiliser customer Colin Pearse.

At AV, the volume of trade waste discharged was approximately 10 per cent lower than last year but a seven per cent deterioration on a per tonne of PVC produced basis at 3.55 kilolitres per tonne.

The quality of trade waste did not breach our trade waste agreement with City West Water Victoria although quantities of both total dissolved solids and suspended solids were higher.

Recycling initiatives

We continued to implement a number of reuse and recycling initiatives, including the reuse of waste oil and drums, as well as the recycling of office material, mobile phones, fluorescent light tubes, batteries, packaging and scrap metal.

This year in Western Australia, we introduced a scorecard to demonstrate recycling efficiencies in the different areas of the business and results were communicated to employees through our intranet.

In order to divert waste from landfill, our AV business reviews ways to minimise waste generation and where there are wastes, investigates recycling opportunities for the materials. AV encourages customers to take resin in bulk rather than packaged in bags. Seventy-eight per cent of resin product is shipped to customers in bulk. We also source input chemicals for delivery in bulk where feasible.

A small quantity of end-of-life sheet vinyl flooring removed from the laboratory at Laverton was sent to a reprocessor for recycling.

At ModWood, recycling is a fundamental part of business as the wood-plastic composite product is made from waste wood, milled into a wood flour and post-consumer plastic bottles. Over 2,800 tonnes of recycled wood and plastic, representing 86 per cent of our raw material inputs, were used by ModWood.

Land

Flora and fauna

We continue to manage the feral pigeon issue on our Kwinana site by deterring pigeons from breeding and roosting on the premises, and by limiting potential food sources. This is achieved by regular inspections and removal of feral pigeons.

At our Kwinana site we have continued to manage feral cat numbers and captured and released snakes, where they represented a danger to humans or were in danger themselves. CSBP has several staff with the required competencies for snake handling.

Contamination

Our Bayswater site in Western Australia (formerly owned by Cresco) is contaminated by wastes resulting from the past production of superphosphate.

Remediation to date has included the excavation and safe disposal of approximately 136,000 tonnes of contaminated material, subsequent backfilling of these excavations with clean fill from on and off site sources and operation of a lime dosing groundwater treatment plant. Demolition of the Bayswater No 1 superphosphate shed began in July 2008.

An Outline Development Plan for the eventual development of the site was submitted to the City of Bayswater and advertised for public comment.

During March and April of this year 8,179 tonnes of neutralised lime solids were transported to landfill for disposal from our Bunbury site. We are undertaking a risk assessment of the Bunbury site with our consultants and from this will develop a soil remediation and validation plan for further remedial works in 2008/2009.

During May 2008, just over 2,330 tonnes of neutralised lime solids were transported from our Albany site to the Millar Road landfill in Rockingham for disposal.

In March 2007 we reported several of our Western Australian sites to the DEC as required under the *Contaminated Sites Act WA (2003)* which came into operation in late 2006. Three of these sites - Bayswater (contaminated - remediation required), Wellard Road Leda (contaminated - restricted use) and Geraldton Area F (contaminated - remediation required) - were classified as contaminated and we have activities underway to deal with the contamination. Remediation activities at the Bayswater site are described above. As reported previously, we have entered into a contract with Manna Resources to remove, or reprocess, the large stockpile of gypsum at Wellard Road for a range of beneficial uses in agriculture and mining.

A further eight land holdings at four of our sites are classified as possibly contaminated - investigation required, including the Bunbury site referred to above, and four landholdings at two sites (our Kwinana site and Geraldton Area C) are still awaiting classification at 30 June 2008.

Soil and groundwater at our Laverton site are affected by chemicals consistent with activities formerly conducted at an adjacent site by another operator, not associated with the manufacture of PVC. These chemicals include chlorinated and non-chlorinated substances and metals. Our objective is to ensure our site is safe for industrial use and does not pose an unacceptable environmental or human health risk. Monitoring results indicate this objective is being met.

Resource usage

Energy

Through our parent company, Wesfarmers Limited, CSBP is a participant in the Commonwealth Government's Energy Efficiency Opportunities Programme.

Total energy consumption was estimated to be 10,710,969 gigajoules up 7.1 per cent on last year (which did not include AV).

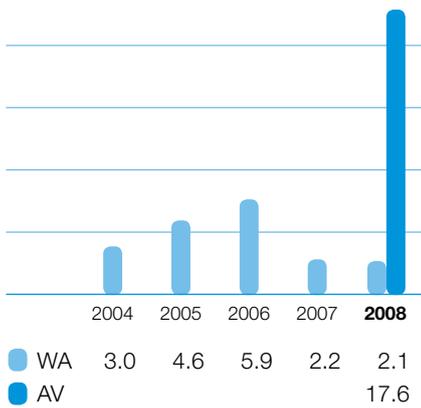
The main energy use during the year at our Kwinana site related primarily to ammonia and sodium cyanide production. Total energy consumption at the site was estimated to be 10,292,377 gigajoules, up 3.4 per cent on last year. The total energy consumption per tonne of production was estimated to be 6.59 gigajoules, down 8.2 per cent on last year.

This energy use is represented by liquid fuel (0.67 per cent of total energy consumption), electricity (0.97 per cent) and natural gas (98.36 per cent).

CSBP Environment Advisors Katrina Booth and Nick Burkett in front of a nitric acid plant cooling tower which uses water from the Kwinana water recycling plant.



Figure 1: LTIFR*



*LTIFR includes employee and contractor hours and LTIs.
 # WA reported LTIFR rate for 2005 was higher than stated in last year's report due to escalation of one injury classification to LTI following surgery.
 1 July 2003 – 30 June 2008 (as at 30 September 2008).

The major energy inputs in the PVC production process at our Laverton site are consumption of natural gas and electricity. Largely due to the plant shutdown, the PVC resin plant reduced its energy use by approximately 11 per cent year-on-year to 404,912 gigajoules of energy, mainly natural gas. On a per tonne of PVC basis, energy consumption rose by 5.6 per cent to 3.7 gigajoules per tonne, not meeting our target for the year of less than 3.6 gigajoules per tonne.

This was the result of the prolonged plant shut down, reducing production for the year. Prior to the shut down commencing in March 2008, the plant's energy consumption per tonne of PVC produced was tracking on target.

ModWood consumed 13,680 gigajoules of energy to manufacture its products in 2007/2008, including electricity, gas and LPG. This equates to almost 4.8 gigajoules per tonne of product, compared with 3.6 gigajoules per tonne last year, the increase due in part to an increase in the density of boards produced and the introduction of product embossing which requires additional energy use. ModWood aims to reduce its energy use per unit of production as production at the factory grows and dryer efficiency improves with higher volume throughput.

Water

Consumption

Our total water consumption for the year was 3,293 megalitres. CSBP's water use during the year related primarily to our production processes, particularly the cooling towers at Kwinana and Laverton.

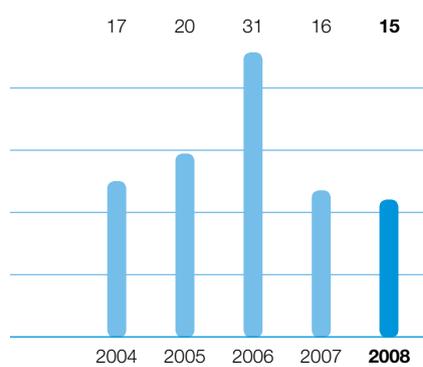
Total water consumption at CSBP WA was 2,758 megalitres, up 13.1 per cent on last year. Our total water consumption per tonne of production was 1.76 kilolitres, equivalent to last year's figure.

The resin manufacturing process requires a significant volume of high-quality water. Since 2000/2001, AV has reduced its water consumption per unit of production by more than 27 per cent.

In 2007/2008, AV Laverton used 534,572 kilolitres of water (581,629 kilolitres in 2006/2007). This equates to 4.9 kilolitres per tonne of PVC produced, up from 4.5 kilolitres per tonne last year. The company's performance this year was not in line with its target of 4.5 kilolitres per tonne, a result of the plant shut down. However, prior to the shut down commencing in March 2008, water consumption per unit of production was at or below target each month.

ModWood uses relatively low volumes of water – a total of 306 kilolitres in 2007/2008.

Figure 2: Workers compensation claims*



*Does not include AV data.
 Note: Australian Vinyls had six workers compensation claims from September 2007 to June 30, 2008.

Reuse and recycling

Our Kwinana operation continues to purchase and use treated wastewater from the Kwinana Water Reclamation Plant and site wastewater is mostly discharged through the SDOOL.

Last year, AV's Laverton site embarked on a trial project to recycle its plant effluent into high-grade water, in order to reduce its intake of fresh water. We have set a long term target of zero fresh water input to the production process, instead recycling effluent in-house and purchasing recycled water from external sources when sources are available. The pilot water recycling plant is currently underway and we expect to commence commissioning a full plant in June 2009.



Lost time

The LTIFR for CSBP in Western Australia was 2.1 and for AV it was 17.6 (see Figure 1). During 2008, there were five LTIs (three at CSBP's Western Australian operations, two at AV), compared to three in 2007, which did not include AV. Over the last 12 months, the average lost days from injuries has significantly decreased, suggesting the severity of injuries has reduced. The LTIFR statistics include contractor hours and injuries. AV's high LTIFR is a result of incurring two LTIs within a relatively small workforce. Safety statistics are distributed and discussed by management each month and reported to our board every three months.

Performance against the safety scorecard showed an increase in safety actions against 2006/2007 through attendance at monthly safety meetings and spot observations. A decrease in actions was reported against hazard and housekeeping inspections and hazards/near misses reported.

Number of workers compensation claims

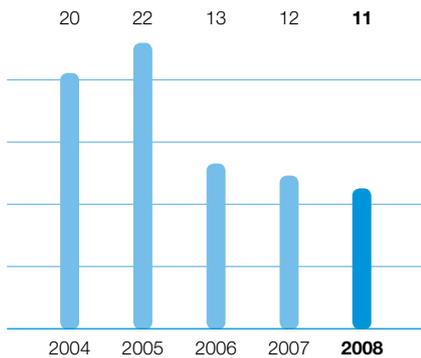
There were 15 workers compensation claims at CSBP in Western Australia (see Figure 2).

Workplace injuries at CSBP WA decreased from 16 in 2006/2007 to 14 in 2007/2008.

Disappointingly, the number of LTIs and medical treatment injuries (MTIs) at AV increased in 2007/2008, not meeting our goal of no injuries to anyone. All workplace injuries presented to the medical centre are responded to, reported, investigated and corrective actions taken where necessary to ensure prevention of similar incidents in future.

Figure 3:
Workplace injury frequency rate

(including Australian Vinyls as of September 2007).



This is a measure of the frequency of all workplace injuries, not just LTIs.

Hazard and risk

As part of our fitness for work programme, drug and alcohol testing was introduced in our Western Australian operations in 2006/2007. In 2007/2008 there were 830 tests with 31 positive results recorded and managed in accordance with our procedures.

We have been working with our contractors to assist them in managing their employees that have returned positive results, and have continued the successful rehabilitation and support of our own employees.

'Take 5', a personal risk and hazard assessment initiative, was introduced during the year in Western Australia. These assessments can help identify potential risks and reduce exposure to hazards in the workplace as well as establish a behaviour of checking for risk before commencing a task. We met our completion target for these assessments, but the response was not uniform throughout the company.

Implementation of the revised permit to work system at Kwinana was completed during the year to include the use of personal and process locks for isolations to replace the previous tag system. This brings the permit to work system in line with legal requirements and industry standards.

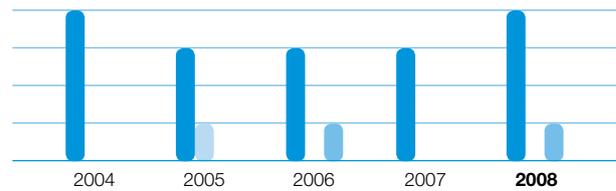
At our Kwinana site, we conducted hygiene monitoring of various substances including personal monitoring of thiocyanate, fluoride, dust and noise, as well as positional monitoring of dust, noise and asbestos.

Our Laverton site has various control measures in place, made up of both engineering features and procedural controls. Assurance that the control measures are working is provided by continuous monitoring and review.

VCM, a key process input at our PVC plant, is carcinogenic when people are exposed to high concentrations over relatively long periods of time (years). AV therefore maintains strict controls over the handling of VCM, and employees whose work may potentially expose them to VCM undergo comprehensive health monitoring using carbon tubes worn during relevant tasks or shifts to detect VCM, and annual blood tests.

"Implementation of the revised permit to work system at Kwinana was completed during the year to include the use of personal and process locks for isolations to replace the previous tag system."

Figure 4:
AV Laverton VCM exposures



Exposures > 1 ppm < 5ppm

● 4 3 3 3 4

Exposures > 5 ppm (ASCC Standard)

● 0 1 0 0 0

Short-term exposures

● 0 0 1 0 1

The Australian Safety and Compensation Commission (ASCC) requires a standard to be maintained for employee exposures not to exceed five parts per million (ppm) over an eight-hour time-weighted period. There were no cases of this standard being exceeded.

There were, however, four cases of employees being exposed to more than one ppm (time-weighted average) VCM during the year, the stringent internal exposure limit the company sets, and one short term exposure over one ppm. The average exposure for all employee samples taken during the year was 19 parts per billion (ppb). Each exposure exceeding our internal standard is investigated and corrective actions taken where required. For AV Laverton VCM exposures see figure 4.

We also monitor the ambient concentration of VCM in the plant through a number of carbon tube detectors placed at key points within the plant and at the plant fence line. This year the ambient concentration averaged 31 ppb, compared to 27 ppb last year.

Emergency response

Throughout the year, we have undertaken a review of our emergency and standard operating procedures at our Western Australian operations. The emergency response team trained 40 times and the incident management team trained five times during the year.

A major multi-agency hazardous materials exercise for cyanide transportation was undertaken in October 2007 on one of our main transport routes in Kalgoorlie, Western Australia.

At Laverton we conducted eight emergency response exercises this year. The exercises demonstrate AV's ability to identify, resolve and clean up an incident well before the issue extends beyond the plant boundary.

We had two on-site emergency responses in Western Australia: the first was in response to an odour at the Kwinana site which was identified as lagging exposed to higher than anticipated heat, and the second was to contain and clean up a nitric acid spill at Kwinana.

In June 2008, a loss of containment of truck diesel fuel occurred at our Laverton site. A team responded with spill kits and absorbents and contained the spill to the plant's drain system. The total fuel loss was estimated at 20 litres and contaminated soil was removed.

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 those bulk chemicals which are transported by CSBP to its customers, and detailed training and procedures for all product transport in Western Australia. AV has transport management plans and procedures for VCM and X16.



▲ **CSBP Process Technician Mike Perry inspects isolation locks which were introduced to our permit to work system this year.**

Contractors transporting our fertiliser between our distribution sites in Western Australia are subject to a contract that sets out appropriate requirements for such transport, in addition to the essential legal requirements.

Chem Alert continues to be used to manage about 1,750 chemicals approved for use at our sites and the Material Safety Data Sheet (MSDS) register is maintained as part of this system in Western Australia. AV manages its MSDSs using its document control system and the MSDSs are produced by Chem Data Services. We hold all required licenses and permits for our operations.

▼ **Training and Improvement Coordinator Fertiliser Production Catherine Rowe.**

Employee wellbeing

As reported in previous years, CSBP's Kwinana site has a first aid centre which is the central area for support services and programmes aimed at improving employee wellbeing.

The centre continues to offer counselling, health awareness programmes, fitness programmes and assessments, audiometric testing, specific vaccinations and immunisations, subsidies for health club memberships, health monitoring and health programmes. We also offer an annual medical check-up to employees.



Kwinana has a full-time nurse on site, and a general practitioner and a physiotherapist are in attendance several days a week.

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.

A survey of employee preferences in relation to employee physical and mental wellbeing was conducted during the year. Data from this survey will feed into programme support development for 2008/2009.

For a number of years, our AV business has run a health programme for employees to raise individual awareness of health and wellbeing. This year, a breakfast seminar was run by the Safety, Health and Environment Committee to raise awareness of breast cancer and a training session on depression was conducted. Physiotherapy services and a gymnasium are available at Laverton for employees, and a nurse is in attendance several days a week.

"This year, a breakfast seminar was run by the Safety, Health and Environment Committee to raise awareness of breast cancer and a training session on depression was conducted."

 **Community**

Stakeholders

The following table identifies our key stakeholders and an example of how we engage with them:

Stakeholder group	Examples of engagement
Employees	Providing information through our intranet, CSBP Connect, providing information through Intercom, Pipeline and Managing Director newsletters, holding staff barbeques hosted by our Executive Leadership Team at our Kwinana site, and weekly barbeques at AV, open briefings delivered by the Managing Director at our Kwinana and Bibra Lake sites, and business performance information delivered by AV management and family open door day at the AV site at Laverton.
Customers and sales agents	Company websites, partnerships, In Touch, Our Land and Vantage Ground newsletters, advertorials with regional print and radio, contact through Vinyl Council of Australia forums and the PVC industry Product Stewardship Programme.
Suppliers/contractors	Site tours, company websites, contact through Vinyl Council of Australia forums and the PVC industry Product Stewardship Programme.

Government agencies/ authorities
 Providing information to Western Australian stakeholders through the Upfront newsletter, participation in the Cyanide Management Working Group that developed the Cyanide Management handbook as part of the Australian Government's Leading Practice Sustainable Development Programme for the Mining Industry, site tours, sustainability reports, representation on WorkSafe Victoria Major Hazard Advisory Committee and Australian Safety and Compensation Council Major Hazard National Standard Technical Reference Group, representation on Department of Environment Water Heritage and Arts National Pollutant Inventory industry consultative committee and contact through Vinyl Council of Australia forums and the PVC industry Product Stewardship Programme.

Local communities
 Company websites, attending the Kwinana Community and Industries Forum, contributing information to the KIC Community Information Service, responding to sponsorship requests, site tours, sustainability reports, media liaison and coverage, contact through AV's Environment Monitoring Team meetings, AV's Environment Improvement Plans and work experience placements for secondary and tertiary students at our Kwinana operation.

Industry
 Member of the Australian Institute of Export, signatory to the International Cyanide Management Code, member of the Plastics and Chemicals Industries Association Inc, member of the Committee for Economic Development of Australia, member of the Fertilizer Industry Federation of Australia, member of the Kwinana Industries Council, member of the Chamber of Commerce and Industry WA (through our parent company, Wesfarmers), member of the Vinyl Council of Australia and member of Australian Industry Group.

Shareholders in parent company (Wesfarmers Limited)
 Investor presentations, Wesfarmers Limited annual reports, sustainability report and a similar locally-focused AV report.

Other stakeholders (such as non-government organisations)
 Site tours, sustainability reports and company websites.

Feedback and complaints

Two complaints received by CSBP in Western Australia this year related to the dust emissions from our Kwinana site and were reported on in the 'Air (atmospheric emissions)' section. A third involved a report from BP Kwinana that foam from the ammonia tank deluge system was being blown into their waste management area, adjacent to our site.

We continued to communicate with interested parties regarding the importation of phosphate rock from the Boucraa region of Western Sahara, which is used in the manufacture of superphosphate fertiliser at our Kwinana operation.

As previously reported, no trading restrictions with Western Sahara have been imposed by the Australian Government and we have obtained both internal and external legal opinions regarding the purchase of phosphate rock from this region and



▲ Top: Youth Focus counsellor Michael Scott.
Above: Students Cheyenne Phillips, Rhiannan Jacobs-Bolton and Tiegan Klaasen at Medina primary school's early-bird breakfast club, sponsored by CSBP.

are satisfied that it is not in breach of international law. We have invested a significant amount of cost and resources to investigate possible technology solutions to enable a modification of our production process and use raw material (phosphate rock) from other sources, which are currently unsuitable for technical or environmental reasons. We are hopeful that we will be in a position in the next few months to decide on a feasible solution. In making any decision, we will consider the impact on our workforce and the Western Australian farming community to which we are the major supplier.

The extended plant shut down at AV's PVC plant associated with a control system upgrade had a significant effect on supply to our customers. Since the commissioning of the control system, AV has commenced a customer re-engagement process to address customer concerns regarding the plant outage and also supply chain risk mitigation strategies.

As reported earlier, ModWood received three community complaints concerning dust leakage and AV received a noise complaint.

Our AV operation invited and received feedback on its 2007 sustainability report. Comments were generally favourable but suggested improvements could be made by using less technical language.

Community support

In Western Australia we provided support to 71 organisations in 2007/2008, either through direct financial support or through the donation of goods. In line with our sponsorship guidelines, this support was directed towards communities in which our businesses operate.

In addition to this, our Kwinana employees participated in and supported Loud Shirt Day, Movember, the Asthma Foundation Freeway Bike Hike and Australia's Greatest Morning Tea.

We continued our three-year partnership with Youth Focus. Youth Focus is a not-for-profit organisation which assists young people at risk of suicide or self-harm.

This was our third year of a five-year partnership with the Western Australian Royal Agricultural Society Hall of Fame, and we sponsored three prizes for the University of Western Australia's Faculty of Engineering, Computing and Mathematics 2007 Award Ceremony.

We also undertook 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 and minimising environmental impacts from fertilisers.

We are contributing to a new collaborative project involving the CSIRO, the Department of Agriculture and Food, and the Grains and Research Development Corporation to investigate the management of wheat protein through strategic use of nitrogen fertiliser, and are involved in the implementation of the Fertiliser Action Plan for the Swan Coastal Plain and the development and evaluation of low water soluble phosphorus fertilisers in conjunction with the Department of Agriculture and Food.

We continued to engage Murdoch University to research the performance of our pilot nutrient-stripping wetland and advise on the design of its expansion.

We also continued our support of an Australian Nuffield farming scholarship.

We won two national awards: the Environmental Solution of the Year in the 2007 Endeavour Awards, and the Australian Greenhouse Office Environmental and Energy Management Award in the 2007 NAB Agribusiness Awards for Excellence.

During 2007/2008, our AV business provided approximately \$33,000 in funding to a number of local community groups and schools. A major part of this funding is AV's contribution under a three-year commitment to Western Chances Education Foundation, which assists disadvantaged young people in the western suburbs of Melbourne.

Case study

New Kwinana Ammonium Nitrate Facilities To Reduce Particulate Emissions

During the year we commissioned our new ammonium nitrate production facilities at Kwinana over two stages. It was a significant achievement for our business and one in which we take great pride.

The project included a nitric acid plant, ammonium nitrate plant, a prilling plant, and a replacement prilled ammonium nitrate storage facility incorporating new security features. It has expanded our ammonium nitrate production to approximately 470,000 tonnes per annum, providing domestic supply surety to Western Australia's booming mining industry.

One of the aspects we are particularly proud of is the state-of-the-art scrubbing system that is an integral part of the new prilling plant. This new plant will significantly reduce particulate emissions through the removal of ammonium nitrate particulates and vaporised ammonia from waste air discharge.

It does this through the following processes:

- the prilling air scrubber removes ammonium nitrate particulates and vaporised ammonia and captures this in a diluted ammonium nitrate solution. The air is then recycled to the bottom of the prilling tower by the prilling air scrubber fans; and,
- the final scrubber, a two-stage packed tower scrubber, removes ammonium nitrate particulate and ammonia from waste air streams including from the pre-dryer, dryer and the plant dust extraction systems. Once

waste air has been through these processes, it is discharged through the final scrubber fan to the atmosphere. Water effluent from the scrubbers is recycled through the plant to recover ammonium nitrate.

In addition to this, world standard energy efficient design has been used to maximise waste heat recovery from the nitric acid plant and the ammonium nitrate plant. The nitric acid plant has been designed to accept new nitrous oxide emission-reduction technology when it becomes commercially viable. Nitrous oxide is a significant greenhouse gas.

Our focus on reducing particulate emissions from our new ammonium nitrate prilling plant is another demonstration of the increasing importance we place on sustainable outcomes in our business.



CSBP Process Technician Mike Perry at the new Kwinana ammonium nitrate facility.



INDUSTRIAL & SAFETY



Our business

We are Australia and New Zealand's leading supplier of industrial and safety consumables. Our business provides engineering products and industrial consumables, safety, packaging, materials handling and lifting products and services to industry and government. We operate a multi-channel distribution model, servicing customers through a network of branches, sales representatives, eBusiness, websites and telesales.

With more than 240 outlets we trade in Australia as Blackwoods (incorporating Atkins Electrical and Bakers Construction and Industrial), Bullivants, Motion Industries, Total Fasteners and Protector Alsafe. Our distribution businesses in New Zealand are Blackwoods Paykels, Packaging House, NZ Safety and Protector Safety. We employ about 3,200 people.



08 Priorities

- Improve our safety performance by reducing our total number of injuries (lost time, medical treatment and first aid) by 30 per cent.
- Continue to drive our GetSAFE management system and a safety-focused culture.
- Continue to upgrade our facility network to improve customer delivery performance.
- Continue to focus on the attraction, retention and development of people.
- Work with our suppliers to develop sustainability of sourced product.
- Continue to improve efficiency of energy and water use.
- Continue to implement waste management and recycling initiatives.
- Encourage employee involvement with the community.

08 Outcomes

- ▬ **Not achieved.** Our total number of injuries was 298, up 15.5 per cent from 258 last year. However, our Average Lost Time Rate has decreased to 14.89 (compared to 22.5 last year). The increase in the total number of injuries can be attributed to the inclusion of the Bullivants' injury statistics for the first time whereby they had 32 injuries this year, as well as improved awareness of injury reporting in our New Zealand businesses.
- ▬ **Achieved.** All branches have an annual health, safety and environment (HSE) plan and progress is reported monthly to the Executive Leadership Team (ELT). In Australia (excluding Bullivants), online reporting of the HSE Plan was implemented. Updates on HSE performance are communicated monthly to all employees through the Managing Director's newsletter, *In The Know*.
- ▬ **Achieved.** A number of facilities were upgraded through relocation, refurbishment or re-branding.
- ▬ **Achieved.** In addition to existing programmes, we introduced a development programme for high potential people and a new reward and recognition programme.
- ▬ **Achieved.** For domestic suppliers, we introduced a survey to monitor compliance against required standards. An internal audit and self assessment programme was introduced for global suppliers.
- ▬ **Achieved.** Purchased 281 Liquid Crystal Display (LCD) computer monitors to replace Cathode Ray Tube (CRT) computer monitors; replaced 87 petrol fleet vehicles with dual fuelled (LPG and petrol) vehicles; and in Australia commenced a project to improve our ability to capture accurate energy and water use data.
- ▬ **Achieved.** Reviewed packaging used by branches when distributing products, including suitability of packaging, resource efficiency for different sized goods and varied types of packaging. Many branches continue to separate paper, cardboard, bottles and cans from general waste, as well as recycle used printer cartridges and reuse packaging wherever possible.
- ▬ **Achieved.** Introduced charity support information on our company intranet. The operational businesses report monthly on their involvement with the community.

09 Priorities

- Improve our safety performance by reducing our total number of injuries (lost time, medical treatment and first aid) by 20 per cent.
- Continue to drive our GetSAFE management system and a safety-focused culture.
- Continue to focus on our delivery performance for our customers.
- Continue to improve efficiency of energy and water use.
- Continue to focus on the attraction, retention and development of people.
- Continue to work with our suppliers to develop sustainability of sourced product.
- Continue to implement waste management initiatives.
- Encourage employee involvement with the community.

Overview

We continually focus 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 major safety areas on which we focused our attention during the year were traffic and pedestrian management, forklift safety and continuing to drive our HSE management systems (GetSAFE) and a safety-focused culture.

Traffic and pedestrian management and forklift operation are high risk activities in our branches. We have continued to implement traffic and pedestrian management initiatives at branches.

In endeavouring to mitigate the potential for forklift incidents and achieve optimum forklift safety, in Australia we entered into a two-part agreement with the Crown Equipment Corporation. This involved the introduction of a formal behaviour-based training programme for all our forklift operators, as well as a national forklift maintenance programme. Further details are contained in our case study on page 95 of this report.

Many improvements were made to GetSAFE, including the launch of a LiftSAFE programme aimed at reducing manual handling injuries. In Australia (excluding Bullivants) we also revised the annual branch HSE plan template and developed online reporting for branch progress against these HSE plans. All our management systems are now referred to as GetSAFE.



Forklift safety training was a focus during the year.

INDUSTRIAL & SAFETY

As we continue to focus on improved safety, there were pleasing results in relation to Lost Time Injuries (LTIs) in Blackwoods Western Region (Western Australia) with a reduction of 66.67 per cent. NZ Safety, Protector Safety, Packaging House and Group Support in New Zealand continue to achieve good results also recording no LTIs across any of their business locations for the second year running.

We continued our efforts to minimise our impact on the environment. We undertook a number of initiatives, as follows:

- purchase of 281 LCD computer monitors to replace CRT computer monitors to reduce electricity usage;
- replacement of 87 petrol fuelled fleet vehicles with dual-fuelled vehicles. We have 203 dual-fuelled vehicles in our fleet;
- began a project in Australia to improve our ability to capture accurate data on energy and water use and waste generation. This will provide the opportunity to plan and where required, improve our efficiency;
- introduction of a building design template detailing energy improvement initiatives that will be referred to when building new facilities;
- introduction of biodegradable and recyclable plastic shopping bags within our New Zealand businesses; and
- began a review of packaging used by our branches when distributing products, including suitability of packaging, resource efficiency for different sized goods and varied types of packaging.

We worked with our suppliers to develop safety and employment practices in their workplaces to help ensure sustainable supply of our sourced product. During the year, we introduced two initiatives to improve our capability to monitor our suppliers' compliance with required standards. We survey our domestic suppliers and also conduct an audit and self-assessment programme for our global suppliers. Any opportunities for improvement that are identified through these initiatives are monitored and corrective action taken where necessary.

Unless otherwise stated, data provided in this report is for our combined Australian and New Zealand businesses.

Business Management

Training

We continue to invest in programmes and resources aimed at developing our people in support of our pursuit of sustainable business practices.

Training begins on the first day of work when all employees are required to undertake an induction programme which provides information relating to company health, safety and environment standards, business structure, physical work environment and employment conditions.

Ongoing training is provided on a number of topics, including sales, recruitment and selection, equal opportunity and performance management. This year we launched a project focused on our sales force effectiveness which included reviewing and enhancing our sales training platform. In Australia, we also provided accredited training in frontline management and warehousing.

In Blackwoods, we continue to implement the five-day residential regional and branch manager development programme aimed at giving managers the opportunity to better understand the business drivers and to develop their leadership capability. During the year, 35 managers attended the programme.

To ensure we identify and develop our high potential employees, we broadened our succession and development process to include key roles and parts of the business in addition to the existing process for senior management. We also introduced a development programme designed to provide structured development opportunities and participation in a project addressing a current business challenge.

Training is also fundamental in achieving our priorities in HSE. Our GetSAFE management systems incorporate HSE training requirements for all positions within our businesses to competently perform work activities.

We continue to use a variety of training delivery methods including toolbox talks, online competency-based training and formal face-to-face training. Using these combined methods over 6,000 training sessions were attended by our employees on a range of topics such as risk management, manual handling, dangerous goods, bio-security, first aid, emergency preparedness, occupational health and safety (OHS) consultation, OHS for health and safety representatives, supervisors and managers, environment and visitor safety.

In the unfortunate event that an injury occurs, an effective injury management programme is essential in providing early return to work and rehabilitation. To assist in achieving this objective, an information brochure was provided to our employees as a refresher on our injury management process. In addition the Managing Director communicated his support for the initiative and the required processes to be followed by all employees in an injury management situation.

In endeavouring to mitigate the potential of forklift incidents, in Australia we introduced a national behaviour-based forklift training programme. Further details are contained in our case study on page 95 of this report.

During the year we launched a programme in Australia to educate relevant employees on the chain of responsibility requirements under the *National Transport Commission (Road Transport Legislation – Compliance and Enforcement Bill) Regulations 2006*. These requirements target not only drivers and operators of heavy vehicles, but also 'off road' parties who through either their actions or inactions have influenced the vehicle and/or driver's ability to comply with road transport laws. As part of our commitment to safe freight management, our National Freight Manager presented on meeting fatigue obligations at an external conference on fatigue management for transport and logistics.

Our New Zealand businesses have continued their HSE monthly awareness communication aimed to increase employee awareness across a range of topics, including manual handling, health and security and computer workstation safety.

Our Protector Alsafe Training Services business in Australia continues to deliver nationally recognised competency-based training. New training this year included:

- work in confined spaces;
- supervise work in confined spaces;
- work safely on roofs;
- monitor hazardous atmospheres (emergency response team);
- operate breathing apparatus - open circuit (emergency response team);
- carry out manual handling operations;
- operate vehicles in the field (4WD operation); and
- undertake road accident rescue.

In New Zealand, we conducted public OHS seminars, which were attended by 2,055 people during the year, including 160 of our employees. Topics included:

- 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;
- hazard management in practice;
- accident reporting and investigation;
- stress and fatigue, awareness and management in workplaces;
- preventing hearing loss at work;
- health and safety auditing;
- *Hazardous Substances and New Organisms Act* approved handler;
- safe work at heights; and
- confined space entry.

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.

Last year we reported that our Blackwoods Paykels Timaru branch in New Zealand was notified by the local council of the need to obtain a Site Location Certificate for their stationary diesel tank. The certificate has been issued.

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 received one notice from relevant authorities covering a safety-related issue. On 26 June 2008 the Queensland Department of Employment and Industrial Relations issued an improvement notice to our Protector Alsafe Mt Isa branch in relation to pallet racking. This matter has been rectified.

Our branch, department and distribution centre HSE plans address various internal compliance issues applicable to our operations in Australia and New Zealand. Actions include:

- the review, and where necessary, the development, of risk assessments in such areas as traffic management and manual handling;
- periodic workplace, and plant and equipment inspections; and
- the delivery of toolbox talks on various health, safety or environment topics.

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'.

As reported last year, we sell certain packaged food items such as coffee, tea and sugar. We continue to register such packaged food items where required by local councils in the jurisdictions where this is relevant.

Management systems and policies

We have several management systems in place to record and monitor performance. These include:

- GetSAFE, our HSE integrated management system. All our management systems are now referred to as GetSAFE.
- our Bullivants business in Australia and our protective clothing, safety products and graphics factories in New Zealand have an EMS that is certified to ISO 14001:2004 and an SMS certified to AS/NZS 4801.
- our Bullivants business in Australia and our safety products factories in New Zealand have current ISO 9001:2000 quality system certification.
- our New Zealand businesses retained tertiary level status under the New Zealand Accident Compensation Corporation Workplace Safety Management Programme, providing the business with the maximum workers compensation premium discount.

"In endeavouring to mitigate the potential of forklift incidents, in Australia we introduced a national behaviour-based forklift training programme."

- in Australia all of our Bullivants laboratories are accredited by the National Association of Testing Authorities (NATA) to ISO/IEC 17025:1999 Mechanical Testing and ISO/IEC 17020:2000 On Site Visual Inspection and Non Destructive Testing.
- in New Zealand, our Techsafe laboratory maintained accreditation to ISO/IEC 17025:1999 Mechanical Testing.

In Australia, we reviewed a number of GetSAFE policies during the year to ensure that they remain current and meet legislative requirements. In New Zealand, a new policy addressing security, shoplifting and aggression was introduced to protect our employees.

Last year we reported that a third party health and safety audit was conducted in New South Wales in September 2006 and improvement opportunities were being addressed through an audit action plan. This audit action plan has since been replaced through a further national health and safety audit arranged by the Wesfarmers Group Risk Department in October 2007. This audit report is being used to address any improvement opportunities.

All aspects of our management systems and policies are communicated to our employees through our intranets to ensure current information is available.

Environmental

Air (atmospheric emissions)

Odour

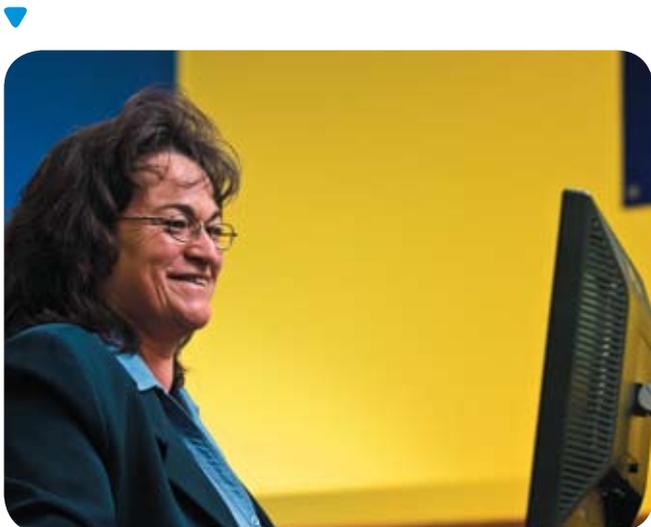
At our safety products factory in New Zealand we continue to monitor the potential for any solvent fume hazards through baseline health monitoring for employees. We will implement any remedial actions as required.

Greenhouse emissions

Our total greenhouse emissions were estimated to be 33,546* tonnes of carbon dioxide equivalent, up 13.59 per cent on last year. This equates to 2.56 tonnes of carbon dioxide equivalent per hundred thousand dollars of sales, up 4.61 per cent on last year. The greenhouse emissions were largely due to electricity (54.30 per cent) and vehicle fuel use (29.04 per cent).

* This data for the first time includes an estimate (based on cost of supply) for the Bullivants business. Excluding Bullivants, our previously reported businesses reduced greenhouse gas emissions during the reporting year by 0.65 per cent.

Blackwoods Purchasing Officer Sue Reddacliff using one of the new LCD computer monitors at Smithfield, New South Wales.



Noise

No noise complaints were reported during the year.

In New Zealand, we continue to monitor the noise hazards identified last year at our Safety Products factory and at the Blackwoods Paykels Distribution Centre at Wiri. We will implement any remedial action as required.

Waste

Accurate measurement of waste generation continues to be difficult. This is because many of our current waste removal contractors do not efficiently provide this information. A project has begun to improve our ability to capture accurate waste generation data.

This year we also commenced the review of packaging used by branches when distributing products, including suitability of packaging, resource efficiency for different sized goods and varied types of packaging.

In New Zealand we introduced biodegradable and recyclable plastic shopping bags.

Solid/liquid waste

During the year our reported general waste usage increased, this was due to the work of the project improving our accuracy for capturing waste generation data, as well as the inclusion of Bullivants waste data for the first time. Solid waste consisted primarily of general waste and recycled paper and is disposed of mainly through waste removal contractors. Our total general waste stream during the year was estimated to be 47,495* cubic metres, up 62.6 per cent on last year. Total solid waste disposed of to landfill per hundred thousand dollars of sales was estimated to be 3.63, up by 75 per cent on last year.

* This data includes an estimate for the Bullivants business based on their cost of supply. Excluding Bullivants, the reported general waste usage of our previously reported businesses increased by 49 per cent.

We generate a negligible amount of liquid waste which is disposed of by a licensed contractor.

Recycling initiatives

All our branches manage their own recycling. Many branches this year continue to separate paper, cardboard, bottles and cans from general waste, as well as recycle used printer cartridges and re-use packaging wherever possible.

Land

Contamination

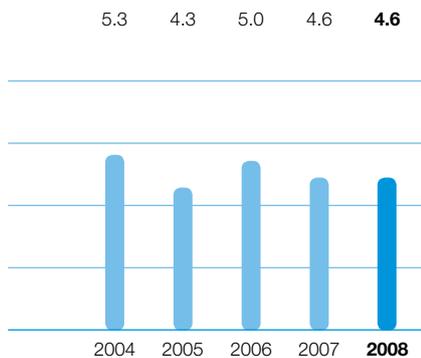
In 2006 we reported that two fuel tanks located at our Blackwoods Smithfield distribution centre were removed. Prior to the removal the tanks were pumped free of any liquid to ensure no leakage from the tank into the surrounding soil. The holes created by the two tanks were then re-filled with "Virgin Excavated Natural Material". A further inspection of this area in September 2007 found that soil had become contaminated by hydrocarbons as a result of these previously submerged fuel storage facilities. We have completed remediation work involving the removal of the contaminated soil. The completed site remediation and validation assessment has shown that the site is suitable for the existing land use as an industrial/commercial property.

We are not aware of any other land contamination generated from company activities.

Resource usage

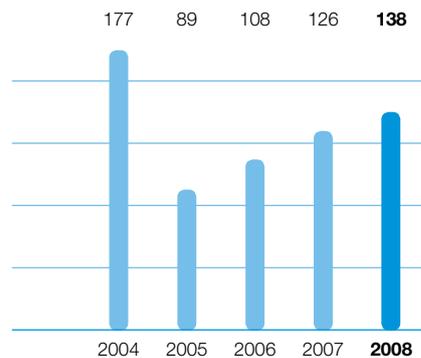
In Australia, we began a project to improve our ability to capture accurate energy and water use data, to ensure we can plan, where required, to improve our efficiency in this regard.

Figure 1: LTIFR*



1 July 2003 – 30 June 2008 (as at 30 September 2008).
*Labour hire hours and LTIs included.

Figure 2: Workers compensation claims



Energy

Our main energy use during the year related primarily to electricity, gas and fuel. Total energy consumption was estimated to be 198,920* gigajoules, up 12.87 per cent on last year.

* This data for the first time includes an estimate (based on the cost of supply) for the Bullivants business. Excluding Bullivants, our previously reported businesses reduced their energy use during the reporting year by 6.69 per cent.

Our total energy consumption per hundred thousand dollars of sales was 15.20 gigajoules, up 4.09 per cent on last year. This energy use is broken down into fuel (66.91 per cent of total energy consumption), electricity (31.58 per cent) and natural gas (1.51 per cent).

During the year we have undertaken a number of initiatives aimed at minimising our energy usage, as follows:

- replaced 87 petrol fuelled vehicles with dual fuelled vehicles;
- introduced a building design template detailing energy improvement initiatives that will be referred to when building new facilities;
- purchased 281 LCD computer monitors to replace CRT computer monitors. LCD monitors can save up to 30 per cent in energy usage resulting in the reduction of at least 16 kilograms of carbon dioxide emissions each over a 12 month period.

Water

Consumption

We continue to endeavour to improve our accuracy for capturing water consumption information, which resulted in a significant decrease over last year's figure whereby a substantial amount of our water usage was recorded inaccurately. Our water use relates primarily to general site amenities, such as kitchens and bathrooms. Total water consumption was estimated to be 29.14* megalitres, down 80 per cent on last year's reported figure. Our total water consumption per hundred thousand dollars of sales was 2.23 kilolitres down 81 per cent on last year.

* This data for the first time includes an estimate (based on the cost of supply) for the Bullivants business. Excluding Bullivants, the reported water consumption of our previously reported businesses decreased by 83 per cent.

Reuse and recycling

At our TotalCare operation in New Zealand, where the cleaning of fire service uniforms is undertaken, water recycling forms part of the operation. Our Blackwoods Paykels New Plymouth branch transfer water used from hose testing to a collection tank, which is taken away by a contractor and recycled.

Safety and Health

Lost time

During 2008, there were 27 LTIs, compared to 25 in 2007 and our LTIFR remained at 4.6 (see Figure 1). Our Average Lost Time Rate has decreased to 14.89 (compared to 22.5 last year). In Australia there were particularly good results in Blackwoods Western Region (Western Australia) with a reduction of 66.67 per cent in Lost Time Injuries (LTIs).

New Zealand Safety, Protector Safety, Packaging House and Group Support in New Zealand continue to achieve good results also recording no LTIs across any of their business locations for the second year running.

Our All Injuries Frequency Rate (AIFR) was 51.2 (compared with 49.9 last year), and during the year there were a total of 298 injuries (up by 15.5 per cent on last year). This increase in the total number of injuries can be attributed to the inclusion of the Bullivants' injury statistics for the first time whereby they had 32 injuries this year, as well as improved awareness of injury reporting in New Zealand businesses.

These statistics include labour hire hours and injuries.

Safety statistics are distributed and discussed by management each month and reported at all Board meetings.

Number of workers compensation claims

There were 138 workers compensation claims during the year, an increase of 12 from the previous year. This increase can be attributed to the inclusion of Bullivants' statistics for the first time with 20 workers compensation claims this year (see Figure 2).

Hazard and risk

All our branches prepare an annual HSE Plan in accordance with our strategic HSE objectives, targets and performance indicators as well as local and site specific issues. All branches are required to report monthly on their progress against their HSE plans and this year an online reporting system was implemented in Australia (excluding Bullivants).

Detailed site-specific risk assessments continue to be undertaken and hazards reviewed for all sites. A key focus of risk assessments has been in the areas of traffic and pedestrian management; pallet racking and storage of goods at height; dangerous goods storage; and emergency preparedness. Control measures recommended in the risk assessments form part of our corrective actions process. A detailed risk assessment was also prepared for the new Blackwoods On Site Services (BOSS) facilities. BOSS involves goods storage containers deployed periodically at relevant customer sites with an employee on hand to serve customer needs.



Total Fasteners employees Jason Jeromin and Paul Gherlenda moving stock at the Wetherill Park branch, New South Wales.

Last year we reported that in our Australian distribution centres we were implementing an automated process for producing shipping declaration documentation when transporting dangerous goods. This process has been implemented.

This year Bullivants developed new safe working procedures for working at heights and the safe storage of wire reels.

To ensure optimum forklift safety, in Australia a national forklift maintenance programme was introduced during the year. Further details are contained in our case study on page 95 of this report.

Our employees are involved in various materials handling and storage activities. Last year we reported the launch of a project to develop visual task cards to provide guidance for avoiding manual handling risks associated with common activities performed within a warehouse environment. This initiative, known as LiftSAFE, was launched in January 2008, with four visual task cards developed for employees.

The draft packaging standard developed last year, requiring our suppliers to include lifting information on packaging handled by our employees and customers, has been implemented in our global operations.

A review of injury statistics indicated that further investigation was required in relation to accidental knife cut injuries at our warehouses. To minimise risk, we are trialling gloves and investigating alternative safety knives.

To reduce the need for manual handling we use mechanical and other material handling aids where possible. Bakers Construction and Industrial at Blacktown (New South Wales) commissioned a small goods lift to remove the hazard of carrying goods by hand down a stairway. Other branches obtained new materials handling equipment during the year, ranging from forklifts to materials handling trolleys and devices.

We continue to upgrade our facility network to improve our customer delivery performance, with a number of facilities relocated, upgraded or re-branded this year.

Emergency response

We continue to focus on emergency response within the business and progress regarding the implementation of required procedures is reported monthly to our ELT. All our branches have emergency preparedness and response procedures and undertake emergency drills as required.

We have continued to use a national provider for emergency equipment servicing at our Australian branches.

Employee wellbeing

We believe that our business success lies in the hands of all our people working together as a united team. In May 2008 we surveyed all our employees, with a 72 per cent response rate, to provide feedback on our business, leadership behaviours and suggestions for improvement. Since our last survey in October 2006, the overall results indicate that two of our strengths continue to be safety and respect.

We also launched a new reward and recognition programme which involves the provision of ideas and tools on why, what and how to recognise performance and positive behaviours. This programme reinforces the importance of reward and recognition in driving a performance culture.

Our GetSAFE management systems include policies to address various employee wellbeing issues such as:

- smoking;
- health monitoring and assessment;
- drugs and alcohol;
- injury/illness management and return to work; and
- workplace harassment and violence.

Employees continue to access our Employee Assistance Programme, a free counselling and consulting service.

In New Zealand a health and fitness programme was trialled whereby a sample of employees were offered the opportunity to have full health checks, with referral for follow up if required. In addition, the protective clothing factory in Auckland has introduced an exercise programme for sewing machinists where all employees are encouraged to stand up and join in with a series of stretches to music, led by their team leaders. The factory has seen a reduction in incidents from 17 in 2005 to three this year.

A number of branches in Australia and New Zealand offered influenza injections to their team members.



Stakeholders

The following table identifies our key stakeholders and an example of how we engage with them:

Stakeholder group	Examples of engagement
Employees	Employee survey
Customers	Customer survey
Suppliers/contractors	Supplier survey for our major suppliers
Government agencies/ authorities	Local council involvement in the building of new facilities
Local communities	Community support initiatives
Shareholders in parent company (Wesfarmers Limited)	Wesfarmers Limited annual reports and sustainability reports

Feedback and complaints

With more than 240 branches, we operate across Australia and New Zealand in capital cities and regional areas, and have more than 39,000 customers. We endeavour to respond to feedback and complaints when received.

Through an independent party, we conduct customer satisfaction surveys as well as a robust secret shopper programme. We analyse the results and develop and implement appropriate business strategies.

Community support

Our total financial contribution on community support this year was \$54,094 AUD and \$15,128 NZD, which includes employee contributions.

In New Zealand we also held a Golf Day at the Manukau Golf Course in December 2007, to raise money for the Cancer Society, Breast Cancer Foundation and the Heart Foundation. Customers, suppliers and charity representatives were involved and raised \$41,616 NZD which was split evenly amongst these charities.

To encourage employee involvement in the community we provide information on supporting organisations and charities on our intranet, including fundraising ideas. Branches report monthly to the Executive Leadership Team on their community involvement.

As with previous years we continue to provide support to a number of community and social organisations. Examples of these are;

- local sporting clubs;
- schools;
- surf life saving clubs;
- Salvation Army;
- emergency rescue; and
- Sporting Chance Cancer Charity Foundation.

In New Zealand we continue to encourage employees to get involved with Coach Corp, an initiative through the Department of Sport and Recreation (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.

Case study

Forklift Safety Programme

Forklift operation continues to be a high risk activity in our business. With a Key focus on mitigating the potential of forklift incidents and ensuring optimum forklift safety, in Australia we entered into a two part agreement with the Crown Equipment Corporation.

This agreement includes the provision of formal behaviour based training as well as a national forklift maintenance programme.

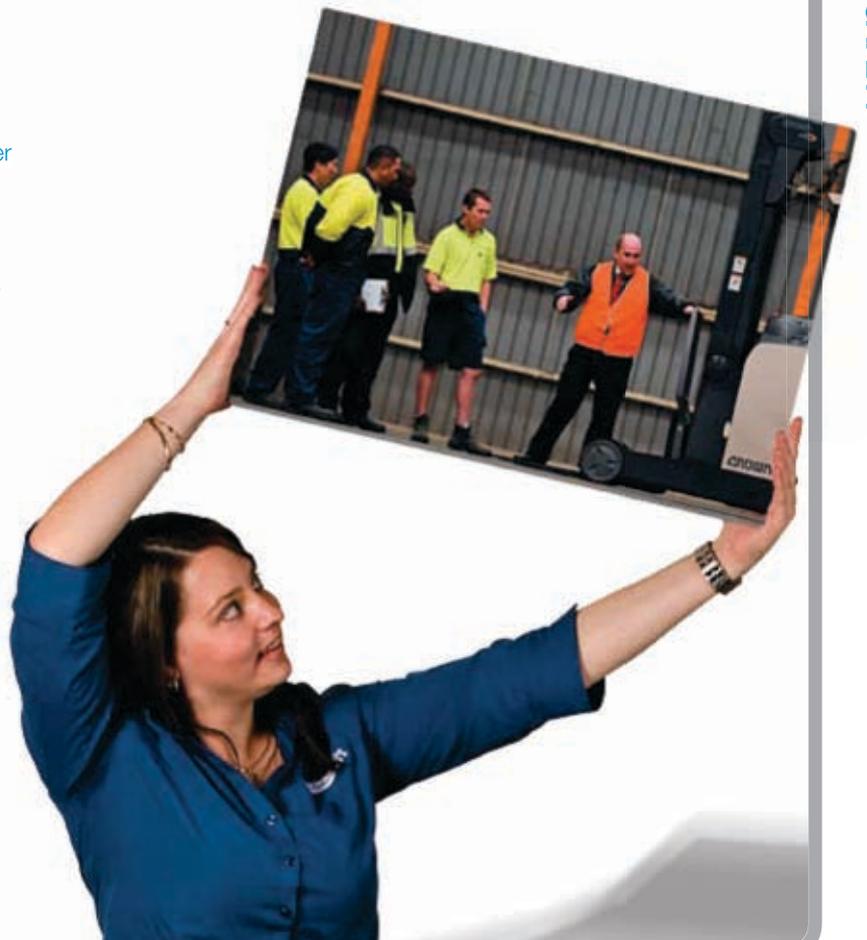
The programme involves the service provider undertaking:

- an initial machinery audit and basic service;
- all forklift maintenance, both preventative and breakdown; and
- logging all of our equipment on their service register.

To complement this, we introduced a comprehensive forklift skills training and assessment programme for all our forklift operators. This involves a practical and theory assessment by an independent accredited trainer which is based on a National Forklift Licence Assessment. Results of these assessments will be used to identify further training needs.



Crown safety trainer Scott Kelly with some Blackwoods forklift operators at Smithfield, New South Wales.



ENERGY



Our business

Wesfarmers Energy's objective is to grow value through our businesses with essential products. This is achieved through long term sustainable growth by improving existing businesses, expanding the division's geographical presence in key competency segments, and the development of investments and capabilities in new segments.

Our businesses include Coregas and a 40 per cent interest in and management of Air Liquide WA - industrial, medical and specialty gases sector; Wesfarmers LPG - liquefied petroleum gas (LPG) and liquefied natural gas (LNG) production; Kleenheat Gas - LPG and LNG distribution and marketing; and enGen - power generation for remote towns and resource projects.



Safety is Wesfarmers Energy's number one priority and we will maintain our focus on the continuous improvement of safety standards.

In September 2006, we announced construction of a 175 tonne per day LNG plant and associated distribution network. The plant on the Wesfarmers LPG site, is part of the division's vertically integrated project to supply a diesel fuel alternative to the heavy duty vehicle (HDV) and remote power generation markets.

In June 2008, the fire at the Apache Energy Varanus Island plant and subsequent gas supply disruptions resulted in the final commissioning of the LNG plant and associated distribution networks being delayed. The gas supply shortages also impacted

LPG supply to Wesfarmers LPG. Air Liquide WA was also affected.

LNG is one of the sustainable fuel alternatives that we are looking at for the energy sector, building on Kleenheat Gas' reputation as a leading promoter and developer of alternative transport fuels over many years with autogas, and now LNG, as a diesel fuel alternative.

We will continue to evaluate and develop products that offer sustainable environmental benefits to our customers across all of our businesses.

We supported the communities in which we operate, by contributing over \$280,000 to community initiatives.

Acetylene cylinder filling at Coregas Yennora, New South Wales.



COREGAS



Our business

We are a major producer and distributor of industrial, medical and specialty gases throughout most of Australia. We employ approximately 180 people.



09 Priorities

- Reduce the All Injury Frequency Rate (AIFR) by 25 per cent.
- Reduce the Lost Time Injury Frequency Rate (LTIFR) by 50 per cent.
- Implement an integrated health, safety, environment and quality management system.
- Reduce cylinder handling and mobile equipment hazards.
- Implement fitness for work policy and programmes.
- Develop and implement compliance programme for the new major hazard facilities legislation in New South Wales.

Overview

The main focus of our business is the ongoing safe production, filling and distribution of industrial, medical and specialty gases in compressed gas cylinders, bulk liquids, and pipelines. The main safety areas we focused on during the year were incident investigations and the safe construction of our nitrogen liquefier unit (NLU) at Port Kembla and our acetylene plant at Yennora, both in New South Wales. The main environmental area we focused on was the environmental compliance of the new acetylene plant to relevant government requirements.



Business Management

Training

Our focus on risk related training included occupational health and safety risk management training, which was provided to 21 of our managers and team leaders in New South Wales and Victoria. Training was also conducted for our team leaders in incident investigation and analysis. We carried out a review of our occupational return to work programme for injured workers and also conducted training for all supervisory employees.

Compliance

Environmental

Our Darra cylinder filling and distribution site in Queensland exceeded the chemical storage and chemical production licensing thresholds issued by the Queensland Environmental Protection Agency. A new licence application has been submitted to the agency.

Health and safety

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

We received a visit by a Workcover New South Wales inspector at Yennora, as well as a visit by a Worksafe Victoria inspector auditing our return to work programme for compliance. No material non-conformances were found.

National Pollutant Inventory (NPI)

The presence and use of all substances listed under the NPI was reviewed during the year in each of our operating sites. However, we did not trigger any thresholds and therefore we are not required to report under the NPI.

Licensing and approvals

We are not aware of any 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'.

Throughout the year we maintained dangerous goods licences for each of our sites and the existing New South Wales Environmental Protection Authority licence for the Yennora site was reviewed.

Management systems and policies

Our Quality Management System (QMS) is certified and compliant with *AS/NZS ISO 9001:2000 Quality management systems - Requirements*. External surveillance audits were carried out at each of our seven accredited sites. Two non-conformances were found in relation to equipment and documentation control which are currently being rectified. Ten internal QMS audits and 18 safety and housekeeping and environmental internal audits were conducted across all our sites throughout the year. We have formal policies in place for safety and health, environmental responsibility, quality and return to work, which are prominently displayed at each operating site.



Environmental

Air (atmospheric emissions)

Greenhouse emissions

Our total greenhouse emissions were estimated to be 51,628 tonnes of carbon dioxide equivalent (CO₂-e). The greenhouse emissions were largely due to vehicle fuel use (approximately two per cent) and electricity consumption (approximately 96 per cent).

Noise

No noise complaints were reported during the year.

As part of construction of the acetylene plant, on-site acoustic emission testing was carried out to confirm that site noise emissions continue to be within Environmental Impact Statement and development approval requirements. Acoustic emissions testing was also carried out on the NLU at Port Kembla in New South Wales with the cryogenic plant control room fitted with noise suppression measures. Further work is continuing to reduce noise impacts.

Waste

Solid/liquid waste

Solid waste during the year consisted primarily of recyclable scrap steel and aluminium cylinders, metal valves, plastic packaging and wrapping, timber, and general refuse. Our total metal waste during the year was 201 tonnes and this was disposed of by a licensed waste disposal contractor. We are working with our service provider to estimate the quantities of general refuse.

Liquid waste during the year consisted primarily of lime slurry (calcium hydroxide in water), a by-product of acetylene production. A New South Wales Environmental Protection Authority waste classification exemption was able to be obtained as the lime slurry is reused for beneficial use in soil stabilisation. This was estimated to be 269,500 litres, which was collected by a registered waste disposal company.

Recycling initiatives

During the year we began paper and cardboard recycling and toner cartridge recycling at our Yennora operations.

Land

Contamination

Minor ground contamination of an organic degreasing solvent was identified adjacent to the maintenance workshop area at the Port Kembla site. Prior occupants of the site have acknowledged responsibility for the contamination and installed a number of fixed groundwater bores with annual measurements taken to monitor groundwater contamination.

Resource usage

Energy

Total energy consumption was estimated to be 227,707 gigajoules. This energy use mainly comprises fuel (19,696 gigajoules) and electricity (201,335 gigajoules). The principal consumer of electricity is the Port Kembla cryogenic plant which constitutes 89 per cent of our energy consumption.

Water

Consumption

Water use during the year related primarily to our Port Kembla production facilities where it is used as a coolant for process temperature control. During the year the NLU which uses a separate cooling system was commissioned, increasing our demand for water. Our total water consumption for the Port Kembla site was 189 megalitres.

Reuse and recycling

Water from the acetylene plant lime slurry is separated in settling tanks, transferred to recycled water tanks and then fed back to the acetylene generator for re-use as feedwater.

Run-off chilled water used for cylinder cooling during acetylene filling is captured and returned to a water collection pit where it is then fed back through the unit and recycled on a continuous basis resulting in less water required.

Safety and Health

Lost time

During 2008, there were five LTIs, compared to four in 2007. The LTIFR has increased over the last 12 months to 12.7 (see Figure 1). These statistics include contractor hours and injuries. Safety statistics are distributed and discussed by management each month and reported to our board every quarter.

Last year's report included a reference to an LTIFR of 8.2 which was for the period post our acquisition by Wesfarmers Energy from 1 February 2007 to 30 June 2007. The above 2007 figure of 11.0 is for the full year of 1 July 2006 to 30 June 2007.

Number of workers compensation claims

During 2008, there was a significant reduction in workers compensation claims for manual handling injuries in New South Wales which followed an increased emphasis on safety in the workplace and a complete review of our return to work programme.

The 2007 Wesfarmers Sustainability Report reported nine workers compensation claims which were for the period post our acquisition by Wesfarmers Energy from 1 February 2007 to 30 June 2007. The above 2007 figure of 17 is for the full year 1 July 2006 to 30 June 2007 (see Figure 2).

Case study

World Solar Challenge

We are committed to a sustainable future and offering our customers products with environmental benefits including alternative fuels.

The World Solar Challenge, which began in 1987 is one way that we support research into sustainable fuels. The challenge is a biennial event that draws international attention to the benefits of sustainable transport. Initiated by solar pioneer, Hans Tholstrup, the challenge's twentieth year saw it expand to include a GreenFleet Technology class, showcasing the viability and performance of new generation vehicles that have ultra fuel efficiency and low emission technologies.

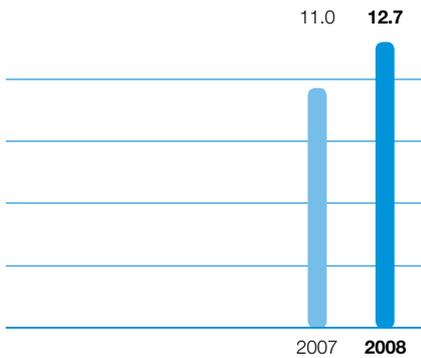
This year, we sponsored Japan's Osaka Sangyo University's (OSU) hydrogen fuel cell vehicle in this class and supplied high purity hydrogen gas to fuel the vehicle, as well as the logistics to ensure gas cylinders

were available throughout the 3,000 kilometre journey from Darwin in the Northern Territory to Adelaide in South Australia.

OSU's hydrogen fuel cell vehicle arrived safely in Adelaide following a six day incident-free trip.

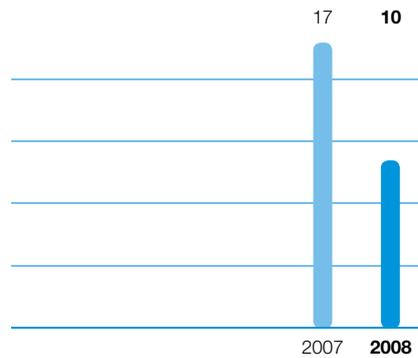
Participation in alternate energy activities of this type is an important aspect of our contribution towards a sustainable future.

Figure 1: LTIFR*



1 July 2006 – 30 June 2008 (as at 30 September 2008)
*Contractor hours and LTIs included.

Figure 2: Workers compensation claims



Hazard and risk

We have a number of risk management programmes in place to minimise potential hazards to employees. These include monthly team site safety meetings, asbestos audits and a safety signage review. This year a hazard and risk programme was implemented at Port Kembla. We also introduced a new site safety inspection reporting process for all managers. In 2009, this will be expanded to include all employees.

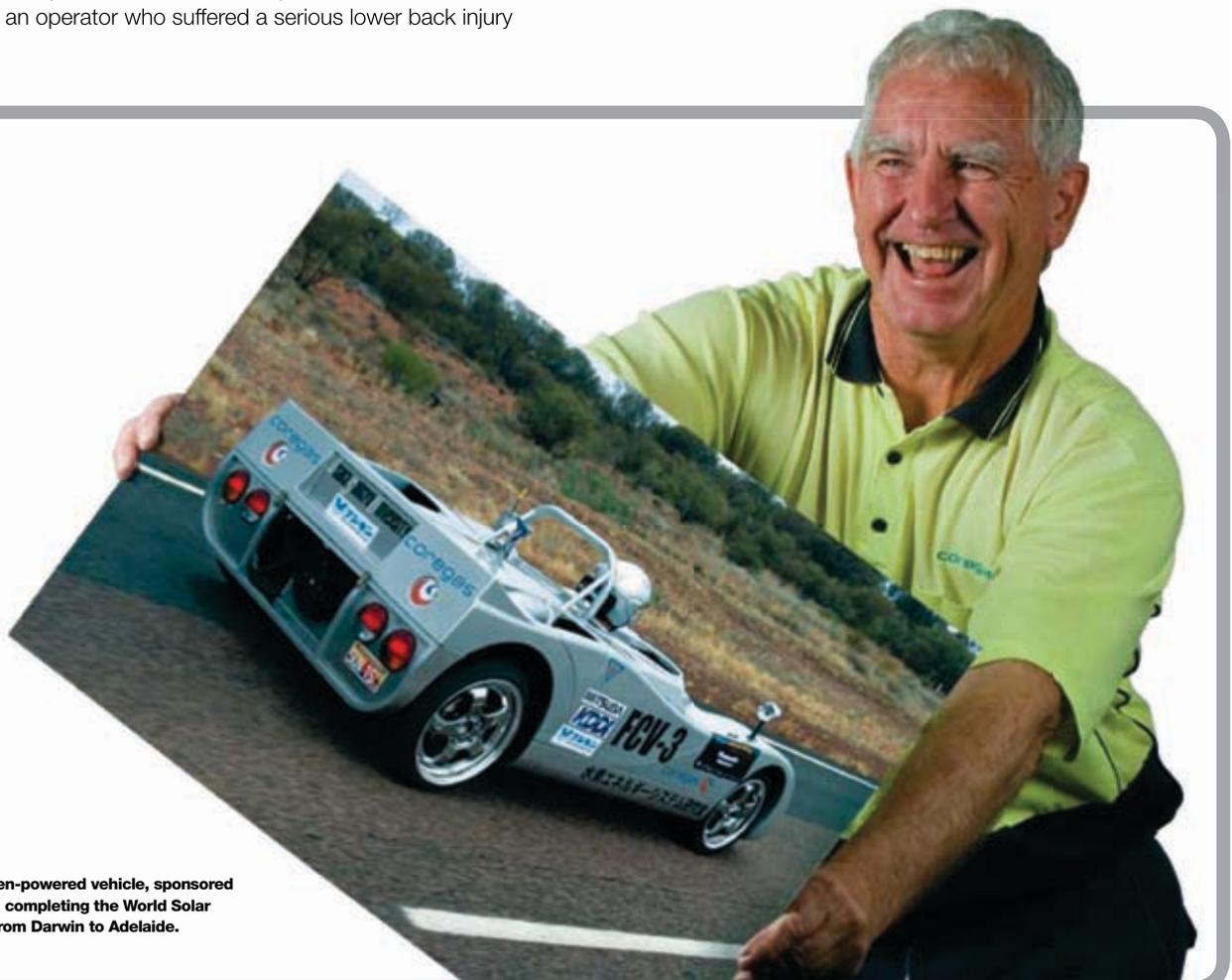
As part of our safety programme, we continued with our transport safety strategy with the Australian Industry Group who trained all of our truck drivers to Certificate III level in Transport and Distribution (a nationally recognised Occupational Health and Safety qualification for the transport industry). This brought to 27 the number of our drivers trained and accredited to this level.

We had five significant incidents during 2007/2008. These included: an operator who suffered a serious lower back injury

while manually lifting a cylinder onto a pallet; an operator who injured his arm when it became trapped between cylinder packs being moved for re-labelling; and an operator who received burns to his leg when the pressure regulator on a medical oxygen cylinder ignited during gas analysis in the quality control laboratory, causing a small fire.

Emergency response

The Yennora site evacuation procedure was revised and training provided to site employees. The Port Kembla emergency plan was also updated to include the NLU and to be consistent with the requirements of the proposed New South Wales Major Hazard Facility legislation. Crisis management and business continuity plans were also prepared with both capabilities tested in simulated exercises.



The hydrogen-powered vehicle, sponsored by Coregas, completing the World Solar Challenge from Darwin to Adelaide.



▲
Top: Coregas acetylene filler Daniel Poulos flattening used calcium carbide drums
Bottom: Coregas acetylene filler Dylan Raymonds with a beaker of lime slurry, a by-product of acetylene production, which is collected and reused as a soil stabiliser.

Employee wellbeing

Influenza injections were offered to employees this year with 66 employees taking up the offer. We also provide an employee assistance programme for all employees through an independent external provider.

We are currently implementing our fitness for work policy and programme following extensive employee consultation. Implementation will be finalised in the coming year.



Stakeholders

The following table identifies our key stakeholders and examples of how we engage with them:

Stakeholder group	Examples of engagement
Employees	OHS committees, monthly safety meetings Divisional employee presentations
Customers	Customer Survey, safety training sessions.
Suppliers/contractors	Review / renewal of supplier agreements General project communications
Government agencies/ authorities	Regulatory compliance, Standards Australia committees, industry association committees
Local communities	Various sponsorships
Shareholders in parent company (Wesfarmers Limited)	Investor presentations End of year and half year result announcements and presentations Wesfarmers Limited annual report and this sustainability report.

Feedback and complaints

We engaged a research company to conduct a customer experience survey in May 2008 and as a result, action plans are under development.

Community support

We support the Constable Care programme which provides safety information to children involving teachers, parents and caregivers and features a safety activity book, which covers topics including roads, transport and water safety, health, and an extended section on personal protection. Our sponsorship also includes contributing a page in the health section on the safe use of helium (party) balloons.



Our business

We are a major manufacturer and distributor of a broad range of industrial, medical and specialty gases operating in Western Australia and the Northern Territory. We also supply a range of environmental gases and home healthcare services. The company is a joint venture between Wesfarmers Limited (40 per cent) and Air Liquide Australia Limited (60 per cent). We employ approximately 80 people and have a network of 69 agents.



08 Priorities

- Maintain the lost time injury frequency rate of zero.
- Conduct a health, safety and environmental (HSE) management systems audit.
- Update the Henderson Major Hazard Facility's (MHF) Safety Case and conduct management workplace observations to identify and control hazards.
- Promote health and safety awareness to personnel.
- Update the Emergency Management Plan and provide comprehensive training to personnel.

08 Outcomes

- = **Achieved.** No lost time incident occurred.
- = **Achieved.** Audit completed in August 2007 and management report on compliance produced.
- = **Achieved.** Safety Case produced and 31 management workplace observations conducted.
- = **Achieved.** Regular Safety Flash publications on our intranet.
- = **Partially achieved.** Emergency Management Plan updated.

09 Priorities

- Maintain the lost time injury frequency rate of zero.
- Incorporate a positive lead safety performance indicator into our performance reporting system.
- Improve the Bunbury depot's cylinder storage facility.
- Provide comprehensive training for personnel on the Emergency Management Plan and conduct an emergency exercise.
- Engage personnel to improve our safety culture and implement an action plan to improve safety in the workplace.

Overview

The major focus for our business is the continued safe production and distribution of industrial, medical and specialty gases. The major environmental focus is the ongoing management of lime waste at the Henderson site. Lime waste is a by-product from our acetylene production facility and is regularly removed by a licensed contractor for reuse as raw material in a manufacturing process. From a safety perspective, we focused our attention on re-surfacing the Henderson test station floor in an effort to minimise the risk of rolling gas cylinders on an uneven surface.

Management systems and policies

Safety is fundamental to our people and our processes. The Industrial Management System (IMS) is a framework of minimum requirements for safety, the environment and reliability of production. Best practice in health, safety, environment and quality management is applied to our processes. Our quality management system (QMS) is certified to the AS/NZS ISO 9001:2000 Quality Management Systems – Requirements. All policies are introduced at inductions and can be accessed on our intranet.



Business Management

Training

During the year key operational personnel were trained in our safe work permit system. The system highlights potential hazards to a work activity as well as the safety controls to control hazards for the protection of the work team. In addition, two health and safety representatives, elected in 2007 and based at Henderson, completed training for their new workplace safety roles.

Compliance

We are not aware of any potential or non compliance with environmental or health and safety legislation.

National Pollutant Inventory (NPI)

Emissions notifiable under the NPI were estimated for acetone. Data for the 2006/2007 reporting period was submitted to the Department of Environment and Conservation (DEC). Detailed information is available at: www.npi.gov.au. Our substance emission for last year was ranked by the NPI as low.



Environmental

Air (atmospheric emissions)

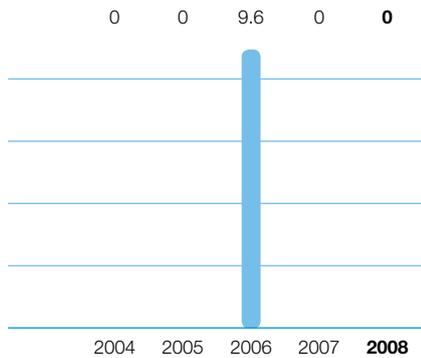
Dust/Odour

All sites have dust suppression measures in place including roadways with blue metal and concrete coverage. There are also gardens which are regularly maintained. We have not received any dust emission complaints.

Greenhouse emissions

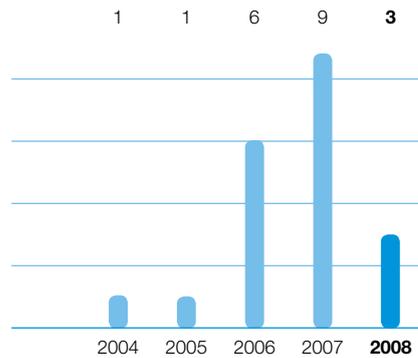
Our total greenhouse emissions were estimated to be 80,595 tonnes of carbon dioxide equivalent, up one per cent on last year. The greenhouse emissions were due largely to the air separation unit (ASU) at Kwinana which performs a gas liquefaction and separation process and represents 93 per cent of our electricity consumption.

Figure 1: LTIFR*



1 July 2003 – 30 June 2008 (as at 30 September 2008)
*Contractor hours and LTIs included.

Figure 2: Workers compensation claims



Waste

Solid/liquid waste

Solid waste during the year consisted primarily of steel drums and wooden pallets. Our total solid general waste stream was estimated to be 95 tonnes, down three per cent on last year. Of this amount, we estimated that 100 per cent was recycled.

Liquid waste during the year consisted primarily of a lime by-product from acetylene production at our Henderson site and was estimated to be 4,051 tonnes. Of this amount, we estimate that 100 per cent was recycled.

Water

Consumption

Water use during the year related primarily to the gas liquefaction process at our ASU. Water is also used at our acetylene cylinder filling plant where, combined with calcium carbide, it reduces heat build up. We upgraded the ASU cooling tower resulting in improved water efficiency usage. Total water consumption was estimated to be 110 megalitres, down nine per cent on last year.

Resource usage

Energy usage

Total energy consumption was estimated to be 296,344 gigajoules, down three per cent on last year.

Safety and Health

Lost time

During 2008, there were zero LTIs, as in 2007. These statistics include contractor hours and injuries. Safety statistics are distributed and discussed by management each month and reported to the Board quarterly (see Figure 1).

Number of workers compensation claims

There were three workers compensation claims this year, compared to nine last year (see Figure 2).

Hazard and risk

Emergency response

The emergency management plan (EMP) was updated. A simulated emergency response exercise and further EMP training is scheduled for 2009.

Employee wellbeing

The Employee Assistance Programme is available to all employees and their immediate family. Access to a childcare referral service is also available. The Well@Work magazine by Healthworks is distributed to employees and contains information that raises awareness on a wide range of health and safety issues.

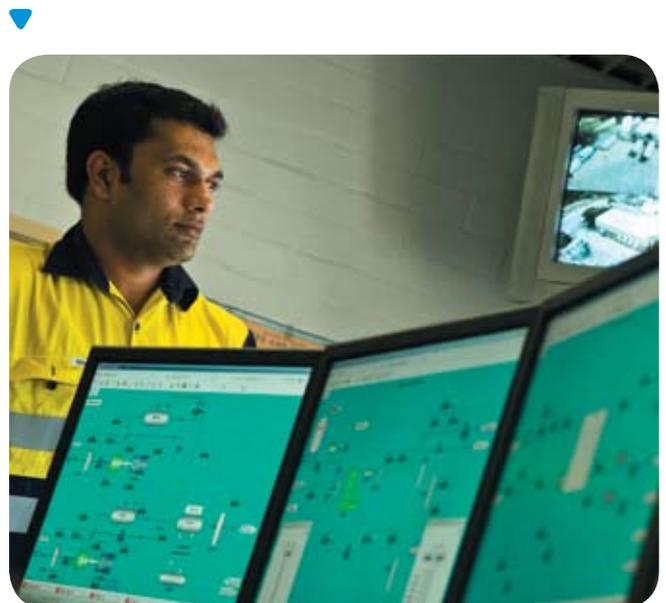
Community

Stakeholders

The following table identifies our key stakeholders and an example of how we engage with them:

Stakeholder group	Examples of engagement
Employees	Toolbox / team meetings, HSE Meetings, energise ALWA projects, performance appraisals, celebration activities, divisional employee presentations.
Customers	Business Manager visits, contract management, phone discussions, information letters and entertainment events.
Suppliers/contractors	Verbal communication / team meetings, contract appraisals.

Air Liquide WA Graduate Process Engineer Raj Jadhav in the control room at Kwinana, Western Australia.



Government agencies/ authorities	DOCEP meetings, phone calls, FESA visits.
Local communities	Donations and sponsorships.
Shareholders	Board meetings, Legal discussions, Wesfarmers Limited annual report and this sustainability report.

Feedback and complaints

Senior management are available to respond to any complaint from the community.

Community support

We have made a number of sponsorships and donations to charities throughout Western Australia and have also continued sponsorship of a World Vision child from Bangladesh.

Case study

Fire and Emergency Services Authority Consultation

As a part of our commitment to safety, regular site inspections are conducted by Fire and Emergency Services Authority (FESA) officials at our Henderson facility.

The site is classified as a Major Hazard Facility by Department of Consumer and Employment Protection due primarily to the high volume of the dangerous good, calcium carbide stored on site. Calcium carbide is a raw material used in the production of acetylene.

FESA was involved last year in a simulated emergency exercise led by our Safety and Quality Manager. The exercise gave our Emergency Management Team

experience in the management of an emergency at our site. FESA also benefited from the exercise as it now has a greater understanding of our business, the gases and products we manufacture and store on-site.

We have developed a good relationship with FESA, Success Fire Station personnel and their regular visits to Henderson provide both parties the opportunity to discuss risk prevention, controls and emergency management.



▲ From left: Air Liquide WA's Safety and Quality Manager Kim Higgins with FESA fire fighter Andrew Spry and Station Officer Terry Shehan at the Henderson plant, in Western Australia.

WESFARMERS LPG

Our business

We own and operate a plant in Kwinana, Western Australia which extracts liquefied petroleum gas (LPG) from the natural gas stream in the Dampier to Bunbury pipeline. We also completed the construction of a new 175 tonnes per day liquefied natural gas (LNG) production plant during the year. We employ approximately 55 people.



08 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.
- Implement electronic HSE activity and competency systems.
- Review and update our Safety Report.
- Conduct compliance audit of our Safety Report.

08 Outcomes

- = **Not achieved.** We had two contractor injuries which required medical treatment.
- = **Achieved.** LTIFR of zero for employees and contractors.
- = **Achieved.** Permit to Work system and workplace inspections are in place.
- = **Achieved.** No significant release of hydrocarbons to the atmosphere.
- = **Achieved.** HSE activity and competency systems implemented.
- = **Achieved.** Safety Report updated to include the new LNG plant and general revisions.
- = **Achieved.** Pre-commissioning audit completed for new LNG plant.

09 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.
- Conduct a compliance audit of our safety report.
- Maintain compliance with our Environmental Protection Act 1986 licence conditions.
- Maintain relationships with our community stakeholders.

Overview

The major focus of our business is the continued safe operation of our LPG extraction plant and minimisation of any adverse effects on the environment and the local community.

The main safety areas we focused on during the year were: maintaining a good safety performance; implementation of electronic health, safety and environmental (HSE) systems; and compliance auditing for the new LNG plant. In February 2008, we achieved five years LTI free. The main environmental areas we focused on during the year were preventing the significant release of hydrocarbons into the atmosphere and maintaining compliance with our Environmental Protection Act 1986 licence conditions.



Business Management

Training

During 2008, 662 employees and contractors undertook environmental awareness training as part of their induction focusing on product spillage and housekeeping. All employees and contractors are required to attend a safety induction programme before entering the process area. The emergency response training undertaken is tailored to each employee's role.

Compliance

Environmental

We received a warning from the Department of Environment and Conservation (DEC), in relation to the method used to measure stack emissions not being compliant with our Environmental Protection Act 1986 licence conditions. This was resolved and is now included in our licence conditions.

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.

National Pollutant Inventory (NPI)

Emissions notifiable under the NPI were estimated for substances listed on the NPI. Data for the 2006/2007 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.

Licensing and approvals

Our plant operates under licences issued by the DEC and DoCEP, and 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 the Environment section.



Environmental

Air (atmospheric emissions)

Dust

We provided dust suppression measures during construction of the new LNG plant. Grass areas on site are also maintained to help control dust.

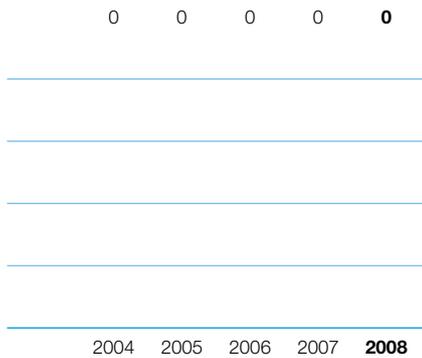
Odour

We add ethyl mercaptan, an odorant, to LPG as an early indicator for leakages. This is closely monitored as leaks may result in strong odours. There were no odour complaints received this year.



▲ W LPG Process Operator Wilber Andrews gas testing near the gas treaters at the LPG plant, Kwinana, Western Australia.

Figure 1: LTIFR*



1 July 2003 – 30 June 2008 (as at 30 September 2008)
 *Contractor hours and LTIs included.

Greenhouse emissions

Our total greenhouse emissions were estimated to be 133,378 tonnes of carbon dioxide equivalent (CO₂-e), down two per cent on last year and includes the following substance emissions:

- 123,483 tonnes of carbon dioxide (CO₂)
- 462 tonnes of methane (CH₄) and
- 327 kilograms of nitrous oxide (N₂O)

The greenhouse emissions were due largely to fuel gas consumption (approximately 87 per cent) and fugitive gas emissions due to gas turbine starter gas (approximately seven per cent).

Noise

The extraction plant operates 24 hours a day and whilst there is rotating equipment that produces a low level of background noise at the plant boundary, we are compliant with the environmental noise regulations. We will review noise management options once the new LNG plant is on-line.

Other emissions

During plant shutdowns, or occasionally to control pressure in operating vessels, gas needs to be released from the process plant. This gas is safely disposed of through combustion flares with the flare tips continuously monitored in the control room with 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.

“...for the fifth consecutive year we achieved an LTIFR of zero.”

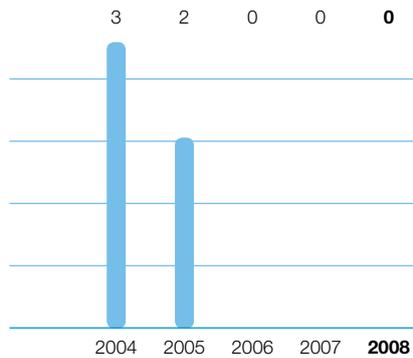
Waste

Solid/liquid waste

Solid waste during the year consisted primarily of general site waste. Our total solid general waste stream was estimated to be 915 cubic metres, up 23 per cent on last year. All of this is safely disposed to landfill.

Liquid waste during the year consisted primarily of waste oil and was estimated to be 13,300 litres which was collected by a contractor, up 411 per cent from last year, mainly due to gas turbine oil changes. Of this amount, 100 per cent is recycled.

Figure 2: Workers compensation claims



Recycling initiatives

Paper and cardboard recycling bins continued to be used as part of our paper products recycling policy and approximately 81 cubic metres of paper and cardboard were removed by our waste management contractor.

Land

Contamination

Following the introduction of the *Contaminated Sites Act 2003*, we received notification from the DEC that our site has been classified as Contaminated – Restricted Use. The contamination was a result of a previous owner’s land use and relates primarily to lead and zinc contamination.

Resource usage

Energy

Total energy consumption was estimated to be 2,091,729 gigajoules, up less than one per cent on last year. This energy use is broken down into fuel (less than one per cent of total energy consumption), electricity (less than one per cent) and natural gas (93 per cent).

Water

Consumption

Water use during the year was due primarily to general plant processes and site amenities, such as kitchens and bathrooms.

Total water consumption was estimated to be 23.8 megalitres, up 46 per cent on last year, due to increased use of the water treatment plant.

Reuse and recycling

The majority of water used for deluge system testing is returned to the storage pond for reuse.

Safety and Health

Lost time

During 2008 there were zero LTIs, compared to zero in 2007, and for the fifth consecutive year we achieved an LTIFR of zero. (see Figure 1). Average Lost Time Rate remained at zero. These statistics include contractor hours and injuries. Safety statistics, including information on employees and contractors, are reported to Wesfarmers Energy monthly.



▲ **WLPG Laboratory Supervisor Michelle Slitenbachs doing a process check at the new LNG plant, Kwinana, Western Australia.**

Number of workers compensation claims

There were no workers compensation claims for the third consecutive year (see figure 2).

Hazard and risk

We have a number of risk management programmes as well as our regulatory licences to minimise potential hazards to personnel and the environment. Our internal management programmes include Permit to Work, Safety Report, Safety Regulations, Emergency Management Plan (EMP), Engineering Change Procedure and Fitness for Work (Drugs and Alcohol) Policy.

Emergency response

We updated our EMP to include the new LNG plant and general revisions. An emergency desktop exercise involving an LNG plant scenario was completed, with the exercise facilitator's report concluding that we are capable of managing a major emergency.

Employee wellbeing

We offer an Employee Assistance Programme with independent professional and confidential counselling to all employees and their immediate families as well as a childcare referral service and influenza vaccinations.

▼ **WLPG personnel conducting practical fire training as part of our emergency response training programme.**



Community

Stakeholders

The following table identifies our key stakeholders and an example of how we engage with them:

Stakeholder group	Examples of engagement
Employees	Distribution of this Sustainability Report and divisional employee presentations.
Customers	Discussions with relevant site personnel.
Suppliers/contractors	Discussions with relevant site personnel.
Government agencies/authorities	Safety Report meetings with DoCEP and DEC communications.
Local communities	Membership of Kwinana Industries Council and Kwinana Industries Public Safety Liaison Group. Provision of work experience for local school students.
Shareholders in parent company (Wesfarmers Limited)	Investor presentations. End of year and half year result announcements and presentations. Wesfarmers Limited annual report and this sustainability report.

Feedback and complaints

We maintain an environmental complaints register to record any complaints from the local community. One noise complaint was referred to us by the DEC as a result of increased flaring of gas during the commissioning the new LNG plant. This was resolved.

Community support

We continued to provide work experience for local mechanical trade students through our participation in the South Metropolitan Youth Link.

We continued to support a number of community initiatives including the Rotary Club, Lions Club, Police and Community Youth Centres and the Blue Light Streetsmart Handbook.

Case study

New LNG Production Plant

We completed the construction of a new 175 tonne per day LNG production plant on our existing site at Kwinana. The new plant includes gas processing, storage and loading facilities. Commissioning was suspended due to the gas supply disruptions experienced in Western Australia in mid 2008.

The plant is part of a Wesfarmers Energy project which aims to increase the use of LNG as an alternative fuel, particularly in the heavy duty vehicle fuel and remote power generation markets. The main benefit of using LNG over diesel includes improved environmental performance for fuel related greenhouse emissions.

Major construction works were completed with no LTIs and contributed to us achieving five years with no LTIs in February 2008.

The construction of the new LNG plant provided employment for approximately 600 people in the construction phase of the project over 12 months as well as the increased ongoing requirement for process operators

WESFARMERS LPG



The new LNG plant on the Wesfarmers LPG site at Kwinana, Western Australia.

KLEENHEAT GAS

Our business

We are a major distributor of liquefied petroleum gas (LPG) to a range of domestic, commercial, forklift, autogas and industrial customers. We operate in all states of Australia through a network of depots, company-operated branches, commission agents (CAs), dealers and franchisees. Other activities include supplying a growing liquefied natural gas (LNG) market in both large vehicle transport and energy production fuel, retailing appliances at our GasHouse locations and operating an LPG facility in Bangladesh. We have more than 420 employees, 31 CAs, 589 dealers and numerous contractors.



08 Priorities

- To reduce our LTIFR by 50 per cent.
- To continue to assist our business partners in safety.
- To introduce further improvement programmes for safety and compliance.
- To reduce our environmental footprint through improved waste management.
- To continue to contribute to the management of contaminated sites.

08 Outcomes

- = **Not achieved.** Our LTIFR increased to 9.4.
- = **Achieved.** Improved communication.
- = **Achieved.** This included training, communication and providing the opportunity to assess and provide feedback on safety performance.
- = **Achieved.** Various environmental improvement initiatives were introduced.
- = **Achieved.** Management continued at the Queens Park and Osborne Park sites in Western Australia.

09 Priorities

- To improve our safety performance.
- To improve our Environmental Management System.
- Continue to develop and integrate a Compliance Programme aligned to the principles of Australian Standard AS3806 – Compliance programmes.
- To receive no regulatory infringements.
- To provide all employees the opportunity to improve their health.

Overview

The major focus of our business is handling and distributing LPG and LNG in a way that minimises any adverse impacts to employees, contractors, the community or the environment.

One of our main aims this year was to improve the integration of health, safety, environment and compliance (HSEC) throughout the business and to increase awareness of individual responsibility in relation to each of these areas. A compliance policy was developed and our health and safety and environmental policies were reviewed and reissued during the year with improvement plans developed to monitor progress of our HSEC programmes.

Aspects of these programmes included the introduction of our quarterly CHaSE (Compliance, Health and Safety, Environment) magazine; environmental improvement initiatives, and our employee health and wellbeing programme, JumpStart. We also began our SmartDrive project and continued raising the profile of our safety mascot Safety Sam.

Business Management

Training

Online Trade Practices Act training began in December 2007 with 94 per cent of required personnel completing the training. Seminars were also held and attended by 97 employees.

The HSEC induction was updated and is intended to form part of an online training package. We provided additional training for employees in the online event reporting system First Priority Enterprise (FPe).

Our Dangerous Goods training accreditation was updated in March 2008 to reflect current national competencies.

Compliance

We operate under a compliance programme which is consistent with the principles of *Australian Standard AS3806 – Compliance* programmes. During the year a breach policy was developed requiring personnel to report any potential or actual compliance breaches with 16 such reports recorded during the year.

Last year we reported on an Australian Competition and Consumer Commission (ACCC) investigation into events relating to two pricing practices that were in place between 2002 and 2003. We cooperated with this investigation and in February 2008 entered into agreed undertakings with the ACCC to implement policies and procedures that will prevent a recurrence of these practices. Many of the improvements identified during the investigation have now been implemented and an action plan is in place for the remainder.

Environmental

We received a letter from the Queensland Environmental Protection Agency (EPA) following an incident where wet sand (comprising silt from a stormwater drain) was placed on a grassed area to dry prior to disposal at our Pinkenba site in Queensland. This was considered a breach due to the proximity of our site to the Brisbane River. Although a written warning remains, no further action is required.

An internal waste review was conducted and identified the opportunity to establish a more appropriate disposal method for paint filters which were not being disposed of correctly from our Winnellie site in the Northern Territory.

We are not aware of any other non-compliance with environmental requirements.

Health and safety

We became aware of a potential non-compliance regarding asbestos management. An internal asbestos review began to ensure appropriate management and compliance to current regulatory requirements for each of our sites.

The Workplace Ombudsman notified us of an administrative omission relating to information on a small number of payslips. This has now been rectified.

We are not aware of any other non-compliance with occupational health and safety requirements.

National Pollutant Inventory (NPI)

We have no notifiable emissions to the NPI.

Licensing and approvals

During the year, we became aware of two expired Dangerous Goods licences. Both licences have been renewed.

Our Tasmanian site received an infringement notice for vessels that had not been registered under the correct name. This incident is under investigation.

During the year our Pinkenba site successfully renewed its environmental licence and our Bangladesh site successfully renewed its environmental certification.

Our Major Hazard Facility (MHF) licence at our Swan Hill depot in Victoria was renewed. Our Pinkenba site and our Kwinana site in Western Australia remain as MHFs.

Management systems and policies

We have an Operations Management System (OMS) which is an integrated system for procedural and process documentation. A review of the OMS began this year to improve awareness and accessibility of the system.

The revised policies for occupational health and safety, environmental, compliance and quality were developed in accordance with the relevant Australian Standard and are available at operating locations and on the intranet.

We are nationally certified to the AS/NZS ISO9001:2000 – Quality management systems – Requirements standard. Our Kwinana and Murdoch operations in Western Australia are certified to AS/NZS ISO14001:2004 Environmental management systems – Requirements with guidance for use standard. Our Murdoch, Kwinana and Pinkenba operations are certified to AS/NZS 4801:2001 Occupational health and safety management systems – Specifications with guidance for use standard.

Kleenheat Gas Michael Downes driving a cylinder delivery truck fitted with SmartDrive.



Air (atmospheric emissions)

Dust

One dust related incident was reported at our Deer Park site in Victoria this year. Planned site developments include measures to reduce the dust levels on site.

Odour

In their natural state, LPG and natural gas are odourless and for safety reasons an odourant is added. Two community complaints relating to odour were received by our Kwinana site this year and an investigation has commenced. An incident also occurred at an LNG installation on a remote mine site in Western Australia where an odourant leak resulted in a strong smell over a large area of the mine site. Corrective actions are being implemented to prevent a recurrence.

Operational LPG emissions are minimised through a remnant gas recovery system at our test stations. During the year, 149 tonnes of LPG were recovered.

Greenhouse emissions

Our total greenhouse emissions were estimated to be 17,247 tonnes of carbon dioxide equivalent, up 18 per cent on last year. This increase is partially attributed to the inclusion of data from a wider scope of sources this year including energy use at our Bangladesh site and waste. Our greenhouse emissions are due to vehicle fuel use (approximately 79.5 per cent), electricity consumption (approximately 18.8 per cent), natural gas consumption (approximately 0.3 per cent) and waste (approximately 1.4 per cent). We achieved greater accuracy from improved data collection methods this year.

The substitution of LNG and LPG in our vehicles instead of diesel or petrol has meant that our greenhouse emissions are 431.5 tonnes less than they otherwise could have been.

As well as aiming to reduce the amount of business related travel, we are also progressively offsetting the greenhouse emissions associated with business purpose flights taken during 2008. For



▲ Kleenheat Gas Supervisor Gavin Hennings inspects the automated cylinder washer, incorporating water recycling at Camellia, New South Wales.

flights taken during the first quarter, 76 tonnes of greenhouse emissions were offset through an airline programme.

Noise

Noise monitoring was conducted for occupational health and safety reasons at our Kwinana, Western Australia and Camellia New South Wales sites. The results found that, in some areas, personal protective equipment is required to be worn.

Waste

Solid/liquid waste

An internal waste review was conducted at 51 sites this year to assist in quantifying our waste volume and to identify any opportunities for improvement in waste management. Solid waste generated during the year primarily consisted of metal, paper, cardboard, plastic and kitchen wastes. It is estimated that 705 tonnes of waste were generated of which 79 per cent was recycled.

Residual paint waste, which can be solid or liquid, is generated during the cylinder refurbishing process and is disposed of by licensed waste contractors.

Recycling initiatives

Recycling of various materials including metal, paper and plastic is carried out at numerous sites. We recycled 403 tonnes of steel and 55 tonnes of brass from cylinders that can no longer be refurbished and reused.

Electronic waste recycling formed one of our environmental improvement initiatives this year. The initiative resulted in more than two tonnes of electronic waste being diverted from landfill.

Identifying and optimising waste management options, such as recycling, forms part of the environmental due diligence process in planning site developments.

A trial using recycled paper and a project to recycle plastic cylinder nets have begun.

Land

Contamination

Contamination is unlikely to result from our operations as LPG and LNG vaporise at atmospheric pressure, preventing them from entering soil or water resources. Our leased site at Camellia and our recently purchased site at Deer Park in Victoria are contaminated from previous land uses. Our operations do not disturb the contamination at either site and the contamination is being managed by the relevant, responsible party.

We continued to assist in the management of contaminated sites in Queens Park and Osborne Park, both former KwikFuel sites, in Western Australia. We reported these sites last year under the Contaminated Sites Act 2003 and both were classified as 'Contaminated – Remediation required'. Responsibility for the remediation of these sites is yet to be determined.

Resource usage

Energy

Our total energy use this year included petrol and LPG (used by our passenger fleet vehicles), diesel and LNG (used by our heavy duty vehicle fleet which includes cylinder and bulk delivery vehicles), electricity and natural gas.

Total energy consumption was estimated to be 196,789 gigajoules, up seven per cent from last year. This energy is broken down into fuel (93.9 per cent of total consumption), electricity (5.7 per cent) and natural gas (0.5 per cent).

LPG produces less greenhouse emissions than petrol. Dedicated LPG and dual-fuelled vehicles comprise our entire passenger fleet.

LNG produces less greenhouse emissions than diesel during combustion and produces less particulate matter. This year we purchased seven additional dual-fuelled vehicles for our heavy duty vehicle fleet.

Water

Consumption

Water is used for truck and cylinder washing, deluge, irrigation or general amenities. This year we monitored water consumption at 14 sites which totalled 13,588 kilolitres. Waterless urinals were installed at our Murdoch site this year and are estimated to save 14,000 litres of water, per male employee, per year. Waterless urinals are already installed at three other sites.

Reuse and recycling

Water released from the fire deluge systems at our Channel Island site in the Northern Territory and at our Kwinana site flows back into a water storage dam for reuse. The automated cylinder washers at our Kwinana and Camellia sites incorporate water recycling. Similar cylinder washing facilities are planned for our Pinkenba site.



Safety and Health

Lost time

There were 11 LTIs this year compared to four for last year. The average lost time rate has decreased from 16.75 to seven over the last year. These statistics include contractor hours and injuries. Our LTIFR was 9.4, compared to 3.6 last year (see Figure 1).

Safety statistics are distributed and discussed by management each month and reported to our board.

Number of workers compensation claims

There were 34 reported workers compensation claims this year compared to 10 last year (see Figure 2).

Hazard and risk

We have a number of risk management programmes in place to minimise potential hazards posed to employees including fatigue management and fit for work.

Our SmartDrive project aimed at reducing on road incidents and improving driver behaviour has begun. SmartDrive will assist in the investigation of incidents. The installation of audio visual recording devices, activated by excessive vehicle forces, such as hard braking or sudden swerving, is planned for our entire delivery fleet (see photograph on page 115).

At our Camellia site we conducted an asbestos risk assessment with all resulting recommended actions completed. The removal of the asbestos at our Deer Park site forms part of the developments planned for the site.

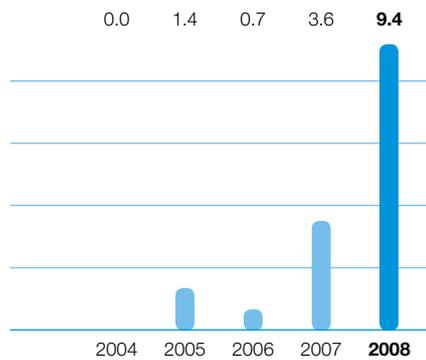
Emergency response

A crisis management training exercise was held during the year at our Niddrie site in Victoria and involved a gas quality crisis affecting multiple parts of our business.

There were eight evacuation drills undertaken this year at various sites, nine employees completed fire extinguisher training and 22 completed first aid training.

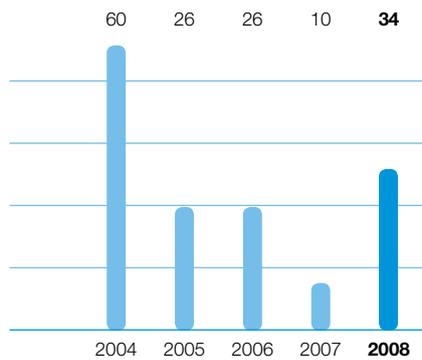
We have provided training to customers in the safe handling and dispensing of LNG and offer emergency response assistance if necessary.

Figure 1: LTIFR*



1 July 2003 – 30 June 2008 (as at 30 September 2008)
 *Contractor hours and LTIs included.

Figure 2: Workers compensation claims



1 July 2003 – 30 June 2008 (as at 30 September 2008).

Employee wellbeing

Influenza injections were offered to employees this year with 118 employees taking up the offer. We also provided an Employee Assistance programme for all employees through an independent external provider. Employee wellbeing is managed through our JumpStart programme and is further explained in our case study.



Community

Stakeholders

The following table identifies our key stakeholders and examples of how we engage with them:

Stakeholder group	Examples of engagement
Employees	Training, CHaSE magazine, Review newsletter, Safety Sam emails, a 'Keys to Process Excellence' survey, Corporate Plan presentation, meetings, various competitions and a national cultural survey.

Customers	Updated internet site to assist in locating their nearest dealer, offered a Kleenheat Footy Tipping competition and various publications.
Contractors CAs and dealers	Training and toolbox meetings. Dealers provided access to our extranet and various communications including CHaSE magazine.
Government agencies/ authorities	Provision of submissions, site visits and technical advice.
Local communities	Various sponsorships as explained in section 6.1.2.
Shareholders in parent company (Wesfarmers Limited)	Publications and presentations including the end of year and half year results and the Wesfarmers Limited annual report and this sustainability report.

Kleenheat Gas Draftsperson Aaron Cunningham using the electronic waste recycling bin at Murdoch, Western Australia.



Feedback and complaints

A complaints handling policy was developed this year. The policy and our complaints handling procedure support our complaints handling programme, consistent with AS/ISO 10002:2006 – *Customer satisfaction* standard. Complaints were managed in accordance with our new policy and procedure. During the year, 22 customer complaints were registered and managed by our Customer Advocate.

Community complaints are recorded in our online reporting system, FPe. These complaints are then investigated and managed through FPe. We received 24 community complaints during the year.

Community support

We support many charities and community groups including disease research foundations and local sporting clubs. Our support includes financial contributions as well as the provision of product. We are major sponsors for the Regional Achievers Awards, specifically the Community Award in Western Australia and the Environment and Landcare Award in New South Wales. We also continued supporting The Clontarf Foundation, which aims to improve the health, employment, education and life skills of Australia's male indigenous youths through football in partnership with schools or colleges.

This year we partnered with a local LPG distributor in Bangladesh to improve the education of primary school children in the underdeveloped district of Thakurgaon. The school, which opened in 2006 with 22 students, now has over 100 students enrolled and our regular contributions allow the ongoing operation and maintenance of the school.

Case study

New JumpStart Programme Launched

In late 2007, employees were offered a comprehensive health assessment and 171 assessments were undertaken. The results of the health assessments and information obtained from an employee survey were used to develop a tailored health and wellbeing programme for our employees.

Developing a programme that was equitable and accessible to a wide distribution of employees was challenging and a variety of initiatives were considered. A competition was held to name the programme and in January 2008 JumpStart was officially launched.

JumpStart includes: seminars on various health and wellbeing topics (such as heart health and stress management); sponsorship of team activities; influenza vaccinations; 10,000 Steps challenges; workplace massages or massage vouchers; the provision of fruit or a fruit allowance at all locations and information packs on health topics such as sleep.

Statistics on the programme continue to be collated and will be reviewed at the end of the year to assist in improving JumpStart and quantify the benefits to employees from participating in the programme.



Kleenheat Gas Customer Service Officers from left Anna Maria Benc, Stephanie Baines and Naomi Payne, members of the JumpStart programme sponsored indoor volleyball team.



Our business

We are an independent power producer specialising in the design, construction, operation and maintenance of power stations for the mining industry and remote townships in Western Australia and South Australia which are not serviced by a major electricity distribution grid. We employ approximately 70 people.



09 Priorities

- Maintain LTIFR at zero.
- Target a reduction in all injuries of at least 10 per cent.
- Work with customers to provide more energy efficient solutions for power generation.
- Establish regular stakeholder consultations with the local communities.
- Conduct employee training in off-road driving, job safety analysis, inspection and test plans and incident reporting.
- Continue to contribute to the communities in which we operate.

Overview

Our main challenge on an ongoing basis is the remote nature of our work. The main safety area we focused on during the year was the development and implementation of guidelines for road safety and procedures for working alone. The main environmental areas we focused on were the replacement of two diesel fuelled power stations with liquefied natural gas (LNG) fuelled stations and on the efficient operation of the existing power stations.

Business Management

Training

Training during the year focused on improving technical skills, safety courses and cultural aspects of our work. This included: basic combustion, flue gas and exhaust principles; gas fitting legislation and safety for supervising gas fitters; manager liability under occupational safety and health (OSH) laws; construction safety awareness; first aid; trade practices compliance; various LNG handling and safety courses, and an aboriginal cross-cultural awareness workshop.

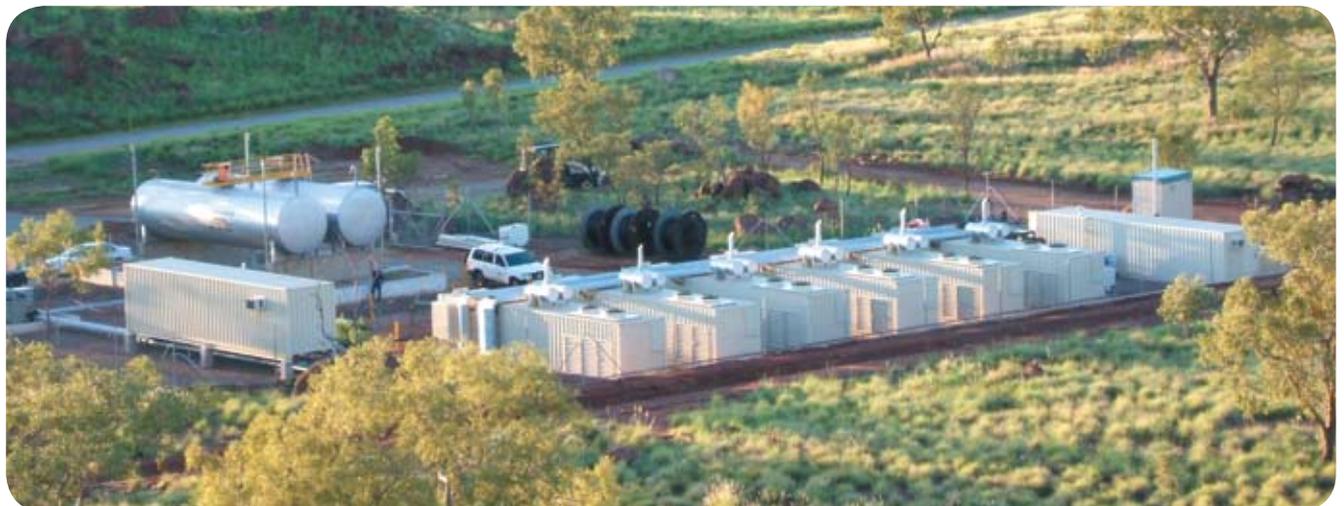
Compliance

We are not aware of any potential of non-compliance with health, safety or environmental legislation.

Management systems and policies

We have a health, safety and environmental management plan that defines our policies and systems and the framework for its implementation. The plan describes actions required, frequencies, durations, responsibilities and accountabilities. We also have health, safety, environment, rehabilitation, smoking, fitness for work and road safety policies which are available on our intranet.

enGen's Warmun power station in Western Australia.



Environmental

Air (atmospheric emissions)

Greenhouse emissions

We are a participant in the Commonwealth Greenhouse Challenge Plus Programme.

During the year, our total greenhouse emissions were estimated to be 300,754 tonnes of carbon dioxide equivalent, this is five per cent up on last year. Of this amount, 181,204 tonnes relates to stations which were built, owned and operated by enGen and 119,550 tonnes is attributable to those stations which are operated and maintained by enGen on behalf of a customer. This increase is due to a combination of increased loads and the completion of additional power stations.

Noise

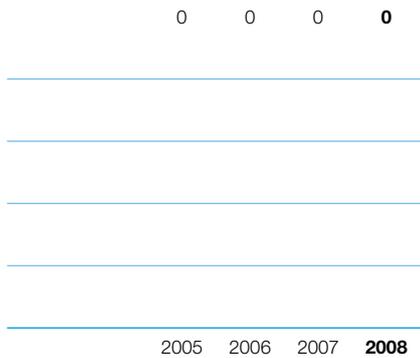
During the year, we implemented a company wide noise control procedure and at the Sunrise Dam LNG project, we implemented a noise control management plan and conducted several noise awareness sessions.

Resource usage

Energy

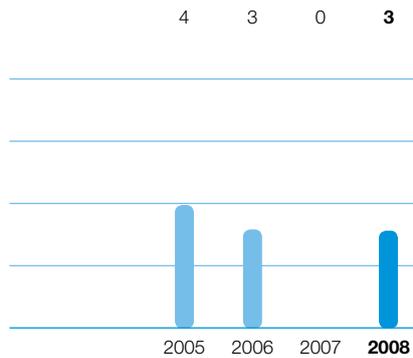
Total energy consumption was estimated to be 4,354,406 gigajoules, this is five per cent up on last year. This energy use is broken down into 1,763,295 gigajoules from diesel fuel; 2,584,936 gigajoules from natural and bio gas; 3,192 gigajoules from diesel vehicles; 375 gigajoules from petrol vehicles; and 2,607 gigajoules from office electricity.

Figure 1: LTIFR*



1 July 2004 – 30 June 2008 (as at 30 September 2008)
*Contractor hours and LTIs included.

Figure 2: Workers compensation claims



1 July 2004 – 30 June 2008 (as at 30 September 2008).
*Labour hire hours and LTIs included.

ENGEN

Safety and Health

Lost time

During the year, there were no LTIs, extending our LTI-free period to five years in February 2008 (see Figure 1). The Average Lost Time Rate has not changed over the last 12 months and this is due to no lost time injuries occurring. These statistics include contractor hours and injuries. Safety statistics are distributed and discussed by management and reported to its board every month.

We had 12 all injuries during 2008 with five medical treatment cases and seven first aid treatment cases. These statistics include contractor hours and injuries.

Number of workers compensation claims

There were three workers compensation claims this year, compared to one last year.

Hazard and risk

Emergency response

A crisis exercise was conducted in July 2007, testing the crisis management team's response capabilities. The scenario involved vandals damaging pipe work resulting in diesel leaking into the purpose built spill area.

Employee wellbeing

We offered health assessments to our employees throughout the year with 37 people participating.

Switchboard inspection at the enGen Wodgina power station in Western Australia.



Community

Stakeholders

The following table identifies our key stakeholders and examples of how enGen engages with them:

Stakeholder group	Examples of engagement
Employees	General internal company communications Monthly team talks Divisional employee presentations
Customers	Ongoing operational communications Monthly reports Quarterly management meetings
Suppliers/contractors	General project communications Review/renewal of supplier agreements Negotiation for supply on a project by project basis
Government agencies/ authorities	General project communications Submission of mandatory reports and applications for licence renewals and project approvals.
Local communities	Community consultation during project development. Sponsorship of local community events
Shareholders in parent company (Wesfarmers Limited)	Investor presentations. End of year and half year result announcements and presentations. Wesfarmers Limited annual reports and this sustainability report.

Feedback and complaints

No complaints were received during the year.

Community support

We continued to support the Coober Pedy Race Day and Gymkhana to support one of the local communities in which we work.

"During the year, there were no LTIs, extending our LTI-free period to five years in February 2008."

Case study

LNG Power Stations in Remote Western Australia

During the year, we completed construction of a LNG fuelled power station at Barrick Gold's Darlot gold mine, and began work to convert AngloGold Ashanti's power station at it's Sunrise Dam gold mine from diesel to LNG.

At both these Western Australian mines, the LNG fuelled power stations will replace most of the diesel fuelled power generation, reducing greenhouse emissions by approximately 30 per cent.

Construction of the Darlot power station was completed on time and without any lost time injuries or environmental incidents. Sunrise Dam, due for completion

in 2008/2009, was as at 30 June 2008 on time and had recorded no lost time injuries.

We are proud of our continuing record of zero lost time injuries, of our contribution to the development of a new industry and of the successful development of power stations that offer remote power users a cleaner alternative to diesel fuelled power generation.



enGen's Wodgina power station in Western Australia.

INSURANCE



Our business

Wesfarmers Insurance operates in the general insurance and financial services sector. Our insurance brands include Lumley General Australia (LGA), Lumley General New Zealand (LGNZ) and Wesfarmers Federation Insurance (WFI). Our insurance broking businesses include OAMPS Australia, OAMPS United Kingdom (UK) and Crombie Lockwood in New Zealand (NZ). We also have underwriting agencies, premium funding businesses and superannuation and financial management operations.

OAMPS (except the UK offices) and Crombie Lockwood, acquired in 2007 will be included in this year's report for the first time. We are represented in 124 locations in Australia, with 27 offices in New Zealand and four in the United Kingdom. Overall we employ 3,169 people. During the year the Koukia insurance software business was sold and is therefore not included in this report.

For further information on our businesses visit www.wesfarmersinsurance.com.au.



08 Priorities

- Develop an energy efficiency policy for the division and investigate the feasibility for moving to a carbon neutral position.
- Promote sustainable business practices to our business partners and customers.
- Develop a sponsorship policy that maximises returns to the community from our contributions.
- Increase internal awareness of environmental issues including possible impacts of climate change.
- Continue to improve and develop the divisional sustainability policy.
- Reduce our Lost Time Injury Frequency Rate by at least 50 per cent with a target of zero Lost Time Injuries.

08 Outcomes

- = **Achieved.** We plan to move to a carbon neutral position in 2009. Part of this process includes development of energy efficiency strategies.
- = **Achieved.** A range of initiatives including submissions to the Australian Securities and Investments Commission (ASIC) encouraging paper reduction, customer fleet safety programmes and development of on-line business transaction models.
- = **Achieved.** Policy developed for implementation in 2008.
- = **Achieved.** A range of communication measures have been put in place including newsletters, posters and extended participation in Earth Hour.
- = **Achieved.** We developed a new sustainability plan and a group-wide committee was formed to manage its implementation. Most business unit committees have been extended to improve engagement.
- = **Not Achieved.** Our LTIFR has increased from 2.7 to 3.7. To address this we have developed a safety plan and have been undertaking a hazard and risk reduction programme.

09 Priorities

- Implement our carbon neutral position and further develop energy efficiency strategies.
- Continue to support and promote sustainable business practices within our business and with our business partners.
- Continue to develop our sponsorship policy to maximise benefit to the community.
- Implement the ISAFE programme in each business unit
- Reduce our Lost Time Injury Frequency Rate by at least 50 per cent with a target of zero Lost Time Injuries.

Overview

Our key sustainable business initiative is to become carbon neutral in 2009. Analysis shows that this is achievable subject to satisfactory accreditation of our data collection systems, and renewable energy and offset suppliers.

All our businesses except LGA now have sustainability committees which are responsible for developing and implementing sustainability initiatives in their respective business. The committees share key sustainability learnings amongst our businesses.

Our underwriting businesses have taken a proactive role in customer fleet safety through the Lumley Benchmark Club (a specialist safety improvement programme) and fleet driver training. We have also implemented measures to reduce our own impact on the environment through waste reduction and fleet management at WFI.

Our three main areas for improvement are workplace safety performance, managing our greenhouse gas footprint in a dynamic and diverse business environment and developing positive influences in the communities in which we operate.

The main safety initiative we focused our attention on during the year was the development of a hazard and risk reduction programme known as ISAFE. This programme has been tailored for each of the businesses during the year and is expected to have effect from the first half of 2008/2009.

In managing our greenhouse footprint we have introduced data collection procedures in our newer broking businesses, Crombie Lockwood and OAMPS. We have also improved the collection processes in the other businesses and now include air travel. In addition a model was developed to estimate the cost of offsetting our emissions and we plan to apply for Greenhouse Friendly™ (or similar) accreditation for implementation in 2009.

To have a positive influence on the communities in which we operate we support a broad range of local, regional, state and national initiatives that have relevance to each of our businesses. In total we invested \$774,793 in community support. During the year a sponsorship policy was developed which provided additional guidance and support for the businesses.



Business Management

Training

We continued to develop the employee safety training within our businesses. During the year 46 employees completed driver safety training and 157 employees received first aid training. OAMPS launched an on-line system called OAMPS Campus which provides access to Continuing Professional Development training for broking staff through e-learning modules. It also has a traineeship programme aimed at developing broking careers for school leavers. There were eight participants in the programme this year.

Insurance Businesses

Lumley General NZ provided staff development opportunities through the Lumley Learning Room and the Personal Best programme. Crombie Lockwood and OAMPS provided assistance to 188 staff enrolled in the Australian and New Zealand Institute of Insurance and Finance qualification programmes. These cover certificate and diploma level programmes specific to insurance and insurance broking aimed at raising professional standards. At WFI 25 drivers attended defensive driving courses, 184 staff attended occupational health and safety (OHS) training and the induction programme Newstart has been improved.

From a group perspective we ran our Leadership Development Programme (LDP). The programme provides customised development and this year 46 future leaders and senior technical professionals participated. It comprises two, three-day residential learning modules and an eight week action learning project involving team project work and presentation of recommendations.

We also created the new role of Learning and Development Manager to assist the businesses in developing their learning programmes.

Compliance

Environmental, health and safety.

We are not aware of any potential non-compliance during the year with environmental legislation or Health and Safety legislation.

Licensing and approval

As a manufacturer and distributor of financial service products our Australian operations are required to hold an Australian Financial Services (AFS) licence.

During the year we engaged an independent advisory firm to undertake a mock ASIC audit to test compliance processes and investigate opportunities for improvement. The outcomes of this audit have been considered in the context of business improvement initiatives.

Management systems and policies

We have several management systems in place to record and monitor performance. These include an integrated safety incident reporting system that requires incidents to be reported and

Wesfarmers Federation Insurance Area Manager Joanne Endersby with one of the Honda Civic Hybrid vehicles in their fleet



reviewed, workplace injury reporting, and in WFI environmental key performance indicator reporting.

As at 30 June 2008, we hold nine AFS licences. The general obligations of financial services licensees are to protect the interests of financial services consumers. ASIC regulates AFS licensees under the Corporations Act and our processes are subject to audit by ASIC.

To comply with licence requirements we have in place compliance systems and frameworks that are designed to ensure we provide financial services efficiently, honestly and fairly and that we maintain consumer dispute resolution systems.

ISAFE, a safety management system was developed during the year to assist in preventing incidents and will be implemented in 2009.

We have formal policies for safety, training, complaints handling, sponsorships and donations, and these are available on our business unit's intranet sites in most cases.



Environmental

Air (atmospheric emissions)

Greenhouse emissions

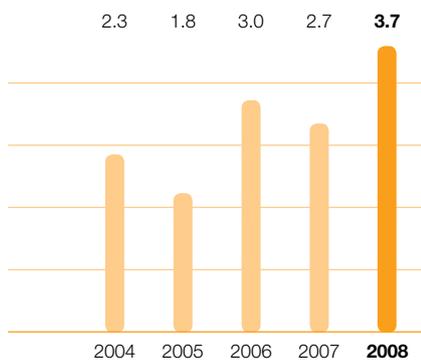
Our total greenhouse emissions were estimated to be 12,975 tonnes of carbon dioxide equivalent, up 128.5 per cent on last year. This equates to 0.0079 tonnes of carbon dioxide equivalent per hundred thousand dollars of sales up 64.0 per cent on last year. The greenhouse emissions were largely due to electricity (73.6 per cent) and vehicle fuel use (26.4 per cent). We have extended our recording and monitoring of greenhouse emissions in preparation for implementing energy efficiency and offset strategies in 2009. We also plan to become carbon neutral in 2009.

Waste

Solid/liquid waste

Given the nature of our operations which are generally based in tenanted office accommodation, we are unable to accurately measure our solid or liquid wastes.

Figure 1: LTIFR*



1 July 2003 – 30 June 2008 (as at 30 September 2008)
*Contractor hours and LTIs not included.

Recycling initiatives

Our office-based businesses recycle paper, containers and printer toner cartridges where appropriate. We also use recycled stock for document printing where appropriate and encourage employee participation in recycling initiatives through poster and email awareness campaigns and our policies.

Other initiatives include participation in the Mobile Muster programme for redundant mobile phones, recycling batteries from computer and peripheral equipment and including environmental performance criteria in purchasing policies for information technology equipment at WFI.

Office consumables

Where possible our offices participate in and promote office waste segregation, paper recycling and printer toner cartridge recycling. WFI tracks consumption of office consumables and make reports available to staff through the intranet. This programme reinforces other awareness campaigns in waste management and provides information on how the business is performing in this area.

Resource usage

Energy

Our energy use during the year related primarily to electricity and fuel. Total energy consumption was estimated to be 82,487 gigajoules, up 89.6 per cent on last year. Figures for this year include OAMPS and Crombie Lockwood for the first time. When adjusted on a per employee basis consumption went from 30.66 gigajoules per employee to 26.02 gigajoules per employee or 15.1 per cent down on last year.

Our total energy consumption per million dollars of sales was estimated to be 50.0 gigajoules, up 37.1 per cent on last year. This energy use is broken down into fuel (57.4 per cent of total energy consumption) and electricity (42.6 per cent). Natural gas consumption is not recorded.

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

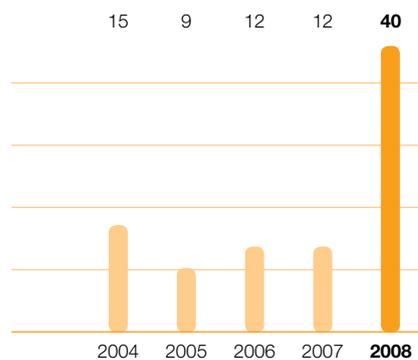
During the year we upgraded the air-conditioning plant and controls at our site in Bassendean, Western Australia and WFI has 85 LPG fuelled and 2 hybrid vehicles for the WFI fleet.

Water

Consumption

Given the nature of our operations which are generally based in tenanted office accommodation, we are unable to accurately measure our water consumption.

Figure 2: Workers compensation claims



Safety and Health

Lost time

Our LTIFR was 3.7 compared with 2.7 last year (see Figure 1). During the year, there were 20 LTIs, compared to 10 in 2007. Our average Lost Time Rate which measures the severity of injuries has increased from 12.0 in 2007 to 67.6 in 2008. These statistics do not include contractor hours and injuries. Safety statistics are distributed and discussed by management each month and reported to our Board every three months. ISAFE requirements will introduce new safety lead and lag indicators reporting for 2008/2009.

Number of workers compensation claims

2008 data includes Accident Compensation Corporation claims in New Zealand.

There were 40 workers compensation claims reported, relating to occurrences during the year, compared with 12 last year (see Figure 2). This increase was due to the inclusion of OAMPS and Crombie Lockwood for the first time this year (20 claims) and sprains and strains in the other businesses. Data for 2007/2008 also include seven journey claims and lunchtime sporting injuries which fall within the workers compensation legislation in New South Wales and Victoria.

Hazard and risk

We have business continuity and disaster recovery procedures in place for each business. In Australia, these procedures form part of our requirements under the Australian Prudential Regulation Authority (APRA).

Further to the initiatives outlined in last year's Sustainability Report we have progressed with the identification of key safety risks particular to our businesses as a part of the development of ISAFE. This safety management system provides guidance to managers and employees about OHS policy, procedures and practices in the following areas:

- OHS leadership and accountability;
- communication and consultation;
- management tools and education ; and
- risk management.

ISAFE was developed in conjunction with the businesses.

Emergency

Each business has a disaster management plan in place that covers emergency response procedures. Plans cover evacuation procedures, safety instructions, warden responsibilities and basic business continuity procedures. WFI hold annual emergency exercises to test and improve their plan.

Employee wellbeing

Across our businesses there are a range of employee wellbeing programmes in place at various sites including fresh fruit supply, support for fitness and corporate sporting teams, funding for gym memberships, funded access to counselling services and well at work newsletters. We also provide voluntary influenza vaccinations at some sites.

 **Community**

Stakeholders

The following table identifies our key stakeholders and examples of how we engage with them across our business units:

Stakeholder group	Examples of engagement
Employees	Staff newsletters in each business unit, workgroup meetings and staff conferences, video messages, intranets and employee surveys.
Customers	Newsletters, seminars, corporate hospitality, website and email communications, personal meetings, client surveys and our corporate profile document.
Suppliers/contractors	Meetings, corporate functions, business reports and individual meetings with major suppliers.
Government agencies/authorities	Reviews and audits, liaison meetings, industry association functions and direct feedback through industry consultation processes.
Industry bodies	Individual and corporate membership, contribution to management committees, boards, and support of industry functions and seminars.
Local communities	Involvement in numerous local community activities including clubs, sporting groups, rural groups, field days and charities.
Shareholders in parent company (Wesfarmers Limited)	Wesfarmers Limited annual reports and this sustainability report.

Feedback and complaints

Our Australian businesses have formal customer complaint processes which include instructions on how to lodge a complaint and are available to all customers through the Financial Services Guide published by each of the businesses.

Customers with complaints are advised to raise the issue with the local business contact in the first instance. If the complaint cannot be resolved and the customer wants to proceed it is referred to an internal dispute resolution process (IDR). Complaints not resolved to a customer's satisfaction by the IDR process can be referred to an external complaints resolution scheme either the Insurance Ombudsman Service (IOS) or Insurance Brokers Disputes Limited (IBD). We agree to be bound by the decisions of the IOS and IBD process.

During the reporting period 143 complaints were referred to the IDR process and of these 16 proceeded to the IOS or IBD and of these 6 were resolved in our favour.

Similar processes operate for the Lumley business in New Zealand with 4 complaints referred to the external process.

Community support

We support a wide range of community activities both financially and in-kind. During the year we spent a total of \$774,793 on community and charity organisations. Examples include:

- OAMPS support of youth development at Yachting Australia including the sponsorship of the Australian youth sailing team;
- WFI support of groups such as the Kondinin group, Men's Health Week and the Royal Flying Doctor Service;
- LGA support of cancer research, the Create Foundation which creates opportunities for children and young people in care and the Juvenile Diabetes Research Foundation; and
- Crombie Lockwood Tauranga branch support the Tauranga Waipuna Hospice by allowing their staff to volunteer time to assist.

We also participated in a range of awareness and energy reduction initiatives including Earth Hour in Sydney, Melbourne, Perth and Auckland.

OAMPS Insurance Brokers sponsor the Australian Youth sailing team.



Case study

The Lumley Benchmark Club

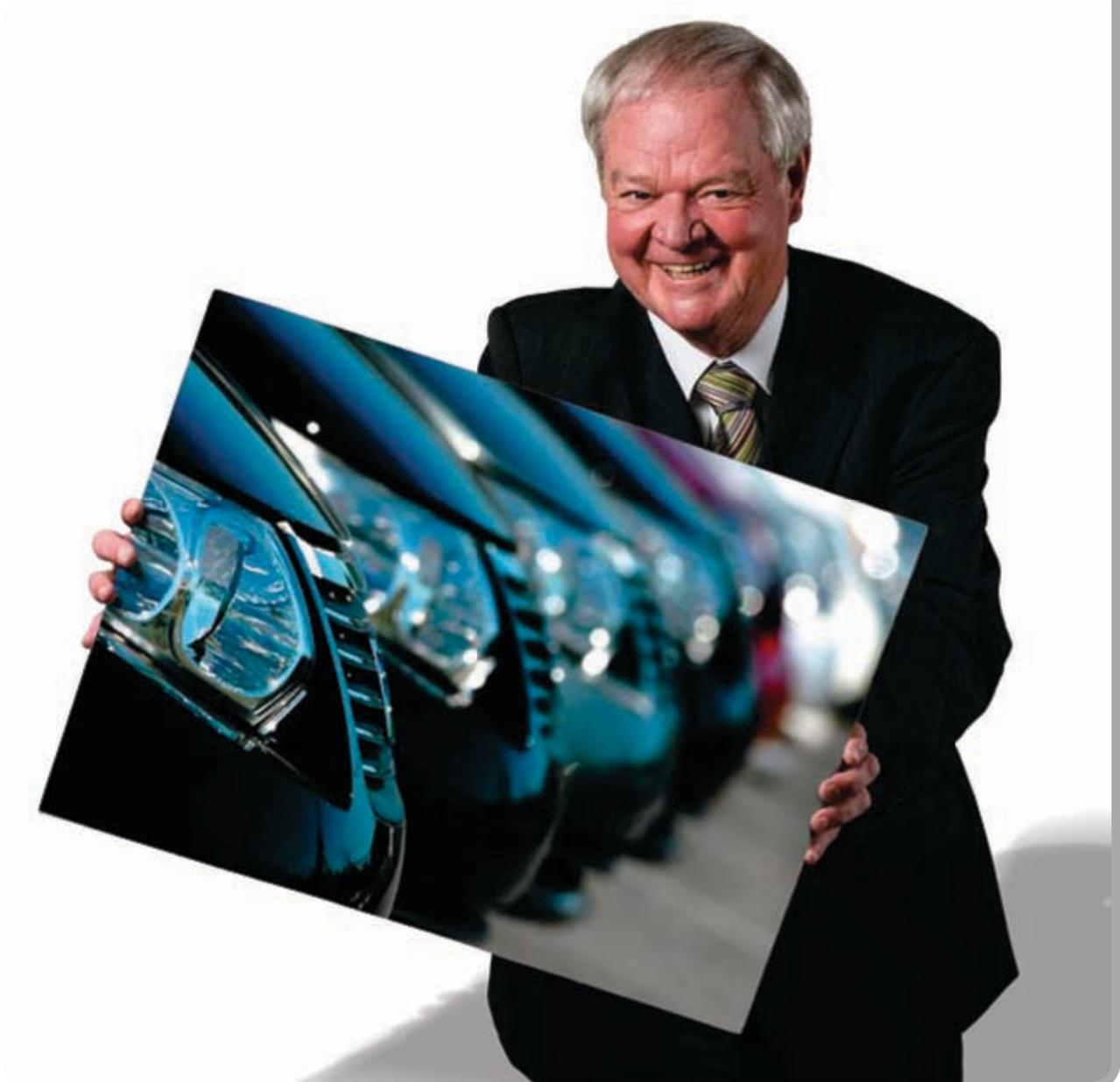
In Australia the Lumley Benchmark Club provides a forum where fleet clients and key industry professionals are presented with statistics on their fleet accident performance.

The overall aim of the programme is to identify problem areas that contribute to motor vehicle collisions and to improve safety performance (also reducing claim costs) through better practice.

The Club establishes the benchmarks through detailed analysis of clients' experiences involving over 100,000 Australian vehicles and international statistics. The statistics are analysed by industry experts who present

at forum meetings on key fleet safety issues. The forums demonstrate a set of relevant goals to which the fleet and risk managers can aspire to in their own fleets. Two awards are presented at each meeting to clients who show a commitment to excellence in fleet risk management.

At the 2007 meeting we also distributed the Fleet Driver Safety DVD commissioned by Lumley.



INDEPENDENT ASSURANCE STATEMENT

To the Board of Directors, Management and Stakeholders of Wesfarmers:

Wesfarmers commissioned Net Balance Management Group Pty Ltd (Net Balance) to provide independent assurance of this Sustainability Report 2008 (the 'Report'). The Report presents Wesfarmers' sustainability performance over the period 1st July 2007 to 30th June 2008. 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 Management of Wesfarmers alone and in accordance with the terms of reference agreed with them. Other stakeholders should perform their own due diligence before taking any action as a result of this statement.

Assurance Standard

The assurance was undertaken in accordance with the AA1000 Assurance Standard (AA1000 AS), which is based on the following principles:

- **Materiality:** Does the organisation have in place a process to determine material issues, including an evaluation of relevance and importance? Does the report provide information about the organisation's sustainability management and performance required by its stakeholder for them to be able to make informed judgements, decisions and actions?
- **Completeness:** To what extent can the organisation identify and understand the material aspects of its sustainability performance? Is this done in a fair manner (giving consideration to reliability, comparability and understandability of information), and in a balanced manner (including both favourable and unfavourable information)?
- **Responsiveness:** Does the organisation have in place a process to prioritise issue for response? Has the organisation responded appropriately to the concerns and expectations of its stakeholders and adequately communicated those responses within the report? Is this information being provided in a timely manner? Does the organisation allocate adequate resources to enable it to meet its policy and standards commitments?

Assurance Objective

The objective of the assurance process is to provide stakeholders of Wesfarmers with an independent opinion on the quality of the report. This is confirmed through a review of claims made, underlying systems, processes and competencies that support the report with respect to the principles of materiality, completeness and responsiveness. Ensuring continuous improvement in data management systems and associated reporting processes is also a complementary objective.

Assurance Process & Limitations

The assurance engagement was undertaken between May and September 2008, and the process involved:

- An interview with key management personnel to ascertain how Wesfarmers addresses the three principles of the AA1000 AS;
- A review of Wesfarmers' key sustainability strategies, policies issued or revised during the reporting period, objectives, targets, management systems, measurement/data collection and reporting procedures and background documentation;
- A review of the report for any significant anomalies, particularly in relation to significant claims as well as trends in data;
- A calculated assessment of the materiality and risk of misstatement of all verifiable data points contained in the report, as directed by the Net Balance Assurance Framework;
- A series of interviews with key personnel responsible for collating and writing various parts of the report in order to ensure selected claims were discussed and substantiated;
- An examination of the aggregation and/or derivation of, and underlying evidence for, over 250 selected data points and statements made in the report; and

- An independent materiality check, including a comparison of Wesfarmers against its industry peers and a review of selected external media coverage.

Assurance Level and Limitations

The level of assurance provided is reasonable as defined by the scope and methodology described in this assurance statement. The assurance covered the whole report and focussed on systems and activities of Wesfarmers during the reporting period, with the following exceptions:

- The scope of work did not involve verification 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 Australian Vinyls, Bunnings, Coles, Coregas, CSBP, Curragh, Energy Generation, Insurance, Kleenheat Gas, Kmart, Officeworks, Premier Coal, Resources, Target, Industrial and Safety and Wesfarmers LPG. The Corporate office was also visited for data review and furthermore, data was examined from the 40 per cent-owned Air Liquide WA.

Our Independence

During the reporting period, Net Balance was commissioned by Wesfarmers to undertake the following engagements:

- Assistance with the Report re-design. This project involved re-thinking the design of the Wesfarmers Report and presenting options for a reporting framework.
- Develop data control procedures for Group level reporting. This project involved developing procedures for Wesfarmers thirteen core sustainability indicators to help ensure the completeness of data in the report.

These projects were determined by Wesfarmers and Net Balance to be complementary to the assurance role, which is clearly not a conflict-of-interest according to Net Balance's assurance conflict-of-interest policy. The assurance team has not undertaken any other work for Wesfarmers during the reporting period. Net Balance undertook the independent assurance of the Wesfarmers Report with the utmost integrity and objectivity. Our independence has not been compromised through the provision of the above mentioned commissioned services to Wesfarmers.

Our Capacity

The assurance project was carried out by a multi-disciplinary team of sustainability specialists, comprising individuals with expertise in environmental, social and economic performance measurement; and in reporting in various industry sectors including the manufacturing, energy, finance, chemical and retail sectors. Net Balance is a global leader in the use of the AA1000 Assurance Standard. The assurance team has collectively undertaken over 80 assurance engagements in Australia over the past 10 years and is led by a Lead Sustainability Assurance Practitioner (Lead CSAP), accredited by the International Register of Certified Auditors UK (IRCA UK).

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 reporting processes and systems established. 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 majority of personnel responsible were able to reliably demonstrate the origin(s) of data but we still identified several misinterpretations of data.

- The statements made in the report appropriately reflect environmental, social and economic performance achieved during the period.
- All errors noted by the assurance provider were satisfactorily addressed by Wesfarmers prior to finalising the report.

Overall, the assurance provider is satisfied that the report is an appropriate representation of Wesfarmers' sustainability performance during the reporting period.

Conclusions and Recommendations

- **Materiality:** Environmental, social and broader economic aspects and issues that are considered material to peers have been addressed and communicated within the Report. With regards to key sustainability opportunities for the Divisions, findings from the peer review indicates that some Divisions, in order to be considered industry best practice, can report more extensively on environmental performance, initiatives undertaken to reduce the environmental footprint of the Division's supply chain and details of products that provide innovative climate change and sustainability solutions.
- **Completeness:** Wesfarmers has implemented a system to help measure, monitor and manage sustainability issues. The Group Reporting Methodology goes a long way in ensuring key sustainability data is captured at the Divisions level. However, due to the largely diversified nature of Wesfarmers, sufficient flexibility needs to be built into the methodology as each Division will be exposed to different issues. Wesfarmers should apply the AA1000 5 Part materiality assessment to determine the material issues for each business unit. As such, the results of the materiality assessment will supplement the Group Reporting Methodology resulting in a more complete Report.
- **Responsiveness:** Net Balance tested the responsiveness of the organisation through a review of management systems 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 nine 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 Chemicals and Fertilisers and Insurance Divisions. 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. Results of stakeholder engagement are presented in a clear and concise manner within the Assurance Report. It is recommended that Wesfarmers continue to engage and consult with its internal and external stakeholders through the established processes, and expand its stakeholder engagement with particular focus on stakeholder-requirements from the Report. The information gathered from the stakeholder engagement processes and Wesfarmers' responses could also be reported.

The Way Forward

The structure and content of the Sustainability Report is now directed by the Group Reporting Methodology; this provides consistency for the reader as all reporting units are required to disclose comparable information in an identical format. Despite the implementation of the Group Reporting Methodology, the assurance process uncovered several errors ranging from the use of different measurement units to different calculation inputs across the Group. Before Wesfarmers begins developing the 2009 Sustainability Report, the organisation needs to internally engage with Report preparers to ensure all business units understand the requirements of the Group Reporting Methodology. This will ensure that information is calculated based on consistent and relevant methodologies across the Group. Information, when consolidated, will be in a comparable format thus the Report itself will be more useful to stakeholders. The Group Reporting Methodology should provide a rigid framework whilst allowing Divisions some flexibility in the way they identify and report upon what they (and their stakeholders) consider material sustainability

issues for their business. Business units are encouraged to undertake the AA1000 5 Part Materiality Test of which the results of which will supplement the Group Reporting Methodology.

Wesfarmers would now be considered an organisation with substantial expertise in preparing public Sustainability Reports. The organisation produces a good quality Report that addresses its environmental, social and broader economic issues. To be seen as an industry leader, the next step for Wesfarmers is to look beyond its own sustainability performance and look to use its large market capitalisation and exposure to diverse industries to influence the operations and behaviours of its stakeholders (largely retail and wholesale customers and to a degree its suppliers) to make positive sustainable impacts. Wesfarmers can achieve this through various means. Two immediately available options for the organisation are to increase the focus on supply chain management and to develop innovative products to tackle climate change through its products and services. The organisation is encouraged to develop a Sustainable Procurement Policy (either at the Group level or tailored policies at the Division level). This will serve as guidance for all procurement decisions and will encourage suppliers to offer more sustainable goods and services. The Insurance Division was highlighted through the stakeholder survey as having the potential to develop a range of innovative climate change and sustainability solutions through its products. These include climate change insurance protection, catastrophe bonds, earthquake cover, weather derivatives and discounts in insurance premiums for fuel efficient vehicles.

Stakeholder engagement needs to continue, and in particular engagement with employees and highly interested and influential external stakeholders needs to be raised. Net Balance recommends conducting a comprehensive stakeholder mapping exercise to determine the key stakeholders at Division level. The engagement needs to be undertaken earlier in the reporting period to gauge stakeholder opinion on reporting performance in particular focusing on what stakeholders may want from the Report. The information gathered from the stakeholder engagement processes and Wesfarmers' responses could also be reported in future years.

As part of the organisation's extensive training suit, specific sustainability related training programmes need to be developed to help raise awareness amongst staff as to the importance and benefits of conducting business in sustainable manner. This would demonstrate to stakeholders that Wesfarmers is continuing to integrate sustainability as a core corporate objective and that the organisation ranks this topic as highly as other measures of performance, such as economic or health and safety.

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. As report sizes continue to shrink globally, 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 (i.e. the Group Reporting Methodology) would further assist in reporting efficiency and in reducing potential for human error or loss of intellectual property through natural staff turnover. These are key risks in performance measurement and reporting for an organisation such as Wesfarmers. Wesfarmers would benefit from conducting 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.

Net Balance has provided additional suggestions for reporting improvement in the Assurance Report presented to the Wesfarmers management team.

On behalf of the assurance team, 9th October 2008,
Melbourne, Australia



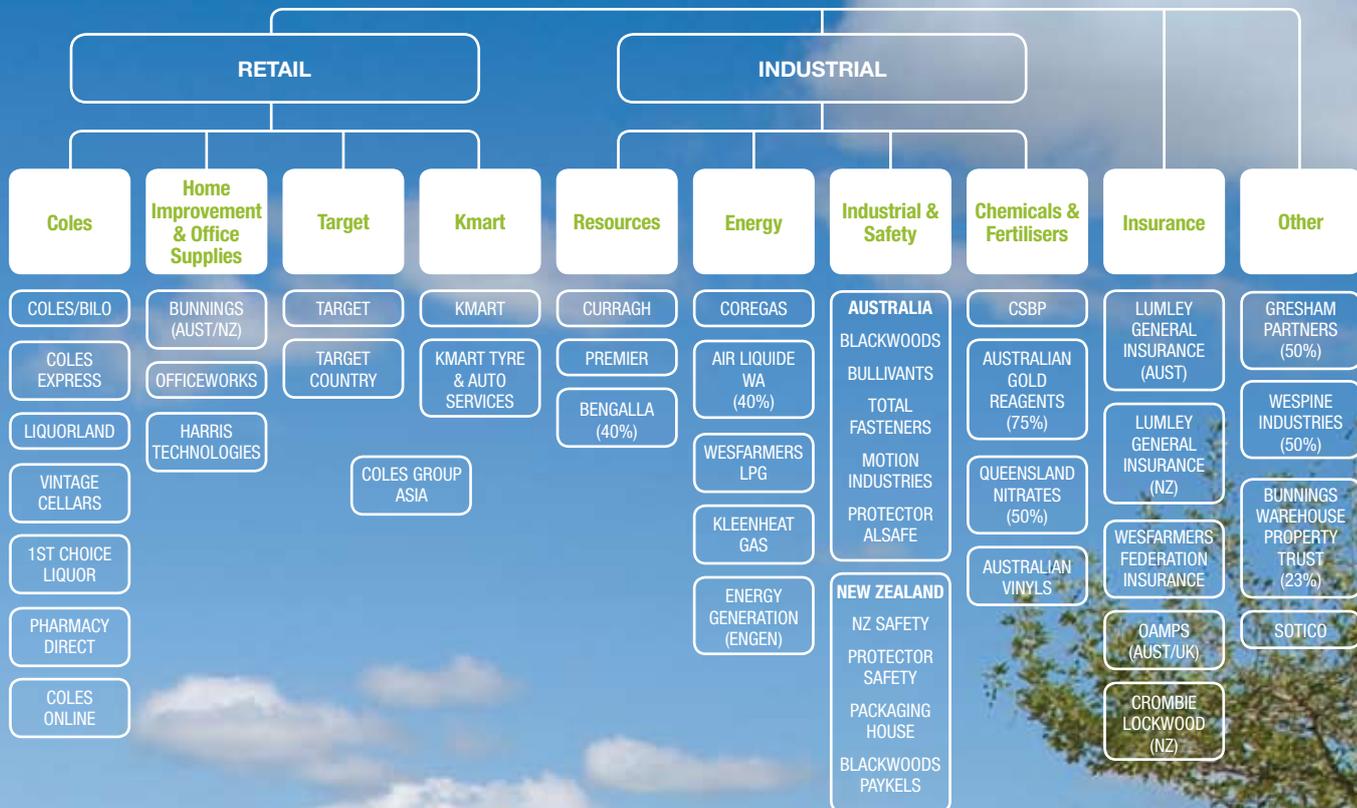
Terence Jeyaretnam

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. It is calculated by dividing number of days lost by the number of LTIs.
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.
Carbon neutral	A status where a company's direct and indirect greenhouse emissions are reduced, with the remainder being offset by the purchase of emission credits.
COAL21 Fund	A joint Government/industry research fund directed towards developing methods for reducing carbon emissions from coal use
CO₂e	carbon dioxide equivalent, a method for converting the global warming capacity of all greenhouse gases to a standard unit of carbon dioxide's warming potential
DEC	Department of Environment and Conservation, a Western Australian regulatory Department
DoCEP	Department of Consumer and Employment Protection, a Western Australian Government Department inter alia involved in regulating dangerous goods and major hazards laws
EBIT	The company's earnings before interest and tax.
EMS	Environmental Management System, which Involves a series of procedures governing an organisation's environmental performance against set standards
EPA	The Environmental Protection Authority or Agency in various Australian jurisdictions which can have environmental regulatory, project assessment or standard setting roles dependent upon Individual legislation
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 emissions through voluntary action.
International Organisation for Standardisation (ISO)	ISO publishes internationally-agreed standards covering areas such as quality management (the ISO 9000 series), 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.
Mwh	megawatt hour, a standard unit of electricity consumption
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

COMPANY STRUCTURE



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Sustainability tips for your home



Reduce waste

- Buy products with minimal packaging
- Use a reusable shopping bag instead of plastic bags
- Choose durable and reusable goods rather than disposable ones
- Buy products made from recycled materials
- Divide your rubbish into glass, paper and PET plastics that can be recycled
- Use organic kitchen waste in your garden
- Send old mobile phones, computers and appliances for recycling



Reduce energy use

- Sign-up for renewable energy from your electricity supplier
- Use high star-rated, energy-efficient appliances
- Switch off items with standby mode at the wall
- Insulate your home to save on heating and cooling
- Use a gas, or gas-boosted solar hot water system
- Turn down the temperature on your water heater
- Turn up the temperature on your airconditioner
- Replace old globes with energy-saving compact fluorescent light globes
- Use rechargeable batteries
- Turn off lights when you're not in the room



Reduce water use

- Install a dual flush toilet
- Have a shower instead of a bath
- Install a water-saving showerhead
- Take shorter showers (aim for four minutes)
- Buy a washing machine with 4 star water rating
- Buy a dishwasher with at least a 3.5 star water rating
- Only wash when you have a full load
- Turn taps off completely
- Fix leaky taps and plumbing



Keep the air clean

- Use public transport, carpool or ride a bike
- Walk short distances instead of taking the car
- Buy the most fuel efficient car you can afford
- Avoid hard acceleration and braking when driving

**For further information and tips
visit www.climatechange.gov.au**

