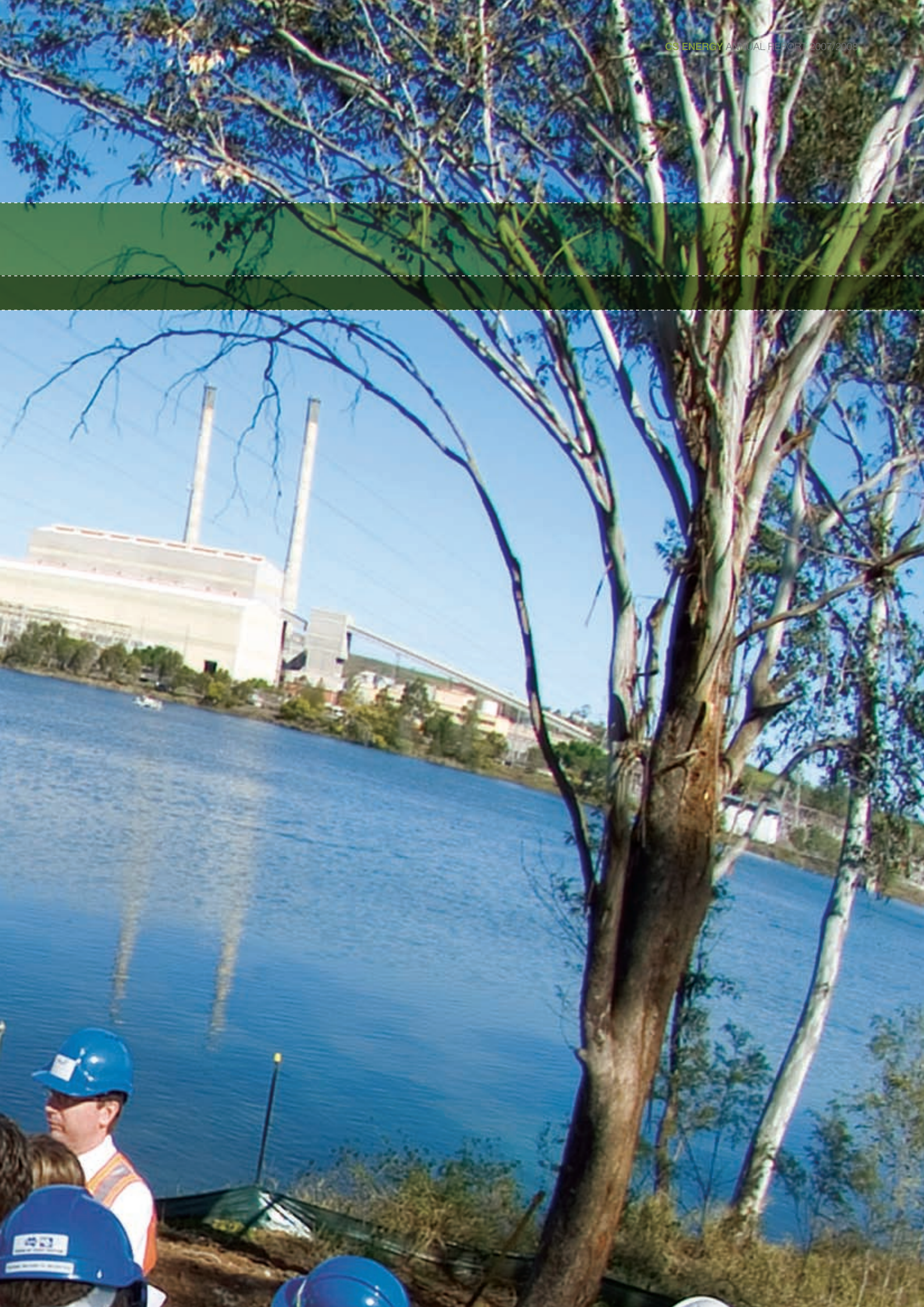


social licence



A social licence to operate is earned through many years of delivering on commitments – through responsible planning and decision making, as well as strong management of our environmental, social and governance performance.





04

SOCIAL LICENCE

Environment

Progress 2007/2008

Reduced water use intensity by 17.3 per cent.

Commenced development of carbon offset program.

Participated in Earth Hour and marked World Environment Day with a staff photography competition.

We are committed to responsible and best practice environmental performance. More specifically, we are committed to monitoring and carefully managing each of the inputs and outputs of the electricity generation process through continual improvement in emission reduction, resource management, water conservation, and waste management.


Emissions

In anticipation of the Federal Government's Emissions Trading Scheme (ETS), CS Energy has commenced development of a comprehensive carbon offset program. The final shape of the program will be dictated by the national ETS but we are working to create a program that supports meaningful projects and creates a genuine impact in the long term.

We have been a member of the Australian Greenhouse Office's Greenhouse Challenge Program since 1997, with the aim of reducing the greenhouse impact of our operations. Since that date, we have decreased our carbon intensity by 15 per cent, from 933 tonnes of CO₂ equivalent per gigawatt hour sent out (tCO₂-e/GWhso) in 2001/2002 to 834.4 in 2007/2008. This outcome has been largely achieved through increasing the proportion of gas-fired generation in our portfolio, and decommissioning older, less efficient plant.

A key commitment in our carbon strategy is the Callide Oxyfuel Project. This \$206 million project is a partnership between Australian and Japanese industry and government, to demonstrate how we can produce electricity from coal with near-zero emissions. This technology can be

fitted to existing coal-fired power stations, so we can start making an impact on emissions from operating power stations around the world. For more information on the Callide Oxyfuel Project, refer to page 44 of this report.

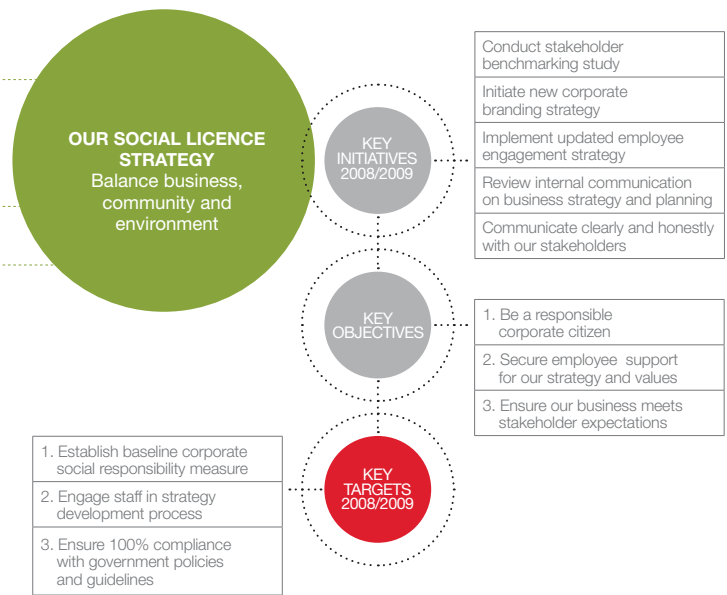
Information on other emissions from our operations, including sulphur oxides and nitrous oxides, can be found on the National Pollutant Inventory website at www.npi.gov.au .

Managing our resources

We work to ensure our operations are as efficient as possible, which includes our use of natural resources. We aim to reduce our natural resource use, and increase the efficiency of our waste management, including:

Water management – in response to environmental conditions and the vital need to conserve water, we have introduced a number of water efficiency initiatives at our power stations, such as recycling and wastewater treatment, to ensure we continue to conserve this scarce resource. For more information on our water management, please see page 39 of this report.

Fly ash emission control – fly ash is produced at all coal-fired power stations as a result of generating electricity. At Swanbank, Kogan Creek and Callide, more than 99.9 per cent of the ash produced is collected before it is released into the air through giant vacuum-like cleaners. Some of this recovered fly ash is sold for reuse in cement manufacturing, soil improvement or as fill. For more information about recycling fly ash, see page 38 of this report.



Flora and Fauna – Our power stations provide habitats for a variety of wildlife and the evaporation ponds, lakes and surrounding buffer zones provide a safe haven for a variety of bird species, koalas, echidnas and kangaroos.

Innovative improvement

We consider that there are always opportunities for improvement. Innovative thinking is sometimes needed to generate ideas, and, this year, some innovative thinking from those who know our operations best – our staff – produced first-class improvements.

At Swanbank, an improved stormwater management system was developed. Two maintenance staff members devised an efficient way to remove particles and oil from stormwater run-off, replacing the old sandbag method with a metal guard and filter system. These drain guards have been fitted at over 20 locations around the station.

At Callide, a project to enclose the coal slot bunker has resulted in a significant reduction of coal dust on site, and we have initiated a voluntary program to improve bunding at the Callide Bulk Oil facility.

Raising sustainability awareness

In May 2008, we participated in Biloela's inaugural Sustainability Day, an event to profile energy conservation and sustainability projects in the local region. This day provided us with an opportunity to update the local community on clean coal, and the Callide Oxyfuel Project. The event was organised by Ergon Energy and the Environmental Protection

Agency, as part of the *ClimateSmart Living Communities* program.

All CS Energy sites participated in Earth Hour, an initiative that aims to demonstrate the large reduction in electricity consumption that can be achieved when many of us make a small change. For one hour on 29 March 2008, participants turned off all electrical appliances and lights. Since beginning in Sydney in 2007, this concept is now a global event, encompassing 50 million people in more than 35 countries across 18 time zones. CS Energy participated

by turning off all non-essential lighting and equipment at its four stations and in the corporate office, and encouraged staff to do the same at home.

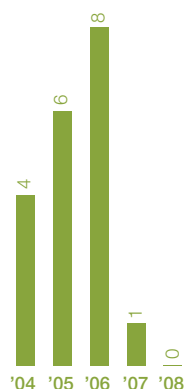
World Environment Day in June 2008 was an opportunity for us to consider the global impact we have as a business and to show our motivation as individuals. We celebrated the day by giving each of our staff an Australian native shrub, sourced from local, native nurseries, and conducting an internal photography competition. The winning entries will be featured in our 2009 CS Energy calendar.

INPUTS AND OUTPUTS			
INPUTS/OUTPUTS	2006/2007	2007/2008	% CHANGE
Total Energy Sent out (GWh)	13,996	15,430	10.25
Coal Used (Tonnes)	5,234,787	6,123,291	16.97
Gas and Renewables Used (TJ)	37,885	34,502	-8.93 ¹
Gas and Renewables Elec. Generation (% of portfolio)	29.31	24.83	-4.48
Renewable Generation (GWh)	31.49	30.93	-1.80
Greenhouse Gas equivalent produced (Million tonnes CO ₂ -e)	11.60	12.87	10.98
Greenhouse Gas Intensity (tCO ₂ -e/GWhso)	828.91	834.39	0.66
Water consumption (ML)	27,796	25,324	-8.89
Ash Produced (Tonnes)	1,117,616	1,391,951	24.55
Ash Sold (Tonnes)	81,548	106,464	30.55

¹Drop in gas and renewables used due to outages associated with the replacement of turbine blades at Swanbank E.

Environment continued

REPORTABLE ENVIRONMENTAL INCIDENTS*



*Incidents classed as category 3 or 4, which are reportable to the Environmental Protection Agency.

ENVIRONMENTAL INCIDENTS BY SITE 2007/2008		
SITE	INTERNAL	EXTERNAL
Swanbank	8	0
Callide	72	0
Mica Creek	15	0
Kogan Creek	3	0

*More than half of Callide's internal incidents relate to ash leaks. In June 2008, we replaced over four kilometres of pipe between the power station and the ash dam to rectify this problem.

Environmental Management System

We recognise that sound environmental management is vital to our long-term business success. In addition to adhering to a company-wide Environmental Policy, our four power station sites and our corporate office operate within an Environmental Management System (EMS), which helps us understand the impact our operations have on our environment, and systematically address risks by preparing targets, strategies and action plans to minimise each site's impact. Our policy and details of our EMS can be found on our website [www.csenergy.com.au](#).

All sites except Kogan Creek A Power Station are certified to the international standard ISO14001 for Environmental Management Systems. In the coming year, we will seek re-certification of the Swanbank, Callide and Mica Creek power stations' EMS. Our new Kogan Creek A Power Station developed its initial EMS in advance of operational commencement, which was accepted by the Environmental Protection Agency (EPA) in February 2007. We are working towards future certification of Kogan Creek's EMS under the ISO14001 standard.

Environmental performance

We are a foundation signatory of the Code of Environmental Practice, developed by the Energy Supply Association of Australia (ESAA). Through this Code, we aim to sustain a standard of industry-specific best practice by adopting practices that are responsible and progressive in the areas of sustainable development, social responsibility, environmental management and resource management.

Demonstrating our commitment to strengthening the link between governance and sustainability, all our environmental incidents are identified, reported, assessed and monitored under our EMS. Our performance is benchmarked against other Australian generators in accordance with ESAA's rating system. In 2007/2008 CS Energy's environmental performance was rated 4.4 out of 5.

We class environmental incidents as Internal (category 1 and 2), which means the incident was minor, with no off-site impact, and External (category 3 and 4), which must be reported to the EPA, and may have resulted in off-site impact. See our glossary for a more detailed definition of environmental incidents.

In 2007/2008 we recorded a solid environmental performance at our operating sites, with no external incidents classed as 'notifiable' under the *Environmental Protection Act 1994*. We voluntarily reported two minor events at the Callide Power Station and five minor events at Swanbank Power Station to the EPA. In all cases the EPA was satisfied by our responses.

Looking forward 2008/2009

Re-certify Swanbank, Callide and Mica Creek's EMS in line with ISO14001.

Establish carbon offset activities.



Chinchilla Community Benefits Trust

Growing together with the community

“The long term future of a community depends on everyone thriving. That's why, during the construction of the Kogan Creek Power Station, we set up the Chinchilla Community Benefits Trust.

Money from the trust funded social infrastructure and community service projects to help local community and our business grow together. In its first three years we have invested \$622,900 in local community projects.”

WARREN BRELL – KOGAN CREEK POWER STATION

Community

Progress 2007/2008

Celebrated the eight year anniversary of the Swanbank Community Reference Group.

Developed Generosity, a company-wide workplace giving program.

Invested more than \$210,000 in sponsorships and donations in the communities which host our operations.

Conducted *Moving Opera!* workshops in Mount Isa and Ipswich.

Our operations impact a range of stakeholders, including the communities that host our operations, our employees, shareholders, government regulators and special interest groups.

An active community relations program helps us to keep in touch with our stakeholders to understand and address their concerns at a local level, and to identify better ways of doing business in these regions.

Community Relations

In 2007/2008, we strengthened our reputation and stakeholder relationships by engaging and maintaining open and honest dialogue with our stakeholders and building regional links to support the communities in which we operate.

During the year we continued our face-to-face communication with neighbours who are directly or indirectly impacted by our operations. At Swanbank, our Community Reference Group (CRG), run jointly with Thiess Services, is now in its eighth year. The Group provides a vital link between the operations of CS Energy and Thiess Services, and the booming residential population in the area. The CRG meets every eight weeks, delivers a newsletter, *Swanbank Talk*, to more than 8,000 local residents, and holds bi-annual public meetings.

At Callide, community briefings in response to operational issues or activity at the power station continue. During the year, briefings on our Callide Oxyfuel Project were held with various business

groups, industry leaders and the local council. A community engagement program for the project is currently in development, and will be implemented as the project advances during the 2008/2009 year.

Callide Power Station is preparing for a busy year with the dual outage mid-life overhaul planned for Callide B in April/May 2009. This will be the biggest overhaul the station has undertaken, with work opportunities available for an extra 500 people for set periods at a time. We have been talking with Biloela businesses to establish strategies to cope with the expected accommodation pressure and we continue to keep them abreast of the station's timetable.

In Chinchilla, a CRG was formed for the Kogan Creek Power Project. With construction of the power station now complete, the group was wound up and in December 2007, we hosted a special community function for more than 150 Chinchilla residents to thank them for their support during the construction of the Kogan Creek Power Station and mine.

As a lasting gesture, CS Energy commissioned Queensland sculptor Peter Kozina to craft a sculpture from power station scrap metal, to be displayed in Chinchilla. The result was 'Monitor', a metal goanna sitting atop a silky oak base, which the Chinchilla Shire Mayor accepted on behalf of the community.

Partnerships

As a major employer in each of the communities that host our operations, we aim to actively contribute to initiatives that have a positive impact on these communities. This year we invested more than \$210,000 in sponsorships and donations.

Moving Opera!

We established one of our flagship partnerships, Opera Queensland's *Moving Opera!* more than six years ago. This five-day workshop and performance program introduces students to opera and music theatre, and was originally offered only to schools in the Brisbane area. Our partnership enables Opera Queensland to offer *Moving Opera!*, free of charge, to students in regional communities. In 2007/2008 *Moving Opera!* workshops were conducted in Mount Isa and Ipswich.

Keep Australia Beautiful (Queensland)

In conjunction with Thiess Services, we have established a partnership with Keep Australia Beautiful (Queensland), and assist with their environmental education program by inviting students to tour the Swanbank Power Station and the adjacent Thiess Services Swanbank Landfill. This year, more than 527 students participated in the tours.

Chinchilla Community Benefits Trust

CS Energy and the Chinchilla Shire Council established the Chinchilla Community Benefits Trust in 2004, to provide community support during the construction of the Kogan Creek Power

Station, in its first years of operation. The fund supports charitable projects that benefit the local community, and to date has invested \$622,900 in social infrastructure and community service projects in the region.

Boonah Arts Festival

We continue to sponsor the Boonah Arts Festival, which encourages creativity and innovation in this regional community. In 2009, we plan to make the festival carbon neutral, as part of our business focus on carbon footprints.

Great Letterbox Challenge

At Swanbank, apprentices got creative for charity by competing in the Great Letterbox Challenge. Six apprentices designed a 3D letterbox, which was auctioned at the Ipswich Arts Council fundraising event to assist local charities.

Swanbank Community Reference Group Grants Program

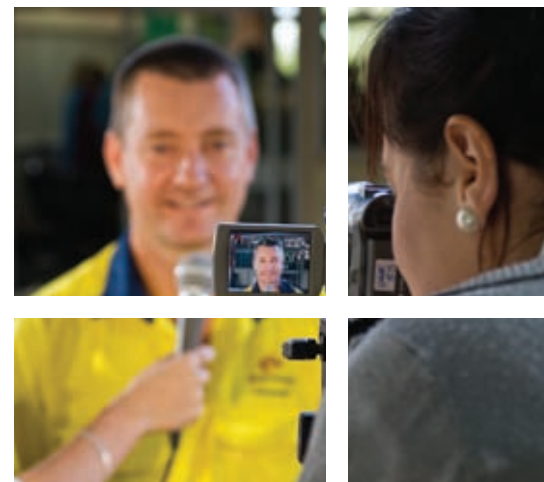
During 2007/2008 local community groups continued to receive valuable support from the Swanbank CRG. With funds and services provided by CS Energy, Thiess Services and Ipswich City Council working through the CRG, improvements have been made to local facilities and programs. This included a tree planting project at Redbank Plains State School, sun protection awnings at a local child care centre and a sandpit fencing project at Raceview Prep School. Older members of the community also received assistance with the extension of a retaining wall for the Rose Memorial Gardens at Ipswich Hospice and the provision of furniture for the Elim Retirement Village.

Business and Industry events

We continue to support the Chamber of Commerce Business Awards in Mount Isa, Ipswich and Chinchilla. The awards provide an opportunity for the regional business communities to come together and celebrate their achievements. Callide also supported the Banana Shire Industry Summit in 2007, which saw key industry leaders discussing current and future activities and needs within the Gladstone hinterland.

Biloela Rockfest and Comedy and Food Festival

We continue to support two of the major events on the Biloela calendar. Rockfest, a showcase for local musical talent, and the Comedy and Food Festival, a celebration of food and laughs in central Queensland.





Community continued

Philanthropy

In June 2008 we established Generosity, a new workplace giving program whereby staff can make a pre-tax payroll deduction to a charity, with CS Energy matching staff donations up to \$50,000 each year.

The program will commence at the beginning of the 2008/2009 financial year, and we have committed up to \$50,000 in the first 12 months of the program. Together with staff contributions, we have the potential to donate more than \$100,000 to our staff's chosen charities, including:

- Angel Flight
- Blue Care
- The Cancer Council Queensland
- Greening Australia
- Hannah's House
- Hear and Say Centre

These charities were selected through a collaborative process involving presentations, staff survey feedback and committee meetings, and represent a range of national, state-based and local charity groups. While some charities are well-known to CS Energy staff through local or regional fundraising initiatives such as Australia's Biggest Morning Tea (Cancer Council), Greening Australia and Hannah's House, others such as Angel Flight and Hear and Say Centre will be new beneficiaries.

In March we continued our support for the Shave for a Cure fundraiser to raise money for the Leukaemia Foundation. Staff from Swanbank and Callide participated in the annual World's Greatest Shave for a Cure event, raising more than \$4,000 for this great cause.

Callide staff also supported Anglicare's Adopt-A-Family Christmas Appeal again in 2007 where local disadvantaged families are "adopted" by various community groups or individuals. This is the second successful year Callide has been involved in the program.

Looking forward 2008/2009

Establish baseline corporate social responsibility measure.

Establish the **Generosity** workplace giving program across the portfolio.