



Sustainable Forest Management Report

2009-2010



Queries or feedback on this document are welcomed. Please contact gunns@gunns.com.au or send comments to the AFS/ISO Certification Coordinator, PO Box 572 Launceston Tasmania 7250.

Copies of this document in PDF format are available from the Gunns website www.gunns.com.au.

Cite as: Gunns Limited Sustainable Forest Management Report (2010). Gunns Ltd, Launceston Tasmania.



Promoting Sustainable Forest Management

Contents

| | |
|---|----|
| Background | 6 |
| Introduction | 6 |
| Results Summary | 10 |
| Current Forest Statistics | 12 |
| Permanent Estate | 12 |
| Gunns Managed Area – Defined Forest Area | 14 |
| CRITERION 1 – Systematic Manner | 17 |
| CRITERION 2 – Public Participation and Good Neighbour | 26 |
| CRITERION 3 – Biological Diversity | 29 |
| CRITERION 4 – Productive Capacity | 36 |
| CRITERION 5 – Forest Health and Vitality | 42 |
| CRITERION 6 – Soil and Water Resources | 44 |
| CRITERION 7 – Contribution to Carbon Cycles | 46 |
| CRITERION 8 – Indigenous and Non-Indigenous Values | 48 |
| CRITERION 9 – Social and Economic Values | 49 |
| Continuous Improvement | 55 |
| Glossary | 56 |



ENVIRONMENTAL AND SUSTAINABILITY POLICY

1 Purpose

We at Gunns are committed to sustainability and the responsible management of our environment. We seek to optimise the production of wood products from our natural, renewable resources while minimising our environmental footprint.

We respect and acknowledge the rights and interests of all those who live and work in the communities in which we operate. We believe in the importance of corporate social responsibility and we will consult with and provide feedback to all stakeholders, who are affected by or have interest in, our business to achieve a balance between economic viability, social contribution and environmental responsibility. This approach is critical in achieving environmental sustainability and in maintaining a social license for our business.

2 Scope

Forestry and Timber Divisions

3 References

- Gunns Forest Management Statement
- Gunns Annual Reports
- Gunns Sustainable Forest Management Reports
- Gunns Website - www.gunns.com.au

4 Definitions

Gunns adopts the internationally recognised definition of environmentally sustainable development as the underlying management principle i.e. development which meets the needs of the present without compromising the ability of future generations to meet their own needs.

AFS = Australian Forestry Standard.

ISO14001 = is a family of internationally recognised standards for environmental management systems that is applicable to any business or organisation, regardless of size, location or income.

PEFC = Program for the Endorsement of Forest Certification Schemes.

FSC = Forest Stewardship Council.

5 Procedural Principles

Gunns is committed to continuous improvement of its environmental performance and to demonstrate our commitment we will:

- Only produce wood products from responsibly and sustainably managed wood sources. We shall choose independent, recognised and credible certification systems that can measure and audit our processes to verify this, including maintaining certification to PEFC recognised AFS and ISO14001 and pursuing certification to FSC.

- Implement systems that trace the origins of our forest products to legally and sustainably managed resource.
- Ensure our suppliers and contractors share our commitment to sustainability and responsible environmental management.
- Provide appropriate training of employees in our sustainable management procedures and provide industry leadership to drive towards best practice systems, practices and products.
- Reserve a significant portion of our estate purely for conservation values, recreational and educational purposes.
- Manage our estate for conservation values including; soil, water & air quality, biological diversity, threatened species, wildlife habitat, old growth forest and cultural heritage.
- Implement and manage a robust integrated management system that delivers the high standards we set and complies with internationally recognised standards.
- Set challenging objectives and targets relating to resource sustainability and environmental policy which will be regularly reviewed as we strive to continually improve environmental outcomes.
- Minimise pollution and the generation of waste.
- Facilitate carbon capture and manage efficient energy use.
- Communicate our environmental performance to our employees, contractors, directors, shareholders and community stakeholder on a regular basis.
- Engage third parties to assess our performance against commitments made in this policy.
- Comply with all legislation, codes of practice and regulatory frameworks.

We will do all this to make sure we meet the needs of the present, without compromising the ability of future generations to meet their own needs. This is what we mean by "Making Sustainability Our Business"

6 Revision History

This document is identified as 'Environmental and Sustainability Policy'. A new version will be issued whenever significant changes occur.

| Version | Changes | Date |
|---------|----------|--------------|
| V1.0 | Original | June 2006 |
| V2.0 | Revised | January 2009 |
| V3.0 | Revised | May 2010 |

| | |
|----------------------------|--|
| Author: | Frances Duffy |
| Authorisation: | Greg L'Estrange |
| Signature: |  |
| Next Revision Date: | May 2011 |

Background

Introduction

Gunns Limited (Gunns) is Australia's largest fully integrated hardwood forest products Company. The Company owns 276,685 hectares (ha) of freehold land and manages another 202,840 ha of land, resulting in 479,525 ha of total land estate under Company control in Australia. Gunns is a diverse business with interests in:

- Plantation Management
- Regrowth Forest Management
- Wood fibre
- Sawn Timber
- Veneer
- Construction (Hinman, Wright and Manser)
- Research and Development
- The development of a Pulp Mill at Bell Bay in Tasmania

However Gunns Limited is currently rationalising the business and focussing on the plantation based aspects of the company.

On 31st December 2009, Gunns Plantation Limited (GPL) became the Responsible Entity (RE) for the 1998 to 2005 hardwood pulpwood forestry schemes established by Great Southern Managers Australia Limited (GSMAL). On 5th January 2010, GPL also took over as RE for the 2006 GSMAL schemes. The area covered by the plantations now form part of the Gunns' Defined Forest Area (DFA). These plantations are located in southern Western Australia, Green Triangle (Vic/SA), Gippsland (Vic), Kangaroo Island (SA), northern New South Wales, Queensland, and across Northern Tasmania.

As no freehold land is associated with the RE status, the land is considered part of the Gunns' Semi Permanent Estate.

Management of the GSMAL plantations within Tasmania have been included in the relevant Gunns Tasmanian operational centre (Ridgley or Tamar). The Mount Gambier regional office manages the Kangaroo Island, Green Triangle, and Gippsland plantations. Northern New South Wales and Queensland plantations are managed from Launceston.

Management of the plantations in Western Australia has resulted in the development of a new Gunns regional office in Albany, southern Western Australia. Gunns continues to employ a number of former Great Southern staff in Tasmania, Mount Gambier and Albany.

Gunns has developed and purchased significant infrastructure throughout Tasmania and more recently in the Green Triangle region of South Australia and Victoria. These sawmills, veneer mills, and export woodchip facilities were developed at key strategic locations and have been designed to maximise the value adding opportunities for the available local resource. Included in this long term strategy are

developments such as entering into a new agreement with Plantation Pulpwood Terminal (PPT) at the Port of Albany in addition to the new development of the hardwood chip facility at the Port of Portland, which are designed to add further value to the available resource. The proposed Bell Bay pulp mill is still in a project ready status.

Gunns has now reached a significant milestone in the development of a sustainable plantation estate owning and managing 338,500 hectares, ensuring ongoing supply to the business into the future. This estate is now complemented through the management of the additional GSMAL hardwood plantation estate in Western Australia, Green Triangle, and Tasmania - a total of some 114,287 ha. This estate size is now at a level which provides a sustainable base for the planned Company operations into the future, including the Bell Bay Pulp Mill development.

Gunns has a strong and ongoing commitment to sustainability principles in its forest management and resource procurement activities. Gunns is setting new benchmarks through continuous improvement in environmental management with ongoing certification to ISO 14001 and the Australian Forestry Standard (AFS) and the Australian Forestry Chain of Custody Standard.

During the past year in Tasmania, surveillance audits have been undertaken for both ISO 14001 and AFS, with certification to both standards successfully retained. To ensure an open and transparent approach to environmental and forest management, summaries of the AFS audits are now available to the public from Gunns website (www.gunns.com.au). During August 2009, Gunns Limited gained AFS and ISO 14001 certification within the Green Triangle for all the softwood estate managed within the Green Triangle.

During the first quarter of 2010 financial year, Gunns intends to extend the scope of the Gunns existing certification to cover the recently acquired hardwood resource in Western Australia and the Green Triangle (including Kangaroo Island and Gippsland).

All wood supply to Gunns processing facilities in Tasmania is certified to the Australian Standard – Chain of Custody for certified wood and forest products. Chain of Custody is an inventory control system that tracks wood or forest products from a forest through to the end use by the customer (covering all phases of the cycle including ownership, transport, manufacture, and sale). During the past year, surveillance audits for Gunns Chain of Custody system were undertaken with certification successfully retained. Gunns continues to label and supply all of its forest products under this accreditation which is further strengthening Gunns' international market position.

The Australian Forestry Standard and associated Chain of Custody Standard schemes are mutually recognized by the international Programme for the Endorsement of Forest Certification Schemes (PEFC). Mutual recognition of the Australian Forestry Standard and Chain of Custody Standard ensures that Gunns forests are managed and are complying with internationally recognized sustainability criteria. This enables Gunns to demonstrate that its management activities meet the robust international environmental, economic and social standards of PEFC. The ability to use both the Australian Forest Certification Scheme logo in addition to The Programme for the Endorsement of Forest Certification Schemes logo provides credibility in world markets.

Only sites that have been certified to the Chain of Custody Standard can sell products with the AFS or PEFC logo.

More than 44,000 ha of Gunns estate (land) in Tasmania is voluntarily reserved by Gunns for a range of flora and fauna, cultural heritage, geomorphological diversity, soils, water quality, landscape and social values. These reserves are managed in accordance with advice from external specialists to deliver optimal environmental and social outcomes.

Gunns' commitments in relation to the AFS and Gunns Permanent Native Forest Estate Policy have been further strengthened in the past year, with full compliance to the commitment to no longer undertake broad-scale conversion of native vegetation to plantation. Forest regeneration activities undertaken by Gunns ensure that previous biodiversity values are maintained through re-establishment of the same forest community.

Gunns now owns over 276,000 ha of land throughout Australia. The management of this estate is strategically delivered via Gunns Forest Management Statement. This document has recently undergone a comprehensive review, including extensive stakeholder engagement. The updated and revised Forest Management Statement was published in late 2009 and is available on Gunns website (www.gunns.com.au). An update of the latest forest area statement to incorporate the additional hardwood estate has been prepared and included into the latest document.

Gunns Sustainable Forest Management Systems (SFMS) aim to ensure that Gunns approach to forest management is ecologically, socially and economically sustainable and promotes continuous improvement in these areas. AFS certification is an integral component of the SFMS.

AFS certification is assessed through compliance with the following overarching criteria:

1. Systematic Manner
2. Public Participation and Good Neighbour
3. Biological Diversity
4. Productive Capacity
5. Forest Health and Vitality
6. Soil and Water Resources
7. Contribution to Carbon Cycles
8. Indigenous and Non-Indigenous Values
9. Social and Economic Benefits.

The AFS encompasses both a performance and systems based approach to sustainable forest management, and as such it involves a requirement to quantify progress against goals and targets. In line with this, a range of performance indicators were developed to measure performance against all criteria of the AFS.

The role of indicators are to:

- Highlight key forest management issues
- Show the status of performance at a single point in time
- Measure and monitor changes over time
- Provide a mechanism for reporting to stakeholders.

Performance based indicators provide a mechanism by which Gunns can monitor the outcomes of their forest management decisions, encourage public participation in forest planning and thereby enable continuous learning and improvement.

Indicators were developed for each of the nine criteria requirements of the AFS. Two types of indicators have been developed: Target Indicators and Non-target Indicators. Target indicators measure compliance with Company policy and external Standards, while Non-target indicators monitor and provide insight into Company operations where compliance and targets are not required. Each indicator is monitored on a financial year basis. This document (the Gunns Ltd Sustainable Forest Management Report) reports on the results of the developed indicators. It demonstrates a commitment of the Company to increase public reporting and foster participation in forest management performance.

The indicators cover forest management practices on Gunns Defined Forest Area (DFA). The DFA is made up of Gunns Permanent Estate (land Gunns owns – freehold) and Semi-Permanent Estate (private property and State owned land for which Gunns has forest management control). Information regarding the total area managed under these classifications is summarised in the Current Forest Statistics section.

This report is the seventh annual Sustainable Forest Management Report published by Gunns. It covers the results of indicators for the 2009-2010 financial year. The scope of the Sustainable Management Report for 2009 – 2010 has identified indicators throughout Tasmania, Green Triangle and the softwood estate in New South Wales. Indicator assessments for the recently acquired hardwood estate in Western Australia and Green Triangle are not included in this years report. However for the 2010 – 2011 financial year, relevant indicators will apply across the entire Gunns regions.

Please refer to Table 1 for a summary of the results.

Feedback, comments and suggestions in relation to this report are welcomed, please contact gunns@gunns.com.au.

Results Summary

Table 1: Gunns Sustainable Forest Management Indicators Results Summary

| Label | Indicator | Year | | | | | | | Target |
|----------|--|-----------|-----------|-----------|-----------|-----------|-----------|--------------------|------------|
| | | 2003/2004 | 2004/2005 | 2005/2006 | 2006/2007 | 2007/2008 | 2008/2009 | 2009/2010 | |
| 1.1 | Maintain EMS to ISO 14001 and AS4708 | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| 1.2 | Resolve all non conformances arising from AFS and ISO 14001 external audits | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| 1.3 | Exceed the performance benchmark of FPA annual FPP audits for all elements | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| 1.4 | Exceed the performance benchmark of FPA for internal FPP audits for all elements | NA | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| 1.5 | % of Forest Operations monitored against Company Standard | 90% | 94% | 96% | 97% | 98% | 98% | 97% TAS 100% GT | 90% 90% |
| 1.6 | Meet the Company Standard for submission of Coupe Completion notices for harvesting | NA | 88% | 93% | 90% | 97% | 99% | 100% | 100% |
| 1.7 | % of environmental incidents reported for each AFS criteria: | | | | | | | | |
| 1.7 i | Systematic Manner | NA | 27% | 14% | 20% | 19% | 18% | 3% | Non-target |
| 1.7 ii | Public Participation and Good Neighbour | NA | 13% | 5% | 12% | 9% | 4% | 12% | Non-target |
| 1.7 iii | Biological Diversity | NA | 34% | 26% | 41% | 46% | 46% | 29% | Non-target |
| 1.7 iv | Productive Capacity | NA | 1% | 0% | 0% | 0% | 0% | 3% | Non-target |
| 1.7 v | Social and Economic Benefits | NA | 0% | 0% | 0% | 0% | 0% | 0% | Non-target |
| 1.7 vi | Forest Health and Vitality | NA | 4% | 6% | 8% | 10% | 4% | 15% | Non-target |
| 1.7 vii | Soil and Water Resources | NA | 19% | 41% | 18% | 16% | 29% | 38% | Non-target |
| 1.7 viii | Contribution to Carbon Cycles | NA | 0% | 0% | 0% | 0% | 0% | 0% | Non-target |
| 1.7 ix | Indigenous and Non-Indigenous Values | NA | 2% | 0% | 1% | 1% | 0% | 0% | Non-target |
| 1.8 | Meet the company standard for submission of Environment, Health and Safety Audits for Nursery operations | - | - | - | - | - | 100% | 100% | 100% |
| 1.9 | Meet the Company standard for storage of nursery chemicals | - | - | - | - | - | Yes | Yes | Yes |
| 2.1 | Compliance requirement for neighbour notifications in relation to plantation establishment activities | 82% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| 2.2 | Maintenance of meaningful dialogue to promote stakeholder participation in Forest Management | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| 2.3 | Compliance with Forest Practices Act 3 year planning process (council consultation) | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| 2.4 | The % of neighbour contacts that provide outcomes compatible with the good neighbour charter | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| 3.1 | Report on the % of reserve areas to total permanent estate | 20% | 19% | 18% | 19% | 19% | 16% | 17% | Non-target |
| 3.2 | Report by area on reserves by Primary status of Significant Biological Diversity values: | | | | | | | | |
| 3.2 i | Cultural Heritage | 1% | 1% | 1% | 1% | 1% | 1% | 1% | Non-target |
| 3.2 ii | Flora | 20% | 20% | 23% | 24% | 24% | 23% | 26% | Non-target |
| 3.2 iii | Fauna | 17% | 17% | 16% | 17% | 17% | 18% | 16% | Non-target |
| 3.2 iv | Landscape | 4% | 4% | 3% | 4% | 4% | 4% | 4% | Non-target |
| 3.2 v | Soil/Water | 53% | 53% | 50% | 49% | 48% | 48% | 47% | Non-target |
| 3.2 vi | Geomorphology | 1% | 1% | 3% | 2% | 2% | 2% | 2% | Non-target |
| 3.2 vii | Social | 4% | 4% | 4% | 3% | 3% | 4% | 3% | Non-target |
| 3.3 | Area of total forest type by growth stage distribution: | | | | | | | | |
| 3.3 i | Plantation - Hardwood | 38% | 40% | 37% | 44% | 44% | 38% | 38% | Non-target |
| 3.3 ii | Plantation - Softwood | 3% | 2% | 2% | 2% | 2% | 19% | 18% | Non-target |
| 3.3 iii | Native Forest - Regeneration (<15yrs) | 7% | 12% | 11% | 11% | 11% | 9% | 9% | Non-target |
| 3.3 iv | Native Forest - Regrowth(>15yrs) | 2% | 2% | 2% | 2% | 2% | 1% | 1% | Non-target |
| 3.3 v | Native Forest -Multi-Age Productive | 15% | 10% | 7% | 7% | 7% | 5% | 5% | Non-target |
| 3.3 vi | Multi-Age Non-Productive | 35% | 34% | 33% | 34% | 34% | 28% | 29% | Non-target |
| 3.4 | Report on the % and area of native vegetation as a component of the total permanent estate | 55% | 54% | 50% | 50% | 50% | 40% | 42% | Non-target |
| 3.5 i | Report on the % of permanent estate area covered by a property management plan | NA | 1% | 7% | 13% | 16% | 16% | 16% | Cont. imp |

Table 1: Gunns Sustainable Forest Management Indicators Results Summary (cont'd)

| Label | Indicator | Year | | | | | | | Target |
|---------|---|---------------------|---------------------|----------------------|---------------------|---------------------|----------------------|-----------|------------|
| | | 2003/2004 | 2004/2005 | 2005/2006 | 2006/2007 | 2007/2008 | 2008/2009 | 2009/2010 | |
| 3.5 ii | Report on the % of permanent estate area covered by Special Values Specific Management Plans | NA | NA | 3% | 2% | 2% | 2% | 2% | Cont. imp |
| 3.6 | Compliance with the Permanent Native Forest Estate Policy and Procedures | NA | No | Yes | Yes | Yes | Yes | Yes | Yes |
| 3.7 | Review compliance with prescriptions in Forest Management Statement | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| 4.1 | Ratio of cut volume versus growth volume | 1:1.2 | 1:1.07 | 1:1.02 | 1:1.34 | 1:0.98 | 1:1.52 | 1:2.49 | Non-target |
| 4.2 | The % of seed sourced for each reforested area that is sown with seed sourced from either 'on coupe' or 'in zone' | 91% | 87% | 71% | 60% | 85% | 95% | 99% | 95% |
| 4.3 i | The % of total native regeneration coupes that have had regeneration surveys | 34% | 99% | 100% | 99% | 100% | 100% | 100% | 100% |
| 4.3 ii | The % of the total area stocked to the Company Standard | 67% | 85% | 80% | 92% | 60% | 63% | 71% | 95% |
| 4.4 i | The % of total un-even aged native forest harvested area with retained growing stock that have had damage surveys | 5% | 25% | 38% | 80% | 30% | 23% | 25% | 20% |
| 4.4 ii | The % of coupes that have met pre-determined damage levels according to the Company Standard | 83 | 84% | 92% | 88% | 89% | 92% | 100% | 100% |
| 4.5 i | The % of coupes that have formal survival surveys undertaken | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| 4.5 ii | The % of planted area for each planting year that has survived | 91% | 91% | 86% | 67% | 82% | 87% | 93% | 90% |
| 4.6 i | The % of plantation coupes thinned under a solid wood regime that have had damage surveys undertaken | NA | NA | 0 (1 coupe thinned) | NA | NA | 100% | 100% | 100% |
| 4.6 ii | The % of the thinned coupes containing tolerable damage levels | NA | NA | NA | NA | NA | 100% | 100% | 100% |
| 4.7 i | The % of plantation coupes thinned under a pulpwood regime that have had damage surveys undertaken | 0 (1 coupe thinned) | 0 (1 coupe thinned) | 0 (2 coupes thinned) | 0 (1 coupe thinned) | 0 (1 coupe thinned) | 0 (2 coupes thinned) | 100% | 10% |
| 4.7 ii | The % of the thinned coupes containing tolerable damage levels | NA | NA | NA | NA | NA | NA | 100% | 100% |
| 5.1 | Formal annual review of chemicals used in reforestation and nursery activities | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| 5.2 | The % area burnt due to unplanned fires | 0% | 0% | 0% | 1% | 0% | 0% | 0.3% | Non-target |
| 5.3 | The % native forest area lost as a productive forest due to pest and disease outbreaks or other naturally occurring damage agents | 0% | 0% | 0% | 0% | 0% | 0% | 0% | Non-target |
| 6.1 i | The % of water tests completed as per the guidelines | NA | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| 6.1 ii | The % of those water tests that exceed health guidelines | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6.2 | Exceed the Soil/Water benchmark of FPA | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| 6.3 | The number of environmental incidents relating to nursery run-off caused by measured indicators exceeding trigger values | - | - | - | - | - | 0 | 0 | 0 |
| 7.1 | Contribution to Carbon Cycles (tonnes sequestered) | 654 | 38,745 | 57,961 | 84,181 | 150,912 | 309,863 | 403,632 | Non-target |
| 8.1 | The forest area reserved for indigenous, cultural and heritage values (hectares) | 480 | 496 | 486 | 493 | 483 | 490 | 520 | Non-target |
| 8.2 | % of Cultural surveys formally requested by Gunns as required in the FPP | 70% | 90% | 99% | 96% | 99% | 100% | 100% | 100% |
| 9.1 | Number of Company employees | 1,209 | 1,709 | 1,662 | 1,444 | 1,457 | 2,055 | 2,463 | Non-target |
| 9.2 | Number of forest contractors and their employees engaged | 1,274 | 1,276 | 1,361 | 1,111 | 1,224 | 1,011 | 749 | Non-target |
| 9.3 | \$ contribution to the Australian economy | 588.5M | 575.8M | 584.1M | 556.1M | 546.9M | 910M | 857.3M | Non-target |
| 9.4 | Annual valuation of forest estate (\$) | 230.4M | 264.6M | 244.9M | 240.6M | 262.1M | 340M | 360.6M | Non-target |
| 9.5 | Total revenue from forestry operations (\$) | 543M | 543.9M | 414M | 431.5M | 644.9M | 597M | 557.3M | Non-target |
| 9.6 | \$ spent, directly or indirectly, on forest research, development and training | 2.1M | 5.7M | 11.1M | 4.1M | 5.3M | 1M | 0.9M | Non-target |
| 9.7 | Number of recreational visitors | 2,557 | 4,135 | 4,409 | 5,236 | 3,747 | 3,823 | 3,962 | Non-target |
| 9.8 | Total number of LTIs for Gunns forest operations employees | 2 | 1 | 3 | 3 | 2 | 0 | 0 | 0 |
| 9.9 | The % of Safety Incidents reported for each incident category: | | | | | | | | |
| 9.9 i | Damage | NA | 27% | 15% | 9% | 14% | 14% | 5% | Non-target |
| 9.9 ii | Community Interaction | NA | 9% | 9% | 5% | 9% | 11% | 13% | Non-target |
| 9.9 iii | Hazard Report | NA | 8% | 3% | 4% | 9% | 6% | 9% | Non-target |
| 9.9 iv | Injury | NA | 37% | 26% | 10% | 21% | 19% | 17% | Non-target |
| 9.9 v | Near Hit | NA | 6% | 6% | 6% | 9% | 11% | 5% | Non-target |
| 9.9 vi | Fire | NA | 2% | 4% | 1% | 0% | 0% | 0% | Non-target |
| 9.9 vii | Procedural Breach | NA | 11% | 38% | 65% | 37% | 39% | 51% | Non-target |

Current Forest Statistics

Permanent Estate

The Permanent Estate encompasses all land area owned by the Company (freehold) utilised for forestry purposes. A summary of the Gunns Permanent Estate Land Classification is found in Table 2 and Figure 1. Gunns current freehold estate is the result of decades of land acquisition and sale. It includes 126,000 ha of freehold land acquired as part of Gunns purchase of North Forest Products in 2001, land assets acquired by the purchase of Boral Timber in 2000 and land held by Gunns sawmilling companies such as Gunns Timber, Kemp and Denning and Kauri Timber. It also includes 46,000 ha of land in the Green Triangle (Victoria and South Australia) acquired through the purchase of Auspine Ltd in 2008.

The permanent estate area statement does not take into account Gunns Plantation Limited (GPL) becoming the Responsible Entity (RE) for the hardwood plantations previously managed by Great Southern Managers Australia Limited (GSMAL).

As no freehold land is associated with the RE status, the land is considered part of the Gunns' Semi Permanent Estate.

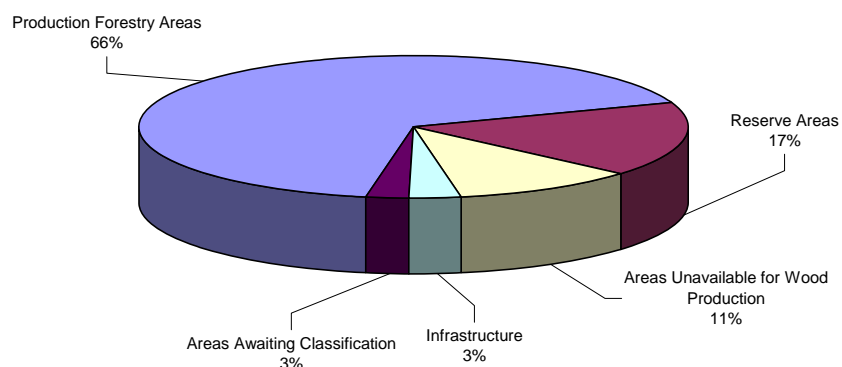
Acquisition of new land and sale of existing land will continue to occur in accordance with Gunns commercial and sustainable forest management framework.

Table 2: Gunns Ltd Permanent Estate Land Classification as at 30 June 2010 (ha)

| | North East Tasmania | North West Tasmania | South East Tasmania | NSW | Green Triangle | TOTAL | % Total |
|---|------------------------|------------------------|------------------------|--------------|-------------------|----------------|---------------|
| Production Forestry Areas | | | | | | | |
| Hardwood Plantation | 29,014 | 54,520 | 13,210 | 0 | 0 | 96,744 | 35.0% |
| Softwood Plantation | 3,032 | 1,229 | 36 | 2,802 | 40,929 | 48,028 | 17.4% |
| Commercial Regrowth Forest to be managed as Regrowth Forest | 22,629 | 9,086 | 7,845 | 0 | 0 | 39,560 | 14.3% |
| Agriculture - Suitable for Plantation Development | 29 | 0 | 0 | 0 | 0 | 29 | 0.1% |
| Total Production Forest Areas | 54,705 | 64,835 | 20,832 | 2,802 | 40,929 | 184,360 | 66.7% |
| Non-Production Forestry Areas | | | | | | | |
| <i>Reserve Areas</i> | | | | | | | |
| Cultural Heritage | 131 | 379 | 10 | 0 | 0 | 520 | 0.2% |
| Flora | 2,687 | 5,310 | 2,440 | 242 | 1719 | 12,398 | 4.5% |
| Fauna | 2,754 | 4,029 | 844 | 0 | 0 | 7,627 | 2.8% |
| Landscape | 725 | 698 | 464 | 0 | 0 | 1,887 | 0.7% |
| Soil / Water | 5,783 | 14,222 | 1,882 | 222 | 0 | 22,109 | 8.0% |
| Geomorphology | 213 | 662 | 107 | 0 | 0 | 982 | 0.4% |
| Social | 51 | 1,262 | 7 | 0 | 0 | 1,320 | 0.5% |
| Total Reserves | 12,344 | 26,562 | 5,754 | 464 | 1,719 | 46,843 | 16.9% |
| <i>Areas Unavailable for Wood Production*</i> | | | | | | | |
| Inaccessible | 2,516 | 6,895 | 660 | 0 | 0 | 10,071 | 3.6% |
| Non-Commercial | 8,040 | 6,729 | 3,580 | 84 | 1782 | 20,215 | 7.3% |
| Total Inaccessible / Non-Commercial | 10,556 | 13,624 | 4,240 | 84 | 1,782 | 30,285 | 10.9% |
| <i>Infrastructure</i> | | | | | | | |
| Roads / Firebreaks / Access | 1,492 | 2,996 | 615 | 64 | 1711 | 6,878 | 2.5% |
| Quarries | 40 | 42 | 14 | 0 | 0 | 96 | 0.0% |
| Utilities | 171 | 748 | 126 | 30 | 0 | 1,074 | 0.4% |
| Total Infrastructure | 1,703 | 3,786 | 755 | 94 | 1,711 | 8,048 | 2.9% |
| Total Non-Production Forestry Areas | 24,603 | 43,972 | 10,748 | 642 | 5212 | 85,176 | 30.8% |
| Total Estate Classified | 79,308 | 108,807 | 31,838 | 3,444 | 46,141 | 269,536 | 97.4% |
| Areas Awaiting Classification | 1,843 | 8 | 5,402 | 0 | 67 | 7,149 | 2.6% |
| Gunns Permanent Estate Areas (Ha) | 80,688 | 108,815 | 37,531 | 3,444 | 46,208 | 276,685 | 100.0% |

*Based on current technologies and market conditions

Figure 1: Gunns Limited Permanent Estate Land Classification as at 30th June 2010



Gunns Managed Area – Defined Forest Area

Gunns Managed Area consists of freehold and private property of which Gunns has management control with regards to forest operations. By definition, this includes the Permanent Estate and Semi-Permanent Estate (private property under management) and is referred to as the Gunns Defined Forest Area (DFA). Refer to Table 3 for a breakdown of Gunns Defined Forest Area. The Semi-Permanent Estate consists of privately or State owned land where Gunns retains some legally definable management control. Typically, this management control will be in the form of a plantation growing contract or a current Forest Practices Plan (in Tasmania). Refer to Figure 2 for a map of the areas under Gunns forest management. The size and location of the Semi-Permanent Estate is also constantly changing. These changes occur in response to the approval of Forest Practices Plans for the harvesting of private timber resources, establishment of new plantation growing contracts and periodic expiry of Forest Practices Plans and plantation growing contracts.

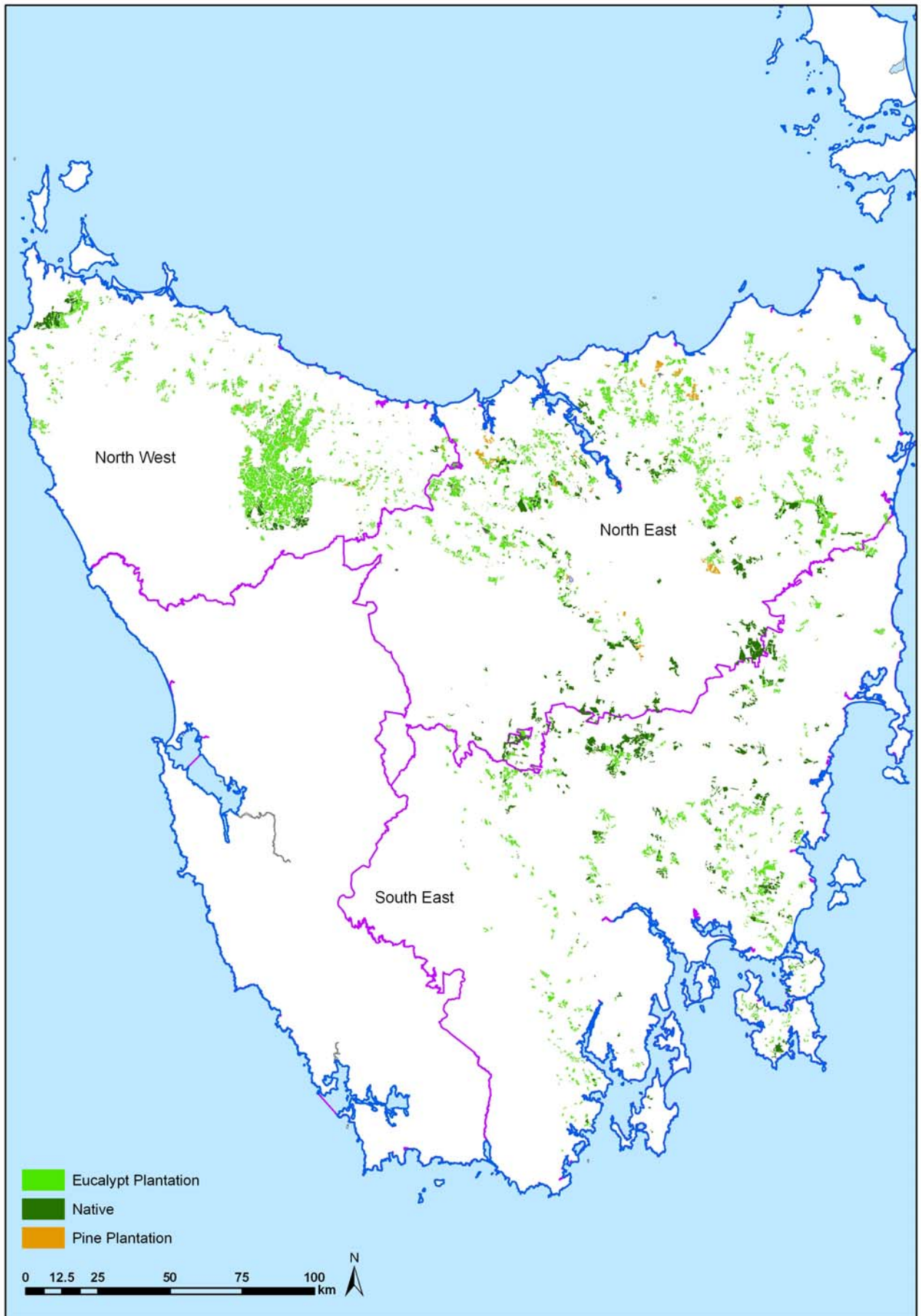
When Gunns' management control of the land expires, the area is removed from the Gunns Semi-Permanent Estate and no longer contributes to the make-up of the Gunns Defined Forest Area. Importantly, however, areas within the Semi-Permanent Estate identified as being environmentally sensitive that were reserved as part of an approved but now expired Forest Practices Plan retain the status "vulnerable land" as defined within the Tasmanian Forest Practices Act 1985 and are thereby afforded as increased level of ongoing regulatory protection.

Table 3: Breakdown of Gunns Limited Defined Forest Area as at 30 June 2010 (ha)

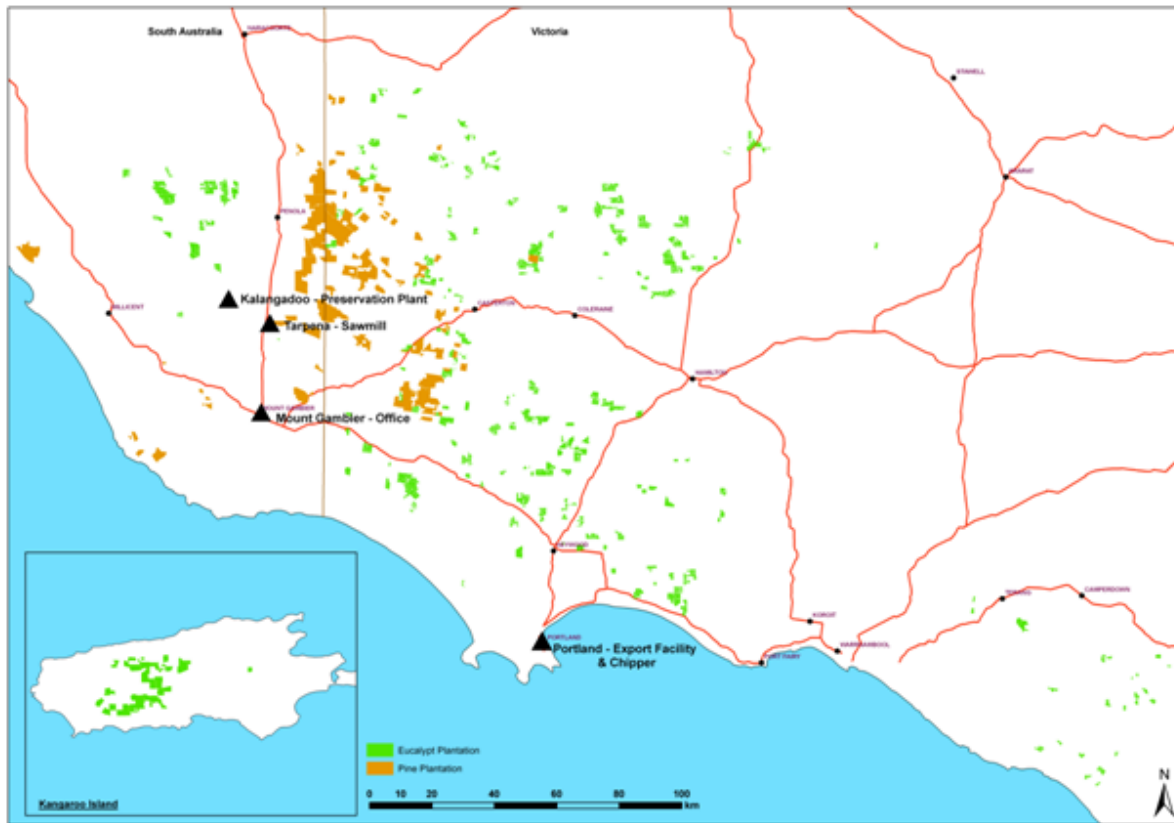
| | |
|--|----------------|
| Permanent Estate | |
| Plantation Managed Areas | 144,771 |
| Native Vegetation Managed Areas | 116,687 |
| Other* | 15,227 |
| Total | 276,685 |
| Semi-Permanent Estate | |
| Plantation Managed Areas | 193,729 |
| Native Forest Managed Areas | 9,111 |
| Total | 202,840 |
| Total Area Under Gunns Management | 479,525 |

*Includes: infrastructure, areas awaiting classification and agricultural land suitable for plantation development.

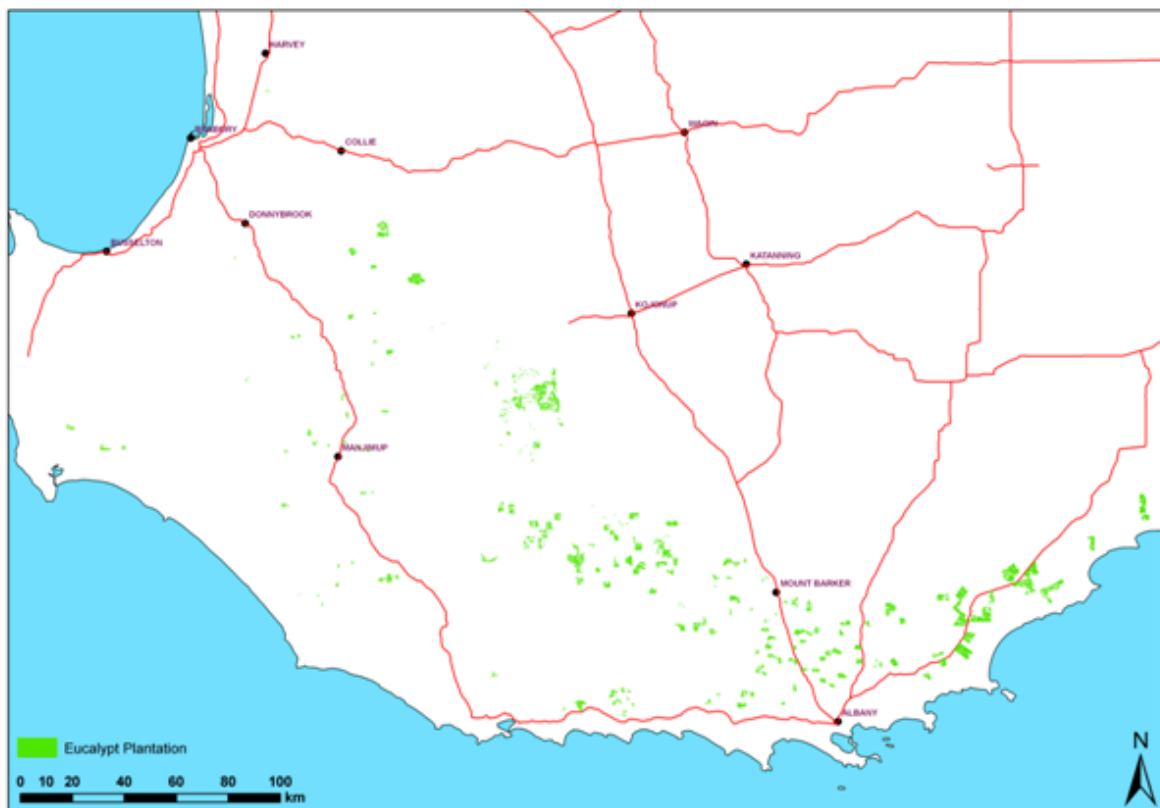
Map 1: Tasmania Regional Map – Gunns Limited productive area



Map 2: Green Triangle Regional Map – Gunns Limited productive area



Map 3: Western Australia Regional Map – Gunns Limited productive area



CRITERION 1 – Systematic Manner

1.1 Maintain EMS to ISO 14001 and AS4708 (Australian Forestry Standard)

Scope: Gunns Defined Forest Area (Permanent Estate + Semi-Permanent Estate) – TASMANIA AND GREEN TRIANGLE

Target: 100%

The purpose of this indicator is to demonstrate that Gunns employs systematic business processes inclusive of environmental issues. It is measured by external surveillance audits undertaken approximately every 6 months rotated on a regional basis.

During August 2009, a scope extension of the Gunns integrated AFS and ISO certification requirements were conducted within the Gunns softwood estate located in the Green Triangle.

The scope extension was successfully achieved.

Additionally during October 2009, the Gunns recertification audit was conducted across the entire Gunns Defined Forest Area. The recertification audit targeted the Tasmanian North East and South East region, including the Gunns corporate office. The recertification is conducted every 3 years to ensure Gunns maintains the accreditation under AFS and ISO 14001.

The certification to both ISO 14001 and AFS were successfully retained.

Throughout March and April 2010, surveillance audits were conducted within the North West region of Tasmania, and a return to the Gunns softwood estate in the Green Triangle region.

The surveillance audits were successfully achieved.

All the audits were conducted by Det Norske Veritas (DNV). Independent external audits involved the review of the Gunns Safety, Health and Environmental integrated management system, operational inspections, and interviews with contractors, stakeholders, and staff.

Internal audits were undertaken on a regular basis to complement the external audits.

It is the intention of Gunns to conduct an addition scope extension audit to include the recently acquired hardwood plantation region located within Western Australia and the Green Triangle (including Kangaroo Island and Gippsland) during the first quarter of the 2010 – 2011 financial year.

1.2 The percentage of non-conformances arising from AFS and ISO 14001 external audits that are resolved

Scope: Gunns Defined Forest Area (Permanent Estate + Semi-Permanent Estate) – TASMANIA AND GREEN TRIANGLE

Target: 100%

The Gunns Safety Health and Environment Management Review Committee (comprising representatives from the different components of the forestry business) meets on a regular basis to ensure a coordinated approach to SHE Management and compliance with the Australian Forestry Standard (AFS) and ISO 14001.

The purpose of this indicator is to ensure that any non-conformances arising from AFS and ISO 14001 external audits are resolved in a timely manner, and that a systematic process of review exists in order to foster continuous improvement.

The scope extension audit in Gunns softwood estate in the GT during August 2009 resulted in a total of 9 non-conformances, and the recertification surveillance audit in April 2010 resulted in a further 5 non-conformances. The recertification in the NW Tasmanian during March 2010 region identified one non-conformance.

Recertification of the entire Gunns Management system in October 2009 identified 4 non-conformances.

All non-conformances have been successfully addressed and resolved in a timely fashion – making the integrated Gunns Safety, Health and Environment management system more robust.

The foundation of any management system is to ensure that continual improvement is achieved.

1.3 Exceed the performance benchmark of FPA annual FPP audits for all elements

Scope: Gunns Defined Forest Area (Permanent Estate + Semi-Permanent Estate) - TASMANIA

Target: FPA performance benchmark ≥ 3

Gunns prepare Forest Practices Plans (FPPs) in accordance with the Tasmanian Forest Practices Act 1985 prior to any forest operations commencing.

This indicator reports the findings of the independent review of FPPs undertaken by the Forest Practices Authority (FPA). The audit monitors the protection of biological diversity, soil and water resources, cultural heritage and landscape values as well as compliance with the Tasmanian Forest Practices Code.

A total of 22 Gunns active FPP's were randomly selected by the FPA and audited in accordance with their current procedure. This represents approximately 15% of the plans certified in the previous calendar year.

The FPA audit scoring system (Table 4) gives elements a score out of 4. The average score Gunns received for each element in the FPP audits is found in Figure 2. Gunns performed well in the annual FPA FPP audits with average scores above the FPA benchmark (3 - sound) for all elements.

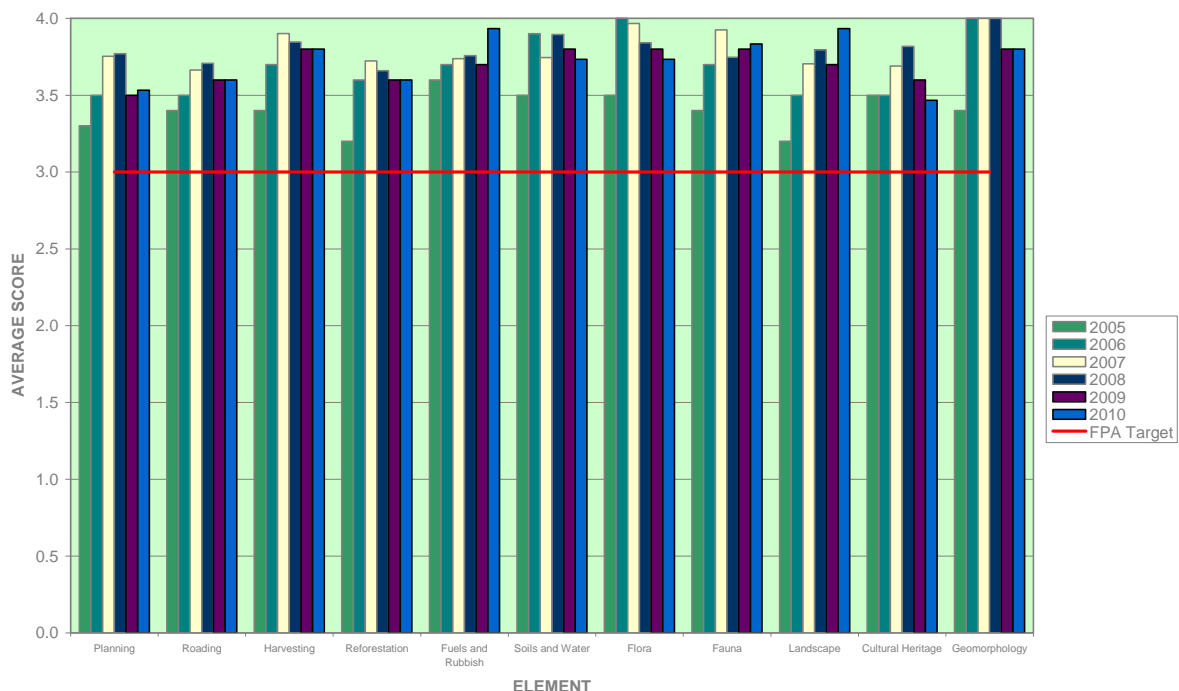
Any non-conformance or compliance issues identified by the FPA have been included as incident reports within the Gunns incident reporting mechanism.

Table 4: Forest Practices Authority performance rating definitions and scoring system for FPP audits

| Compliance Rating | Description | Score |
|-------------------|--|-------|
| High | Fully compliant and has fully addressed all judgement criteria and achieved a very good result without incurring any non-conformance or causing a noticeable or likely adverse impact. | 4 |
| | Above sound - Scored but not defined | 3.5 |
| Sound | Generally compliant and has satisfactorily addressed the judgement criteria and achieved an acceptable result without incurring any major or minor non-conformances or causing an actual or likely significant adverse impact. | 3 |
| | Less than Sound – Scored but not defined | 2 |
| Unacceptable | Non-compliant and has not adequately addressed judgement criteria or achieved an unacceptable result and/or incurred numerous minor or a major non-conformances and/or has or is likely to result in serious adverse impact. | 1 |
| | The condition/situation does not occur eg high erodibility. Operations have not commenced. Insufficient or no objective evidence to make a judgement. | NA/0 |
| Not Auditable | | |

Note: Undescribed ratings are judged as to whether performance is between the described ratings.
SOURCE: Forest Practices Authority

Figure 2: Gunns Limited average FPA FPP audit score for each element



1.4 Exceed the performance benchmark of the FPA for internal FPP audits for all elements

Scope: Gunns Defined Forest Area (Permanent Estate + Semi-Permanent Estate) - TASMANIA

Target: FPA performance benchmark ≥ 3

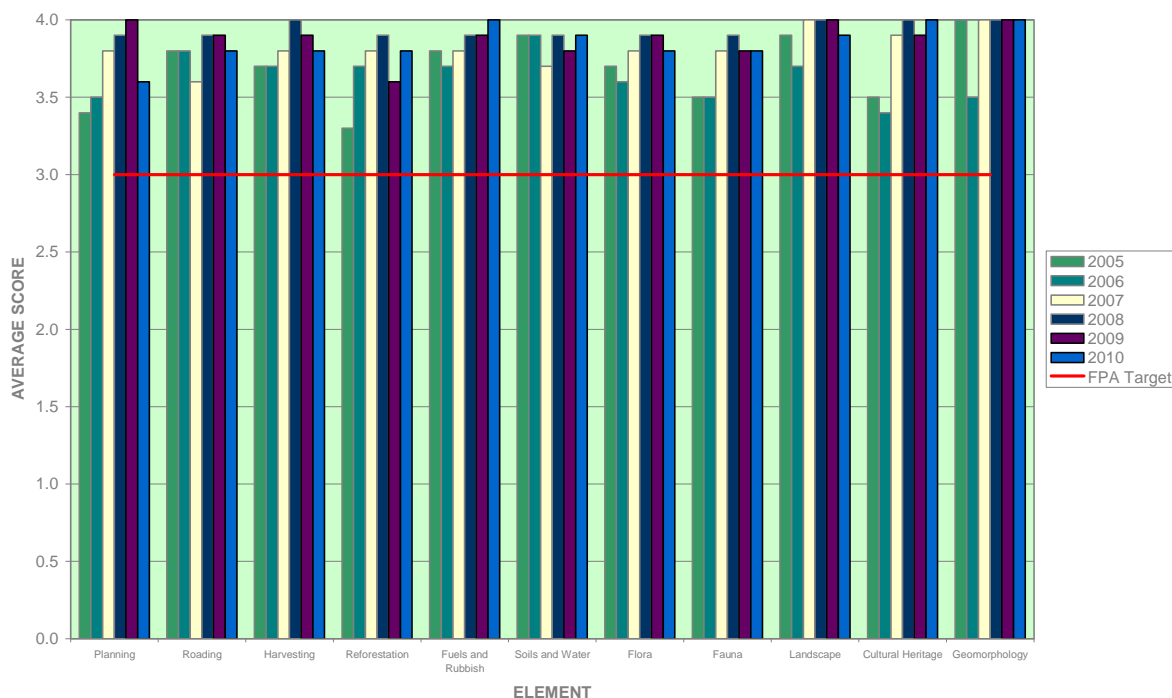
This indicator reports the results of the internal review of Forest Practices Plans (FPP) conducted by Gunns by internal auditors and Forest Practices Officers (FPO), using the Forest Practices Authority (FPA) procedures and scoring (Table 4).

The audit monitors the protection of biological diversity, soil and water resources, cultural heritage and landscape values as well as compliance with the Forest Practices Code. 12 (5% of the number of FPPs produced in the previous financial year) active FPPs were randomly selected for audit.

Internal FPP audits were carried out throughout all regions of Tasmania. Figure 3 shows the average scores Gunns achieved for each audit element. Gunns has performed well in the internal FPP audits with average scores above the FPA benchmark (3 - sound) for all elements. These results reflect consistency with the FPA audit program.

However, where non conformances are identified, corrective or preventative measures will ensure compliance issues are addressed in a timely fashion within the Gunns incident reporting mechanism.

Figure 3: Gunns Limited average internal FPP audit score for each element



1.5 The percentage of Forest Operations monitored against the Company Standard

Scope: Gunns Defined Forest Area (Permanent Estate + Semi-Permanent Estate) – TASMANIA AND GREEN TRIANGLE

Target: 90%

This indicator has been developed to report on the completion of internal monitoring processes carried out in order to protect biological diversity, productive capacity, forest health and vitality, soil and water, cultural heritage and landscape values, and social and economic benefits and ensure compliance with legislation and the code of conduct applicable for the region.

A Forest Operations Audit Report is a document that lists the relevant requirements of the regional operational code of conduct. Hence the audits ensure compliance with the Code of conduct. The Gunns Standard requires that Forest Operations Audit Reports are completed at least once monthly for each active harvesting operation and one site preparation operational audit per site.

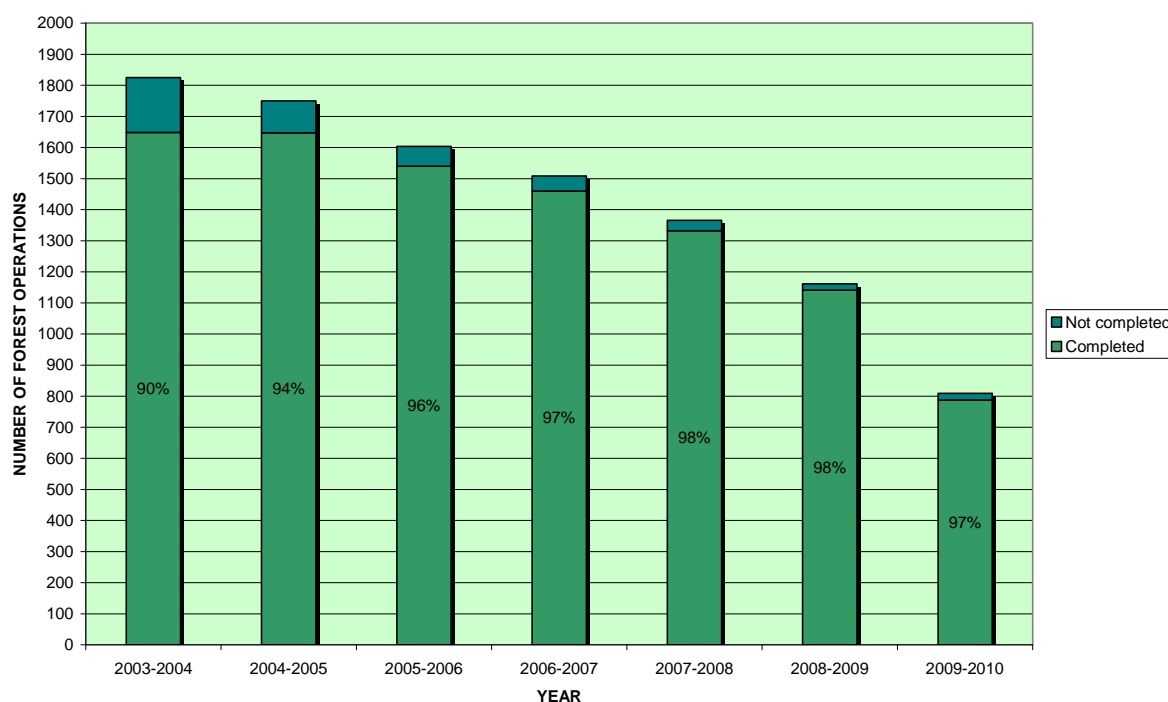
The total number of operations that have been conducted on land managed by Gunns has decreased over recent years. This indicator is reported on a monthly basis to ensure compliance with the Company Standard.

Figure 4 illustrates that in Tasmania, Gunns exceeded the target again this year with 97% of forest operations (both harvesting and site preparation) monitored as per the Gunns Standard. The results demonstrate Gunns commitment to adherence to operational standards.

Within the Green Triangle, all (100%) operations were monitored against the company standard (52/52 operations).

It should be noted that although formal audits are completed on a monthly basis, operational staff visit harvesting and site preparation operations at least weekly to ensure compliance with the operational requirements.

Figure 4: The number of Gunns forest operations monitored as per the Company Standard



1.6 Meet the company standard for submission of Harvesting Completion Notices

Scope: Gunns Defined Forest Area (Permanent Estate + Semi-Permanent Estate) – TASMANIA AND GREEN TRIANGLE

Target: 100%

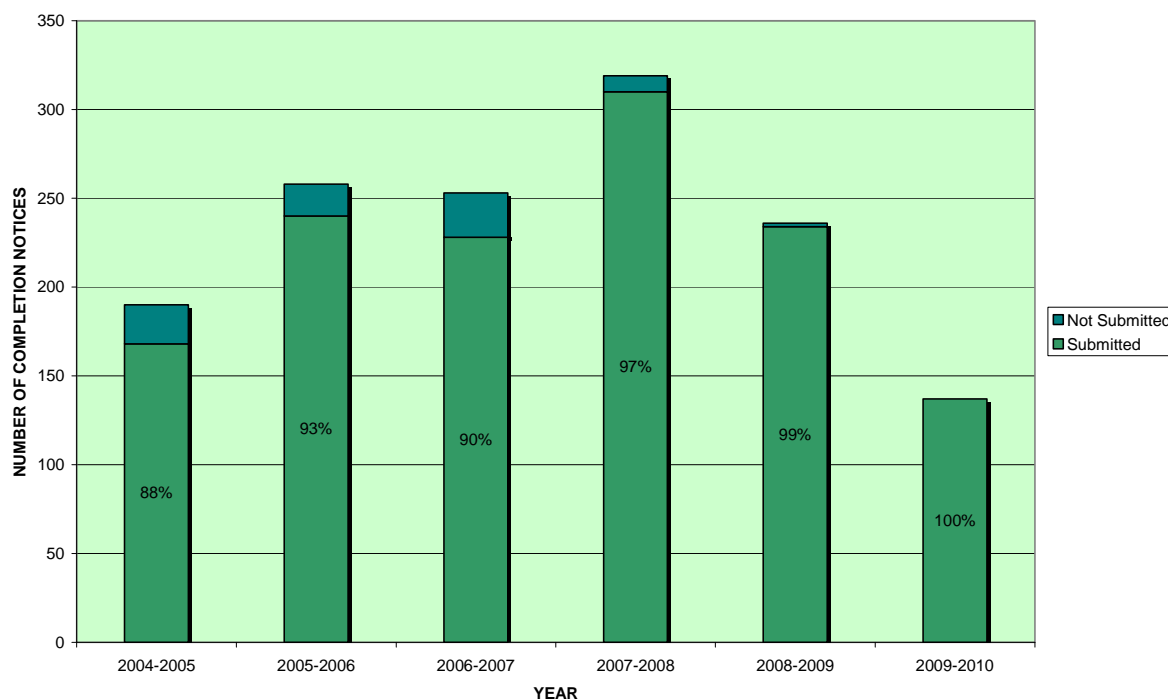
This indicator has been developed to report on the completion of internal monitoring processes carried out in order to protect biological diversity, productive capacity, forest health and vitality, soil and water, cultural heritage and landscape values, and social and economic benefits.

A Harvesting Completion Notice is a document that summarises the harvesting operation activities and verifies that the harvesting phase of the operation has been completed according to the code of practice and operational planning requirements. It triggers a variety of internal processes including reforestation. The Company Standard requires that a Harvesting Completion Notice is lodged within 30 days of completion of that operation.

This indicator is reported on a quarterly frequency to ensure compliance with the Gunns Standard. Figure 5 shows that 100% (137/137) of harvesting completion notices were submitted as per the Gunns Standard.

Within the Green Triangle Region, 100% (41/41) of harvesting completion notices were submitted.

Figure 5: The number of Gunns harvesting completion notices submitted as per the Company Standard



1.7 The percentage of environmental incidents reported for each AFS criteria

Scope: Gunns Defined Forest Area (Permanent Estate + Semi-Permanent Estate) - TASMANIA

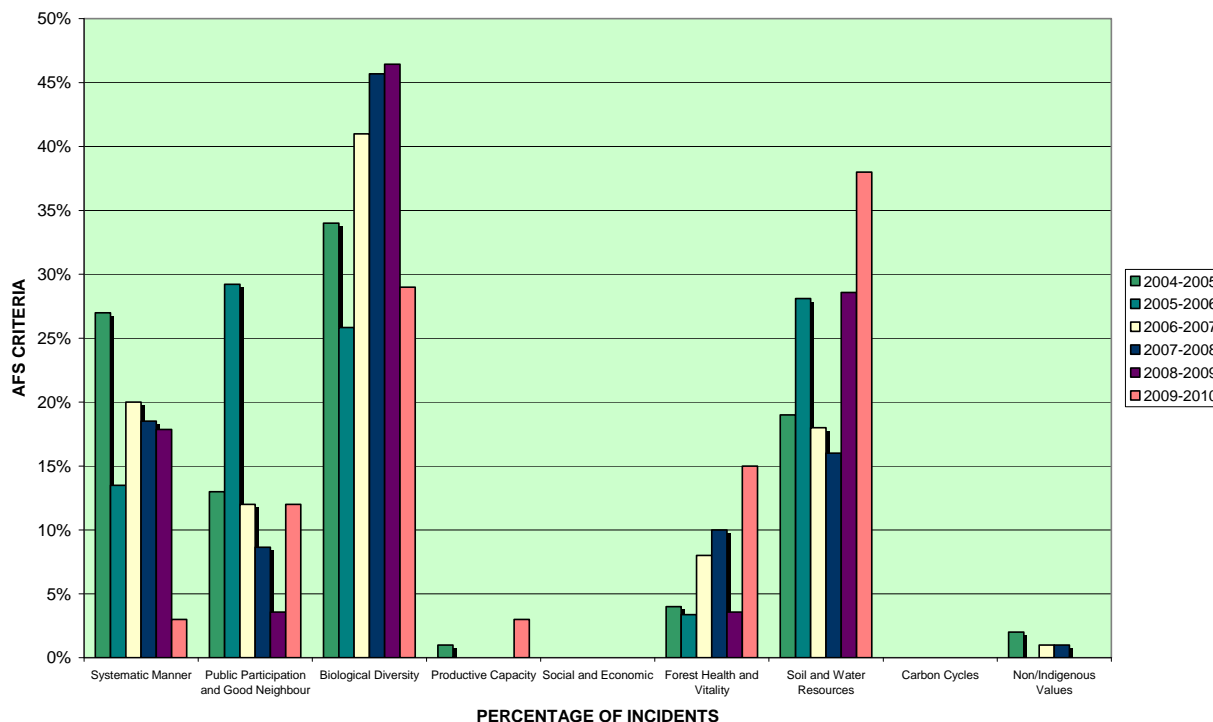
Target: Non-target Indicator

This indicator provides an analysis of the environmental incidents recorded in the Gunns Safety Health and Environment (SHE) incident database. Incident reporting is encouraged internally, even for low or no consequence events, for actual incidents, audit findings, or near misses. Incident reporting facilitates subsequent internal corrective actions to be appropriately recorded and enhances our ability to implement preventative actions and any other learnings across the entire business.

Figure 6 shows the proportion of reported environmental incidents categorised to a single AFS criterion. Although Figure 6 is based on a single criterion, in reality one incident record may have relevance under several criteria. Incidents are reported if there is actual or potential environmental impact, and when opportunities for improvement are identified.

It should be noted that an incident record does not necessarily indicate that a negative impact or environmental outcome actually occurred.

Figure 6: The percentage of environmental incidents reported for each AFS criteria



1.8 Meet the company standard for submission of Environment, Health and Safety Audits for nursery operations

Scope: Somerset Nursery - TASMANIA

Target: 100%

This indicator has been developed to report on the completion of the nursery's' internal monitoring processes. This ensures a systematic approach for Somerset Nursery compliance with safety, health, and environmental procedures.

The company standard requires that an Environmental, Health and Safety Audit is completed once a month for the Gunns Somerset Nursery Site.

All audits were completed as required this year (12/12).

1.9 Meet the Company standard for storage of nursery chemicals

Scope: Somerset Nursery - TASMANIA

Target: Yes (Never exceed 1000kg/l of stored chemical)

This indicator reports on Gunns' compliance with the company standard in regards to the storage of nursery chemicals at Somerset Nursery. Indicator 1.9 monitors a systematic approach to storage of chemicals.

The Gunns Limited standard requires that the amount of chemicals stored in the chemical store at the Gunns Somerset Nursery should not exceed 1000 litres or kg (dry). A chemical stock sheet is updated to monitor the amount of stored chemical. The monthly Safety, Health, and Environment audits also monitor the use of the Chemical Stock Sheet.

The storage of chemicals at Somerset Nursery did not exceed the tolerance level during the financial year 2009 - 2010.

CRITERION 2 – Public Participation and Good Neighbour

2.1 5% of FPPs in any one year are reviewed for compliance with procedural requirements for neighbour notification in relation to plantation establishment activities

Scope: Gunns Plantation Defined Forest Area (Permanent Estate + Semi-Permanent Estate) - TASMANIA

Target: 100%

The Tasmanian Forest Practices Act 1985 requires a notice of intent to conduct plantation establishment activities be issued to Local Government and persons with properties neighbouring forest operations (within 100 metres of the boundary of the operation). The notification is required 30 days prior to the commencement of forest operations. Neighbour notification is also required prior to specific forest operations being conducted (for example, aerial spraying).

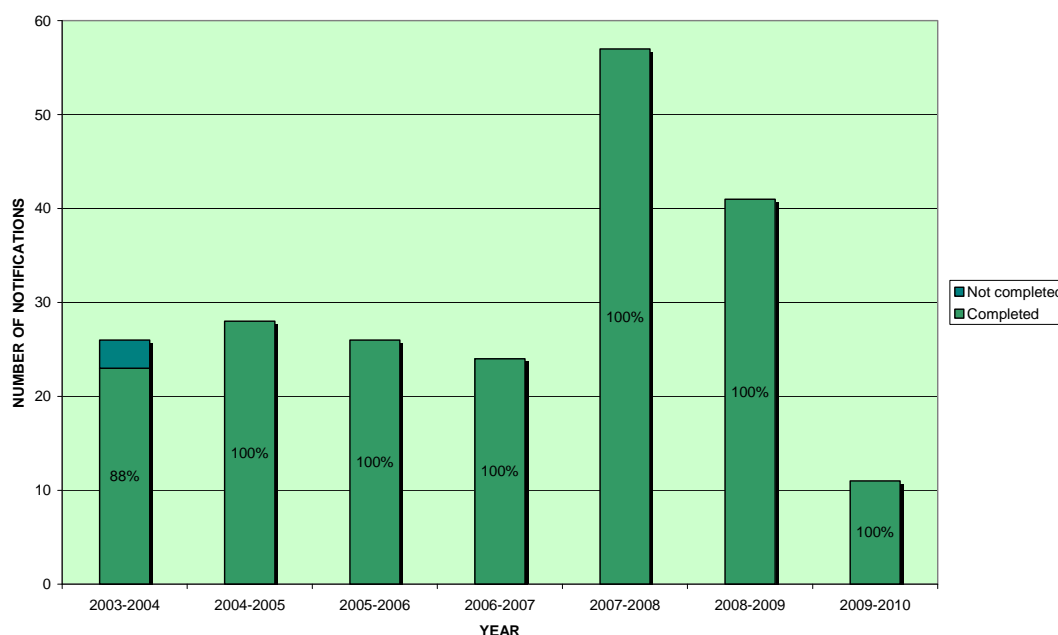
The purpose of this indicator is to monitor Gunns compliance with all neighbour notification requirements and to foster good neighbour relations.

More than 5% of plantation operations requiring neighbour notifications in the last financial year were randomly sampled and reviewed. Figure 7 shows that Gunns achieved the target for this indicator again this year with 100% (11/11) of sampled FPPs complying with the neighbour notification requirements.

The reduction in notifications sent this year is attributed to the reduction in the amount of operations that are being conducted by Gunns.

The neighbour notification requirements are also reviewed when internal and external Forest Practices Plan audits are undertaken as per criterion 1.3 and 1.4.

Figure 7: The number of Neighbour Notifications in compliance as per the Company Standard – Tasmania



2.2 Maintenance of meaningful dialogue to promote stakeholder participation in forest management

Scope: Gunns Defined Forest Area (Permanent Estate + Semi-Permanent Estate) – TASMANIA AND GREEN TRIANGLE

Target: 100%

Gunns aims to foster meaningful public participation into strategic management planning.

Gunns website (www.gunns.com.au) has continued to be populated and updated with as much information as possible to inform stakeholders about Gunns' forest management. The Gunns Forest Management Statement and the annual Gunns Sustainable Forest Management Report are just some of the documents available on the website.

Gunns welcome and invite feedback from the public on all documents. AFS audits were conducted in August 2009, October 2009, March 2010 and April 2010 by DNV to assess Gunns performance against the AFS. The audit summary reports are available on the Gunns website for stakeholders and the public to access.

Gunns has also added a subscription function to the Gunns website where stakeholders can sign up to be a subscriber to Gunns communications. Subscribers receive news, reports and updates from Gunns upon their release. Numerous fliers, documents and reports were released through the subscription this year giving stakeholders an insight to Gunns forest management. Feedback from stakeholders is always welcomed.

2.3 Compliance with the Forest Practices Act 3-year planning process (council consultation)

Scope: Gunns Defined Forest Area (Permanent Estate + Semi-Permanent Estate) - TASMANIA

Target: 100%

As a requirement of the Forest Practices Act 1985, each Gunns region must submit a 3-year plan of operations to relevant Local Governments and a copy to the Forest Practices Authority (FPA). The plan must detail the locations of the land from which timber is intended to be harvested, the approximate volumes of timber intended to be carted over each councils infrastructure and the reforestation methods for each location. Gunns makes presentations of the 3-year plan to Local Government prior to the submission of plans to the FPA so that issues raised by Local Government can be addressed prior to final submission. The purpose of this process is to promote, engage and encourage Local Government participation and facilitate public participation in the planning process.

Representatives from each Gunns region met with the representatives from Local Government Authorities and presented a 3-year plan of operations. Following this consultation the 3-year plans were forwarded to the FPA as required.

2.4 The percentage of neighbour contacts that provide outcomes compatible with the good neighbour charter

Scope: Gunns Defined Forest Area (Permanent Estate + Semi-Permanent Estate) – TASMANIA AND GREEN TRIANGLE

Target: 95%

Gunns is a signatory to the Good Neighbour Charter for Commercial Forestry in Tasmania and the Good Neighbour Charter For Commercial Tree Growing in the Green Triangle Region. These charters commit to consultation with neighbours on how major issues will be managed when forest operations are undertaken on neighbouring land. Copies of the Good Neighbour Charter for Tasmania are available from the Forest and Forest Industry Council (FFIC) website (<http://www.ffic.com.au>) and for the Green Triangle, the Good Neighbour Charter is located on the website (<http://www.plantationtimbers.com.au>).

Neighbour contacts with Gunns included queries on issues such as boundary fencing, shading effects and control of weeds and vermin. Across the state the percentage of neighbour contacts that provided outcomes compatible with the Good Neighbour Charter was again 100%.

It is extremely difficult and impracticable for Gunns staff to keep a formal record of every single neighbour contact, as staff receive frequent phone calls with queries from neighbours. Therefore only the contacts where some sort of follow up meeting or action are recorded.

CRITERION 3 – Biological Diversity

3.1 Report on the percentage of reserve areas to total Permanent Estate

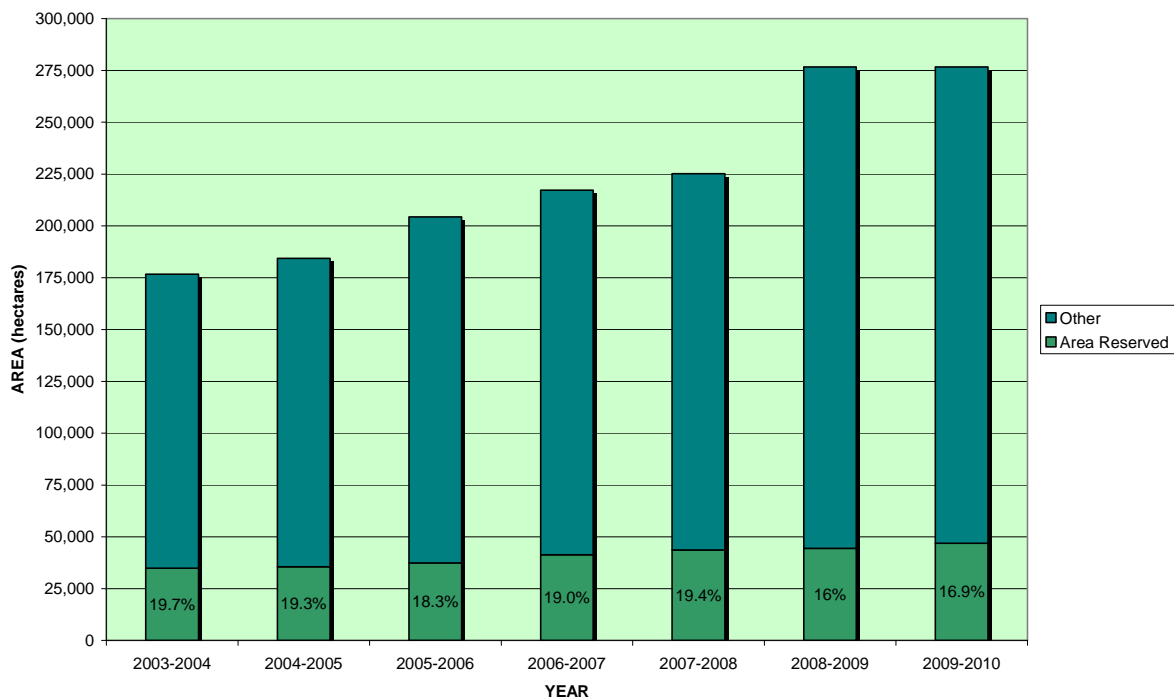
Scope: Gunns Permanent Estate – TASMANIA AND GREEN TRIANGLE

Target: Non-target indicator

This indicator reports the status of reservation on Gunns Limited Permanent Estate and ensures a representative sample of significant biological and natural diversity values is maintained. The former GSMAL land forms part of the Gunns Semi Permanent Estate.

As at 30th June 2010 Gunns Permanent Estate was 276,685 ha of land. Figure 8 illustrates that, 46,800 ha are classified as reserve areas. This equates to 16.9% of the Permanent Estate in conservation reserves. Since 30th June 2004 the amount of reserves has increased by almost 12,000ha.

Figure 8: The area of Gunns Permanent Estate contained within reserves - TASMANIA & GREEN TRIANGLE (NOTE: Other = productive and non-productive forestry areas and areas yet to be classified)



3.2 Report by area on Reserves by Primary status of significant Biological Diversity and significant Conservation values

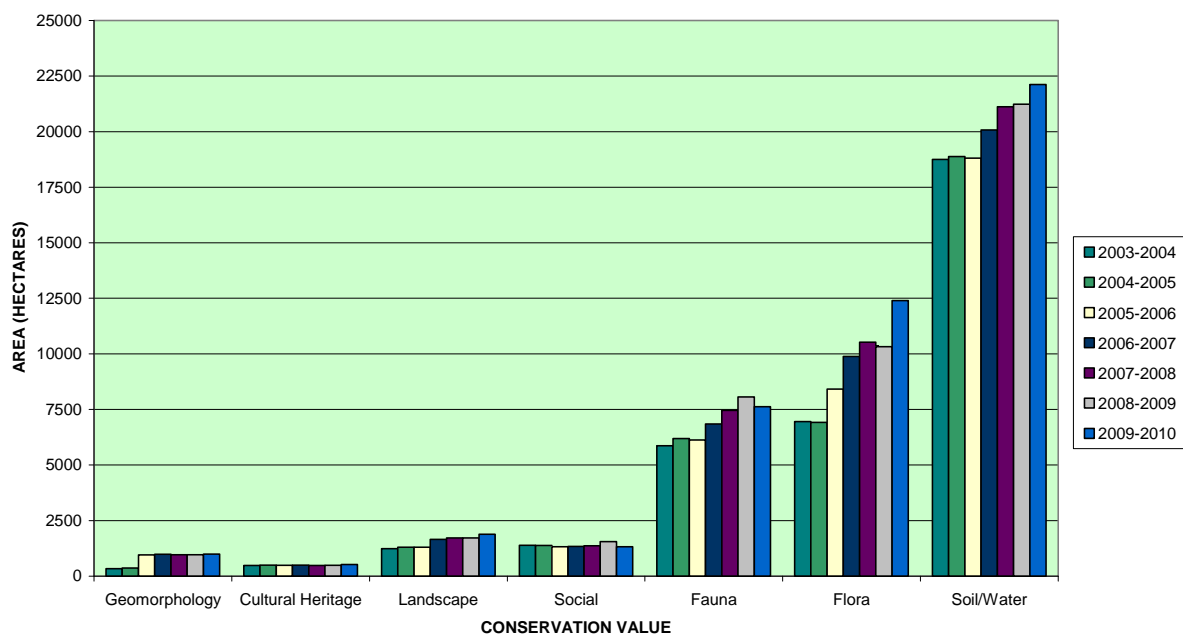
Scope: Gunns Permanent Estate – TASMANIA AND GREEN TRIANGLE

Target: Non-target indicator

This indicator reports the area of reserves on Gunns Permanent Estate by biological diversity and significant conservation values.

The area of reserve for each biological diversity value on Gunns Permanent Estate is found in Figure 10. Figure 9 shows that similar to last year, of the conservation reserves on Gunns Permanent Estate, soil and water values (47%) and flora (26%) and fauna (16%) make up a majority of the reserved area. The area reserved within the Gunns Permanent Estate has increased by 2,500 hectares – the significant proportion of this figure can be attributed to classification of approximately 1,700 hectares in the Green Triangle as flora conservation protection.

Figure 9: Area of reserve for each biological diversity value on Gunns Permanent Estate



3.3 Area of total forest type by growth stage distribution

Scope: Gunns Permanent Estate – TASMANIA AND GREEN TRIANGLE

Target: Non-target indicator

This indicator reports the growth stage distribution of the forest on Gunns Permanent Estate.

The growth stage distribution of forest cover on Gunns Permanent Estate is found in Figure 10. Crop type was used to simulate age class. Figure 10 shows that there have only been slight changes in the area of productive native forest growth stages when compared to last year. There has been a substantial increase in softwood plantation estate due to the acquisition of the softwood plantations in the Green Triangle. Non-productive multi-age native forest and softwood plantations are still the crop types

of highest proportions making up 18% and 34% of the Permanent Estate respectively. The results show that hardwood and softwood plantations now make up 55% of the Permanent Estate and 79% of the total Gunns productive Permanent Estate. Only 21% of the productive Permanent Estate is native forest, and only 34% of the total native forest Permanent Estate is available for wood production.

Figure 10: Area of forest type by growth stage distribution on Gunns Permanent Estate – Tasmania And Green Triangle

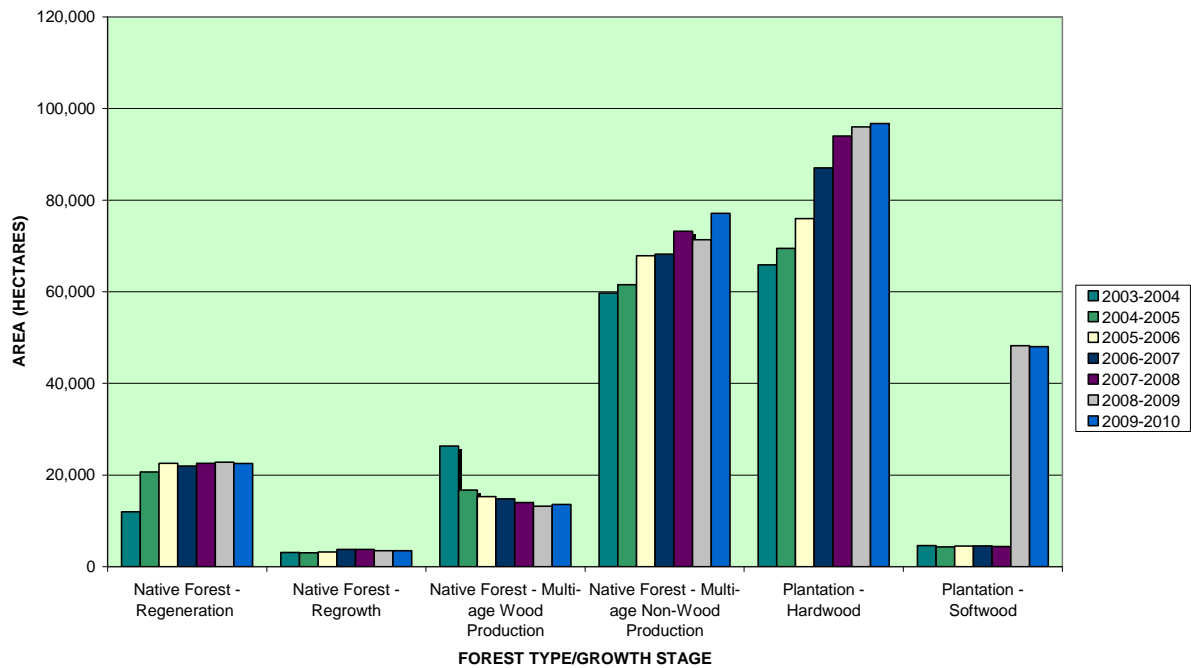
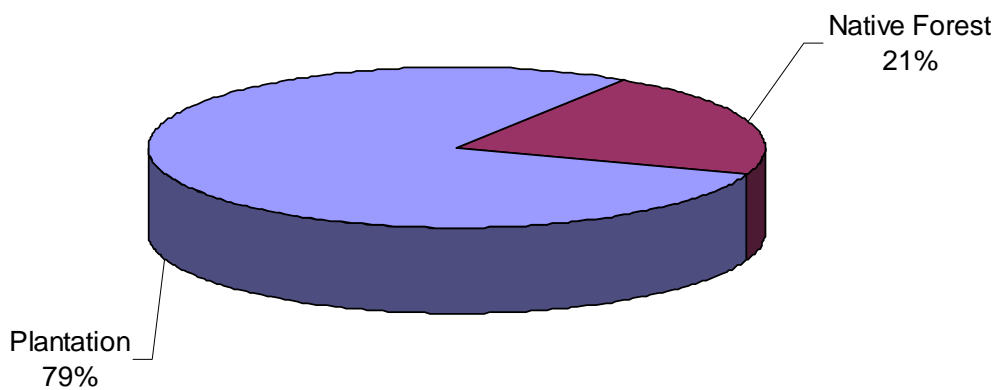
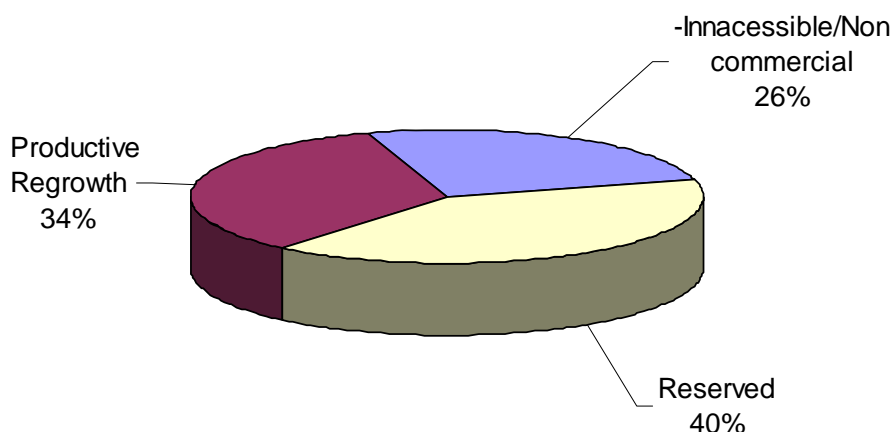


Chart 1: Gunns Permanent Estate – Tasmania And Green Triangle



Gunns Productive Permanent Estate = 184,330 hectares

Chart 2: Gunns Native Forest Permanent Estate – Tasmania And Green Triangle



Gunns Native Forest Permanent Estate = 116,687 hectares

3.4 Report on the percentage and area of native vegetation as a component of the total Permanent Estate

Scope: Gunns Permanent Estate – TASMANIA AND GREEN TRIANGLE

Target: Significant portion to be retained as native vegetation

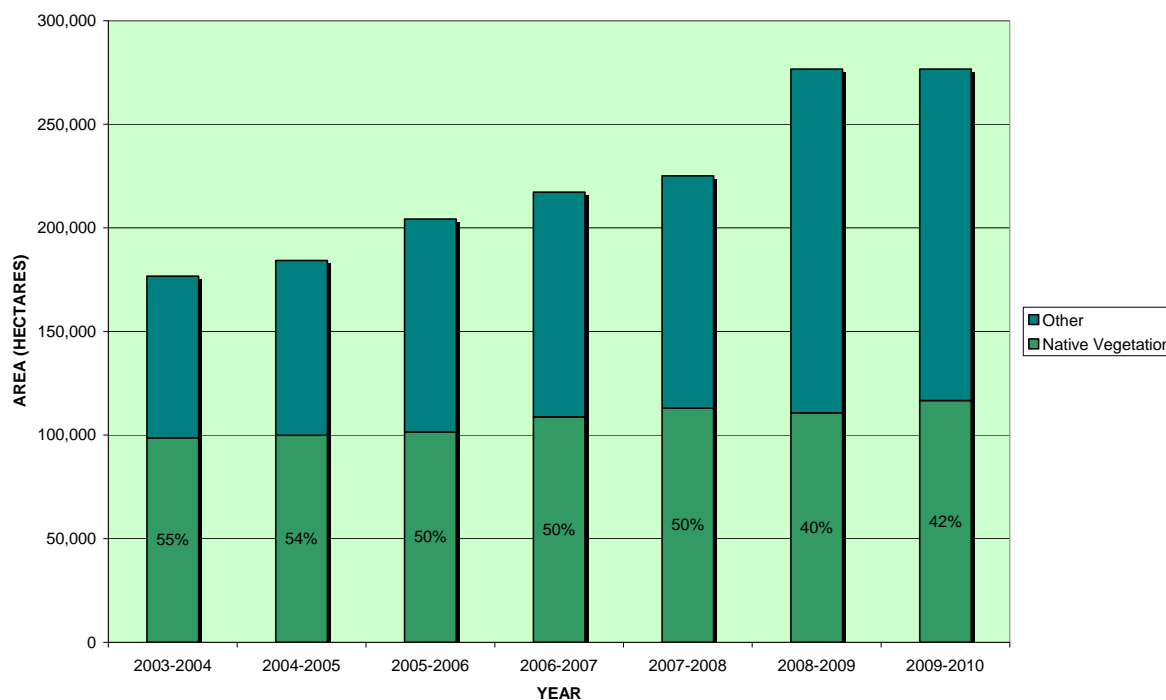
Gunns Permanent Native Forest Estate Policy states that "...Gunns Limited will maintain a significant portion of its own Permanent Estate as native vegetation. This native vegetation estate comprises both production forest and reserves".

Indicator 3.4 monitors compliance with the Gunns Permanent Native Forest Estate Policy and biological diversity and native values of the AFS.

Figure 11 shows the area of Gunns Permanent Estate that is native vegetation. Native vegetation covers 116,687 ha of the 276,685 ha of Permanent Estate. This equates to 42% of Gunns Permanent Estate covered by native vegetation. There has been a slight decrease in the native vegetation estate when compared to last year due to numerous property sales and improvements in mapping and reclassification.

Gunns currently have a native vegetation estate of 116,687ha and over 42% of this is contained within reserves. An additional 30,285 ha of native vegetation is not included in the production forestry area 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 the Gunns Permanent Estate. Approximately 64% of Gunns' native vegetation estate is set aside to protect and maintain significant environmental values. This performance is consistent with the Gunns Native Permanent Estate Policy.

Figure 11: The area of native vegetation as a component of Gunns Permanent Estate – Tasmania & Green Triangle (NOTE: Other = plantation, pasture and areas yet to be classified)



3.5 Report on the percentage of Permanent Estate area covered by a property management plan and, the area of Permanent Estate covered by special value specific management plans

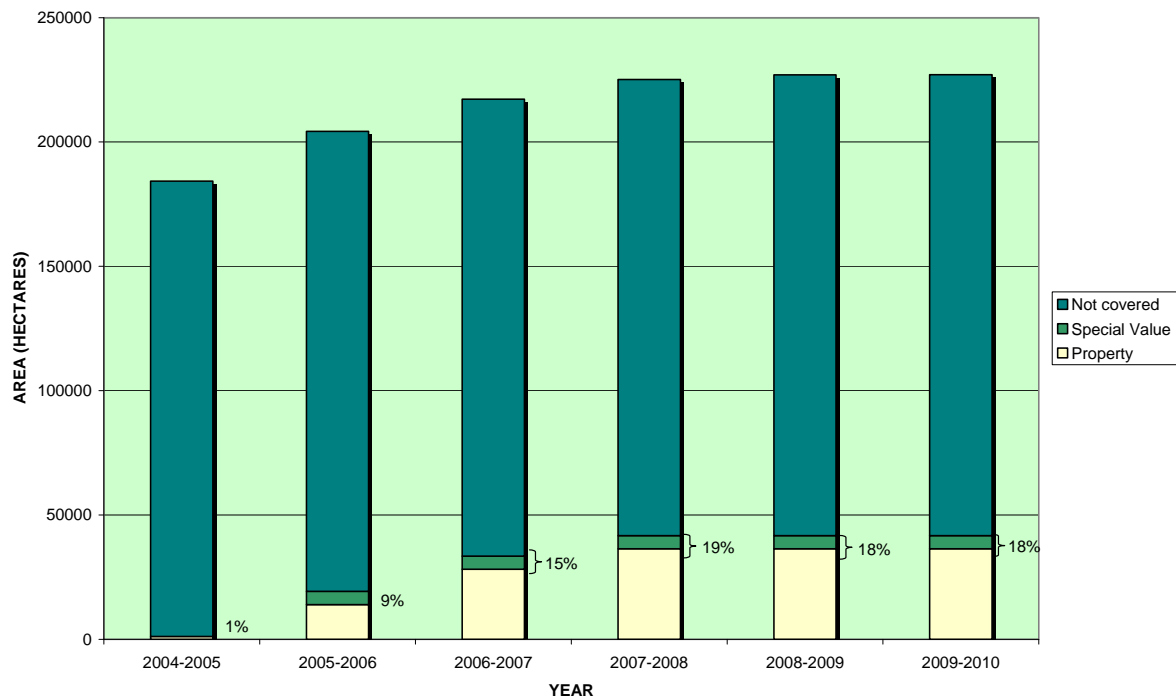
Scope: Gunns Permanent Estate – TASMANIA AND GREEN TRIANGLE

Target: Continuous Improvement

This indicator reports the component of Permanent Estate covered by management plans. The indicator demonstrates appropriate management of significant biodiversity and conservation values across Gunns Permanent Forest Estate.

Figure 12 shows the area of Gunns Permanent Estate covered by management plans. This year there were no new management plans developed. Therefore the area of the Tasmanian Permanent Estate covered by management plans has remained at 41,664 ha. The percentage of area covered by a management plan has decreased due to the increase in Permanent Estate Area.

Figure 12: The area of Gunns Permanent Estate covered by management plans (either property or special value specific management plans)



3.6 Compliance with the Permanent Native Forest Estate Policy and Procedures

Scope: Gunns Defined Forest Area (Permanent Estate + Semi-Permanent Estate) – TASMANIA

Target: 0 hectares

This indicator monitors compliance with the Permanent Native Forest Estate (PNFE) Policy and biological and natural diversity aspects of the AFS. Gunns PNFE Policy applies principles for forest conversion. The policy states in part “Gunns Limited will not undertake broad-scale conversion of native vegetation to plantation within its Defined Forest Area. In addition, Gunns Limited will not undertake vegetation clearance to non-forest uses within its Defined Forest Area, unless required for infrastructure development”.

Native forest regeneration activities undertaken by Gunns now ensure that previous biodiversity values are maintained through re-establishment of the same forest community. Since this pledge in June 2007, no further commitments with landowners or third parties have been made that involved any broad-scale conversion of native vegetation to plantation.

A review of Gunns operations revealed all operations were compliant with the PNFE Policy. Gunns did not undertake any broad-scale conversion of native forest to plantation and did not undertake any clearance of native vegetation to non-forest uses.

3.7 Review compliance with prescriptions in Forest Management Statement

Scope: Gunns Permanent Estate – ALL REGIONS

Target: Must be completed

Gunns produced a Forest Management Statement (FMS) to communicate the Company's objectives in all aspects of Gunns forest management in Tasmania and to document management prescriptions defining the Company's approach to achieving those objectives. The FMS is a publicly available document on the Gunns website. The purpose of this indicator is to ensure the principles in this strategic plan are carried through to operations.

A new and revised FMS was published in 2009. When Gunns became the RE for the GSMAL plantations an amendment was made to the DFA and the updated tables included as an insert to the FMS publication rather than preparing a new document altogether.

All prescriptions identified in the Forest Management Statement have been addressed and adhered to.

The document is available on Gunns website (www.gunns.com.au).

CRITERION 4 – Productive Capacity

4.1 Ratio of cut volume versus growth volume per annum

Scope: Gunns Permanent Estate – ALL REGIONS

Target: Non-target Indicator

Wood yield modelling generates an estimation of future wood volumes based on current known resources. This allows optimisation of the timing of harvest of each unit of resource in the interests of long term sustainability. Measurement of how much resource is cut from the Permanent Estate can then be compared with the modelled volume for the same time frame. Sustainability can be measured by ensuring the harvest volume does not exceed the growth volume in the long term.

On the Permanent Estate the cut volume per annum was 602,812 tonnes compared to a growth volume of 1,501,164 tonnes per annum. This equates to a 1:2.49 ratio (for every tonne of timber cut 2.49 tonnes was grown). The cut value is significantly higher this year due to the inclusion of the Green Triangle softwood estate. The growth volume has also increased for this reason. In addition to this, Gunns young plantation growth volume is now becoming available for inclusion in the growth calculation. For plantation area, growth volume is counted as a value of zero until age 3.

Table 5: The ratio of cut volume versus growth volume per annum on Gunns Permanent Estate

| Year | Volume per annum (tonnes) | | |
|-----------|---------------------------|-----------|--------|
| | Cut | Grown | Ratio |
| 2003-2004 | 656,814 | 785,270 | 1:1.20 |
| 2004-2005 | 975,767 | 1,041,434 | 1:1.07 |
| 2005-2006 | 1,070,605 | 1,088,739 | 1:1.02 |
| 2006-2007 | 857,298 | 1,149,667 | 1:1.34 |
| 2007-2008 | 997,545 | 977,960 | 1:0.98 |
| 2008-2009 | 1,574,691 | 2,398,236 | 1:1.52 |
| 2009-2010 | 602,812 | 1,501,164 | 1:2.49 |

4.2 The percentage of seed sourced for each reforested area that is sown with seed sourced from either 'on coupe' or 'in zone'

Scope: Gunns Native Forest Defined Forest Area (Permanent Estate + Semi-Permanent Estate) - TASMANIA

Target: 95%

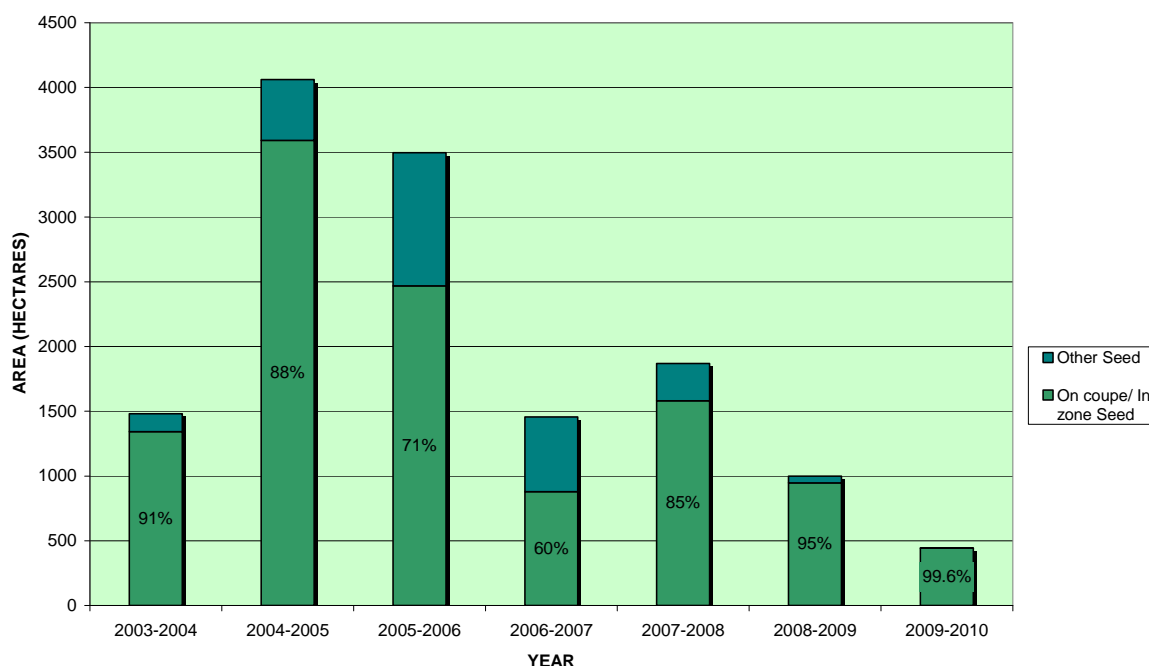
This indicator was developed to promote the maintenance of the genetic integrity of areas to ensure productive capacity.

Figure 13 shows that 99.6% (443.1/444.9 ha) of reforested area was sown with seed sourced 'on coupe' or 'in zone' – a very impressive result. This result has increased significantly when compared to the last few year's results of 85% (1581/1869 ha), 60% (879/1456 ha) and 71% (2467/3497 ha) respectively. This is the first year that Indicator 4.2 has been met and demonstrates Gunns' commitment to continuous improvement.

Gunns attempts to collect any commercially viable crops of seed from all coupes. A reduction in the native forest harvest may lead to decreased seed stocks, and as a consequence this year's success may not continue into the future. However Gunns is committed to maintaining biodiversity values by retaining species mix whilst still achieving satisfactory productive capacity through site stocking rates (refer to Figure 14).

The reforested area that could not be regenerated using either on coupe or in zone seed sources was regenerated using the next best available seed source. This is in accordance with silvicultural technical procedures.

Figure 13: The reforested area sown with 'on coupe' or 'in zone' seed – Tasmania



4.3 The percentage of total native regeneration coupes that have had regeneration surveys and the percentage of the total area stocked to the Company Standard

Scope: Gunns Native Forest Defined Forest Area (Permanent Estate + Semi-Permanent Estate) - TASMANIA

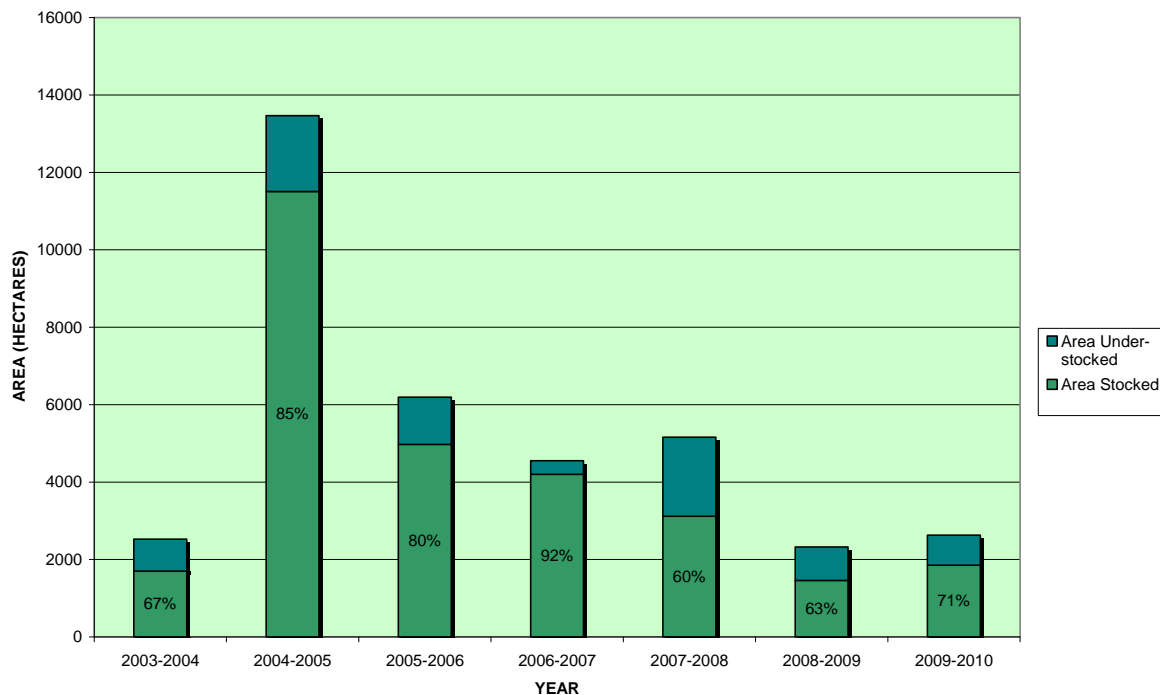
Target: 100% and 95% respectively

This indicator was developed to promote the maintenance of the genetic integrity and stocking of areas to ensure productive capacity.

Continuing a high standard of performance, 100% (92/92) of regeneration coupes have had the required regeneration surveys conducted this year.

Figure 14 shows that there was a slight increase in the area surveyed that was stocked to the Company standard this year with a result of 71% (1853/2625.1 ha). Climatic and seasonal conditions have impacted on the level of successful regeneration again this year, and have also lead to an increase in browsing pressure.

Figure 14: The area of regeneration surveyed stocked to the Company Standard – Tasmania



4.4 The percentage of total native forest harvested coupes with retained growing stock that have had damage surveys, and the percentage of coupes that have met pre-determined damage levels according to the Company Standard

Scope: Gunns Native Forest Defined Forest Area (Permanent Estate + Semi-Permanent Estate) - TASMANIA

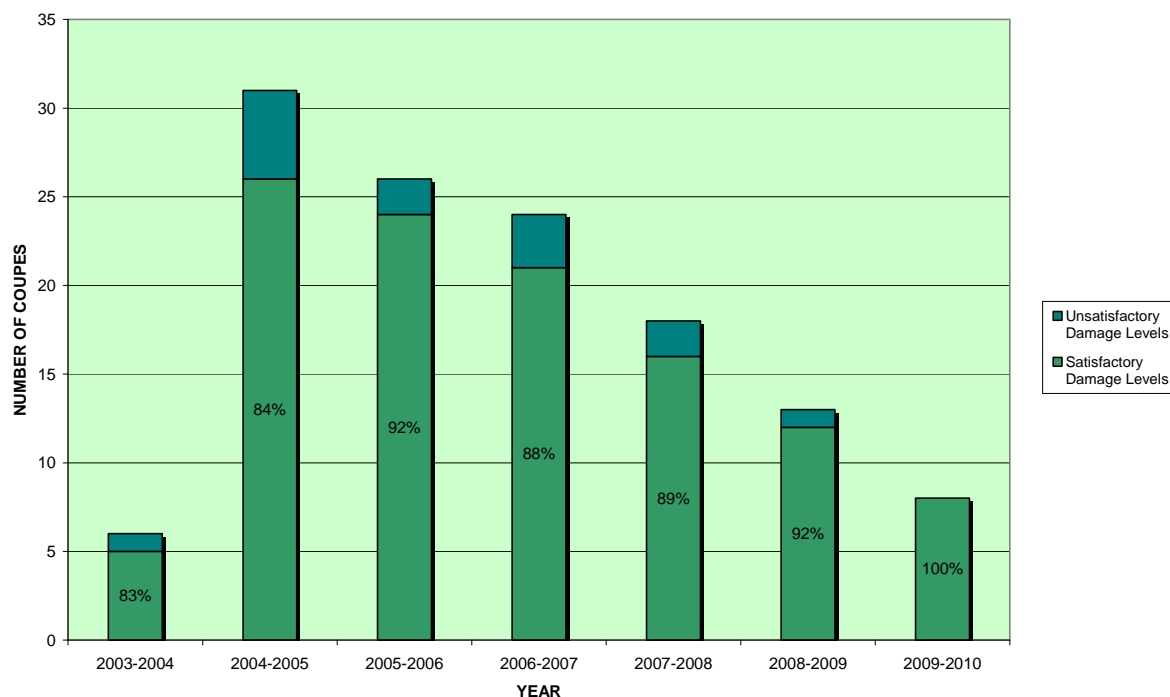
Target: 20% and 100% respectively

This indicator demonstrates that monitoring processes for assessing damage to retained growing stock are completed and thus the effects on forest productive capacity can be determined.

25% (8/32) of harvested native forest coupes with retained growing stock had damage surveys. This result is above the specified Gunns target of 20%.

Figure 15 shows that 100% (8/8) of coupes met the pre-determined damage levels according to the Company Standard.

Figure 15: The number of coupes that have met pre-determined damage levels according to the Company Standard – Tasmania



4.5 The percentage of coupes that have had survival surveys undertaken, and the percentage of planted area for the previous calendar year that has survived

Scope: Gunns Plantation Defined Forest Area (Permanent Estate + Semi-Permanent Estate) – TASMANIA AND GREEN TRIANGLE

Target: 100% and 90% respectively

This indicator assesses plantation survival and demonstrates efficient plantation establishment in order to maximise forest productive capacity.

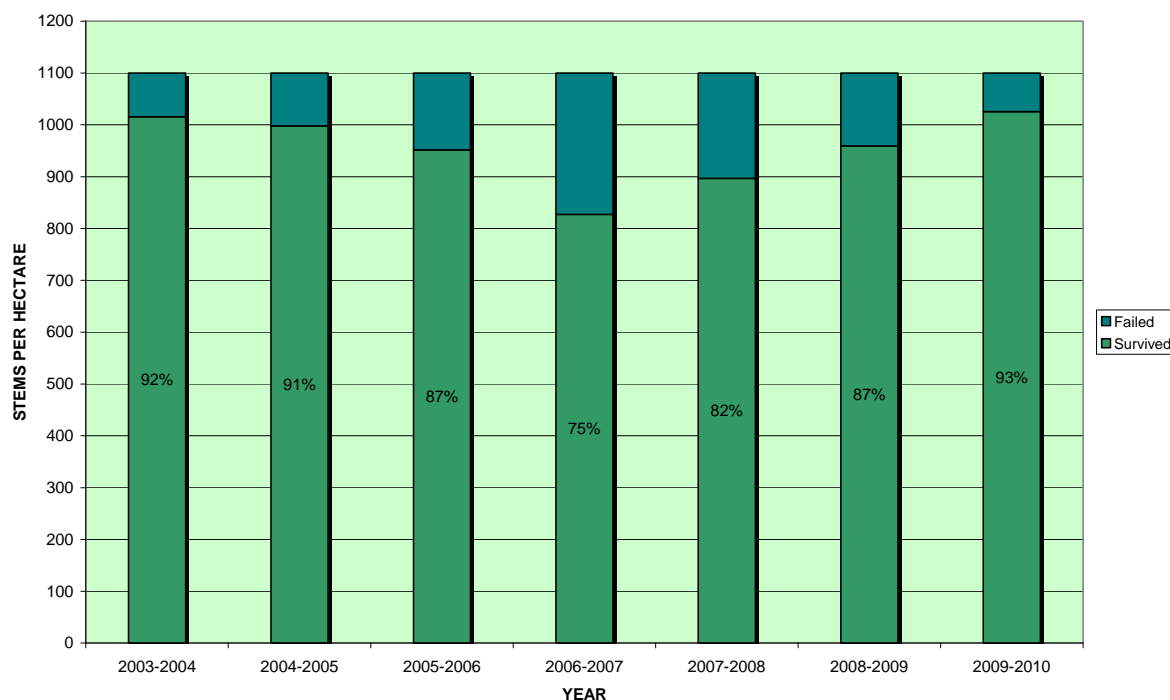
Within all Tasmanian regions, 100% (164/164) of areas established during the previous calendar year have had formal survival surveys undertaken.

Figure 16 shows that an average of 93% of planted area survived in Tasmania. This is an increase in survival rate when compared to last year's result. Improved survival is a direct consequence of changing the time at which the trees were planted from autumn/winter to spring.

Other improvements that were made to the planting system to enhance productivity this year has been to implement and improve the seedling handling quality process from the nursery through to the planting site. Correct handling of seedlings by nursery staff, transport contractors, and planting contractors will ultimately lead to enhanced seedling productivity.

Within the Green Triangle (54/54) of pine areas established during the previous calendar year have had formal survival surveys undertaken. Coincidentally, the survival rate of the planted area in the Green Triangle was 93%.

Figure 16: The average survival rate (stems/ha) for the previous calendar year's planted area – Tasmania (NOTE: Results reported for the financial reflect the previous calendar year's planted area ie. 2003-2004 reflects 2002)



4.6 The percentage of plantation coupes thinned under a solid wood regime that have had damage surveys, and the percentage of coupes containing tolerable damage levels

Scope: Gunns Plantation Defined Forest Area (Permanent Estate + Semi-Permanent Estate) – TASMANIA AND GREEN TRIANGLE

Target: 100% for both

The purpose of Indicator 4.6 is to measure the mechanical damage to retained growing stock during plantation thinning operations, with the objective of maximising the value of forest products.

There were 6 coupes in the NW Region of Tasmania harvested under a solid wood regime. All coupes had damage surveys undertaken and all coupes contained acceptable damage levels.

In the Green Triangle, 22 coupes were thinned under a solid wood regime, with all areas thinned to within an acceptable standard.

4.7 The percentage of plantation coupes thinned under a pulpwood regime that have had damage surveys, and the percentage of coupes containing tolerable damage levels

Scope: Gunns Plantation Defined Forest Area (Permanent Estate + Semi-Permanent Estate) – TASMANIA AND GREEN TRIANGLE

Target: 10% and 100% respectively

By measuring the amount of mechanical damage to retained growing stock within a plantation thinning operation, the objective of maximising the value of the forest products can be achieved (Indicator 4.7).

This year one coupe in the North East Tasmanian region, and six in the North West Tasmanian region were thinned under a pulpwood regime with all areas thinned to an acceptable standard.

In the Green Triangle, there are no plantations grown specifically on a pulpwood regime.

CRITERION 5 – Forest Health and Vitality

5.1 Formal Annual review of chemicals used in reforestation activities

Scope: Gunns Plantation Defined Forest Area (Permanent Estate + Semi-Permanent Estate) – ALL REGIONS

Target: Must be completed

This indicator demonstrates that there is a process in place to review efficacy and best practice in the use of chemicals to maintain forest ecosystem health and vitality along with productive capacity.

At the end of August 2010 (the review must be held within 2 months of the end of the financial year) the plantations division (including the nursery) held a chemical review workshop to discuss and review chemical usage in plantation activities. The workshop involved internal staff (Tasmania, Green Triangle, and Western Australia) and external agencies including representatives from Macspred Australia. The meeting included but was not limited to:

- Review of the amount of each chemical and fertiliser within the Gunns estate
- Efficacy of the chemicals used
- Environmental effects of chemicals
- Review of new formulations that may provide greater efficacy
- Review of chemical and technological developments
- Review of insect management
- Review of any reported incidents on the Safety Health and Environment (SHE) Incident Reporting Database
- Implications of obtaining Forest Stewardship Council Certification.

The meeting made recommendations to the Gunns Forest Products General Manager.

5.2 The percentage of area burnt due to unplanned fires

Scope: Gunns Permanent Estate - TASMANIA

Target: Non-target Indicator

This indicator was developed to monitor ecosystem health and vitality through reporting the occurrence of unplanned fire across the Gunns Permanent Estate.

This year 963.6 ha of the total Tasmanian Gunns Permanent Estate area was burnt (but not destroyed) due to unplanned fires.

Within the NW Tasmanian region, a wildfire that originated outside the Gunns Limited Permanent estate (a high intensity burn that originated from an adjacent landowners permitted burn, escaped from within its prescribed boundary) burnt a total of 935 hectares. 243 hectares of native forest resource, 158 hectares of

Eucalyptus regrowth, and 63.7 hectares of plantation were damaged during the fire. 470.3 hectares of non-productive forest were also impacted.

A smaller area was lost in the SE region – 28.6 hectares. This consisted of 17.4 hectares of native forest, and 11.2 hectares of plantation were damaged.

5.3 The percentage of native forest area lost as a productive forest due to pest and disease outbreaks or other naturally occurring damage agents

Scope: Gunns Permanent Estate - TASMANIA

Target: Non-target Indicator

This indicator examines the occurrence of damage agents in the Gunns Permanent Estate area. It ensures the monitoring of forest ecosystem health and vitality.

There were no areas of native forest on the Tasmanian Gunns Permanent Estate lost as productive forest due to pest and disease outbreaks or other naturally occurring agents again this year.

CRITERION 6 – Soil and Water Resources

6.1 The percentage of water tests completed as per the Company Standard, and the percentage of those water tests that exceed health guidelines

Scope: Gunns Plantation Defined Forest Area (Permanent Estate + Semi-Permanent Estate) - TASMANIA

Target: 100% and 0% respectively

This indicator monitors potential impacts on water quality in order to protect water resources.

In order to maintain and protect the Gunns plantation estate, spraying operations may be required to enhance the productive viability of the site. Water sampling is undertaken across Gunns managed plantation sites where chemical residues have the potential to move off-site and present a concern for the environment, neighbours or others. Water samples are taken prior to spraying, immediately after spraying and then after the first significant rainfall event.

100% (6/6) of water tests were completed by contracted staff and Gunns employees (trained in Water Sampling for Chemical Residue Detection) as per the Company Standard again this year. None of the tests exceeded the Australian Drinking Water Health Guidelines.

6.2 Exceed the soil and water benchmark of FPA annual FPP audits

Scope: Gunns Defined Forest Area (Permanent Estate + Semi-Permanent Estate) - TASMANIA

Target: FPA performance benchmark 3

This indicator reports the soil and water result of the independent review of Forest Practices Plans (FPP) performed by the Forest Practices Authority (FPA). This indicator has been developed to ensure the protection of soil and water resources.

Results are detailed in Figure 3 under indicator 1.3. Gunns achieved an average score of 3.7 for the soil and water criteria of the FPA audits, (refer to Table 4 for FPA scoring system). This score demonstrates that Gunns' soil and water assessments and the resultant protection prescriptions are continuing to exceed the benchmark of the FPA (3).

6.3 The number of environmental incidents relating to nursery run-off caused by measured indicators exceeding trigger values

Scope: Somerset Nursery - TASMANIA

Target: 0

This indicator monitors potential impacts on water quality in order to protect water resources and relates specifically to the Somerset Nursery.

The company standard requires that water sampling of the stream entering and leaving the Somerset Nursery site is undertaken to ensure that water leaving the site has not been impacted by nursery operations. These samples are undertaken during January and July each year.

None of the water samples exceeded trigger values, hence there were no environmental incidents. Water samples collected illustrated that nursery operations are not having an impact on the water quality of the local stream.

CRITERION 7 – Contribution to Carbon Cycles

7.1 Contribution to Carbon Cycles (net increment, tonnes of carbon)

Scope: Gunns Defined Forest Area (Permanent Estate + Semi-Permanent Estate) – TASMANIA AND GREEN TRIANGLE

Target: Non-target Indicator

This indicator reflects the change in carbon sequestration (capture) as a result of increased biomass from plantation established since 1991.

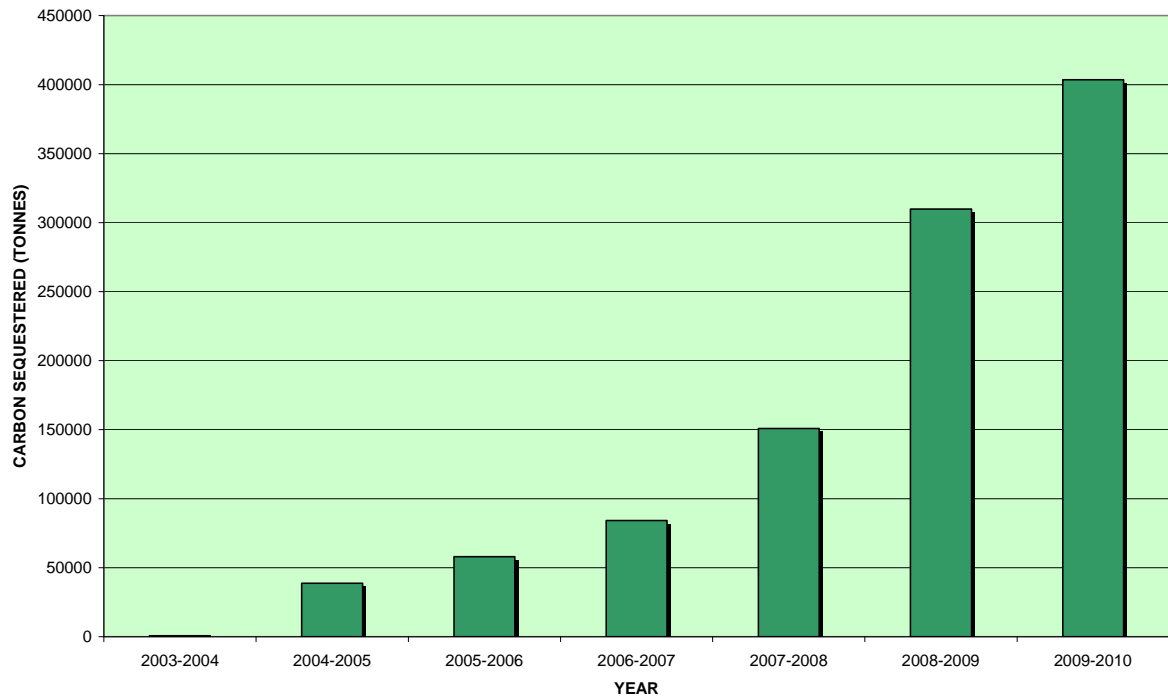
The estimate of plantation biomass has increased again this year resulting in an incremental increase of 403,632 tonnes of carbon sequestered (captured).

Figure 17 shows that this number has increased significantly this year when compared to last year's result of 309,865 tonnes. The substantial increase can be attributed to two reasons, the inclusion of the Green Triangle softwood plantation estate (41,000 ha), and the significant expansion of plantation establishment 2-3 years ago. Areas planted in this time frame are now starting to have measurable volumes based on yield curves. As such, the amount of Kyoto Compliant Stem Volume (on which the Carbon biomass calculation is based) is much larger. The value is calculated using the merchantable volume of plantations established on ex agriculture land after 1990.

The Gunns Defined Forest Area (DFA) in Tasmania and the Green Triangle (softwood estate) together accumulated an additional 400,000 tonnes of carbon, or 1,464,000 tonnes of Carbon Dioxide equivalents (CO₂e) for the financial year ended June 30, 2010 on top of an overall carbon storage of 1,150,866 tonnes of Carbon (4,212,169 CO₂e) on land that was previously used as agriculture prior to 1990 for at least five years (Kyoto compliant land).

The softwood estate in the Green Triangle represented a 101,000 tonne increase in Carbon storage and the Tasmanian hardwood plantation estate represented an increase of around 300,000 tonnes of Carbon. This is primarily due to the large areas of agricultural land being planted as a part of the Managed Investment Scheme model controlled by Gunns Plantations Limited (GPL) becoming old enough to measure and model reliably. Continual increases in carbon storage across Kyoto compliant land with the Gunns DFA is expected increase significantly over the next five to 10 years due to more forest becoming 'mature' over this time and the introduction of the hardwood plantation areas in the Green Triangle and Western Australia to Gunns' DFA.

Figure 17: Gunns contribution to Carbon Cycles (carbon sequestered (tonnes)) – Tasmania and Green Triangle



CRITERION 8 – Indigenous and Non-Indigenous Values

8.1 Forest area reserved for indigenous, cultural and heritage values

Scope: Gunns Permanent Estate – TASMANIA AND GREEN TRIANGLE

Target: Non-target Indicator

The monitoring of areas reserved for indigenous and historic heritage values is covered in indicator 8.1.

Figure 9 shows that the forest area reserved for indigenous, cultural and heritage values within the Gunns Permanent Estate is 520 ha. This does not seem like a very large area when compared to the other special value reserves, however the area reserved for each site is usually quite small when compared to flora or fauna reserves. The 520 ha of Gunns Tasmanian Permanent Estate reserved for indigenous, cultural and heritage values actually contains 162 individual reserves that may contain and protect multiple indigenous or cultural heritage sites.

8.2 The percentage of cultural surveys formally requested as required in the FPP

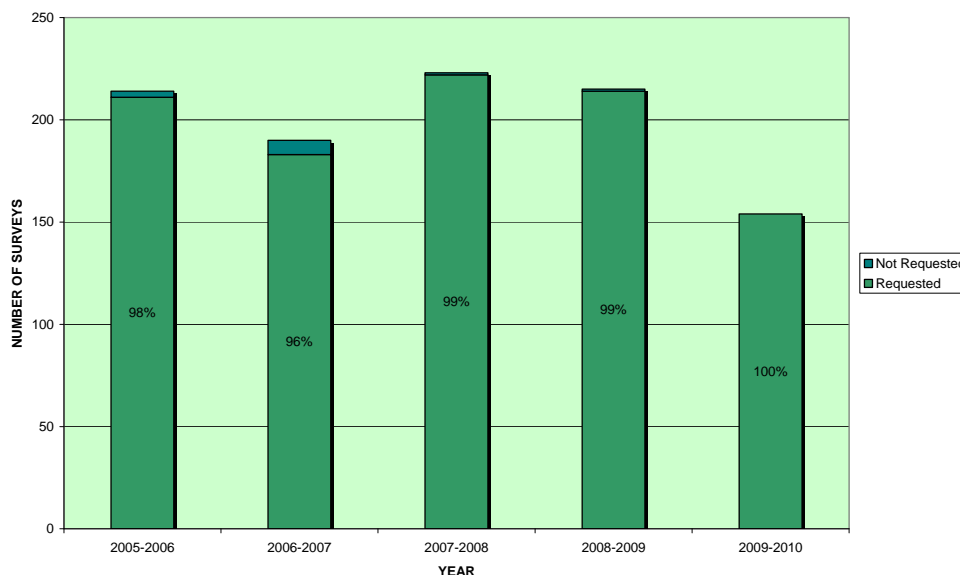
Scope: Gunns Defined Forest Area (Permanent Estate + Semi-Permanent Estate) - TASMANIA

Target: 100%

This indicator monitors the request of cultural surveys required under the Forest Practices Act 1985. It ensures appropriate identification processes to enable effective management of cultural values.

Figure 18 shows that Gunns achieved the 100% (154/154) target this year for cultural surveys formally requested as required in the FPP, continuing the high standard set last year (99.5% = 214/215).

Figure 18: The number of cultural heritage surveys formally requested as required in the FPP (within the specified timeframe) – Tasmania



CRITERION 9 – Social and Economic Values

9.1 Number of Company Employees

Scope: Gunns Limited – ALL REGIONS

Target: Non-target Indicator

This indicator monitors the number of Company employees and therefore tracks the direct contribution of Gunns' operations at a social and economic level.

Table 6: The number of Company employees

| Year | No. Employees |
|-----------|---------------|
| 2003-2004 | 1,209 |
| 2004-2005 | 1,709 |
| 2005-2006 | 1,662 |
| 2006-2007 | 1,444 |
| 2007-2008 | 1,457 |
| 2008-2009 | 2,055 |
| 2009-2010 | 2,463 |

Table 6 shows that as at 30th June 2010 the Australian Gunns Ltd payroll consisted of 2,463 employees. This figure includes staff employed through the management of the former GSMAL Estate.

9.2 Number of forest contractors and their employees engaged

Scope: Gunns Limited – TASMANIA AND GREEN TRIANGLE

Target: Non-target Indicator

This indicator monitors the number of Company engaged contractors and employees and therefore tracks the indirect contribution of Gunns' operations at a social and economic level.

Table 7: The number of forest contractors and their employees engaged

| Year | No. Contractors |
|-----------|-----------------|
| 2003-2004 | 1,265 |
| 2004-2005 | 1,276 |
| 2005-2006 | 1,124 |
| 2006-2007 | 1,111 |
| 2007-2008 | 1,224 |
| 2008-2009 | 1,011 |
| 2009-2010 | 843 |

Table 7 shows that 843 contractors and employees were engaged by Gunns Limited as at the 30th June 2010. This illustrates the downturn in the forest industry, particularly in Tasmania.

9.3 Financial contribution to the Australian Economy

Scope: Gunns Limited – TASMANIA AND GREEN TRIANGLE

Target: Non-target Indicator

This indicator monitors the direct financial contribution Gunns makes to the Australian economy. It tracks the financial contributions of Company operations at a social and economic level. The quoted figure does not include the multiplier or flow on effects of this direct contribution.

Table 8: Gunns financial contribution to the Australian Economy (NOTE: 2003-2008 report classification restricted to contribution to Tasmanian Economy)

| Year | Contribution (million) |
|-----------|------------------------|
| 2003-2004 | \$588.5 |
| 2004-2005 | \$575.8 |
| 2005-2006 | \$584.1 |
| 2006-2007 | \$556.1 |
| 2007-2008 | \$546.9 |
| 2008-2009 | \$910.0 |
| 2009-2010 | \$857.3 |

Table 8 shows that the total financial contribution to the Australian economy during the 2009-2010 financial year was \$857,300,000. Previously (prior to the 2008 – 2009 financial year) this figure reported Gunns' contribution to the Tasmanian economy only, however this year it has been expanded to report Gunns' contribution to the National economy since Gunns' operations have expanded throughout mainland Australia.

This sum is made up of Australian domestic payments for:

- Cash payments in the course of operations (payroll, contractor payments)
- Payments for property, plant and equipment
- Payments for standing timber and plantation establishment
- Payments and investments (included as appropriate)
- Income taxes
- Dividend paid (Australian registered holders only).

9.4 Annual valuation of forest estate

Scope: Gunns Permanent Estate – ALL REGIONS

Target: Non-target Indicator

This indicator monitors the value of the Gunns Permanent Estate. It tracks the value of the forest estate and its potential to add to the long-term contribution of Company operations at a social and economic level.

Table 9: The annual valuation of the Gunns forest estate

| Year | Valuation (million) |
|-----------|---------------------|
| 2003-2004 | \$230.4 |
| 2004-2005 | \$263.6 |
| 2005-2006 | \$244.9 |
| 2006-2007 | \$240.6 |
| 2007-2008 | \$262.1 |
| 2008-2009 | \$340.0 |
| 2009-2010 | \$360.6 |

Table 9 shows that the annual valuation of Gunns' forest estate has increased to \$340,000,000.

9.5 Total revenue from forestry operations

Scope: Gunns Forest Operations – ALL REGIONS

Target: Non-target Indicator

This indicator reports the total revenue from forestry operations. It can be used to develop trends over time relating to social and economic benefit.

Table 10: The revenue from Gunns forestry operations

| Year | Revenue (million) |
|-----------|-------------------|
| 2003-2004 | \$543.1 |
| 2004-2005 | \$543.9 |
| 2005-2006 | \$414.0 |
| 2006-2007 | \$431.5 |
| 2007-2008 | \$644.9 |
| 2008-2009 | \$597.0 |
| 2009-2010 | \$577.3 |

Table 10 shows that the total revenue from Gunns forestry operations has decreased to \$577,300,000 this year.

9.6 Financial expenditure directly or indirectly on forest research, development and training

Scope: Gunns Limited – ALL REGIONS

Target: Non-target Indicator

This indicator monitors Gunns' total contribution to research and development. It demonstrates trends over time relating to social and economic benefits.

Table 11: Financial expenditure directly or indirectly on forest research, development and training

| Year | Spending (millions) |
|-----------|---------------------|
| 2003-2004 | \$2.1 |
| 2004-2005 | \$5.7 |
| 2005-2006 | \$11.1 |
| 2006-2006 | \$4.1 |
| 2007-2008 | \$5.3 |
| 2008-2009 | \$1.0 |
| 2009-2010 | \$0.9 |

Table 11 shows that the financial expenditure spent directly and indirectly on forest research, development and training was \$900,000 this year.

Gunns supports research through its financial membership of the Cooperative Research Centre (CRC) for Sustainable Production Forestry plus levies paid directly or indirectly to the Forest & Wood Products Research & Development Corporation, the Forest Industry Association of Tasmania, the National Association of Forest Industries and the Southern Tree Breeding Association. In addition, Gunns has an in-house tree-breeding and wood fibre testing program aimed at improving the quality and quantity of plantation eucalypts.

9.7 Number of recreational visitors

Scope: Gunns Permanent Estate – TASMANIA AND GREEN TRIANGLE

Target: Non-target Indicator

This indicator monitors the extent of community use of the Gunns Permanent Estate.

Table 12: The number of recreational visitors to Gunns Freehold

| Year | No. Visitors |
|-----------|--------------|
| 2003-2004 | 2,557 |
| 2004-2005 | 4,135 |
| 2005-2006 | 4,409 |
| 2006-2007 | 5,236 |
| 2007-2008 | 3,747 |
| 2008-2009 | 3,823 |
| 2009-2010 | 3,962 |

Table 12 shows that the total number of recreational visitors to the Gunns Tasmanian Freehold Estate this year increased to 3,962.

9.8 Total number of LTI's (Lost Time Injuries for Gunns forest operations employees)

Scope: Gunns Forest Operations Employees – TASMANIA AND GREEN TRIANGLE

Target: 0 LTI's

This indicator monitors the LTI (Lost Time Injuries) for Gunns Forest Operation employees as reported under the Gunns Safety Incident Notification System. It tracks occupational health and safety levels within the Company and hence the social and economic benefits.

This indicator previously reported the rolling 12 month LTIFR (Lost Time Injury Frequency Rate) however, as this takes into account the previous 12 months injuries it is in a sense a lag-time indicator. Thus the indicator was changed to reflect present time.

Table 13 shows that there was one Lost Time Injuries for Gunns forest operations employees this year.

Table 13: The number of LTI's for Gunns forest operations employees

| Year | No. LTIs |
|-----------|----------|
| 2003-2004 | 2 |
| 2004-2005 | 1 |
| 2005-2006 | 3 |
| 2006-2007 | 3 |
| 2007-2008 | 2 |
| 2008-2009 | 0 |
| 2009-2010 | 1 |

9.9 The percentage of safety incidents reported for each incident category for Gunns forest operations

Scope: Gunns Forest Operations – TASMANIA AND GREEN TRIANGLE

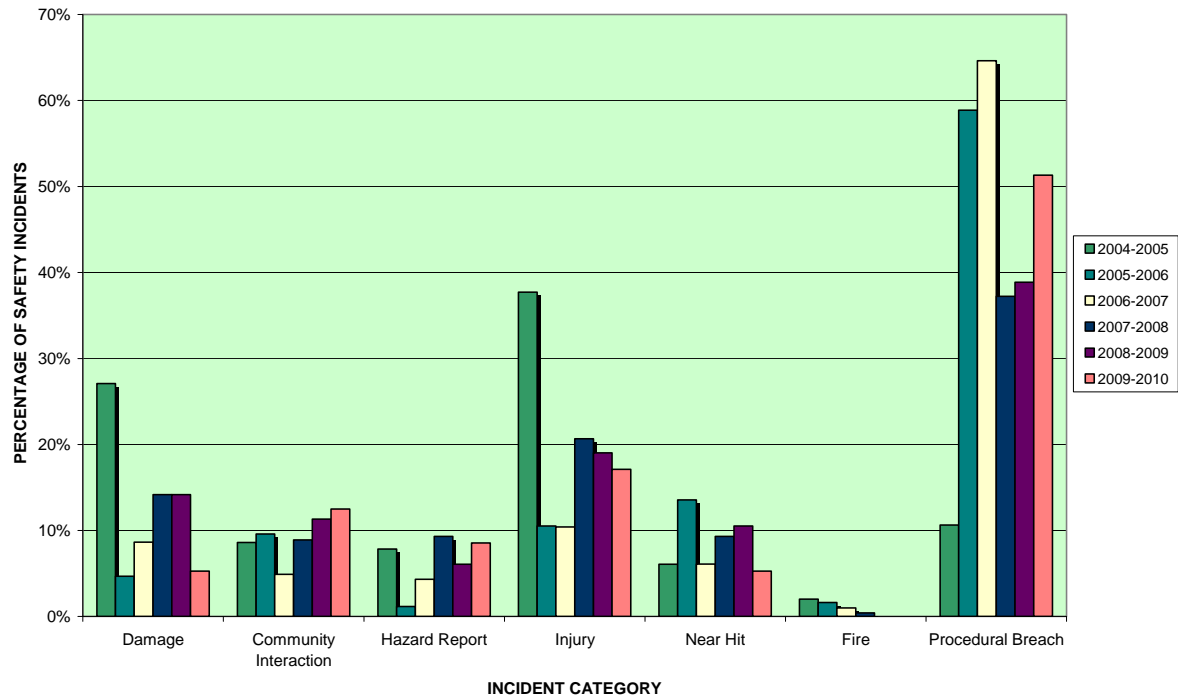
Target: Non-target Indicator

This indicator provides analysis of Gunns forest operations safety system reporting. It monitors safety performance to identify trends that develop within the organization. Gunns staff enter safety incidents into a Safety Health and Environment (SHE) incident database. Each incident is categorised into one of seven incident categories.

Refer to Figure 19 for the percentage of safety incidents reported for each incident category for Gunns forestry operations. Although Figure 20 is based on a single criterion, in reality one incident record may have relevance under several criteria. Incidents are reported if there was an actual or potential for a safety incident, and when opportunities for improvement are identified. Therefore, it should be noted that an incident record does not necessarily indicate that a negative safety incident has actually occurred.

Similar to last year Figure 19 shows that procedural breach is the category with the highest percentage of incidents reported for the Company followed by, injury and damage. Hence, focus should remain on these incident categories.

Figure 19: The percentage of safety incidents reported for each incident category for Gunns forestry operations



Continuous Improvement

Gunns sustainable forest management indicators have been successful in monitoring Company performance against the environmental, social and economic aspects of the Australian Forestry Standard and ISO 14001. They have indicated which forest management outcomes are successful and which ones require improvement. There have been a number of marked improvements in the results of target indicators since the implementation of the indicators in 2003-2004, and there are a number of indicators where further improvements are expected again next year. Management emphasis and procedural change will be implemented where required to continue to promote forest management improvements across the Gunns estate.

Feedback, comments and suggestions in relation to this report are welcomed, please contact Gunns at gunns@gunns.com.au or send comments to the AFS/ISO Certification Coordinator, PO Box 572, Launceston, Tasmania 7250.

Glossary

AFS – Australian Forestry Standard (Australian Standard 4708). The standard ensures that a Company's approach to sustainable forest management is ecologically, socially and economically sustainable and promotes continuous improvement.

Chain of Custody (CoC) – (Australian Standard 4707) A Standard that tracks a wood or forest product from its origin in a certified forest through to its end use by the consumer.

Coupe – A discrete area where a forest operation is being undertaken

CRC – Cooperative Research Centre

Defined Forest Area (DFA) – Freehold and private property of which Gunns has management control with regards to forest operations

DNV – Det Norske Veritas, an external-auditing firm

Freehold – Private land owned by Gunns Limited or its subsidiary Companies (Also referred to as Permanent Estate)

FMS – Forest Management Statement

Forest Operations Report – Industry wide internal audit procedure that monitors forest operations

Forest Practices Act 1985 – Tasmanian forest practices legislation

FPA – Forest Practices Authority. Previously the Forest Practices Board (FPB)

FPP – Forest Practices Plan

IBRA Region – Interim Biogeographic Regionalisation for Australia region

ISO 14001 - International Environmental Management Standard

LTI – Lost Time Injury

LTIFR – Lost Time Injury Frequency Rate

OH&S – Occupational Health and Safety

Permanent Estate – Private land owned by Gunns Limited or its subsidiary Companies (Also referred to as Freehold)

Semi-Permanent Estate – Private property of which Gunns Limited has management control with regards to forest operations

SFMS – Sustainable Forest Management System

SHE – Safety, Health and Environment

Tasmanian Forest Practices Code – The guidelines for the manner in which forest practices are to be conducted to ensure compliance with the Forest Practices Act 1985

Queries or feedback on this document are welcomed. Please contact gunns@gunns.com.au or send comments to the AFS/ISO Certification Coordinator, PO Box 572, Launceston, Tasmania 7250.

Copies of this document in PDF format are available from the Gunns website www.gunns.com.au

Cite as: Gunns Limited Sustainable Forest Management Report (2010). Gunns Ltd, Launceston Tasmania.

