

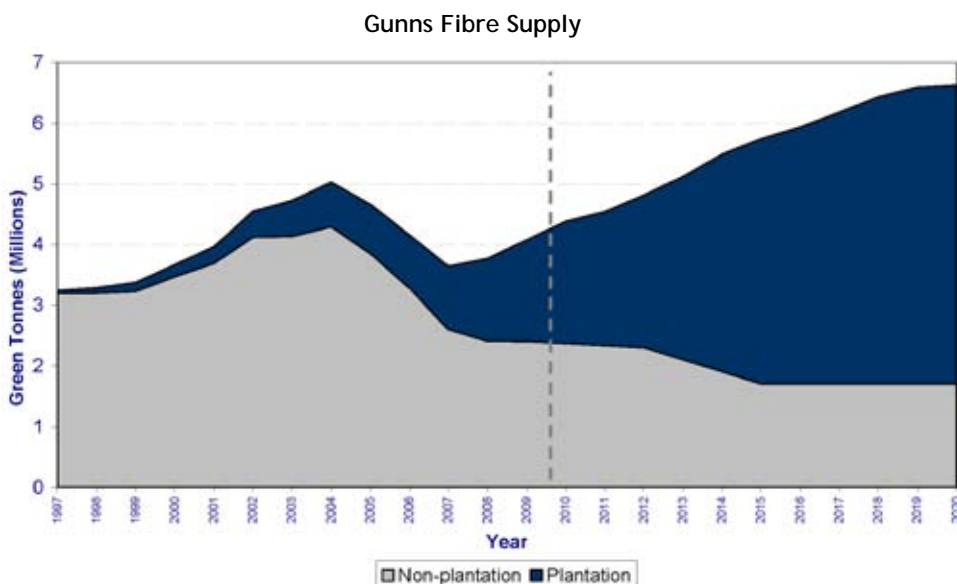
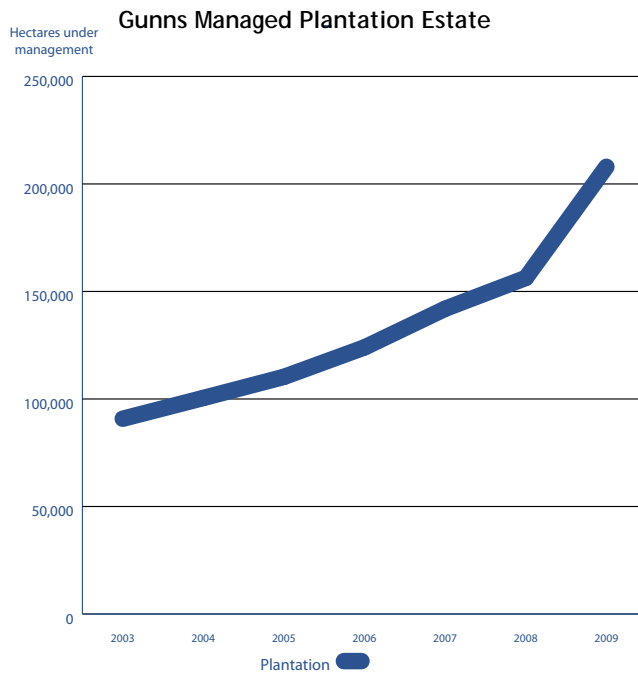
Resource and Sustainability

Resource

Following the establishment of a further 10,000 hectares of plantation forest in the past year, Gunns now manages approximately 210,000 hectares of plantation forest. Gunns' plantation estate consists of approximately 157,000 hectares of hardwood plantation in Tasmania and approximately 53,000 hectares of softwood (Radiata Pine) plantation predominantly in South Australia and Victoria. Gunns continues to place considerable emphasis on developing a sustainable plantation base in order to reduce future reliance on native regrowth

forestry activities. The existing estate is at a level which provides a sustainable base for planned Company operations into the future, including the Bell Bay Mill development.

The following charts illustrate the progressive expansion of the plantation forest estate and the wood flows generated from the sustainable management of the estate and contracted wood sources both historically and into the future.



Resource and Sustainability

Environment

More than a quarter of Gunns' freehold estate is native vegetation set aside protecting and maintaining significant environmental values.



Photo courtesy of Simon de Salis, DPIPWE

Gunns now owns over 275,000 hectares of land. More than half of the Company's estate consists of plantations, while more than a quarter of Gunns' estate is native vegetation that is unavailable for wood production. Approximately 45,000 hectares of Gunns' estate in Tasmania is voluntarily reserved by the Company for a range of flora and fauna, cultural heritage, geodiversity, soils, water quality and landscape values. Gunns actively manage almost 5,000 hectares of native grasslands in North West Tasmania providing valuable habitat for the threatened Ptunarra Brown Butterfly. These reserves are managed in accordance with advice from external specialists to deliver optimal environmental and social outcomes. An additional 27,000 hectares of native vegetation is also set aside because of factors such as poor fertility or limited accessibility. In many cases these adjoin reserves and, whilst not specifically

managed as reserves, play an important role in maintaining the environmental and social values of Gunns' forestry estate. Gunns' commitments in relation to their own Permanent Native Forest Estate Policies can be further demonstrated through the Company's continual compliance with their commitment to no longer convert native vegetation to plantation. All forest regeneration activities undertaken by Gunns ensure that previous biodiversity values are maintained through re-establishment of the same forest community.

Gunns' commitments to the environment and sustainability principles are further demonstrated through the Company's environmental certification. Gunns is setting new benchmarks through continuous improvement in environmental management with ongoing certification to ISO 14001 and the Australian Forestry Standard (AFS).



Gunns was the first forestry company in Australia certified under these standards. All of Gunns' Tasmanian forest management is certified to ISO 14001 and the AFS. During the past year surveillance audits have been undertaken in Tasmania for both ISO 14001 and the AFS, with certification to both standards successfully retained. To promote an open and transparent approach to environmental and forest management, summaries of these audits are now available to the public from the Gunns website (www.gunns.com.au).

To ensure Gunns' environmental commitment and management is consistent across its management regions, the Company is currently in the process of obtaining AFS certification for its forest management in the Green Triangle (the Auspine estate, acquired in early 2008). International certification body Det Norske Veritas has undertaken a surveillance audit of the forest management practices and the environmental management systems. Due to the successful implementation of sustainable forest management it was recommended that the scope of Gunns' current ISO 14001 and AFS certificates be extended to include the Company's forest management within the Green Triangle. Gunns' forest management strategies are strategically delivered via Gunns Forest Management Statement. This document has recently undergone a comprehensive review, including extensive stakeholder engagement. The release of the updated Forest Management Statement is expected in October 2009 and will be available on the Company website.

To promote continuous improvement Gunns monitors key objectives and targets throughout the year. Our annual Sustainable Forest Management (SFM) Report outlines Gunns' forest management performance with respect to environmental, social and economic objectives and targets. The annual SFM reports are publicly available on the Company website. The 2009 report will be available in late 2009.

Gunns' Tasmanian processing facilities source their wood supply from AFS certified sources (forests managed by Gunns or Forestry Tasmania). The AFS is mutually recognised at the International level within the Program for the Endorsement of Forest Certification (PEFC). As such, products manufactured by Gunns are sourced from forests where the forest management practices meet the highest international forest management standards. This is validated through Gunns' Chain of Custody (CoC) certification. During the past year, surveillance audits for Gunns' CoC system were undertaken with certification successfully retained, allowing Gunns to label and supply all of its Tasmanian forest products under this accreditation, further strengthening their international market position.



Photo courtesy of Simon de Salis, DPIPWE

As Gunns' Green Triangle (Auspine) plantations will soon be formally certified to the AFS, Gunns has started pursuing CoC accreditation for its Victorian and South Australian processing mills. Gunns is also pursuing CoC certification for its Jarrah processing mills in Western Australia following the announcement that the main supplier of its Jarrah source is also AFS accredited (Forest Products Commission of WA). Thus all of Gunns' forest products will soon be sold under the PEFC label.



Promoting Sustainable Forest Management

Gunns is seeking continuous improvement in all aspects of the business and is additionally undertaking the considerable task of integrating its Safety, Health, Environment and Quality management systems across all divisions of the Company. This will result in all of Gunns businesses operating under the one fully integrated management system, ensuring an overall streamlined and consistent approach to Gunns operations.

Photo courtesy of Christine Grove, Forest Practices Authority



Resource and Sustainability

Addressing Climate Change

Gunns forests hold an estimated carbon sink of 75.7 million tonnes carbon dioxide equivalents (tCO₂^{-e}).

Gunns believes it has a role to play in addressing the climate change response, particularly through growth of its timber plantations, the production of products which store carbon and the utilisation of renewable energy sources. In Tasmania, approximately one third of the greenhouse gases produced by the state's population are being absorbed by plantations managed by Gunns.

Gunns have also recognised that aspects of its business produce greenhouse gas (GHG) emissions and have implemented a strategy to monitor and reduce those emissions. Key actions of this strategy included:

1. Carbon Accounting

Gunns defined and measured its carbon footprint for scope 1 and 2 emissions using the Greenhouse Gas Protocol Standard for Corporate Accounting and Reporting; National Greenhouse Accounts (NGA) Factors 2009 and the National Greenhouse and Energy Reporting (Measurement) Determination 2008.

The development of the GHG inventory has afforded the company the ability to:

- identify risks associated with GHG constraints in the future
- identify cost effective reduction opportunities
- set GHG targets and measure and report on progress
- Support legislative compliance requirements.

Under the current proposed Carbon Pollution Reduction Scheme (CPRS), Gunns would not be required to purchase permits based on the GHG profile. However it would have the opportunity to opt in to receive scheme permits through forest growth.

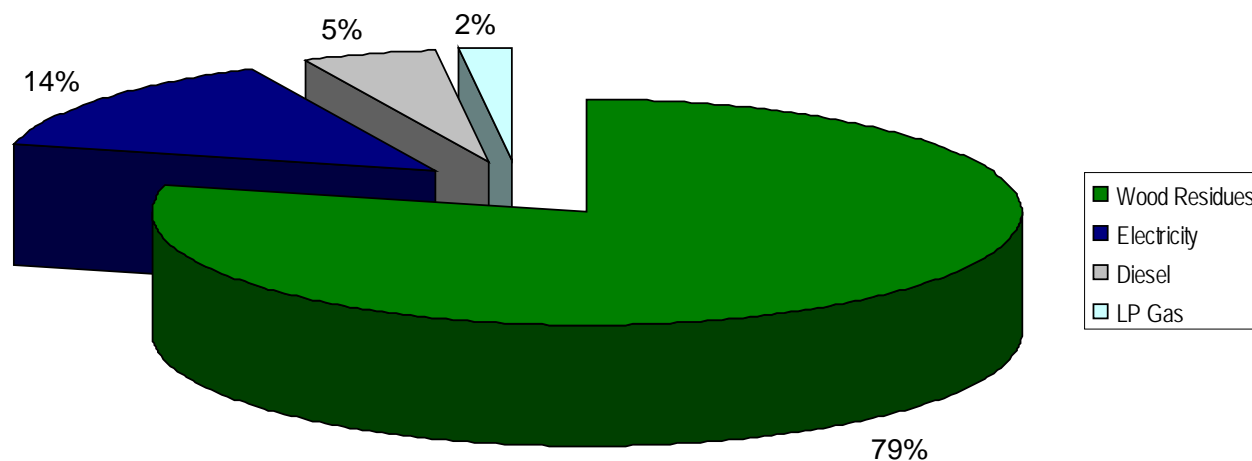


Figure 1: Distribution of Gunns Energy Use by Source for 2008/09

2. Energy Management

Gunns recognised that improved energy efficiency not only reduced both direct and indirect greenhouse gas emissions, but also offered the potential to decrease operating costs and enhance the net value of the business.

The Company completed energy assessments across a range of business units to identify and report on energy use and energy efficiency opportunities annually.

Almost 80% of Gunns' energy use is derived from utilisation of wood residues, which is a renewable energy source.

3. Leadership and Engagement

To demonstrate commitment to energy efficiency improvements and greenhouse gas emission reduction, the Company implemented an energy management policy.

4. Verification and Reporting

The Company's energy use, energy efficiency opportunities and greenhouse gas emissions were reported via participation in the Federal Government's Energy Efficiency Opportunities (EEO) Program and registration under the National Greenhouse and Energy Reporting Act 2007 (NGER).

Preparation for a robust verification program has commenced to provide confidence in the collated data.

Legislative Compliance

Gunns have successfully met all legislative requirements pertaining to energy management and GHG emissions.



Forests, forest products and carbon

Trees and other plants take up (sequester) carbon dioxide (CO₂) from the atmosphere as they grow through a biological process known as photosynthesis. The rate at which they absorb carbon depends on the growth characteristics of the tree.

As trees mature and eventually die, the plant matter decomposes and is returned to the atmosphere; but if trees are harvested and turned into timber products, much of the carbon remains in storage in products such as floorboards or framing.

Through employing sustainable forestry practices at Gunns (that ensures adequate regeneration after harvesting), the carbon in our forests effectively remains in equilibrium: the CO₂ absorbed by growing trees balances the amount removed through harvesting.

When you take into account the carbon that is stored in wood products made from forest trees, and the expansion of our plantations onto land previously used for agriculture, we are not just maintaining equilibrium - we are taking extra carbon out of the atmosphere and having a positive effect on climate change.

About half the dry weight of a tree is carbon. This carbon remains locked up in the wood for the life of the product, even when we process it for use as building products, furniture and paper.

Using wood instead of other building materials can reduce greenhouse emissions too. This is because the production of wood products requires less energy compared with materials such as steel, aluminium or plastics.

As a fuel, sustainably grown and harvested wood (and other biomass) provides a renewable alternative to fossil fuels. Currently, around 80% of Gunns' energy requirement is provided by renewable forest, which is also classified as a greenhouse gas neutral energy source.