



BARLOWORLD SUSTAINABLE DEVELOPMENT APPROACH

(Environmental Aspects)

1. PREAMBLE

Value Based Management and its imperative of continuous improvement in value creation for all stakeholders defined as: shareholders, customers, employees, principals/suppliers and communities; provides the foundation and context for Barloworld's sustainable development approach.

Long term value creation requires Barloworld to operate, manage and report its activities in a harmonious manner, without prejudicing the future of any of our stakeholders.

Whilst sustainable development embraces the economic, social and environmental aspect of the group's activities, only the environmental aspects are addressed in this document.

2. CONTEXT / IMPERATIVE

Increasing awareness of sustainable development issues and requirements in the societies in which Barloworld operates. These include:

a. Laws and standards

Risk of non-compliance include fines; reputational damage; loss of markets; law suites

b. Reporting requirements

Increasing reporting and disclosure requirements included; King III, United Nations Global Compact (UNGC), Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI) ISO 26000, AccountAbility AA 1000 Assurance Standard

c. Listing Indices

Growing number of focussed sustainable indices are emerging membership of which is becoming critical; Johannesburg Stock Exchange Socially Responsible Investment Index, Dow Jones Sustainability Index, FTSE4Good Index

d. Reputation

Sustainable development credibility is becoming increasingly important for employees, and other stakeholders

e. Risks

The sustainable development framework provides a broad spectrum of corporate exposures which enhances risk identification and mitigation activities. It also highlights the integrated nature of risks in an organisation

f. Employees

Sustainable development legitimacy is increasingly becoming central to the attraction and retention of quality employees

g. Licence to operate

An organisation's sustainable development profile is becoming an important aspect in its ability to secure state, licensing and administration entities' endorsement and support. Sustainable Development scorecards are anticipated in future as aspects of this information is increasingly being required for certain tenders

h. Market penetration

The provision of integrated customer solutions requires that aspects of sustainable development are included in customer offerings and provides opportunities for product differentiation and competitive advantage

i. Commercial opportunities

Aspects of sustainable development provide new commercial opportunities in such areas as: renewable energy; waste disposal; energy efficiency; carbon off-sets; carbon sequester; etc.

j. Cost of capital

Providers of capital and investment community are increasingly requiring sustainable development aspects to be addressed in an investment proposition and are reviewed in assessing risk profiles

k. Operating constraints

Shortages of fossil fuels, other natural resources and electricity (South Africa), together with restrictions on consumption, could negatively impact operations

l. Operating costs

Increased energy and natural resources costs, as well as anticipated costs of GHG emissions and other environmental related taxes.

State support and tax rebates for investment in energy efficiency improvements and reduction of non renewable natural resources.

3. STAKEHOLDER ALIGNMENT

Sustainable development benefits all stakeholders with complementary and self-perpetuating opportunities.

a. Shareholders

I. Financial

Reduced energy expenditure, tax support of energy reduction investments, reduced effects of emission taxes and consumption surcharges on natural resources.
Reduced cost of capital

II. Operational

Efficiency improvements in energy consumption and resulting GHG emissions, improve operational integrity and effectiveness

III. Market Share

Increased business activity with related benefits and value creation

b. Customers

I. Core component of integrated customer solutions

c. Employees

I. Attract and retain employees

d. Principals

I. Support their sustainable development objectives

II. Increase market share

e. Communities/society

I. Compliance with laws and standards

II. Licence to operate

III. Incorporates and complements Corporate Social Investment activities

4. APPROACH

a. Strategic Alignment in Barloworld

I. Value based management

II. Code of ethics

III. Strategic triangle

IV. 10 Pillars of sustainability

- V. Barloworld environmental policy
- VI. Barloworld climate change policy

b. Reporting

- I. Integrated (with other sustainability aspects: financial and social)
- II. Global Reporting Initiative (GRI) framework
- III. Greenhouse Gas (GHG) protocol (Scope 1 and 2, limited scope 3)
- IV. Material / relevant aspects
- V. Structured reporting systems
- VI. Relevant management information
- VII. Boundaries as per financial consolidation and relevant protocols (e.g. GHG)

c. Assurance

- I. Ongoing independent assurance through internal audit as integral part of integrated reporting cycle.
- II. Third party assurance of reported key indicators:
 - Fuel usage
 - Electricity usage
 - Carbon emissions
 - Water (initially only extraction from municipal source)

d. Indicators and collection systems

- I. Focus on material / relevant aspects
- II. Entrenched monthly, quarterly and annual reporting
- III. Aspects covered:
 - Energy consumption
 - Carbon Emissions
 - Emission intensities (Turnover & Employees)
 - Water usage, source and recycling
 - Materials consumed
 - Use of “recycled input” materials
 - Waste (Hazardous and non-hazardous) and destination or disposal method
 - Non-compliance/fines

e. Targets

- I. Signatory to Energy Efficiency Accord in SA
- II. Aspirational energy and emission efficiency targets
- III. A 12% efficiency improvement by 2014 (group's 5 year strategic plan period):
 - a. Baseline year of 2009
 - b. Petrol & diesel (and other non-renewable fossil fuels)
 - c. Electricity generated by fossil fuels
 - d. Carbon (CO₂e)Emissions (Scope 1 and 2)
 - e. Turnover / Revenue standard
- IV. Environmental and commercial benefits

f. Energy Consumption

- I. Internal consumption reported
- II. "Non-renewable" and "Renewable" split
- III. "Mobile" and "Stationary" split for fossil fuel usage
- IV. Energy costs to be recorded
- V. Energy reduction (including efficiency) initiatives to be pursued

g. Greenhouse Gas Emissions (GHG)

- I. Measurement, reporting and management of:
 - scope 1 and scope 2 emissions:
 - Limited scope 3 emissions (indicative air travel, car rental). Processes for scope 3 introduced in 2010 with anticipated reporting in 2011 (or sooner if sensible).
 - Supply Chain aspects to be introduced in 2011
- II. Commitment to minimise and off-set carbon footprint where appropriate
- III. Environmental and commercial benefits

h. Water

- I. Measurement, reporting and management
 - Source
 - Usage
 - Recycling
 - Disposal
- II. Protocol in place. Initial focus on metered extraction from municipal systems.

i. Materials

- I. Focus on managing and reporting materials that are relatively environmentally aggressive
- II. Report “Direct”(own) and “Indirect”(Customer) consumption
- III. Group reporting on:
 - Paper
 - Solvents
 - Lubricants (grease and oils)
 - Tyres
 - Batteries
- IV. Commitment to use recycled “Input” materials where possible (limited)
- V. Intention to report by weight and / or volume for consistency purposes

j. Waste

- I. Report “Hazardous” and “Non-Hazardous” waste disposal
- II. All waste is to be disposed of by certified legitimate contractors
- III. All waste to be reported by weight or volume
- IV. Commitment to recycling initiatives, including:
 - Paper
 - 100% of used oil
- V. Non-Hazardous waste
 - Paper
 - Tyres

VI. Hazardous waste

- Solvents
- Lubricants (grease and oils)
- Oils filters
- Batteries
- Computers (e-waste)

k. **Biodiversity**

- I. Commitment to environmental sensitivity regarding new and established operation

5. STANDARDS

- a. ISO 14001 where applicable
- b. Barloworld Good Practice Guidelines On Environmental Management for Non-ISO 14001 Certified Operations
- c. Barloworld Protocols:
 - Greenhouse Gas
 - Water

6. RESPONSIBILITIES

Responsibility and accountability for sustainable development rest with the Barloworld board and CEO, although the daily responsibility is delegated to divisional CEOs and their respective boards.

Ultimately every employee is responsible for the sustainability of the organisation through the dedicated fulfilment of their respective roles in the context of the group's ethics and values.

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References: Barloworld Annual Reports 2009 and 2010

The Sustainability Handbook, sixth edition – July 2009 : Trialogue