

Sustainability Report



**A report on our
progress in
meeting our
sustainability goals
during 2007-08**

Contents

Our Business	1
The Year in Brief	1
Priorities and Progress	2
Our Focus	3
Resource Use	3
Safety & Health	5
Protecting the Environment	6
Ensuring Compliance	8
Engaging with the Community	9
Glossary & Further Information	10

Our Business

Australian Vinyls is Australia's leading supplier and manufacturer of vinyl (PVC) resins and wood-plastic composite products. We also supply caustic soda and a range of specialty chemicals for the plastics and rubber industries. The company was acquired by CSBP Limited in September 2007. CSBP Limited is part of the Wesfarmers Limited group, a major diversified Australian public company.

We own and operate Australia's only vinyl resin manufacturing plant, at Laverton in Victoria. It produces suspension vinyl resin for use in a wide range of products such as pipe, cable insulation, floor coverings, building profiles, packaging and compounds. The plant has a capacity of approximately 140,000 tonnes of resin per year and occupies nearly 40 hectares of land to the west of Melbourne, Victoria.

The company has a wholly owned subsidiary, ModWood Technologies Pty Ltd, which manufactures wood-plastic composite products such as decking, marine boards and outdoor screens. ModWood's plant is based in Campbellfield, Victoria and its products are made using wood waste and post-consumer recycled plastic milk bottles. It has a capacity of approximately 1.2 million lineal metres per year.

Australian Vinyls and Modwood employed 140 full time equivalent people as at 30 June 2008, across the various businesses and divisions. This includes contractors and casual staff.

Australian Vinyls has published annual safety, health and environment or sustainability reports for the previous nine years. For the year 2007-08, Australian Vinyls' activities have been included in the section on CSBP Limited in the Wesfarmers Sustainability Report.



The Year in Brief

- An unexpected prolonged shut-down reduced production for the year
- There were no accidental releases of vinyl chloride from unlicensed points of the plant, but one licence exceedance, resulting in an emission of 6.8 kg
- The rate of injuries increased moving us further from our target of zero injuries
- There were no personal exposures to vinyl chloride above the regulatory exposure standard of 5 ppm
- Emissions of vinyl chloride and greenhouse gases were within targets, but water consumption exceeded our target due to the shut down and lower production levels
- ModWood's consumption of energy increased rather than reduced in line with its target
- The PVC plant failed to meet its target to divert waste from landfill
- Australian Vinyls became a founding signatory to the Plastics and Chemicals Industries Association's Sustainability Leadership Framework and met its commitments under the PVC industry's Product Stewardship Program
- The company established Sustainability Awards for employees and their families for achievements at home or in the workplace

Priorities & Progress

2007-08 Priorities	Progress	2009 Priorities
Zero Injuries	Not achieved. Our rate of injuries increased from 2.6 per 200,000 hours worked to 4.2.	Zero injuries
Zero Exposures	Not achieved. Four exposures exceeded our internal standard of 1 ppm time weighted average. There were no exposures above the regulatory exposure standard of 5 ppm.	Zero Exposures
Zero Accidental Emissions of either vinyl chloride or ethyl chloroformate from unlicensed points in the PVC plant.	Achieved.	Zero Accidental Emissions from unlicensed points of the plant
Total vinyl chloride emissions of <30 grams/tonne of PVC produced	Achieved. Emissions totalled 20.9 grams per tonne PVC produced.	Total vinyl chloride emissions of <30 grams/tonne of PVC produced
To control greenhouse emissions from manufacturing to be <550 kg CO ₂ -e/tonne PVC produced	Achieved. 544 kg CO ₂ -e/tonne PVC produced	To control our greenhouse emissions to be <550 kg CO ₂ -e/tonne PVC produced
10 per cent reduction in energy (MJ) per lineal metre of ModWood by January 2009	Energy consumption increased to 4.8 GJ per tonne of product, compared with 3.6 GJ per tonne* last year, the increase due in part to an increase in the density of boards produced.	10 per cent reduction in energy (MJ) per tonne of ModWood by January 2009
To control our water consumption to be <4.5 kL/tonne PVC produced.	Not achieved. Water consumption of 4.9 kL/tonne of PVC produced.	To control our water consumption to be <4.5 kL/tonne PVC produced
Long term target of zero fresh water use in manufacturing	Pilot plant for water recycling operated.	Long term target of zero fresh water use in manufacturing
Reduce waste sent to landfill by 5 per cent	Not achieved. A total of 1,451 tonnes of general waste were sent to landfill, in part due to commissioning of a new Distributed Control System.	Reduce waste sent to landfill by 5 per cent from 2006-07 level

* Measurement was revised to per tonne of product rather than per lineal metre due to changes in the product offering to a solid board.



Operator Craig Norton in the Recovery Plant.

Our Focus

Australian Vinyls' 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. Our target-setting, as outlined above and contained in the resin plant's three year Environment Improvement Plan, helps us to maintain this focus and drive continual improvement across the business.

Our vision at Australian Vinyls is that we consistently add value to all our stakeholders. We

- act with integrity**
- respect diversity**
- work as a team**
- perform with enthusiasm**
- innovate**
- have the courage to act**
- protect the environment and**
- accept no injury to any stakeholder.**

We consider that this set of values provides a firm foundation to pursue our sustainability objectives.

2007-08 has been a challenging year for the company in terms of meeting its sustainability performance commitments. During the past year, the PVC plant experienced a prolonged production curtailment due to difficulties in commissioning an upgraded distributed control system. 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 as many of our key indicators are based on a unit of production.

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.

* Chart relates to the resin manufacturing plant only and excludes ModWood.

2007-08 Performance

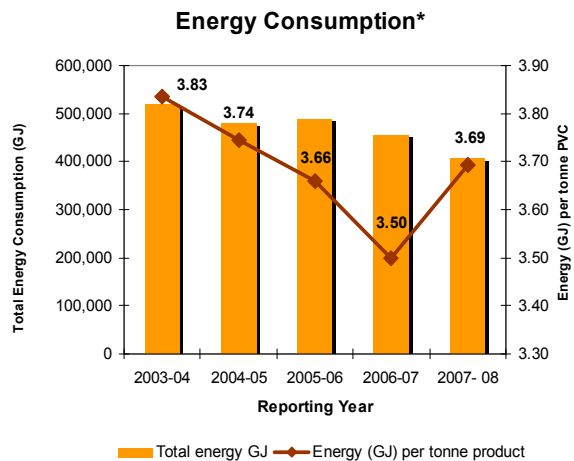
Resource Use

Energy

The major energy inputs in the PVC production process are consumption of natural gas and electricity. The PVC resin plant reduced its energy use by approximately 11 per cent year-on-year to 404,912 GJ of energy, mainly natural gas. On a per tonne of PVC basis, energy consumption rose by 5.6 per cent to 3.7 GJ per tonne, not meeting our target for the year of less than 3.6 GJ 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 GJ of energy to manufacture its products in 2007-08, including electricity, gas and LPG. This equates to almost 4.8 GJ per tonne of product, compared with 3.6 GJ 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

The suspension resin manufacturing process requires a significant volume of high quality, low contamination charge water. Since 2000-01, Australian Vinyls has improved its water efficiency by 27 per cent.

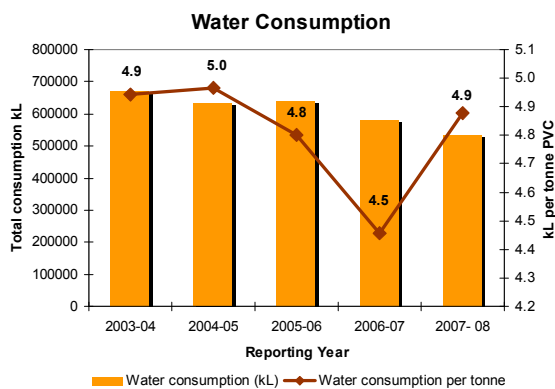
In 2007-08, the PVC plant used 534,572 kilolitres of water. Although less than the previous year (581,629 kilolitres in 2006-07), consumption per tonne of PVC produced increased

to 4.9 kilolitres from 4.5 kilolitres per tonne in 2006-07. 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 (306 kilolitres in 2007-08).

Reuse and recycling

Last year, Australian Vinyls' 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 operating and we expect to commence commissioning a full plant in June 2009.



Safety and Health

Employee Safety

Our goal is to prevent safety, health and environmental incidents occurring in our business. This is underpinned by our company belief that all work related injury and illness is preventable.

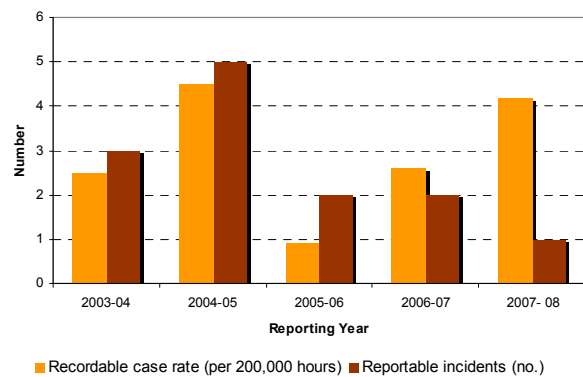
Our parent company, CSBP Limited, reports the 'Lost Time Injury Frequency Rate' (LTIFR) per million hours worked. Australian Vinyls has traditionally reported the injury frequency rate per 200,000 hours – our 'Recordable Case Rate'. In this report we provide both measures for ease of comparison with previous reporting years.

In 2007-08, disappointingly the Recordable Case Rate increased from 2.6 to 4.2 per 200,000 hours as a result of two lost time injuries (LTIs) and two medical treatment injuries.

Three of these involved injuries to hands and one to the body. Australian Vinyls' and ModWood's combined LTIFR was 17.6/million hours this year. The high figure is a result of incurring two LTI's within a relatively small workforce adjusted to the equivalence of one million hours of work.

All injuries are responded to, reported, thoroughly investigated and corrective actions taken where necessary to ensure prevention of similar injuries in future. Safety statistics are distributed and discussed by management each month and reported to our board every three months.

Injuries and Incidents *



VCM Exposure

Vinyl chloride monomer (VCM) is carcinogenic when people are exposed to high concentrations over relatively long periods of time (years). The company 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 and annual blood tests.

The Australian Safety and Compensation Commission (ASCC) requires a standard to be maintained for employee exposures not to exceed 5 parts per million (ppm) over an eight hour time weighted period. There were no cases of this standard being exceeded.

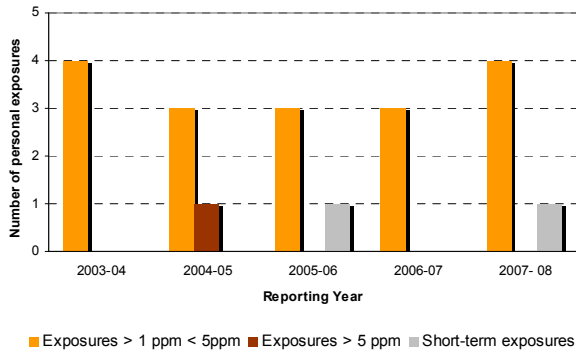
There were four cases of employees being exposed to more than 1 ppm - the stringent internal exposure limit the company sets - but less than 5 ppm (time weighted average) VCM during the year. There was also one short term exposure greater than 1 ppm. The geometric mean exposure for all employee carbon tube samples taken during the year was 19 parts per billion. Each exposure exceeding our internal standard is investigated and corrective actions taken to minimise the likelihood of recurrence.

We also monitor the ambient concentration of VCM in the plant through a number of carbon tube detectors placed at

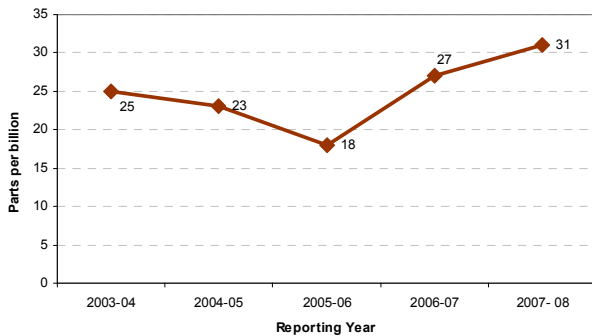
* Refer to page 8 Environmental Compliance for discussion of reportable incidents.

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.

VCM Exposures



Ambient Average VCM Concentration



Legionella

One of the plant's cooling towers recorded a positive reading for Legionella in December 2007 during a Government departmental investigation into Legionella disease in the area. The reading was at the minimum detectable level. It is believed to have come from off-site. No further positive results were recorded in follow-up testing and no employee exposure was found.

Training

Australian Vinyls places a high degree of significance in maintaining a skilled workforce for its operations. All resin plant Operators have a rostered training day every shift cycle. On-job and off-job training equivalent to 2,600 hours for Operators and 3,690 hours for Support Staff was provided during 2007-08. Employees train and retrain on-the-job in the plant using detailed procedures and the company's Training Modules or Job Cycle Checks. The company provided five apprenticeships during the year.

Employee Well-being

For a number of years, we have run a health program for employees across the company to raise individuals' awareness of health and well-being. 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.

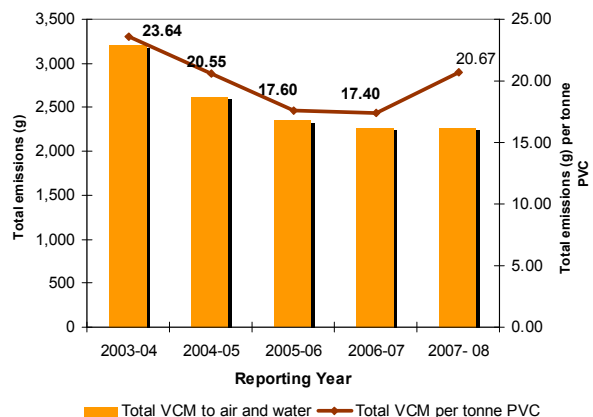
Protecting the Environment

Reducing Emissions

Vinyl Chloride

Vinyl Chloride Monomer (VCM) is a liquefied gas maintained at pressure. The company 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 2007-08, total emissions of VCM to air and water were 20.9 grams per tonne PVC compared to 17.4 grams per tonne last year. The higher result was due to lower production and the estimation methodology which reports the lowest detectable limit levels of emissions even when there is no production.

VCM Emissions



Ethyl Chloroformate

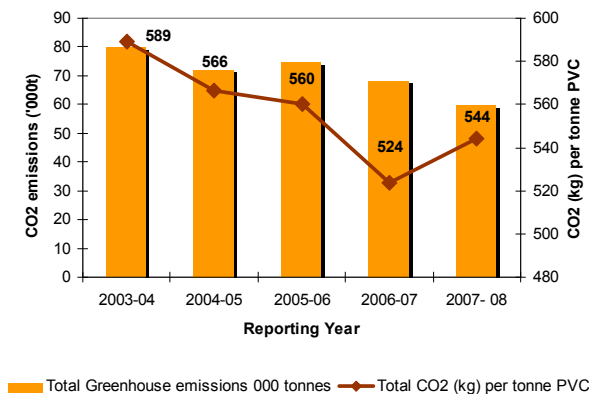
Emissions of ethyl chloroformate ("X16"), an initiator in the reaction process and a hazardous substance, were 50.4 kg for the year, well below the licence limit for X16 for the plant of 0.36 grams per minute. There were no spills or exposures above the time weighted average permitted by EPA Victoria for X16.

Greenhouse Gas Emissions

Australian Vinyls has been a signatory to the Government's Greenhouse Challenge Plus program for several years and has continued to develop strategies and programs to reduce its greenhouse gas emissions.

Greenhouse gas emissions for the year under review relating to energy consumption and emissions at the resin plant were 59,637 tonnes CO₂ equivalent, 13 per cent lower than in 2007-08 largely due to the prolonged shut-down in the second half of the year. Despite the lower production base, on a per tonne of product basis, emissions met the plant's target of less than 550 kilograms carbon dioxide equivalent per tonne of PVC.

Greenhouse Gas Emissions



In 2006-07, we commenced reporting greenhouse emissions related to the road transport of resin products to customers by the two largest carriers. In 2007-08, emissions from this transportation amounted to 5,260 tonnes carbon dioxide equivalent, representing 8.1 per cent of the plant's total estimated emissions. This is not included in the above chart.

ModWood's Greenhouse Gas Emissions

ModWood generated 3,355 tonnes of greenhouse emissions, or 1.2 tonnes CO₂-equivalent per tonne of product made, up 33 per cent on last year. This was mainly due to changes in production including milling of wood flour, production of solid rather than hollow boards and introduction of embossing, which led to increased energy consumption. 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.

Trade Waste Discharge

The volume of trade waste, or effluent, discharged was approximately 10 per cent lower than last year but a seven per cent deterioration per tonne of PVC produced 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.

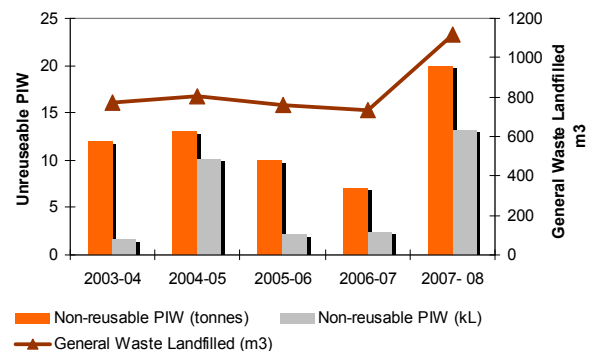
Waste

We have 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 the PVC business in the year was equivalent to approximately 1.75 per cent of production.

PIW includes rogue polymer, chemicals packaging and waste chemicals including some specialty products waste. We sent a total of 19.9 tonnes of solid PIW and 13.1 kilolitres of liquid PIW to treatment, landfill or storage in 2007-08, 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, we recycled 438 tonnes of cardboard, office paper, old reusable bulk bags and packaging. A total of 1,451 tonnes (equiv. 1,113 m³) of general waste were sent to landfill, significantly higher than in 2006-07 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.

Resin Plant Prescribed and General Waste



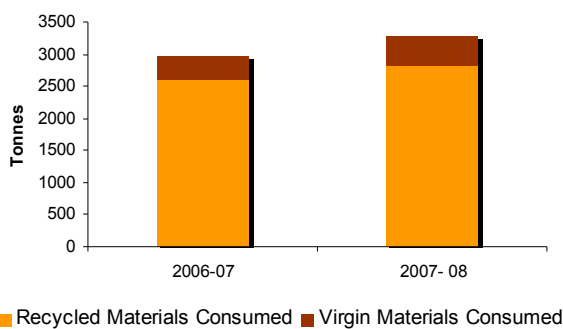
Recycling and Waste Avoidance

In order to divert waste from landfill, we look at ways of minimising waste generation and where there are wastes, recycling opportunities for the materials. We encourage customers to take resin in bulk rather than packaged in bags. Seventy-four per cent of locally-made resin and over 92 per cent of imported resin is shipped in bulk to our customers. 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 was sent to a reprocessor for recycling.

At ModWood, recycling is a fundamental part of its business as the wood-plastic composite 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 its raw material inputs, were used by ModWood.

ModWood Resource Use



Ozone Depleting Substances

The PVC plant's refrigeration units use a potential ozone depleting substance, R11. During 2007-08, no R11 stock was used under its licence to purchase from existing stocks.



Working from Heights Training

Ensuring Compliance

Licences, Management Systems and Policies

Australian Vinyls is a licensed Major Hazard Facility (MHF) in Victoria. Our current, five year licence was renewed in 2007. We are not aware of any non-compliance during the year with licensing or approval conditions or other requirements.

We maintain an Environment Management System for our PVC operations and implement a community-agreed, three year Environment Improvement Plan (EIP) (2006-09) identifying actions to improve company safety, health and environmental performance. The company has a Safety, Health and Environment Policy which requires us to recognise the principle of sustainable development in developing and improving our products and processes. Copies of the EIP and Policy are available on our website at www.av.com.au.

Australian Vinyls has been a Signatory to the PVC industry's Product Stewardship Program since 2002 (refer to www.vinyl.org.au). In June 2008 the company was a founding signatory to the PACIA Sustainability Leadership Framework (refer to www.pacia.org.au).

Hazard and Risk Control

A high degree of process safety is seen as a vital step in preventing major incidents. As a MHF, the Laverton Plant 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 through our Measures of Performance, agreed annually for operational and business teams. Every control measure that is critical to the safety of the plant is monitored and reviewed through a structured process led by plant management. The plant's Safety Case completed in 2006 for the renewal of its MHF licence in 2007, showed a good history of control measure performance at the plant.

Environmental Compliance

One of Australian Vinyls' priorities is to ensure there are no accidental releases from unlicensed points in the resin plant of either vinyl chloride or ethyl chloroformate. In 2007-08, the company's goal of zero accidental emissions was achieved.

Environment Protection Authority Victoria (EPA) Waste Discharge Licence breaches are recorded in real-time using our online, continuous monitoring system. There was one event during the year resulting in the PVC plant exceeding its 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.

National Pollutant Inventory

Total Volatile Organic Compound (TVOC) emissions are reported to the National Pollutant Inventory annually. For full details, refer to our company's report at www.npi.gov.au. During 2007-08, Australian Vinyls' TVOC emissions were higher than last year at 27.7 grams per tonne of PVC produced compared to 23.9 grams per tonne.

Vinyl chloride emissions are rated high. Australian Vinyls is the largest point source emitter of vinyl chloride, being the only PVC manufacturer in Australia.

Emergency Response

The plant conducts eight emergency response exercises a year to ensure it has the equipment and capabilities to respond to an emergency. The exercises demonstrate the ability to identify, resolve and clean up an incident well before the issue extends beyond the plant boundary.

In June 2008, a loss of containment of truck diesel fuel occurred on site. A team responded with spill kits and absorbents and contained the spill to the plants' drainage system. The total fuel loss has been estimated at 20 litres and contaminated soil was removed.

Engaging with the Community

We identify a stakeholder as anyone who has an interest in our business, activities and products including, but not limited to, people in government, non-government organisations, the media, our neighbours and local community, our suppliers and customers and our workforce. We are committed to the principle of Community Right to Know and therefore endeavour to communicate openly about the performance of our operations and our products via our company website, annual reports and in meetings and conferences.

The company has an Environment Monitoring Team (the EMT) which includes representatives of the local community, regulatory authorities and other stakeholders. The EMT monitors the development and implementation of the plant's Environment Improvement Plan. Members of the EMT regularly provide feedback on our performance and communication.

We engage actively with industry, government and community stakeholders through involvement in associations and forums such as PACIA, the Vinyl Council of Australia, Australian

Industry Group, the National Safety Council of Australia and the PVC industry's Product Stewardship Program.

During the year, we introduced an annual Sustainability Award open to employees and their families to encourage and recognise initiatives at home or at work that contribute to sustainability principles. The inaugural Awards were judged by a community representative, Valerie Gemmell. Umit Hassan won the Workplace Award for 2007 for work in the Warehouse with Variable Speed Drives. The Home/Community Award for 2007 was won by Craig Walters for monitoring water and energy use to reduce consumption at his family home.

In October 2007, the plant hosted a Family and Community Open Door Day, providing entertainment for children of employees and the local community and guided plant tours.

During 2007-08, we provided approximately \$33,000 in funding to a number of local community groups and schools. A major part of this funding is a contribution under our three-year commitment to Western Chances Education Foundation, which assists disadvantaged young people in the western suburbs of Melbourne, where the plant is located. The way the organisation supports young people is particularly relevant for both the company (as a potential employer) and the community in which we operate.

Feedback and Complaints

The extended plant shut down at the PVC plant associated with a control system upgrade had a significant effect on supply to our customers. Since the commissioning of the control system, we have commenced a customer re-engagement process to address customer concerns regarding the plant outage and also supply chain risk mitigation strategies.

ModWood received three community complaints concerning sawdust leakage. A new dust collector has been installed. Australian Vinyls received a noise complaint from a local resident at night. The cause of the noise was addressed promptly and the matter resolved.

We invited and received feedback on last year's corporate sustainability report. Comments were generally favourable but suggested improvements could be made by using less technical language. We hope an improvement is reflected in this report.

We welcome feedback on this year's report. Please submit any comments or suggestions for improvement to **Manager, Corporate and Environmental Affairs, Australian Vinyls Corporation, 65 Leakes Road, Laverton, VIC 3018**, or via email at info@av.com.au.

Sustainability Report



Glossary

ASCC	Australian Safety & Compensation Commission
AV	Australian Vinyls Corporation Pty Ltd
CO ₂ -e	Carbon dioxide equivalents
EIP	Environment Improvement Plan
EMT	Environment Monitoring Team
EPA	Environment Protection Authority
GJ	Gigajoule, a measure of energy
kL	Kilolitre
LTIFR	Lost Time Injury Frequency Rate
ppb	Parts per billion
ppm	Parts per million
PVC	Polyvinyl Chloride
TVOC	Total Volatile Organic Compounds
VCM	Vinyl Chloride Monomer

Further Information

More detail about our policies, plans and the business of Australian Vinyls can be found on its website at www.av.com.au. Copies of previous sustainability reports, our Environment Improvement Plan, Safety Case and Material Safety Data Sheets can be downloaded from the site.

Please forward any comments or suggestions on how we may improve our reporting to info@av.com.au.

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