



11 December 2009

**United Nations Global Compact**

**BARLOWORLD LIMITED – COMMUNICATION ON PROGRESS:  
October 2008 to September 2009**

**1. Statement of continued support**

Barloworld continues to support the 10 principles of the UN Global Compact (UNGC). Accordingly, the aspects covered by the 10 UNGC Principles are addressed in the group's management approach, activities and reported in its 2009 Annual Report.

UNGC principles are incorporated into the group's values framework, as well as into its 10 Pillars of sustainability, which remain central to Barloworld's ongoing activities.

The group's philosophy of creating sustainable value for all its stakeholders requires that it continues to operate, manage and report the economic, environmental and social aspects of its activities in an integrated and harmonious manner, without prejudicing the future for any of its stakeholders. Stakeholders are defined as customers, employees, principals/suppliers, shareholders and communities local to its operations, within the context of broader society and the environment.

The integrated nature of these stakeholders' interests and an appreciation of the environmental impact of its activities have inspired the group to formulate and commit to a leadership position on sustainable development.

Barloworld is a distributor of leading international brands providing rental, fleet management, product support and logistics solutions. The core divisions of the group comprise Equipment (earthmoving and power systems), Automotive (motor retail, car rental and fleet services), Handling (materials handling and agriculture) and Logistics (logistics management and supply chain optimisation).

In representing major international brands such as Caterpillar, Hyster, Avis, Budget and other world-class equipment and motor vehicle manufacturers, Barloworld is part of supply chains which embrace values and standards in the manufacture, sale, service and disposal of products that reflect international best practice. Barloworld is committed to working with its stakeholders to ensure that the high standards we endorse, including those covered by the UNGC, are upheld.

To ensure clarity, completeness and the comparability of the group's information on a global basis, the Global Reporting Initiative (GRI) indicators are used to inform coverage of relevant and topical issues in its annual reporting.

The group's commitments, initiatives and activities in regard to the Human Rights, Labour Standards, Environment and Anti-Corruption areas of the UNGC are reported below under each principle.

**Clive Thomson**  
**Chief Executive Officer**

11-12-2009

## 2. Description of practical actions

United Nations Global Compact (UNGC)	Barloworld's practical actions
<p><b><u>Human Rights</u></b></p> <p><b>Principle 1:</b> Business should support and respect the protection of internationally proclaimed human rights.</p> <p><b>Principle 2:</b> Business should make sure that they are not complicit in human rights abuses.</p>	<p>Human rights are central to Barloworld's legitimacy and are entrenched in the group's ethics, codes and policies. Human rights are also covered in the constitutions, legislation and common law of countries in which Barloworld operates.</p> <p>In addition, group practises and procedures prohibit violation of human rights and any breach is treated seriously, possibly resulting in dismissal and criminal charges being pursued being brought, if necessary.</p> <p>All employees and stakeholders are included in this protection and are also expected to conduct themselves accordingly.</p> <p>People, and transformation and empowerment, comprise two of the group's five key strategic focus areas. These include gender and disability equality and the removal of any discrimination based on race, religion or sexual preference. The group strives to ensure that it acts as a responsible custodian for current and future generations on sustainability issues, that its business strategies are legitimate in the eyes of its stakeholders, and that it adopts a caring approach towards sustainable socio-economic development in the countries in which it operates.</p> <p>No specific record is kept of investment agreements that include human rights clauses, as any such agreement would necessarily comply with applicable legislation and fulfil the standards reflected in Barloworld's values, internal policies and procedures. Full due diligence processes are conducted for any significant investment and human rights issues are covered in this process.</p> <p>A similar approach applies to suppliers and contractors. Those that do not comply are reviewed and ultimately terminated in the event that the shortcomings cannot be addressed. The group sources the majority of its products leading global OEM's with established and entrenched human rights policies and practises.</p> <p>In South Africa, the broad based black economic empowerment (BBBEE) status of suppliers and contractors is closely reviewed.</p> <p>Breaches of human rights can be addressed through the applicable legal system, internal procedures including the anonymous "Ethics Line" call centre which is entrenched in Barloworld. In addition, employees may use established grievance procedures which prohibit victimisation and may also seek union or industry assistance in this regard.</p> <p>All incidents are investigated and appropriate action taken in terms of the relevant policies, and disciplinary procedures. Every incident is reported together with the action taken and the outcome. These reports are tabled at the relevant audit meetings and reviewed by the appropriate audit committees</p>

**Human Rights (cont)**

The nature and the urban and industrial locations of Barloworld operations ensure that they do not negatively impact the communities within which they operate. All operations comply with applicable legislation and any establishment or exit of business premises does not significantly affect specific communities. In these circumstances there are no focussed initiatives that assess, and manage the impact of Barloworld's operations on communities other than the ongoing review and commitment to legal compliance and responsible corporate citizenship.

In addition to the prevailing legislative environment, internal policies and procedures throughout Barloworld prohibit corrupt behaviour. Criminal behaviour is not tolerated and formal charges are laid against a perpetrator.

Facilitated by legal practitioners, structured sessions take place with group and divisional executives to review all business conduct and ensure compliance with legislation and internal values, standards, policies and procedures.

Induction and other staff training initiatives address these aspects as a component of required and expected behaviour. In South Africa, such issues are also addressed in the consultation forums required in the employment equity and work skills plans process.

In addition to the group's anti-fraud policy, the "Barloworld Group Policy On Dealing With: Public Officials, Agents, Distributors, Intermediaries: Trade Restrictions, Export Controls and Sanctions" was distributed throughout the group and all staff are expected to comply with such policy.

These policies highlight the group's "Zero Tolerance" towards fraud, corruption and related activities. They also protect employees who raise serious concerns relating to such unacceptable conduct from victimisation. This approach applies in all regions where the group operates and associated risks are investigated and appropriate measures taken prior to investing in regions where such practices may be more prevalent than in others.

In order to ensure that conflicts of interests are avoided, staff are required to formally declare any interests in contracts, businesses whether direct or indirect.

No funds were paid to political parties during the year and it is not Barloworld's policy to support any political party.

The group and its divisions participate in relevant industry forums and appropriate industry lobbying activity and policy development. These activities are non-political.

### **Labour Standards**

**Principle 3:** Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.

**Principle 4:** Business should uphold the elimination of all forms of forced and compulsory labour.

**Principle 5:** Business should uphold the effective abolition of child labour.

**Principle 6:** Business should uphold the elimination of discrimination in respect of employment and occupation.

### **Equality Approach:**

As a responsible corporate citizen, Barloworld is committed to a workforce that reflects the demographics of the societies in which we operate.

The group:

- does not unfairly discriminate on grounds of gender, race, religion, disability or sexual preference;
- proactively pursue programmes and initiatives to achieve our objective; and
- complies with relevant legislation and regulation in all the countries in which it operates.

In South Africa, Barloworld follows the structure set out in the Department of Trade and Industry's (DTI) broad-based black economic empowerment (BBBEE) scorecard with a specific objective of achieving a level 3 rating for all its South African operations by the end of 2011.

Barloworld policy of freedom of association enables employees to associate or not with employee representative organisations and trade unions. Barloworld recognises trade unions that are sufficiently representative of the employees at the appropriate organisational level.

In total, 29% of Barloworld employees are unionised: South Africa 46%, other African countries 8% and Europe 57%. 41% of Barloworld employees are covered by collective bargaining agreements: South Africa 47% other African countries 6% and Europe 58%.

There is no child, or forced and compulsory labour employed in any Barloworld operation. Such employment would be illegal in the countries of operation and against internal values, standards, policies and procedures. Established recruitment practises would highlight any underage applicant.

Indigenous rights are respected in all operations. This is underscored by internal values, and established practices and procedures in all Barloworld operations.

The group is committed to the elimination of discrimination in respect of employment and occupation, subscribes to the principle of equal opportunity and embraces diversity in all its operations and in all geographies in which it operates. This commitment is explicit in the group's codes and values framework and extends to the removal of any unfair discrimination based on gender, sexual preference, race, religion or disability.

## **Environment**

**Principle 7:** Business should support a precautionary approach to environmental challenges.

**Principle 8:** Business should undertake initiatives to promote greater environmental responsibility.

**Principle 9:** Business should encourage the development and diffusion of environmentally friendly technologies.

Barloworld recognises that its activities and customer solutions have certain adverse environmental impacts. Whilst the group's own activities are not environmentally aggressive nor their impacts particularly severe, Barloworld is still committed to good environmental stewardship and minimising its total environmental impact which includes its carbon footprint. Understanding that its customer solutions affect the environment and have concomitant negative consequences for climate change, the group is committed, together with its principals, to offering customer solutions which mitigate these impacts. The group endeavours to support customers in their efforts to reduce the negative impacts of their respective commercial activities.

Due to the nature of its business activities and the predominantly urban locations of its operations the group is not required to apply the precautionary principle to decision making although it remains mindful of the central tenets of the principle.

Climate change has exposed the group to various grades of physical, regulatory, financial and reputational risk, as well as certain opportunities. The associated risks and opportunities identified by Barloworld have been publicly disclosed in the group's Carbon Disclosure Project CDP7 response (see website: [www.cdproject.net](http://www.cdproject.net)).

As a global company, Barloworld acts on its concerns about the environment by partnering with organisations such as the UN Global Compact (principles 7 to 9), the World Wide Fund for Nature (WWF), the National Business Initiative (NBI) and the Endangered Wildlife Trust (EWT). Barloworld is a signatory of the Energy Efficiency Accord (EEA) with the Department: Minerals and Energy in South Africa and is also a member of the NBI's Energy Efficiency Committee, through which the group is linked to a range of energy and climate change initiatives.

In addition to the general commitment to the environment contained in the group's Code of Ethics and Strategic Framework and 10 Pillars of Sustainability, its approach to environmental management is informed by:

1. **Barloworld Environmental Policy** which sets the overall standards and expectations throughout the group and includes the organisation's commitment to duty of care, waste avoidance and minimisation of use of natural resources;
2. **Barloworld's good practice guidelines on environmental management for non-ISO 14001 certified operations** which cover all Barloworld operations;
3. **Barloworld's Climate Change Policy** which outlines the group's approach and commitments in this regard.
4. **ISO 14001** is currently applicable to Avis and Budget operations in Norway and Sweden

Barloworld's Environmental Policy, Climate Change Policy and Guidelines for non-ISO 14001 certified operations can be accessed on website: [www.barloworld.com](http://www.barloworld.com).

**Environment (cont.)**

Environmental expenditure is incorporated into development and construction activities to ensure responsible environmental stewardship, compliance with environmental legislation, internal standards and good practice. Additional aspects cover ongoing maintenance expenditure, principals' requirements and ISO systems. It also includes water recycling and waste disposal initiatives as well as carbon offset programmes.

**Products and services**

Barloworld is committed to providing products and leading customer solutions which enable them to achieve their sustainable development objectives including environmental stewardship.

New technologies employed in the integrated customer solutions which Barloworld operations offer are resulting in enhanced energy and carbon efficiencies, as well as addressing the needs of a wide range of stakeholders.

Examples of these include Caterpillar's innovative ACERT® technology which was developed to meet American and European regulations restricting harmful emissions from diesel engines utilized in both "on highway" and "off-road" applications.

In Barloworld Automotive, the motor retail operations represent leading global vehicle manufactures who are continuing to develop and introduce energy efficient vehicles, low emission vehicles, hybrid vehicles and electric vehicles.

Also, offered in car rental fleets are hybrid and flexi-fuel vehicles such as the Toyota Prius, SAAB Bio-Power, Volvo V50 and V70 Flexi-fuel and Mercedes Benz NGT Blue Efficiency vehicles. Diesel and bio-fuel cars are becoming far more prevalent in car rental fleets. All fleets include the latest vehicle models and technology which results in general improvement in energy efficiency and emission reductions.

Barloworld Logistics provides, through the CAST-CO<sub>2</sub> module of its leading supply chain design system, the ability to calculate the carbon emissions from any supply chain model and therefore to design supply chains with modes, loads and routes which optimise carbon emissions.

Logistics is also at the forefront of designing sustainable road transportation solutions which provide both commercial and environmental benefits.

The Handling division's principal Hyster, has launched a new electric truck range, emphasising lower whole-life costs and emissions. Looking forward, Hyster is facilitating the development of hydrogen fuel cells and lithium ion batteries. Hydrogen fuel cells enable a zero-emission lift truck with very short refuel times, while lithium ion batteries promise a zero-emission lift truck with long battery life and zero battery maintenance.

The principal environmental impact of transporting products and services relates to the consumption of fossil fuel, consequent greenhouse gas emissions and the associated risks.

## **Environment (cont.)**

In representing major international brands such as Caterpillar, Hyster, Avis, Budget and other world-class equipment and motor vehicle manufacturers, Barloworld is part of supply chains which embrace values and standards in the manufacture, sale, service and disposal of products that reflect international best practice. Barloworld is committed to working with its suppliers to ensure that their requirements are met, including environmental objectives, and their competitive position enhanced.

### **Management and Reporting Indicators**

In selecting indicators which it believes are relevant and material to its activities, given their retail and after-market service nature, the scope of Barloworld's data monitoring and environmental management includes:

- Energy consumption
- Carbon emissions (scope 1 and 2)
- Emissions intensity
- Water usage, source and recycling
- Materials consumed
- Use of recycled input materials
- Waste (hazardous and non-hazardous) and destination or disposal methods
- Non-compliance/fines

### **Targets**

Barloworld is committed to setting sensible targets for improved energy efficiency in respect of fossil fuels and the resulting greenhouse gas emissions. It is complex issue and the interests of all stakeholders need to be considered. Pending clarity from the Copenhagen conference on Climate Change scheduled for December 2009, and any consequent national or industry targets being set, the group is guided in South Africa by the content of the Energy Efficiency Accord with the department of Minerals and Energy in South Africa which reflects the South African objective of a 12% energy efficiency improvement by 2015 (non-renewable fossil fuel) consumption off a 2000 baseline year.

In order to make this a more tangible objective, the group has set an overall aspirational target of a 12% energy efficiency improvement of its energy consumption by 2014 off a 2009 baseline year.

This applies to petrol and diesel as well as to electricity generated by fossil fuels. The period coincides with the group's 5 year strategic planning horizon and indicative benefits can be internally projected using anticipated turnover levels as a proxy for business activity.

The diverse and divisional nature of the Barloworld group requires that specific energy consumption targets are set in the respective divisions based on their relevant operational and industry specific requirements as well as the perspective of their global region of activity.

The group's emissions are based largely on the consumption of fossil fuel and fossil fuel generated electricity, and accordingly, the group has adopted a similar approach in respect of emission targets which will be reflected as intensity measures. In this regard, the group has elected to report emission intensity in terms of financial and employee measures.

**Environment (cont.)**

Targets will be subject to ongoing review during the year and will be incorporated into executive scorecards for 2010.

**Energy Consumption**

Barloworld is committed to the measurement, reporting and reduction of its consumption of non-renewable fossil fuels. The group understands the environmental and commercial benefits of such commitment. Over the past years the group has implemented processes and systems to record such data and to ensure its measurement is in accordance with related initiatives such as the Greenhouse Gas Protocol such that the consequent emissions are properly reported.

Although Barloworld's business activities do not require significant energy consumption, the group is cognisant of the environmental impacts of its energy use, particularly from non-renewable sources such as the fossil fuels and much of the electricity which is obtained from the utilities in the areas in which the group has operations. Only internal energy consumption is reported.

All operations are committed to the optimisation of their energy consumption and a variety of initiatives are underway or in planning across the group. These include efforts to reduce air travel by using video-conferencing, retro-fitting energy efficiency systems and timing switches and improving consumption metering at their facilities. Also addressed are efficient lighting systems and the replacement of efficient lighting equipment. New facilities will incorporate appropriate heating, ventilation and air conditioning (HVAC) systems.

Initiatives such as these have led to the conceptualisation of a 'green buildings' programme which will result in generally more resource-efficient facilities across the group. Co-ordinated initiatives will be introduced across the group with appropriate measures being implemented for our operations in various industries and geographies. The recently established Barloworld Power division will drive and coordinate these activities internally as well as progressing leading energy solutions, including efficiency and renewable aspects, to customers.

**Greenhouse gas (GHG) emissions**

Barloworld appreciates the causal link between greenhouse gas (GHG) emissions and climate change, and the forecast for the increasingly negative effects of climate change on the environment.

Given the nature of Barloworld, the material sources of its GHG emissions are the direct consumption of fossil fuels (Scope 1) and its consumption of purchased electricity generated from fossil fuels (Scope 2).

During the year, the group progressed its programme to accurately record and report its emissions and has calculated its **GHG inventory** in terms of the GHG Protocol (see [www.Barloworld](http://www.Barloworld)).



**Environment (cont.)**

**The group's commitment to accurately recording and reporting its emissions is highlighted by the external assurance of its emissions data.**

Although Barloworld's operations are considered by the **Johannesburg Stock Exchange's Socially Responsible Investment Index (SRI)** to have a low impact on climate change, the group is committed to achieving greater energy efficiencies in the day to day activities of its operations, and consequently, to reducing its emissions and their impact. Barloworld also works to raise awareness amongst its employees through communications and training, and supports the efforts of civil society to educate and inform the public on the importance of adopting environmentally sustainable lifestyles.

Barloworld's rental fleet in Norway remains carbon neutral (excluding rental fleets and licensee operations). Approximately 62% of the electricity for Avis car rental operations in Scandinavia is either wind or hydro-generated. Avis and Budget in Norway and Sweden offer their customers the opportunity to purchase carbon credits to offset the emissions from their vehicle rental transactions.

On 1 September 2009 Avis **Rent a Car became the first rental fleet in South Africa to be accredited CarbonNeutral®** for internal business carbon emissions from fuel and electricity usage.

Barloworld has adopted the following approach to manage its emissions:

Measure the emissions relating to particular activities, then consider the following strategies:

- Avoid emissions producing activities;
- Reduce emissions of unavoidable activities;
- Switch to appropriate energy reduction technologies, where feasible; and
- Off-set remaining emissions from commercial activities where appropriate.

**The Carbon Disclosure Project**

The Barloworld group participates in the Carbon Disclosure Project (CDP), which was launched in 2000 to collect information that could be used to motivate investors, corporations and governments to take action to prevent climate change. Data collected from some 5 500 of the world's leading companies and disseminated by the CDP provides valuable insights into the risks and opportunities presented by climate change and a post-carbon era. Increasingly evidence points to the shift of consumers to companies who limit their carbon footprints and see opportunities in a carbon constrained world.

Barloworld's detailed CDP7 response can be viewed on website: [www.cdproject.net](http://www.cdproject.net).

**Environment (cont.)**

**Water**

Barloworld's appreciates that water is a scarce resource. A number water conservation projects, including rainwater harvesting and of water recycling projects have been implemented across Barloworld operations in South Africa, Australia and Iberia. In 2009 12% of water used in the Barloworld group was recycled.

**Materials**

Barloworld's retail and customer service activities do not involve the purchase or beneficiation of raw materials, nor do they consume significant volumes of materials, other than energy, although the range of inputs in small quantities is relatively diverse.

Materials are sourced from legitimate suppliers and the group tracks the use of those that it considers would have the highest potential impact on the environment: paper, solvents, lubricants, tyres and batteries.

The group has progressed with its intention to distinguish between the direct (own) consumption and indirect (customer) consumption of material. This process is not complete and will receive ongoing attention.

Use of recycled materials for inputs is not significant, comprising in the most part of paper: and retreaded tyres. This is predominantly related to the nature of the group and the use of OEM products.

Although materials used have been reported over the past years, in light of the revised reporting structure (reporting by weight instead of units), 2009 will form the baseline year going forward.

**Waste**

Barloworld's operations do not generate significant volumes of waste. That which is produced is either recycled or disposed of through certified waste contractors or accredited service providers. Both non-hazardous and hazardous streams of waste are monitored by type, volume, disposal method and destination. Hazardous waste is safely disposed of at legitimate sites and all oil is recycled.

Barloworld appreciates the responsibility it has concerning the products and services it provides. However, due to the nature of its operations and that the majority of its products are supplied by OEMs and principals its focus is not on manufacture or disposal, but on ensuring maximum effective and efficient use of the products, including extending their operating lifetime. In this regard a relatively high percentage of Caterpillar and Hyster equipment and components are rebuilt, prolonging their life and reducing waste. Hyster's truck remanufacturing process recovers some 50% of the original component whilst their rebuilt engines are 50% and 67% more efficient in term of energy and labour respectively. Approximately 90% of a scrapped lift truck can be reclaimed and some 70% of Caterpillar components are rebuilt.

**Anti-Corruption**

**Principle 10:** Business should work against corruption in all its forms, including extortion and bribery.

In addition to the prevailing legislative environment, Barloworld's code of ethics, culture and value system ensure that corporate citizenship and social responsibility are integral to its business strategies. Formal processes to inculcate these in to the group incorporate external training sessions for all divisions' executives on appropriate legislation and compliance commitments from divisional leaders.

Facilitated by legal practitioners, structured sessions take place with group and divisional executives to review all business conduct and ensure compliance with legislation and internal values, standards, policies and procedures.

Induction and other staff training initiatives address these aspects as a component of required and expected behaviour.

Employees in high risk areas are continually reminded of the group's policy in this regard and advised of the severe consequences of participating in such practices. Employees are encouraged to disclose all attempts of unacceptable conduct, including bribery and corruption and are supported in dealing with such matters.

In addition to the group's anti-fraud policy, the "Barloworld Group Policy On Dealing With: Public Officials, Agents, Distributors, Intermediaries: Trade Restrictions, Export Controls and Sanctions" was distributed throughout the group and all staff are required to comply with such policy.

These policies highlight the group's "Zero Tolerance" towards fraud, corruption and related activities. They also protect employees who raise serious concerns relating to such unacceptable conduct from victimisation. This approach applies in all regions where the group operates and associated risks are investigated and appropriate measures taken prior to investing in regions where such practices may be more prevalent than in others.

Corruption and criminal behaviour are not tolerated and formal charges are laid against a perpetrator.

The Barloworld Ethics Line ensures the anonymity of any complainant.

In order to ensure that conflicts of interests are avoided, staff are required to formally declare any interests in contracts, businesses whether direct or indirect.

No funds were paid to political parties during the year and it is not Barloworld's policy to support any political party.

These approaches apply in all regions where the group operates and associated risks are investigated and appropriate measures taken prior to investing in regions where such activity may be more prevalent than in others.

Although the group and its divisions participate in relevant industry forums and appropriate industry lobbying activity and policy development, these activities are non-political.

**3. MEASUREMENT OF OUTCOMES**

Barloworld reports its progress in its annual financial report. Also included in its 2009 annual financial report are illustrative case studies.

See [www.barloworld.com](http://www.barloworld.com)