

www.schiavello.com

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In 2006 we settled into our new corporate headquarters that co-locates Schiavello head office and our integrated production facilities on the one site.

Designed to achieve the Green Star level equivalent to Australian Best Practice for environmental performance, the Schiavello building was presented in the 2007 Victorian Master Builders Award for Excellence in Construction, due in part to these environmental features.

Over the past few years we have seen a marked increase in the adoption of environmental principles embodied by the Green Star system, with clients calling for products that conform to environmental standards and achieve points and credits for Green Star rating categories and tools.

This continues to present opportunities for Schiavello having anticipated many of these developments as a result of our mature Environment Program.

In an effort to preserve our precious environment and its resources for future generations we continue our research and development work, seeking better materials and better environmental performance from our production facilities and products.

Acknowledging the need for ongoing change, we look forward to working further with our suppliers, customers and other interested parties to decrease our carbon footprint and reduce our overall environmental impact.

As always we appreciate any feedback which will assist to improve service to our customers and the wider community.

Tony Schiavello
Managing Director

Schiavello

Environmental report 2007 Moving towards sustainability

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| Introduction

In the following document we will qualitatively report on the significant areas, supplemented by an Appendix based on the more rigorous framework of the G3 Global Reporting Initiative (GRI) Guidelines which were revised in 2006. We will report only on the Environmental Indicators of the GRI.

Utilising these guidelines places our reporting system within an internationally-recognised framework, which ensures an objective, comprehensive report on all relevant areas of the company's operations.

The Schiavello Environment Program remains founded on the following three pillars:

Sustainability Principles | Policy | Design Principles

Sustainability Principles

From The Natural Step

- How to reduce dependence on mining and fossil fuels
- How to reduce dependence on persistent, unnatural substances
- How to reduce dependence on nature-consuming activities
- How can we do more with less

Environment Policy

Key points committed to:

- Changing, being leader in industry
- Continuous improvement
- Pollution prevention and reducing environmental impacts
- Legal compliance;
- Establishing and maintaining an EMS
- Regular public reports

Environmental Design Principles

- Efficient energy use and minimum emissions
- Longevity and durability
- Minimum material usage
- Disassembly
- Re-use and re-manufacture
- Re-cycle
- Product stewardship
- Inform and educate

| Environmental Management System

The company-wide Environmental Management System provides for the systematic management of environmental impact within operations, reducing it in accordance with the goals of Schiavello's Environmental Policy.

Since 2003, integrated AS9000-2001 audits for quality, environment and OH&S have been conducted, confirming the achievements of the integrated Quality, Environmental and OH&S Management Systems in accordance with the AS 9001-2000 standard.

The EMS is now certified to the new 14001:2004 standard.

| Designing for Environmental Sustainability

Schiavello maintains its capacity with the world-class Life Cycle Analysis (LCA) software, SimaPro, which describes the environmental impacts of products and provides comparative information on alternatives. As is common after several years of this activity, less use has been made of this feature as the design principles and impacts of most materials are now very well understood.

During 2006 and 2007 there was a significant uptake of the Green Star Ratings Schemes in the building industry. After around two years of operation, the Office Design and Office Interiors rating tools have focused architects and designers on the items for which the Green Star schemes awarded credits. In the process this has increased the industry's awareness of the importance of including environmental performance in the design of buildings and furniture.

Government departments and corporate funds have similarly adopted the Green Star scheme and set Green Star targets for their buildings and fitouts.

With the mature Environmental Program, Schiavello has been able to achieve maximum credits under these rating tools and has supplied several projects which have received Green Star Certification status.

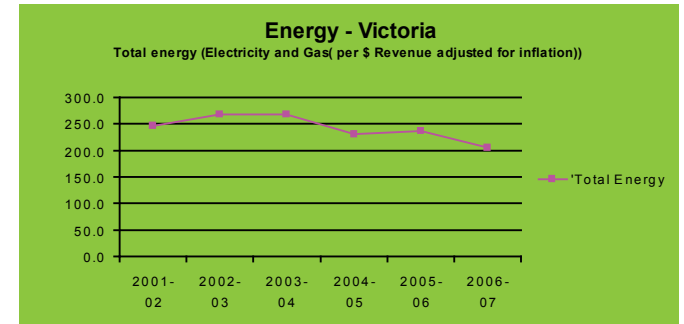
| Cleaner Production

As the highest consumers of water within the company, the metal powder coating line has been actively exploring the cleaning and re-use of the rinse water required for this manufacturing process. To be implemented in 2008, it is anticipated the project will reduce the line's water consumption by an incredible 90% and save approximately 10 megalitres of water per year.

| Energy Consumption

The last five years has seen varying trends of energy consumption, however using inflation-adjusted Group revenues as a proxy for productivity increase, there has been an encouraging decrease in total energy usage.

Total energy is a combination of electricity and gas (used in the metal powder coating process)



| Return of Packaging from Site

Packaging continues to be returned to the factories for re-use from Melbourne sites with around 7,000 boxes returned in 2007. This 8.7 tonnes of cardboard translates into environmental impact savings of:

Saved	8.7 tonnes
Trees	113.1
Barrels of Oil	21.75
Landfill Cubic Metres	34.8
Electricity kWh	35,670
Litres of Water	276,486

(Using Visy recycling multipliers)

Cardboard, Expanded Polystyrene (EPS) and LDPE packing is regularly returned to factories and re-used

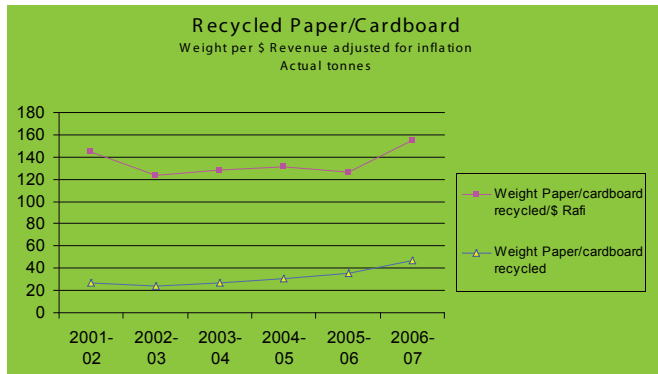
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| Cardboard and Office Paper Recycling

All divisions continue to participate in cardboard and paper recycling. In the 2006-07 year, Visy collected around 47.3 tonnes of cardboard and paper from Schiavello sites, an increase of 33% from the 2005-06 figure at 35.6 tonnes.

This made the following savings:

	Savings 2006-07 financial year	Savings July 2000 - June 2007
Trees saved	615	2,946
Barrels of Oil	118	566
Landfill Cubic Metres	189	906
Electricity kWh	194,020	929,248
Litres of Water	1,503,893	7,202,809



| Factory Waste Recycling

LDPE Recycling: In addition to cardboard recycling, the Aluminium Processing and the Furniture Assembly Divisions are collecting and recycling LDPE waste. This has continued unabated throughout 2006-07.

Recycling Steel and Aluminium: Steel and aluminium waste are recycled for revenue in the Metal Processing, Aluminium Processing and Panel Assembly Divisions.

| Office Paper Management

Where practical, paper reduction strategies continue to be part of daily practice in all parts of the organisation.

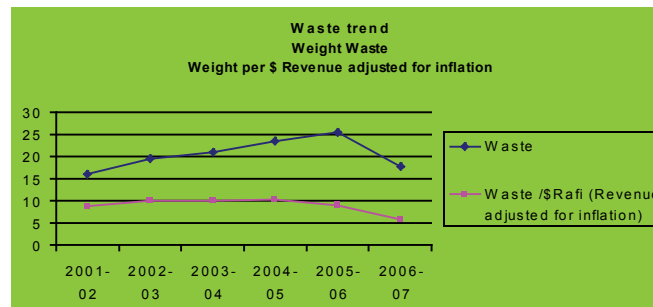
| Strategic R&D

Journals, trade publications and the internet are continually monitored and information is collected on a range of issues including:

- Low or non-formaldehyde substrates
- Life cycle analysis
- Alternative materials

| Waste Management

A 30% decrease in waste was recorded in the 2006-07 financial year compared to the previous year which reflects a more efficient use of materials and increased effectiveness of our waste recycling activities. This reduction was also reflected in the waste-per-revenue calculation (adjusted for inflation) which showed a 35% reduction.



Apart from recycling, the factories have a well-developed sense of using waste materials in other elements of products.

For projects where the client is driven by the Green Star goals, up to 84% of waste onsite is now being re-used or recycled.

| Green Marketing

During 2007, Schiavello developed the Environmental Rating Tool which is used to evaluate the environmental performance of Schiavello products based on a wider range of criteria than used by the Green Building Council's Green Star Office Interiors Tool and the Good Environmental Choice Australia standards' criteria.

In developing this tool, a workshop with stakeholders was convened in each capital city (except Hobart and Darwin) to attain valuable input from industry specialists.

For more information on this tool go to www.schiavello.com. This Environmental Report is also displayed on the website.

| Schiavello Environmental Consulting

Utilising Schiavello's expertise in environmental management, supported by our own internal, continually developing EMS program, we continue to offer Schiavello Environment Consulting services.

This initiative is both a way of improving other organisations' environmental performance as well as providing increased depth to the environmental performance of Schiavello products. It also provides additional services and therefore value to our customers.

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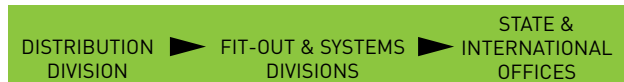
| APPENDIX Global Reporting Initiative (GRI) G3 Framework

Introduction

Description of the broad functions of each of the Schiavello Group's Manufacturing Divisions

Input Material	Processes Raw Material	Finishes	Assembles
Aluminium Extrusion	Aluminium Processing Division	Metal Powder Coating Division [Powder Coating]	Furniture & Desking Assembly Division
Zinc ingots	Die-casting Division	Metal Powder Coating Division [Powder Coating]	Panel Assembly Division
Roll & Sheet Steel	Metal Processing Division	Metal Powder Coating Division [Powder Coating]	
Particleboard and MDF	Wood Processing Division	Wood Processing Division (Painting & Wood Powder Coating)	
Particleboard and MDF	Custom Woodwork Division	Custom Woodwork Division (Painting)	
Chair, Shells, Fabric, Upholstery			Chair Assembly Division
Granulated Plastics	Plastic Injection Moulding Division		Wiring Assembly Division
Solid Surfaces	Solid Surfaces Processing Division		

Delivers and Installs



The corporate office provides the core of administration, marketing, sales, and specialist functions which includes research & development, quality, environment and OH&S.

An integrated project management division provides a total-project approach to commercial fitout.

| Global Reporting Initiative (GRI) G3 Framework For Reporting On Environmental Performance

[Note: Due to the diverse nature of the products and the varying proportion of production working on each product at different times over the year, it has not been possible to establish meaningful productivity indicators to compare production from year to year and therefore assess environmental impacts per unit of production.]

There are significant differences in the quantity of physical resources used in different products.

Recent years have seen higher levels of activity than previous years so some of the increases in the indicators reflect this higher rate of production.

To allow for this we present historical trends adjusted for revenue inflation, and/or per total production hours.

For this report, we have supplemented the qualitative material with this Appendix which is based on the more rigorous framework of the GRI. In this document we have reported on only the Environmental Indicators of the GRI.

The GRI was reviewed in 2006 and the new G3 guidelines have been employed for this report.

Utilising these guidelines places our reporting system within an internationally-recognised framework which ensures an objective, comprehensive report on all relevant areas of the company's operations.

| Global Reporting Initiative (GRI) G3 2006

Environmental Indicators Only

Core Indicators EN 1-4, 9 -13, 17-22, and 26-28

Additional Indicators EN 5-8, 10-11, 14-16, and 23-25

Note on Units Used:

k = 1,000	10 ³	(kilo-)
M = 1,000,000	10 ⁶	(Mega-)
G = 1,000,000,000	10 ⁹	(Giga-)
T = 1,000,000,000,000	10 ¹²	(Tera-)
J = Joule		
kWh = Kilowatt hour	1kWh= 3.6MJ	(approx)

| Schiavello Group Context

Stakeholders

The key stakeholders (those reasonably expected to be affected by the organisation and to influence the ability of the organisation to achieve its objectives) are:

- clients, customers and their employees using the products
- suppliers of materials, components and services
- neighbours of the factories
- Schiavello employees

From responses received to previous reports, the primary users of this report are likely to be:

- specialist environmental personnel within stakeholder organisations
- purchasing officers and managers sourcing and determining purchasing policy and decisions within stakeholder organisations
- promotion and marketing personnel
- researchers and students of design and furniture manufacture

| Relevance & Materiality

The issues and indicators likely to influence the decisions of stakeholders using this report would be:

- sourcing of timber
- indoor air quality as affected by emissions from materials and products
- recyclability of materials used in products
- waste management during production
- greenhouse gas generation
- product stewardship and take back
- life cycle impact of products

| Sustainability Context

The environmental consequences of Schiavello products are established in the design and material selection for the product.

The best means to minimise products' environmental impact is to design with this aim in mind and then ensure they are used for as long as possible.

In the commercial furniture context there is a trend towards regular renewal called "churn" which sees much of the resource invested in furniture replaced.

With little impact in the use phase and in disposal, the major impact is determined when the product reaches the end of the manufacturing process.

The majority of the resources used are re-constituted wooden board, steel and aluminium. Lesser resources go into the fabric, adhesives, sealants, and the packaging materials.

The board fibre is generally comprised of the by-products of solid

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timber production from plantations. Aluminium and steel represent the average products of the respective Australian industries.

| Materials

EN 1. Total materials use other than water by type

Total material use is in the order of 8,800 tonnes per annum (p.a)

The major materials used in quantities of more than 1000 tonnes p.a. are:

- Board (Particleboard, MDF)
- Plasterboard
- Steel
- Aluminium (extrusions and die casting)

Less than 1000 tonnes p.a.

- Plastics
- Powder coating powder

Paints and varnishes

- Fabric
- Petrol
- Cardboard

EN 2. Percentage of waste content

Percentages of materials used that are wastes (processed or un-processed) from sources external to the reporting organisation. Refers to both post-consumer recycled material and waste from industrial sources.

Material Used	Wastes From External Sources	%
Particleboard	(Processed): Wood fibre is shavings, thinnings and off-cuts from plantation grown solid pine timber	85-90
Steel Sheet	(Processed): Australian production of steel by BHP involves an average of 15% of recycled waste steel	15
LDPE Bubble Wrap	(Processed): Supplied with 30-50% post-consumer and post-industrial waste content	35-50
Aluminium	(Processed): Australian production of aluminium from major suppliers has 0% of post-consumer and post-industrial recycled waste aluminium	0

Energy

EN 3. Direct energy use segmented by primary source

(Report on all energy sources used by the reporting organisation for its own operation and for production and delivery of energy products (e.g. electricity or heat) to other organisations)

This has been affected by new technology introduced in the 2005-06 year where the acquisition of a wood powder coating line has internalised some energy consumption (previously being done outside by suppliers) as part of an effort to control quality, efficiency and production lead times.

Electricity Used	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
10MW \$1m Revenue adjusted for inflation	239.5	227.6	242.0	243.9	232.7	280.4
mill. KWh	4.35	4.94	5.64	6.55	7.74	8.55
MillionMJ (TJ)	15.66	16.70	20.30	23.58	27.86	30.78

The metal powder coating operation is the major user of gas.

Gas Use-Melcoat	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Million MJ (TJ)	29.90	35.41	35.77	29.64	38.71	31.82

EN 4. Indirect Energy Use
Report on all energy used to produce & deliver energy products purchased by the reporting organisation (e.g. electricity or heat)
Report in joules

The major identifiable indirect energy is the electricity transmission and distribution loss, which averages 2% equivalent to an additional 0.616 TJ

EN 5. Renewable Energy
Percentage of total energy consumption met by renewable resources

Nil

EN 6. Energy Conservation
Total energy saved due to conservation and efficiency improvements

In 2005 Schiavello joined the Greenhouse Challenge and a project was undertaken to identify priority areas for energy conservation. This project targeted process efficiencies. At this stage it has not been possible to reliably measure savings.

EN 7. Initiatives to Provide Energy Efficient Products & Services

None applicable (products do not consume energy)

EN 8. Initiatives to Reduce Indirect Energy Consumption

None have been identified at this stage

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Water

EN 9 .Total Water Withdrawal By Source	The annual water consumption for 2006 was 17,986 kl and 18,015 kl for 2007, which all comes from the metropolitan reticulation system
EN 10. Water Sources & Related Ecosystems/ Habitats	Identify water sources and related ecosystems/habitats significantly affected by the organisation's use of water. (Include Ramsar-listed wetlands & the overall contribution to resulting environmental trends) None applicable
EN 11.Total Recycling & Reuse of Water	Includes waste water and other used water (e.g. Cooling water) In 2006 the new corporate office collected rain water at a maximum of 60,000 litres a time (the capacity of the tanks) which equated to a total of 24mm of rain on the collecting roof. From the recorded rainfall of 325.4mm in the 12 months to end of May 2007, the 2500m2 roof of the corporate office collected approximately 813kl of water used for landscape irrigation. (This is approx. 4.5% of annual site consumption) The plastic extrusion operation (SchiPlas) and the zinc die casting (Schiavello Castings) both have closed water recycling cooling systems and associated cooling tower but have relatively insignificant volumes involved.

Biodiversity

EN 12.Total amount of land owned, leased, managed for production activities or extractive use by the organisation in, or adjacent to protected areas	18.6 Ha
EN 13.Description of significant impacts of organisation's activities & operations on protected areas	None; land used is suburban industrial land and is not biodiversity-rich
EN 14. Area of habitats protected or restored	Nil.
EN 15. Programs for managing impacts on biodiversity	Company's operations are in suburban industrial area, so none applicable
EN 16. Number of IUCN Red List species with habitats in areas affected by operations broken down by level of extinction risk	Nil

Emissions & Effluents

EN 17.Greenhouse gas emissions (CO2, CH4, N2O, HFCs, PFCs, SF6)
-Direct emissions from sources owned or controlled by the reporting entity;

tonnes CO2-equivalent	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Electricity	3,684	3,929	4,777	5,548	6,556	7,242
Gas	1,882	2,229	2,251	1,866	2,437	2,002
Total	5,566	6,158	7,028	7,414	8,992	9,244

EN 18. Ozone-depleting Substances Use and emissions of ozone-depleting substances	No ozone-depleting substances are used in processes, or emitted from processes
EN 19. Air Emissions NOx, SOx, and other significant air emissions by type Include emissions of substances regulated under: -Local laws and regulations; -Stockholm's POP Convention (annex A, B and C) - Persistent organic pollutants. -Rotterdam Convention on Prior Informed Consent (PIC); Helsinki, Sofia and Geneva protocols to the Convention on Long-Range Trans-Boundary Air Pollution	Australian federal and state legislation requires the reporting of quantities of materials above particular threshold levels as part of the National Pollutants Inventory. Schiavello does not trigger the threshold quantity for NPI reporting, of any substance. In 2006-07 the Panel Assembly Division used approximately 15,200 litres of VOC solvent containing finishes in wood finishing (based on conservatively high estimates of the solvent content of materials (mainly paints), which is a little more than the 14,000 litres used the previous year. (Actual emissions were somewhat less than this figure) For the separate entity the Wood Processing Division, in 2006-07, used 14,300 litres of VOC containing finishes, which was a bit less than the 15,300 litres used the previous year.
EN 21.Significant discharges to water by type	Only one process (powder coating- at two sites) generates a significant discharge as a prescribed waste to the sewer system. This is the pH neutralised phosphate rinse water which discharges at an annual volume of around 8,800 kl.

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EN 22. Significant spills of chemicals, oils and fuels in terms of total number and volumes	None
EN 23. Other relevant indirect Greenhouse gas emissions (CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆) Refer to emissions that are a consequence of the activities of the reporting organisation, but occur from sources owned or controlled by another entity	At this time, no applicable activities have been identified
EN 24. Hazardous Waste Transported, imported or exported waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII	None applicable
EN 25. Identify water sources and related ecosystems/habitats significantly affected by the organisation's discharges of water and run-off	Storm water run-off from the sites eventually enters Steele Creek, which joins the Maribyrnong River to take the water to Port Phillip Bay. As relatively clean run-off this would be considered a minor impact.

Waste Material EN.20	Quantity of Waste	Destination	Percentage of Total
Aluminium	82 tonnes	Recycled	98%
Steel	524 tonnes	Recycled	90%
Cardboard	47 tonnes	Recycled	50%
LDPE	Not available	Re-use and recycling	15% estimate
General Waste	15,000 m ³	Landfill	100%

EN 26. Initiatives to manage the environmental impacts of products and services and extent of impact reduction.	Products (Workstations, Panels and commercial office furniture) in use are relatively inert and benign, and even in landfill are not hazardous to the environment. The principal impacts are created by the amount and choice of material used in products.
EN 27. Reclaimable Material Percentage of products sold that is reclaimed at the end of the products useful life by product category.	(Reclaimable refers to either the recycling or the reuse of the product materials or components.) The majority of materials in all products is reclaimable at the end of life, although this is only actually done by Schiavello when the customer and contract calls for this. Outside of this arrangement, many of the products are re-used in a second life on the 2nd hand market, when the original purchaser disposes of them to a third party.

EN 28. Incidents of and fines for non-compliance with all applicable environmental regulations associated with environmental issues	There have been no notices or penalties for non-compliance with any applicable environmental regulations
EN 29. Transportation effects Significant environmental impacts of transportation for logistical purposes	Diesel-powered heavy truck transport is used for the distribution of products to capital cities in states other than Victoria. Within Victoria a combination of large and smaller trucks are used.

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| Waste

Total amount of waste by type and destination.
 Destination refers to the method by which the waste is treated including composting, reuse, recycling, recovery, incineration or landfilling.