

Barloworld Limited

Application of the GHG Protocol for Accounting and Reporting of GHG Emissions as a consequence of Business Operations

1. Overview

As a responsible corporate citizen and recognising the significant detrimental effect carbon emissions have on climate change, Barloworld is committed to measuring its carbon footprint and proactively implementing initiatives that reduce or mitigate its activities in this regard.

We have adopted the GHG Protocol Corporate Accounting and Reporting Standard in order to comply with international standards. The GHG Protocol Corporate Standard provides standards and guidance for companies preparing a greenhouse gas emissions inventory. It covers the accounting and reporting of the six greenhouse gases covered by the Kyoto Protocol – carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF₆). After careful consideration of the Barloworld operational activities and examination of the GHG Protocol requirements we are confident that the only greenhouse gas with material emissions are those of carbon dioxide.

2. Organisational Boundary

For corporate GHG emissions reporting, two distinct approaches can be used to consolidate GHG emissions under the international protocol: either the equity share approach or the control approach. Barloworld Ltd has decided to follow the financial control approach in order to align the group's sustainability reporting with our financial reporting. Therefore, all operations that are included in Barloworld Ltd.'s annual consolidated financial reports will be included for GHG emissions inventory. Each division must therefore disclose the list of their operations included in the GHG emissions inventory according to this protocol.

3. Reporting Period & Base Year Calculations

We have decided to align our GHG emissions reporting with our financial reporting, which is the financial year for the reporting entity, Barloworld Limited.

The financial year 1 October 2008 to 30 September 2009 is reported as the group's base year in terms of GHG emissions inventory under the rules of the GHG Protocol Corporate Standard for scope 1 & scope 2 emissions.

The base year acts as a performance datum, providing a meaningful and consistent comparison of emissions over time. For consistent tracking of emissions over each successive reporting period, the base year emissions may need to be recalculated should Barloworld Limited undergo significant structural changes such as acquisitions, divestments and mergers. Barloworld divisions also need to be cognisant of any "material" changes in their emitting activities as a result of new outsourcing or insourcing arrangements. Under the GHG Protocol Corporate Standard, these need to be reported so that a central decision can be taken regarding the emitting activities "material threshold" for recalculating base year emissions inventory.

4. Operational Boundary & Emissions Definitions

According to the GHG Protocol Corporate Standard, GHG emissions are defined as either direct or indirect emissions. Direct emissions are emissions from sources that are owned or controlled by the company. Indirect emissions occur as a consequence of the activities of the company but at sources owned or controlled by another company. What is classified as direct or indirect emissions is dependent on the consolidation approach (equity share or control) selected for setting the organisational boundary. Barloworld Ltd has decided to align its operational boundary for GHG emissions inventory according to the financial control approach. Divisions are therefore required to ascertain their direct and indirect emission sources from the control approach.

5. Scope Classifications

Three scopes have been defined for GHG emissions accounting and reporting to ensure that two or more companies will not account for emissions from the same scope. Under the rules of the GHG Protocol Corporate Standard only scope 1 and scope 2 GHG emissions accounting and reporting are mandatory, whilst scope 3 accounting and reporting are voluntary. Whilst acknowledging the wider context of its' carbon footprint and related responsibilities, Barloworld Ltd is currently focussing on its inventory for its scope 1 and scope 2 GHG emissions, although limited scope 3 emission sources are being measured and introduced into its inventory from 2010.

- **Scope 1.** These are direct emissions that occur from sources that are controlled by Barloworld operations. Upon analysis, scope 1 emissions include stationary and mobile combustion of fossil fuels.
 - Stationary combustion is principally in respect of heating and cooling of facilities, and on-site electricity generation.
 - Mobile combustion is from automobiles, trucks and automotive equipment. In this regard fuel consumption measured (hence emissions) is in respect of vehicle, equipment activity for own use and excludes customer use.
 - To the extent that fuel is an element of the solution provided to customers, then this usage and the concomitant emissions are measured.

- **Scope 2.** These account for GHG emissions from the generation of purchased electricity consumed by controlled operations of Barloworld. However, GHG emissions from fuel consumption for backup generators of electricity will be included in scope 1 emissions accounting above.

- **Scope 3.** As acknowledged above, Barloworld Ltd is only recording limited scope 3 GHG emission. These are for indicative purposes only and although reported, will not be included in its inventory calculations and related indicators at this point in time. Under the GHG Protocol Corporate Standard, scope 3 GHG emissions are an optional reporting category that allows for the accounting of all other indirect emissions. Scope 3 emissions are a consequence of the activities of the company, but occur from sources not owned or controlled by the company. Examples of scope 3 emissions include customer use of equipment and vehicles, car rental and business travel, waste. The group is only recording the following scope 3 emissions:
 - Those generated by air travel undertaken by employees for business purposes.

6. Methodology

Each reporting division must document the accounting and data collection processes for each emission source identified within the scope 1 and scope 2 boundaries as well as the limited emission sources of scope 3 as reflected above. This methodology describes the manner and form in which the relevant data is captured and collated.

The purpose of this document is for auditing and assurance processes and to maintain the consistency of year-on-year GHG emission inventories.

These methodologies do not need to be consistent within the consolidated group and each division must collate their emissions data based on the method that is the most appropriate for the reporting entity.

For instance, if scope 1 fuel consumption quantities (e.g. litres) are not available then a fuel value divided by the average price will suffice as a conversion to fuel quantities. However, all conversion factors must have a source reference which can be verified.

1. Scope 1 emissions data are collated from the usage of fossil fuels which are principally:

- Diesel
- Petrol
- Heavy Fuel Oil
- Liquid Petroleum Gas
- Compressed Natural Gas

The method for collating this data can be:

- Total spend on energy divided by unit cost
- Actual units where available

2. Scope 2 emissions data are collated from the usage/consumption of electricity.

The method for collating this data can be:

- Total spend on energy divided by unit cost
- Actual units where available
- Where no specific data is available, consumption based on electricity usage per m² for a similar facility in the reporting entity is calculated and then applied to the relevant facility based on its surface area.
- Where appropriate electricity meters are not in place, consumption is allocated on a proportional basis based either on head-count or m², whichever method is the most appropriate.

3. Scope 3 emissions data are limited to emissions from business air travel and are for indicative purposes only. They are a function of the distance travelled per person (air kms) with commercial airline operators. Barloworld has adopted the following approaches to determining these emissions:

- Actual kilograms of CO₂e emissions as verified by a travel agent or service provider;
- Actual number of air kms travelled. Since emission factors are calculated on the air kms travelled and these factors vary depending on the flight distance, Barloworld had defined categories of flight distance in accordance with defined reporting protocols in order to apply the appropriate emission factors. These flight distance categories are set out below and the group's air kms travelled are recorded in the relevant categories. Emissions are calculated by applying the appropriate emission factor to the air kms travelled per category.

The flight distance categories are:

- Short haul: Less than 500 km
 - Medium haul: 501 km to 1,499 km
 - Long haul: Greater than 1,499 km
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- Average air kms travelled. In this regard, the total number of flights travelled (based on travel invoices or other relevant supporting documentation) is recorded in each of the above categories. Average distances have been determined for each category and these distances are used to calculate the emissions as per the above clause. In this instance, the applicable average air kms per category is based on the relevant actual averages calculated in an exercise undertaken by Barloworld's Logistics division.
 - In all instances a flight is defined as having one take-off and landing.
 - The limited scope 3 emissions are not taken into account in calculating the group's carbon inventory and related indicators.

Apart from the scope 3 emissions, in order to ensure applicable approved carbon emission conversion factors are used that apply to the geographic area of the emissions source, data must be reported separately based on the following geographic areas:

- South Africa
- Other Africa
- Europe
- North America
- Middle East and Asia
- Australia

Apart from the above sources of GHG emissions, we are reasonably confident that there are no other material sources of GHG emissions for energy consumption in the company.

The energy consumption data, as specified above, is recorded and reported by the divisions on a quarterly basis through a secure central, web-based reporting system. This web-based system is supported by an Excel spreadsheet database and data collection process.

Whilst a template for Excel data collection process is in place, various divisions utilise their own reporting structures and consolidation processes. The data is submitted by the divisions to the centre for consolidation and calculation.

7. GHG Inventory Calculations

The GHG emissions data is collated for Barloworld Limited centrally. This data is then converted into carbon dioxide emissions equivalents (CO₂e) using internationally recognised emission factors, which are all supported by approved source references. This centralised process ensures accuracy and consistency in the carbon equivalent calculations across the group. It also facilitates review through audit and assurance services.

8. Barloworld Limited Reporting

On a group level the carbon inventory reports are generated on a quarterly and annual basis. Quarterly SHE reports are submitted to the Risk and Sustainability Committee which is a sub-committee of the board. It also reviews the annual report. We also produce an annual Sustainability Report, which reflects the carbon emissions inventory.

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Executive: Strategy and Sustainability

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