



passion

leadership



teamwork



sustainability

## OVERVIEW

Value Based Management (VBM) was introduced to Barloworld in 1999, as a philosophy for running the business. It was enhanced in 2006 with the adoption of the 10 Pillars of Sustainability. The adoption of this stakeholder approach has allowed us to formalise what has essentially been the 'Barloworld Way' of doing business. Its essence is to align our business processes and activities to ensure the continual creation of value for our shareholders, customers, principals and suppliers, employees and the broader communities within which we operate. We view sustainability holistically: a set of principles that integrates financial and non-financial strategies to ensure sustainable value creation for our stakeholders.

During the past year, Barloworld has gone through significant changes: we have a new CEO and chairman, and we have unbundled or disposed of several businesses in line with our new strategic profile. These changes have not impacted on our core commitment to sustainability and have in fact enhanced our value proposition.

### A stakeholder approach

Barloworld's stakeholders are represented by shareholders, customers, employees, principals, suppliers and communities. We function in direct relation to societies and the physical environment. Being stakeholder-centric in our business conduct facilitates:

- the sustainable growth of the company and its earnings; and
- the creation of sustainable relationships with our stakeholders.

Our value added statement (page 142) summarises, at a gross level, the value we created and how it is distributed.

### Sustainability reporting and the G3

This report is guided by the third-generation sustainability reporting framework developed by the Global Reporting Initiative (GRI) and referred to as the G3.

Our intention is to give users of this report a clearer understanding of our operations, the principles that drive them and the impact that they have on the economic, social and physical environments where we conduct our business.

The G3, which guides the company's sustainability reporting, addresses measurement of both financial and non-financial aspects of business. At a strategic level, the board, through its risk and sustainability committee, is responsible for assessing non-financial performance and approving all policies relating to sustainability. Quality and environmental performance is managed as far as possible across the group by the ISO 9001 and ISO 14001 management systems respectively.

Employee issues are monitored primarily through communication forums and an annual employee perception survey.

Community issues are South African-focused and include the management of country-specific issues such as employment equity (EE) and black economic empowerment (BEE), as well as a focused Corporate Social Investment (CSI) strategy.

For this report, key social, environmental and economic aspects were determined through consultation at business and corporate office level. We recognise that the suite of non-financial issues faced is different across the group. This report contains key non-financial data from each of the divisions, thereby permitting the reader to understand these issues at a divisional level, as well as at a group level.

A G3-compatible questionnaire is completed by each division on an annual basis. The quantitative and qualitative data collected is key for planning the annual report.

We have obtained independent verification by Deloitte of selected performance indicators published herein. A copy of their report is included on page 141.

## OUR 10 PILLARS OF SUSTAINABILITY

<p><b>1</b> <b>Clear vision and strategy</b></p> <ul style="list-style-type: none"> <li>a. Develop a vision that inspires our employees</li> <li>b. Clearly communicate the vision so that it is understood</li> <li>c. Develop a clear strategy that delivers top quintile returns</li> <li>d. Develop a geographic expansion strategy that optimises global growth opportunities</li> </ul>	<p><b>6</b> <b>Decisive management</b></p> <ul style="list-style-type: none"> <li>a. Strive to deliver clear, decisive and inspiring leadership</li> <li>b. Implement decisions rapidly</li> <li>c. Acknowledge mistakes and take corrective action</li> <li>d. Intervene where business performance is unsatisfactory</li> <li>e. Exit businesses where corrective action fails</li> </ul>
<p><b>2</b> <b>Focus on the core</b></p> <ul style="list-style-type: none"> <li>a. Limit the number of core businesses</li> <li>b. Regularly review which businesses should remain core</li> <li>c. Only grow areas that are aligned to the core</li> <li>d. Critically review all potential new core businesses</li> </ul>	<p><b>7</b> <b>Environmental and social legitimacy</b></p> <ul style="list-style-type: none"> <li>a. Accept that we are custodians for future generations and proactively engage in global sustainability issues</li> <li>b. Ensure that business strategies are legitimate in the eyes of the communities and governments where we operate</li> <li>c. Commit to leading in empowerment and transformation (BEE)</li> <li>d. Adopt a caring approach towards the socio-economic issues of the communities in which we operate</li> <li>e. Strive towards reducing the environmental impacts of our business activities</li> </ul>
<p><b>3</b> <b>Market leadership</b></p> <ul style="list-style-type: none"> <li>a. Develop strategies to achieve market or sector leadership in each of our core businesses</li> <li>b. Plan to exit from businesses where we cannot attain market or sector leadership</li> <li>c. Plan to exit from businesses where there is insufficient Return On Management Effort (ROME)</li> </ul>	<p><b>8</b> <b>Values and ethics</b></p> <ul style="list-style-type: none"> <li>a. Focus on doing what is right</li> <li>b. Behave in line with our Code of Conduct</li> <li>c. Act in accordance with our Code of Ethics: <ul style="list-style-type: none"> <li>• Be fair</li> <li>• Obey the law</li> <li>• Be honest</li> <li>• Respect others</li> <li>• Protect the environment</li> </ul> </li> <li>d. Always remember: "Our word is our bond"</li> </ul>
<p><b>4</b> <b>Integrated customer solutions</b></p> <ul style="list-style-type: none"> <li>a. Focus on the customer</li> <li>b. Strategically segment customers and determine their fundamental needs</li> <li>c. Provide flexible value-creating solutions to those needs</li> <li>d. Commit to exceeding customer expectations and continuously growing value for the customer</li> </ul>	<p><b>9</b> <b>Corporate governance</b></p> <ul style="list-style-type: none"> <li>a. Manage business risks to enhance and protect shareholder value rather than to eradicate all risk</li> <li>b. Comply with all relevant regulations and standards</li> <li>c. Ensure that investor and public communication is beyond reproach</li> <li>d. Ensure financial prudence in all dealings</li> <li>e. Comply with the group risk philosophy</li> <li>f. Implement effective controls that protect stakeholder value</li> </ul>
<p><b>5</b> <b>Globally competitive employees</b></p> <ul style="list-style-type: none"> <li>a. Attract and retain the best employees</li> <li>b. Develop our people to globally competitive standards</li> <li>c. Recognise and reward good performance and rectify poor performance</li> <li>d. Ensure succession plans at all critical levels</li> <li>e. Inculcate the Barloworld leadership philosophy</li> <li>f. Celebrate successes and have fun</li> </ul>	<p><b>10</b> <b>Learning organisation</b></p> <p>Constantly look at re-inventing ourselves through:</p> <ul style="list-style-type: none"> <li>• exploration</li> <li>• innovation</li> <li>• learning – especially from mistakes</li> <li>• sharing – best practices and successes</li> </ul>

**The business case**

The business case for sustainability is founded on the importance of:

- The role of the corporate citizen and the widely accepted notion that business is not only about financial returns, but also about the wider contributions businesses make;
- The growing role of stakeholders, over and above shareholders and authorities, as a very important constituency of any business; and
- The management of risk and non-financial issues that present opportunities for growth.

An ongoing systematic and business-wide risk assessment process supports Barloworld's risk management philosophy. This ensures that risks and opportunities are not only adequately identified, evaluated and managed at the appropriate level in each division, but also that their individual and joint impact on the group as a whole is taken into consideration.

Each division has identified its key risks. These are consolidated at group level by the risk and sustainability committee and synthesised into the key risks facing the group.

**BARLOWORLD GROUP TOP RISKS – 2007**

Key risks	Category of risk and management response
<p><b>Acquisition underperformance</b> The risk of future net cash flows from acquisitions failing to realise the projections upon which the initial purchase consideration was based may lead to value destruction for shareholders and a need to impair the related goodwill or assets.</p>	<p><b>Acquisition risk</b></p> <ul style="list-style-type: none"> <li>• A business acquisition policy and procedure is in place that sets out a structured approach and framework to be used when acquisitions are being made. This includes a pre-acquisition phase that includes the requirement to conduct a comprehensive strategic analysis of intended targets, development of acquisition criteria, both strategic and financial, and quantification of risk-adjusted value-creation potential for the respective business unit and the group.</li> <li>• The CEOs and CFOs of each business unit are responsible for ensuring that the policy and procedures are adhered to.</li> <li>• Following acquisitions, planning and task teams are established to focus on the realisation of possible synergies.</li> </ul>
<p><b>Competitor actions</b> The risk that competitors will take individual actions, through pricing or other activities, that will erode our competitive position and have a significant impact on the value we create for shareholders.</p>	<p><b>Competitor risk</b></p> <ul style="list-style-type: none"> <li>• Continually reduce costs by focusing on operational efficiencies and staff training.</li> <li>• Continually improve service and the provision of innovative solutions to customers.</li> </ul>
<p><b>Currency volatility</b> Movement of currencies against one another, mainly the movement of other currencies against the rand which creates risks relative to the translation of non-rand profits, the marking-to-market of financial instruments taken out to hedge currency exposures and the cost of imports into South Africa.</p>	<p><b>Financial risk</b></p> <ul style="list-style-type: none"> <li>• The responsibility for monitoring and managing these risks is that of line management. A group treasury policy is in place which clearly sets out the philosophy of hedging, guideline parameters within which to operate and, permissible financial instruments.</li> <li>• Preventative measures are implemented around determination of pricing mechanisms and structuring of commercial contracts to negate the impact of any adverse currency fluctuations.</li> </ul>

## Key risks

### Defined-benefit scheme exposure

The key risk for the United Kingdom's two defined-benefit schemes is a downward movement in the yield on AA-rated corporate bonds against which the liabilities are valued. In addition, market volatility and increased life expectancy of members may have an adverse impact on the schemes' funding positions requiring additional company contributions over and above the schemes' current normal contribution rates.

The current combined deficits for the two defined-benefit schemes in the United Kingdom amounts to £48.5 million, which has been based on conservative assumptions including updated mortality statistics.

### Dependence on principals and suppliers

Some of the businesses in the group are dependent on a small number of principals and/or suppliers.

Our success is therefore linked to their ongoing financial stability and the competitiveness of their products and services.

In order to ensure sustainable value creation, we depend on suppliers of infrastructure in the countries in which we operate. Most of our businesses are dependent, inter alia, on reliable power and water supply and appropriate transport networks.

## Category of risk and management response

### Market risk

- Suitably qualified representative boards of trustees exist which, together with separate investment sub-committees, are responsible for regularly evaluating the effectiveness of investment decisions. They use professional investment advisors to assist them in the management of the investment portfolios with a view to conservatively preserving and enhancing fund valuations. Complex investment risk models are run by the investment managers and actuaries to assess optimum risk balance. The actuaries also conduct regular valuations.

- Funding shortfalls are planned to be made up within sensible timeframes via increased contributions, together with an adjustment to future benefits where appropriate.

Subsequent to the year-end, the company has committed £55 million to address the funding deficits in the United Kingdom defined-benefit schemes.

- Existing defined-benefit schemes in the United Kingdom have been closed to new members since 2002 to assist in managing future liabilities. All new employees in the United Kingdom are automatically enrolled in the United Kingdom's defined contribution scheme.

### Strategic risk

- Add value to our principals by giving constant feedback on market movements and product competitiveness.
- Continually improve/build our relationship with our principals and major suppliers and ensure that we are the preferred dealer/customer.
- Provide excellent customer service and lead in our markets.
- Build smart partnerships with customers.
- Enter into longer-term contracts with customers.
- Build relationships with local authorities.

Key risks	Category of risk and management response
<p><b>Exposure to equipment and motor vehicle buy-backs and residual values</b></p> <p>Some of the group's businesses could be exposed to losses due to contractual obligations to buy back equipment or motor vehicles previously sold or rented out, at prices above market or replacement cost at the time of being compelled to repurchase. This risk could arise, inter alia, through inadequate valuation skills at the time of determining the buy-back amount, poor condition of equipment and motor vehicles repurchased or significant shifts in the economic environment adversely impacting used values.</p>	<p><b>Financial risk</b></p> <ul style="list-style-type: none"> <li>• This is managed by ensuring adequate valuation competencies, managing inventory levels, optimally structuring contracts, modelling transactions to ensure adequate economic return, continually scanning market conditions, hedging currency risks and monitoring the use and condition of equipment and motor vehicles in respect of which obligations exist.</li> </ul>
<p><b>Exposure to political risks, terrorism and crime in the countries in which we operate</b></p> <p>The group's people and assets are spread through numerous countries around the world while our activities are conducted in many more. The possibility exists that our people and assets, and the viability of the businesses are exposed through acts of terrorism, political turmoil or crime in some of the regions in which the group operates as well as in those that may be the subject of expansion. Business growth initiatives require that new markets and territories are the focus of our business expansion. These opportunities come with their own distinct risk exposures.</p>	<p><b>Political risk</b></p> <ul style="list-style-type: none"> <li>• Minimise exposure in high-risk countries through thorough and in-depth risk assessments coupled with the application of preventative and corrective risk management activities.</li> <li>• Maintain flexible business models.</li> <li>• Maintain business continuity plans that incorporate emergency response actions, crisis management and business recovery plans specific to the business and the respective territories in which the businesses operate.</li> </ul>
<p><b>Exposure to significant customers and dependence on channels to market</b></p> <p>The risk that we are exposed to certain large customers and/or industries and that well-established distribution channels may change or consolidate.</p>	<p><b>Market risk</b></p> <ul style="list-style-type: none"> <li>• Build smart partnerships with customers.</li> <li>• Develop customer solutions which differentiate and expand our offering from product-based businesses.</li> <li>• Establish long-term contracts with key customers.</li> <li>• Diversify customer base.</li> </ul>
<p><b>Regulatory environment</b></p> <p>Many of the group's activities are governed, one way or another, by regulations. Due to the complexity and changing nature of these regulations across the industries and geographical spectrum of the group's activities, there are challenges in staying abreast of all developments and maintaining full compliance.</p>	<p><b>Regulatory risk</b></p> <ul style="list-style-type: none"> <li>• Management is responsible for the ongoing monitoring of all pending and actual changes to the group's regulatory environment. Due to the large number of jurisdictions which govern the group's activities, this monitoring occurs in each relevant country of operation.</li> <li>• Where feasible, the group will comment on proposed changes to the regulatory environment that may adversely affect the group in a particular jurisdiction.</li> </ul>

### Key risks

**Strategic employees skills**  
Barloworld's key asset is the intellectual capacity and skills of its employees. This necessitates ongoing management of the challenges regarding recruitment, succession planning, skills retention and development.

### Category of risk and management response

**Employee risk**

- Employee Value Creation (EVC) is the technique that Barloworld has introduced globally to align employees with the strategy of the organisation.
- This process identifies and aligns all employee elements of a value-creating organisation to ensure sustainable intellectual capacity.
- Through performance management systems, employees' purpose, role, function and accountabilities are defined, and using competency-based assessments, employees are regularly reviewed to ensure the appropriate skill sets are available to enable performance at optimum levels. Extensive training resources and facilities are in place to assist and encourage employees to enhance their levels of competence and performance.
- An appropriate suite of reward and incentive schemes has been implemented to ensure recognition and retention of high-performing employees.



## OUR STAKEHOLDERS

We believe that the existence of our business and continued success depends on the relationships we have with our stakeholders. Our stakeholders are our customers, employees, trade unions, principals and suppliers, shareholders, as well as communities and community-based organisations, various media and non-governmental organisations (NGOs). It is vital that we continuously evaluate our relationships and effectively engage with all stakeholders.

### Employees

Our employees are one of the most important of our stakeholder groups. There are many meetings and employee participation structures throughout Barloworld that encourage and enable employees to contribute individually and collectively to our business. Employee Value Creation (EVC), our people management framework, addresses the alignment of all employees with our strategic objectives in terms of specific outputs and reward systems. All employment practices are legal and have as their objective the creation of an organisation that is recognised as an employer of choice. Employee training and development is key to our sustainability and continues to receive increasing focus to ensure that we maintain the requisite skills.

### Employee numbers

Our employee base has reduced from 25 716 in 31 countries to 18 615 (core businesses only) in 26 countries. Included in these changes are the unbundling of PPC and the restructuring of the corporate offices. The Botswana and Namibia corporate offices were closed, leaving the South African and United Kingdom corporate offices. Our United Kingdom corporate office moved from London to Maidenhead.

### Employee movement

During the reporting year, significant changes took place within our business resulting in a reduction in the number of employees in the group.

In the handling division (previously industrial distribution), DitchWitch, Vacuum Technology and Freightliner were sold. In the scientific division, Melles Griot was sold and the sale of laboratory is almost complete. In the coatings division, Coatings Australia was sold.

Within our core business, avoidable labour turnover (resignations) increased by 1% in 2007 as a result of supply and demand particularly in the South African businesses. In unavoidable turnover, deaths remain steady over the past three years at 0.37%. The percentage of dismissals has also been consistent over the 2006/2007 period.

At the corporate office in South Africa, employee numbers were reduced. As part of this downsizing process, employees close to retirement age were offered early retirement packages. Where positions became redundant and the employees were not close to retirement age, they were given favourable packages based on the number of years they had been with Barloworld. In addition, an out-placement agency was appointed to assist employees in finding new jobs. Throughout the process, Barloworld communicated openly and all employees were notified of developments in good time.

## Number of employees as at end September 2007

	2007	2006
<b>Core businesses</b>		
Equipment	6 752	6 170
Automotive	7 183	6 128
Handling	2 602	3 516
Logistics	1 727	1 793
Corporate and other	351	467
<b>Total</b>	<b>18 615</b>	<b>18 074</b>
<b>Non-core businesses</b>		
Cement	–	3 026
Coatings	2 377	3 144
Scientific	968	1 472
<b>Total</b>	<b>3 345</b>	<b>7 642</b>
<b>Grand total</b>	<b>21 960</b>	<b>25 716</b>

## Employee turnover – 2007

Divisions	Resignations	Transfers	Retrenchments/				
			redundancies	Retirements <sup>1</sup>	Dismissals	Deaths <sup>2</sup>	Other <sup>3</sup>
<b>Core businesses</b>							
Equipment	524	29	15	28	100	17	99
Automotive	1 254	4	3	57	115	28	185
Handling	471	9	55	43	154	9	629
Logistics	212	8	79	3	51	8	55
Corporate and other	20	10	39	4	3	–	–
<b>Non-core businesses</b>							
Cement	172	17	–	7	11	9	6
Coatings	347	18	25	39	56	25	38
Scientific	157	4	4	16	55	–	4
<b>Grand total</b>	<b>3 082</b>	<b>96</b>	<b>220</b>	<b>197</b>	<b>633</b>	<b>96</b>	<b>1 015</b>

1 Including ill-health retirements due to HIV/Aids-related illnesses

2 Including deaths due to HIV/Aids-related illnesses and work-related fatalities

3 Reflects sales of businesses, termination of fixed-term contracts, permanent and temporary disabilities

### **Diversity and opportunity**

In our quest to be an employer of choice, we strive to create opportunities for the advancement of our employees. Where applicable, we offer benefits that exceed the legal minimum. These include medical assistance, subsidised canteens, employee assistance programmes (EAPs) and a range of other benefits which vary by country and business.

### **Employment equity**

At Barloworld we are committed to the South African Employment Equity Act that advocates fair representation of historically disadvantaged South Africans (HDSAs). In our South African businesses we have a broad transformation agenda that includes employment equity. This is part of our commitment to establishing and maintaining a workforce that reflects the South African demographic, particularly in regard to the representation of HDSAs at senior levels of management.

The following executive appointments have been made:

- Isaac Shongwe appointed as an executive director of Barloworld Limited as well as chief executive officer of Barloworld Logistics Africa. His responsibilities include driving the Barloworld transformation programme (our target is to achieve a Level 5 BBBEE rating by the end of 2008 and Level 4 by the end of 2009).
- Dominic Sewela appointed as chief executive officer of Barloworld Equipment South Africa.
- Litha Nkombisa appointed as chief executive of Barloworld Motor Retail Southern Africa.
- Ciko Thomas appointed as marketing director for Barloworld Automotive.
- Sibani Mngomezulu appointed head of governance and corporate affairs for Barloworld Limited and appointed to the executive committee.

Barloworld increased its HDSAs (excluding white women) by an overall average of 8.2%.

### African, Indian, Coloured (AIC) vs white employees

	2007		2006	
	AIC	White	AIC	White
<b>Core businesses</b>				
Board	1	4	–	9
Executive management	7	60	4	60
Middle management	377	986	276	914
Skilled upper/technical	2 849	2 617	1 829	2 169
Semi-skilled/apprentices/trainee	2 631	439	3 114	760
Labourers/unskilled	563	9	548	26
Total	6 428	4 115	5 771	3 938

In our South African core businesses, we increased our headcount of the African, Indian and Coloured (AIC) group by 656 people representing an 11.36% increase in the number of AIC employees. White employees increased by 178 employees, an increase of 4.5%. Good progress was made in the AIC categories of middle management and skilled upper/technical occupational levels.

With the increase in headcount within the core businesses of South Africa of 834 there was also an increase in the number of females within the businesses of 11.3% (280 females), while the male headcount increased by 7.6% (553 employees). The greatest areas of increase in the female headcount was in the middle management and skilled upper levels, boding well for future female leadership positions.

With the focus on improving gender equality, we employed 139 women outside of South Africa within the core businesses. They were recruited to senior management, middle management and skilled upper occupational levels.

### Male and female employees – South Africa

	2007			2006		
	Male	Female	Total	Male	Female	Total
<b>Core businesses</b>						
Board	5	–	5	9	–	9
Executive management	60	7	67	58	7	65
Middle management	951	412	1 363	899	291	1 190
Skilled upper/technical	3 829	1 637	5 466	2 928	1 070	3 998
Semi-skilled/apprentices/trainee	2 485	585	3 070	2 894	980	3 874
Labourers/unskilled	453	119	572	442	132	574
Total	7 783	2 760	10 543	7 230	2 480	9 710

#### **Employee attraction and retention**

Attracting and retaining the necessary skills and talent that is required to create and sustain value for our stakeholders is important to us.

#### **Performance management and reward**

We can confidently say that we have dedicated and competent employees. Incentive schemes within our businesses reward employees for their discretionary contribution. Performance measures are linked to both financial and non-financial criteria. Our annual CEO Award programme recognises extraordinary performers in every business.

#### **Transfer opportunities within Barloworld**

Barloworld continued its international assignment programme with the aim of developing leaders and interchanging its culture in businesses across countries. In 2007, 134 employees were involved in the cross-country assignment programme.

One of our key objectives is to integrate the skills and talents of our employees. One of the tools we have to facilitate this is the Barloworld Career Opportunities site on the Barloworld intranet which is accessible to our employees. It offers our business units an internal recruitment tool which reduces costs and lives up to our communication promise.

#### **Organisation and Employee Value Creation**

For the success of organisational and Employee Value Creation (EVC), continuous engagement is a requirement and this is achieved through regular, structured employee meetings and team forums. Employee performance and development is achieved through balanced scorecards and individual development plans directly aligned to the implementation of business goals and the growth of the employee.

EVC is the methodology used to align our employees with our strategic objectives. The development of our employees is an intrinsic and necessary element of our journey towards achieving Barloworld's strategic goals.

EVC has now been rolled out virtually throughout all our businesses.

#### **Human resources development**

We believe that the future success of Barloworld is clearly linked to developing its people to meet future challenges. We therefore need our employees to learn and develop new capabilities.

#### *Intellectual capital retention and development*

As we like to grow leaders from within our businesses, we also aim to ensure that the leadership talent pool is effectively managed. To this end our Intellectual Capital Review (ICR) process assists the Barloworld executives to effectively manage and develop senior managers by identifying high-potential employees with leadership ability, and through benchmarking, opportunities are provided to identify, evaluate and develop future training and development plans. Managing this assists us to retain our key talent. The ICR system tracks data on these key 120 senior employees within Barloworld in order for them to be nurtured as key leaders.

On an annual basis, the CEO and executive directors responsible for each business, meet to discuss in detail the progress and development requirements of these senior employees.

### Skills Development Award

Barloworld Equipment received a silver award in the recent Skills Development Awards in the category: **Employers Committed to the National Skills Development Strategy**

The awards from the Department of Labour were given in recognition of companies committed to skills development, learning and development, and especially efforts in terms of learnerships. Barloworld was recognised for its contribution to the number of learners trained over the past few years. The company was also singled out for its foresight, especially in regard to the planned artisan training college. Barloworld was the only company from the earthmoving industry that is accredited by MERSETA to train artisans in both construction and mining.

We are the only company to receive this award in our industry.



Minister of Labour, Membathisi Mdladlana (left) hands a certificate to Barloworld Equipment HR director, Rickson Mboweni in recognition of the company's skills development efforts

### Leadership development

Barloworld requires managers who can work in complex, multi-cultural situations; leaders who can manage the balance between delivering for today and investing for tomorrow. We place a high value on leadership development offering programmes aimed at developing the skills and knowledge of managers and leaders at different stages of their careers.

Barloworld's desired leadership philosophy and culture has been adopted by all of our businesses, and many leadership initiatives are aligned.

Barloworld's leadership initiatives include the Leadership Development Programme (LDP) and the Executive Development Programme (EDP), which are Barloworld specific, exposing delegates to the strategic intent of our business, global best practice and action-learning projects. They have become programmes which our managers aspire to. Delegates are drawn from all our businesses around the world. These leadership initiatives are the meeting ground for the identified future talent of our business. It is critical not only that the organisation's leadership development process is properly targeted, but that succession planning is carefully managed. To date, 363 managers and leaders (289 LDP delegates and 74 EDP delegates) have benefited since inception in 2000. This programme was deferred during the current year due to a change in the group's strategic direction. Programmes for 2008 have been fully subscribed.

### Employee training and development

Barloworld recognises the strategic importance of employee training and development and comprehensive reviews are held throughout the company to assist in the development of our employees to achieve their full potential. Development action plans are put in place and monitored to ensure individual development.

Altogether 49.85% (5 256 employees) of our 10 543 South African employees within the Barloworld core businesses have development action plans; 34% (2 742 employees) in our core businesses outside South Africa have development action plans which are linked to growth and future opportunities.

An average of 1.6% of total payroll is spent on training. This is in addition to the 1% payroll levy paid to the relevant SETAs for our South African businesses. A broad range of technical and behavioural skills development is provided within the businesses. The key focus, however, is on the occupational levels of skilled upper/technical and semi-skilled/apprentices/trainee employees.

Excellent work continues in the area of technical training in many of the Barloworld businesses. A total of 81% of our training is conducted at the technical level within the South African core Barloworld business units.

Learnership programmes continue within our Barloworld Equipment and Barloworld Automotive businesses.

### **The Barloworld Equipment Operator Academy**

Skills shortage is a challenge that is affecting both the Barloworld group and South Africa at large. In addressing this challenge, the Barloworld Equipment Operator Academy recruited and trained 66 unemployed people as earthmoving equipment operators between June and September 2006. This project was aimed at assisting individuals to find jobs and providing customers with much needed equipment operator skills.

Initially, Barloworld Equipment spent R600 000 on this initiative, and a further R1.5 million was spent in the 2006/2007 financial year to train a further 200 unemployed people.

According to the Operator Academy supervisor and chief training officer, Paul Sethusa, the project's objectives of providing jobs and skills have been achieved, as most of the recruited individuals are now employed in one of Barloworld's major market segments, namely construction, mining and plant hire.

### **Recruiting**

"Because recruits are trained towards a national qualification, the Operator Academy strictly applies the entry standards set by the Sectoral Education Training Authority (SETA)," Paul explains.

Due to the stringent entry requirements, the national standard requires that entrants have a Grade 10 with English and Mathematics. In addition, applicants must be healthy enough to comply with the 'red ticket' standards of the mining industry and pass standard psychometric tests that ensure they have the required aptitude and personal attributes to do the job.

On successful completion of the programme, the graduate leaves the Barloworld Equipment Operator Academy with a professional CV, psychometric test results, a health report and a CETA (Construction Education and Training Authority) certificate of competency in the operation of particular earthmoving machines.

### **Training**

Since most of the trainees have no or minimal work experience, Barloworld offers a World of Work course to prepare them for employment by providing them with skills in personal finances and wellness. Another programme offered is the Plant Operation NQF Level 2, which involves both theoretical and practical training. This is offered on the operation of selected earthmoving equipment at the Operator Academy in Isando.

Caterpillar machines hired from the Barloworld Equipment Cat Rental Store are used for practical training. These machines have been selected specifically because of their high utilisation in the relevant market segments. According to Paul, this gives the graduates a better chance of employment, due to their qualification on this popular range of equipment, for which skills are in high demand.

Caterpillar machines being used at the moment for the programme are graders, hydraulic excavators, wheel loaders and articulated trucks. Other machines will be added at a later stage based on demand.

Graduates completing the Plant Operation NQF Level 2 course receive an interim certificate of competence from Barloworld Equipment, which is valid until the national certificate is received from the CETA.



Thabiso Makae gets to grips with a Caterpillar 140H grader under the guidance of instructor Peter Raseboppe.

### **Adult-Based Education Training (ABET)**

There are a number of learners participating in ABET programmes within our South African operations. Empowered by the EVC process and our commitment to uplifting the skills of our employees, we encourage a culture of self-development and learning.

### **Labour relations**

We have an ongoing focus on maintaining positive and open industrial relations.

The involvement of employees in decision-making is extensive throughout Barloworld through various forums including unions. Employees who are not unionised are engaged through structured team forums – these take place in virtually all Barloworld divisions.

In South Africa, stay-away action and disruption to transport systems occurred as a result of non-work-related issues in the form of socio-economic protest action, mainly against poor service delivery. However, none of our stakeholders were materially affected by these protest actions.

During the reporting period the Barloworld businesses continued to have good relationships with the unions that represent our employees. The motor industry did have their national negotiations and these were concluded with minimal disruption to our businesses.

### **Employee communication**

Transparency and openness are essential. Through the integrated EVC approach, regular, structured employee meetings are encouraged within our operations between employees and management. The rule of communication is that there are no taboo subjects.

With varying frequency, most employee communications are conducted through personal contact, supported by newsletters, committees, briefings and employee participation forums.

Another communication initiative is through formal induction programmes. These facilitated sessions share group initiatives and strategies with new employees.

Our quarterly newsletter, *Building Barloworld*, was replaced during the year with an electronic newsletter called *Briefing Barloworld* which is sent to all employees worldwide as and when information needs to be shared with our employees. During the financial year 12 editions were published.

Additionally, every business has its own dedicated internal publication that focuses on issues that are unique to that business.

### **Perception surveys**

As we attempt to create value for our employees, it is essential that employees' perceptions of the organisation are measured. The process used to measure perceptions is called the Individual Perception Monitor (IPM) and is carried out annually. Through the survey, we are able to benchmark annual progress, monitor areas for improvement and note areas where additional focus is required.

The IPM feedback is analysed by company, location, department and work area, which allows in-depth understanding at business level.

The IPM has been running for three years and has shown consistent improvements each year.

### **Global grading system**

A need was identified to have a more formal approach to the management of human resources in Barloworld. A consistent approach was required for the management of reward at executive and senior management levels. A global grading system has been implemented at executive and senior management level, which has enabled us to focus on internal equity, consistency across businesses and/or countries, and to determine fair and consistent executive reward levels.

# CEO AWARDS



excellence



## BARLOWORLD CEO'S AWARD NOMINEES



### Overall winner

**Ottair Rambau**

**Operations supervisor – Luxury Collection and Point-to-Point (National Department of Transport account)**

Avis Rent a Car Southern Africa

*Pretoria, South Africa*

Ottair Rambau joined Avis in September 2002. From the outset he was recognised as someone with extraordinary abilities.

One of Avis Point-to-Point's strategically important accounts is managed as a broad-based black economic empowerment joint venture. The customer is the National Department of Transport (NDoT) and the South African President's office is a key component.

The size and complexity of the account created logistical challenges with service delivery. In response, a satellite branch, headed by Ottair, was set up in Pretoria in September 2006. Ottair's sole focus was to provide solutions to the customer's requirements, a challenge which he met by developing a specific 'Vision' for the NDoT account.

Immersing himself in this task, within a period of 10 months Ottair and his team were directly responsible for tripling the value of the account.

Ottair's management style is decisive and he holds the trust and respect of his staff. His ability to communicate and energise his fellow employees has seen him develop a team that is willing and able to deal with the unexpected and still provide a superior service.

The foundation of Ottair's success is his constant focus on team building, coaching and customer-centric behaviour. This has resulted in a team of Luxury Collection chauffeurs who operate at a very high level of customer satisfaction.



**Paul Bowers**

**IT project development manager**

Barloworld Logistics

*Johannesburg, South Africa*

American educator, Booker T Washington, once said: "Few things can help an individual more than to place responsibility on him, and to let him know that you trust him".

No one illustrates this more clearly than Paul Bowers who in moving from a technical to a management role succeeded in enhancing the reputation of Barloworld Logistics as a leading integrator of innovative supply chain solutions. At the same time, the way in which he interacts with his team has seen him develop into someone who is admired and respected by management, colleagues and customers alike.

Paul, who started his career as a motor mechanic, has worked himself up to being among the most competent software developers in the Barloworld group. He has studied for the past five years and is currently in his final year of a BSc (Hons) degree. His passion for staying abreast of technology and trends led to him developing an in-house warehouse management system that saved the company a significant sum of money, as well as earning income from sales to customers.

An important facet of Paul's success is his ability to influence the people he works with. His impact on the people in his team has resulted in a steady flow of innovative ideas. He has also empowered a number of his people and their output and confidence has grown beyond measure. Paul lives his personal belief that knowledge should be shared and has developed a team of people who, by constantly looking for new and innovative solutions, are adding value to themselves and to Barloworld.



**Anna Chisholm**  
**National Response Centre (NRC) manager**  
Barloworld Handling  
*Maidenhead, United Kingdom*

When it comes to products and service, excellence is what customers want. And excellence is what Anna Chisholm delivers. Since taking over the management of Barloworld Handling's National Response Centre (NRC), Anna has not only been instrumental in growing a high-value and often exceptionally demanding customer base, but has also created a stable call centre team with an exceptionally low staff turnover rate.

When Barloworld Handling decided to centralise all service calls for the United Kingdom through its NRC in Maidenhead, there was scepticism from external and internal customers alike.

Anna met the challenge head on. Internally she concentrated on settling her young team by hand-picking members to champion a new set of standard operating procedures. Within a relatively short space of time she had successfully created a 'can do' environment. Simultaneously, she worked with great determination to deliver service excellence to her customers.

Anna has achieved success on several levels. Not only has the work done by the NRC contributed to improving market share, service and contract margins for Barloworld Handling, but Anna has successfully doubled the call centre team in under three years while keeping staff turnover at half that of the national average.

Added to this is the way that Anna has embraced the concept of Employee Value Creation (EVC). As a result, each team member takes ownership of achieving the team objectives and is a willing participant in ensuring the ongoing success of the NRC.



**Santiago Galera Garriga**  
**Service technician**  
Barloworld Finanzauto  
*Valencia, Spain*

Santiago Garriga joined Barloworld Finanzauto as a ferry specialist to work as a member of the team servicing the Federico Garcia Lorca, a fast ferry moored in Palma de Mallorca. Owned by Balearia, the ferry works seven days a week transporting people and goods between the Balearic Islands and Spain. These vessels carry some 900 passengers and 250 cars on each trip and delays or breakdowns are simply not acceptable.

When Santiago joined the team, the customer maintained its own fleet of ferries. Its workshop personnel resisted assistance from Barloworld Finanzauto and all repairs were carried out with pirate parts. At this point, Barloworld Finanzauto had a market share of less than 50% in this sector.

Using his training and excellent personal skills, Santiago gradually gained the confidence of the company. Today the relationship between Barloworld Finanzauto and Balearia is built on respect and trust, with the customer seeing Santiago as an asset to its business rather than simply a product and service supplier.

As a result, this account is the 11th largest in Barloworld Finanzauto.

Santiago has also had the foresight to share best practices with the rest of the Customer Service Agreement (CSA) team, which means that the customer is not dependent on him as an individual, but is able to look for and receive support from every member of the team.

Santiago is an excellent example of the potential that our servicemen, and mechanics have to secure and grow the Barloworld business.



**Matthew Govender**  
**Managing director, Barloworld Siyakhula**  
Corporate Office  
*Sandton, South Africa*

Matthew has been responsible for the establishment of Barloworld Siyakhula, a company created specifically to boost Barloworld's efforts to improve its enterprise development initiatives and organisational reputation in the marketplace.

Apart from the normal challenges associated with a project of this nature, Matthew was forced initially to work in a very fluid context because the appropriate black economic empowerment (BEE) legislation had not yet been finalised.

Furthermore, the general level of understanding of BEE was low in the group as well as in many of the departments with which Matthew had dealings. Despite this, Matthew concluded five investments within a period of 12 months and ensured that the Barloworld group achieved full marks for this category in the BEE scorecard, the grouping generally recognised as the most difficult with which to comply.

Indicative of the strategic importance of this initiative is that when the project launched this year, government officials, top management and shareholders of the Barloworld group were in attendance.

Matthew demonstrates an agile and incisive mind and is very comfortable operating in a complex and ambiguous context. He is quick to see ways around challenges and also demonstrates knowledge of financial management issues.

The recipient of the Barloworld Spirit Award in 2005, Matthew coaches the SA Women's Volleyball Team and also coaches volleyball at the Oprah Winfrey Leadership Academy.



**Peter Malley**  
**Operations manager**  
**Barloworld Equipment**  
*Lubumbashi, Democratic Republic of Congo*

In a 2005 World Bank survey, the Democratic Republic of Congo was judged the most difficult place in the world to do business. Corruption is rife, infrastructure non-existent, and yet Barloworld Equipment veteran Peter Malley could see the business potential presented by this country.

Peter's grasp and understanding of the opportunities and challenges inherent in Africa are without parallel. Based in Zambia at the time, the resurgence of the copper price was enough to convince him of the opportunity for growth not only in Zambia, but in the Katanga province of the neighbouring Democratic Republic of Congo (DRC).

Driven by the need to create solutions for customers, Peter thoroughly researched the opportunities in Katanga province from every angle. He tabled a business case for the province with the management committee in Zambia a full year before the various parties agreed to explore the possibilities.

Subsequently nominated as project leader for the formation of Congo Equipment, the joint venture that resulted from the successful negotiations, Peter went on to head the JV's bids for the supply and support of equipment in the new territory.

He also volunteered to move to Katanga province to facilitate the establishment of a base for the company so that business could be successfully conducted.

Despite language difficulties, harsh weather conditions and widespread disease, Peter has more than succeeded. His work on one project alone resulted in Barloworld Equipment's biggest single order ever, worth some R1 billion in new equipment. As a direct result of Peter's actions, prominent South African mining industry figure Patrice Motsepe has publicly lauded Barloworld for its courage and foresight in establishing a presence in the DRC while everyone else was 'still thinking about it'.

### Health and safety

The health and safety of our employees is critically important. The management of occupational health and safety (OH&S) is an integral part of employee value creation. The implementation and rollout of OH&S strategies is the direct responsibility of business unit CEOs.

As a company operating in different parts of the world, we apply the principles contained in the ILO Guidelines on Occupational Safety and Health management systems that include:

- the identification, elimination or control of work-related hazards or risks;
- instruction or training of line managers to take responsibility for health and safety, and engage employees through workplace forums and health and safety committees;
- setting targets for continuous improvement; and
- complying with the relevant national laws and regulations.

We have established formal joint health and safety committees comprising management and worker representatives. In accordance with the Occupational Health and Safety Act, these cover all staff in South African operations. Elsewhere in the world, operations comply with local legislation. Furthermore, adherence to the OHSAS 18001 Standards for Health and Safety management ensures consultation with all relevant stakeholders regarding all matters relating to health and safety in the workplace.

The current OH&S management system is structured to ensure that legal compliance is achieved in all our operations. Our handling (United Kingdom), coatings and equipment (Middelburg) operations maintained their OHSAS 18001 certification and the rest complied with internal OH&S structures.

There are systems in place to promote and monitor our approach towards OH&S within our operations, including the monitoring of OH&S risks. OH&S hazards and risks are identified through the Barloworld OH&S management system, which is in line with OHSAS 18001 standards and ILO guidelines. In addition, risks are identified through the joint health and safety committees. Once every two years all dealerships in the automotive business unit are audited and scored on a Trend Tracker Risk Audit programme covering OH&S issues. Other OH&S risk management programmes are implemented at divisional level and these include elimination or substitution of hazardous substances or processes and engineering practices such as the use of local exhaust ventilation.

The recording and notification of occupational accidents and diseases across the group comply with the group's best practice and local and international legislative requirements.

Regular audits of the OH&S management systems and the set key performance indicators are conducted by Marsh (SA) Limited.

During the reporting period, no material fines or instances of non-compliance with regulations were recorded.

#### *OH&S training*

To ensure that OH&S issues are comprehensive, training and communication are considered part and parcel of the OH&S management system.

#### *Safety*

During the reporting period, our average lost-time injury frequency rate (LTIFR) showed a 20% improvement compared to 2006, in the core operations. LTIFR is a calculation of the number of occupational injuries which resulted in an employee being unable to perform his or her duties for one full shift or more on the day following the day on which the injury occurred, whether it is a scheduled workday or not.

There were regrettably two workplace-related fatalities as a result of motor vehicle accidents – one within Barloworld Equipment South Africa and one within Avis Rent a Car Southern Africa.

As part of our safety management strategy, we ensure that all accidents and incidents are monitored and trends analysed to prevent reoccurrences. We continue to enforce stringent safety rules within all operations.

## Health and safety statistics

Divisions	Lost-time injury frequency rate (LTIFR)		Fatalities		Occupational diseases	
	2007	2006	2007	2006	2007	2006
	Equipment	<b>3.73</b>	3.92	<b>1</b>	1	<b>4</b>
Automotive	<b>0.36</b>	0.99	<b>1</b>	–	–	–
Handling	<b>1.70</b>	4.71	–	–	<b>5</b>	–
Logistics*	<b>1.77</b>	–	–	–	–	–
Corporate and other	<b>1.19</b>	1.97	–	–	–	–
Coatings	<b>2.23</b>	1.68	–	–	<b>4</b>	2
Barloworld total	<b>2.03</b>	2.32	<b>2</b>	1	<b>13</b>	2

\* LTIFR for 2006 included in corporate

Note: A lost-time injury (LTI) is defined as any workplace injury where an employee or a contractor is injured and is unable to resume his/her duty for more than one shift or one day. The lost-time injury frequency rate (LTIFR) is the number of lost-time injuries X 200 000 hours divided by the total hours worked.

### Occupational health and wellness

The health of our workforce is an important component of sustainability. There are stringent occupational health requirement expectations within our operations. These include the wearing of personal protection equipment (PPE) and vigilance in the workplace. During the reporting year, 13 individuals were compensated for occupational diseases such as noise-induced hearing loss.

At Barloworld we have a proactive and comprehensive range of wellness programmes including the provision of medical aid and employee assistance programmes. In addition to HIV/Aids management, other diseases are covered by our wellness programme.

Our four on-site clinics in southern Africa provide occupational health programmes and primary healthcare to approximately 2 000 employees. Occupational health cover will be extended to all Barloworld Equipment employees in South Africa in the coming year.

### HIV/Aids

In recognition of our responsibility towards managing HIV/Aids, we have various programmes in place consisting of interventions in the following key areas: prevention, education, voluntary counselling and testing (VCT) and disease management.

Prevention programmes include poster campaigns, ongoing awareness programmes, provision of free reading materials, condom dispensers with free condoms at all workplaces and high-profile initiatives for World Aids Day. Education initiatives include seminars available for all employees at their workplaces on relevant topics. Training is also provided to managers on managing HIV/Aids in the workplace. Our employees in southern Africa are encouraged to know their HIV status through confidential VCT.

Over the past five years we have been involved in an initiative to promote knowledge of employee HIV status. In this regard, a campaign labelled “Know your Status” was implemented in South Africa in 2005 and it is envisaged to be repeated at least every three years. Approximately 8 060 employees have participated in the voluntary counselling and testing campaign since its inception. This campaign was conducted in all Barloworld southern African sites during the past three and a half years, with a 60% response rate. Of the participants, 5.3% were found to be HIV positive.

It is envisaged that Barloworld will spend R1.5 million for the next “Know your Status” campaign in 2008.

All employees have access to counselling, medical advice and appropriate treatment. In some instances treatment is covered by medical aid schemes, but in most cases assistance is provided through a company-sponsored disease management and treatment programme. Barloworld runs an antiretroviral medication programme which currently benefits 30 employees. There are at least 56 employees and their dependants on antiretroviral medication via medical aid schemes and two via state facilities. The company programme is reviewed annually in line with national and industry developments.

**HIV/Aids statistics in Barloworld Southern Africa\***

<b>Divisions</b>	<b>Employees</b>	<b>Employees who know their status</b>	<b>% who know their status</b>	<b>Number HIV positive</b>	<b>% HIV<sup>Δ</sup> positive</b>
Equipment	3 188	2 684	84	104	3.9
Automotive	5 645	3 141	56	132	4.2
Logistics	1 475	394	27	68	17.3
Corporate	235	163	70	5	3.1
Coatings	2 144	1 256	59	92	7.3
Barloworld total	12 687	7 638	60	401	5.3

\* HIV/Aids statistics for handling division are not reported as testing has not been done

Δ The percentage of HIV positive employees is calculated using the number of employees who know their status

**Absenteeism**

Absenteeism due to ill health across all our business units, as an indicator of productivity, is relatively low. During the past five years the sick absenteeism rate in our southern African businesses has remained at between 1.5 and 2.0%.

**HIV/Aids in Barloworld Automotive**

Barloworld Automotive has a proud record of making a concerted effort to sensitise its southern Africa employees to the HIV/Aids pandemic. To this end a long-term commitment has been made and a programme established to provide affected employees with sponsored counselling and antiretroviral treatment.

**Motor Retail South Africa ("Know your status")**

A series of three interactive workshops by Free to Grow took place at 61 sites in Motor Retail South Africa in 2003/2004. This programme focused on lifestyle choices and prevention. Motor Retail SA then partnered with People Management and embarked on a country-wide programme of voluntary counselling and testing in 2005. The "Know your Status" campaign was exceptionally well received by our employees as shown by the participation statistics.

**Avis Rent a Car Southern Africa and Avis Fleet Services ("Know your Status")**

As part of the Barloworld Automotive family, the South African Avis Rent a Car and Avis Fleet Services operations implemented the Barloworld Motor Retail Southern Africa "Know your Status" campaign in 2007. This campaign introduced free access to anonymous counselling and treatment for all Avis employees in South Africa. The extensive programme took place across 20 sites and was well supported as evidenced by the attendance statistics.

**Benefits at Barloworld Automotive**

The principal benefit of these interventions is that employees know their status and are able to look after themselves and others accordingly. This creates significant value for employees.

Other benefits include Barloworld Automotive's understanding of the extent and prevalence of the disease among its employees, thus being able to identify the associated risks and react appropriately.

**Antiretroviral treatment in Barloworld Automotive**

In line with Barloworld Automotive's approach to its social responsibilities, a programme was set in place in August 2005 whereby all employees have been offered free access to a managed treatment programme. This is done on a completely anonymous basis. Where the employee does not have medical aid cover, the company has committed to sponsor the cost of the treatment. To this end "Aid for Aids", a certified service provider, has been appointed to place affected employees under the care of a country-wide network of doctors who are familiar with the HIV/Aids counselling and treatment protocols.

**Aids-related volunteer work and sponsorships with Barloworld Automotive**

Each business unit allocates its resources identified for corporate social investment in a manner that is most pertinent to the communities in which they operate.

Motor Retail Southern Africa has over the years 'adopted' various Aids orphanages in the major centres. On a regular basis Motor Retail Southern Africa employees visit these orphanages and provide company- and employee-sponsored items including clothing, curtains, bedding and school materials. Employees have also given of their free time to plant vegetables and fruit trees. Christmas functions have been held on an annual basis at all these orphanages. Gifts and toys are handed over to make Christmas time special for these children and to give them a sense of belonging.

Avis Rent a Car Southern Africa sponsors a broad spectrum of organisations but in particular the St. Francis Hospice and the Witwatersrand Hospice. A more structured sponsorship programme is now under way with the Starfish Foundation. Avis Fleet Services has close links with the Hamlet Foundation, and staff volunteer to visit orphans and provide them with gifts and toys.

## HUMAN RIGHTS

Barloworld has policies and structures in place to ensure that such rights are not violated and, in the event of such occurrence, internal processes are in place to address such contraventions. All the countries in which we operate are member states of the United Nations and therefore comply with the Universal Declaration of Human Rights.

The International Labour Organisation (ILO) identified certain conventions that are fundamental to the rights of workers:

- Freedom of association;
- The abolition of forced labour;
- Equality; and
- The elimination of child labour.

At Barloworld we apply the principles contained in the ILO Guidelines on human rights and all conventions. These guidelines are framed within our Code of Ethics. For the year under review, no incidents involving child, compulsory or forced labour involving Barloworld were reported.

Legal protection of human rights varies in the countries in which Barloworld operates. Where gaps exist between the company's policy or guidelines and the law of the relevant country, the approach adopted is to follow fairness in principle and implementation, with applicable law as the minimum requirement.

All employees are engaged on terms which conform to the labour standards of the relevant country. In South Africa, conditions of employment are closely regulated by a body of legislation which includes stringent employment equity and labour laws. Various industry charters stipulate employment measures designed to rectify historic human rights prejudices suffered by large numbers of the population.

### **Policies preventing discrimination**

The Barloworld code of conduct declares that "we do not discriminate, for any reason whatsoever, and treat everyone with dignity and complete respect". An equal-opportunity framework is in force throughout the company. We utilise affirmative action and black economic empowerment measures in terms of the Employment Equity and Black Economic Empowerment Acts in South Africa. We are alert to unfair discrimination through our ethics line and grievance procedures. Appropriate actions are taken to address unfair discrimination, including disciplinary procedures which may result in dismissals.

### **Freedom of association and collective bargaining**

Entrenched in our history is the right to freedom of association. We recognise trade unions and associations that have a significant representation among our employees, and they participate in collective bargaining forums with company management. The degree of unionisation of our businesses is consistent with the norm of the countries in which we operate and provides evidence that we promote freedom of association and collective bargaining.

### **Disciplinary appeal practices**

All businesses have well-established disciplinary and grievance procedures in place. These are formal, documented and easily accessible to all employees. The formal disciplinary procedures provide a framework for fair, systematic and uniform exercise of discipline in the workplace. The aim is to ensure an educational, corrective and valuable outcome.

Accountability and responsibility for disciplinary action is vested in line management. To promote transparency and fair treatment of our employees, an employee who receives a formal hearing may typically elect to be assisted by another employee.

In the case of dismissal, a formal appeal may be lodged. Such an appeal will be heard by the senior manager on site. If this is successful, the employee will be reinstated retrospectively with no loss of basic employment benefits. Should an appeal fail, the dismissal will become effective in terms of the original notification. Should an employee wish to take the matter further, he or she is entitled to process it in terms of the South African Labour Relations Act or any other applicable legal avenue. South African labour legislation provides for a quasi-legal system for appeal through the Commission for Conciliation, Mediation and Arbitration (CCMA) or the dispute resolution structure set-up in specific industries.

Grievance procedures are intended to create environments conducive to good employee relations by taking prompt and fair action when employees have legitimate complaints. These grievance procedures consist of formal channels for resolving problems as early as possible. Responsibility for settlement of grievances vests with line management. In presenting a grievance, an employee may not be placed at a disadvantage through lack of knowledge or skill. There is a facility for representation by any other permanent employee. An interpreter would not be classified as such a representative.

Barloworld guarantees employees and their representatives, if any, that use of the company's grievance procedure will not jeopardise either their respective positions or the merits of the case. This acts as a non-retaliation policy.

## EXTERNAL STAKEHOLDERS

Our external stakeholders are a diverse group consisting of communities, non-governmental organisations, customers, investors, regulators, suppliers and contractors. In conducting our business, we also endeavour to find win-win solutions that deliver on our shareholders' economic mandate without harming the environment and communities. In the following sections, we provide details of our approach, performance and future challenges as far as socio-economic involvement is concerned.

### Team Barloworld

Five years ago Barloworld made a decision to sponsor a cycling team as part of its strategy to make Barloworld a global household name. Today, Team Barloworld is a highly successful and internationally respected team of professional cyclists.

To achieve our brand objective, we aimed for Team Barloworld to become the first South African-sponsored team to ride in the Tour de France within five years. This goal was met in 2007, when Team Barloworld not only competed in the Tour de France, but enjoyed a truly successful season with 21 wins and 26 second-place finishes overall.

The Tour de France is the third most watched sporting event in the world after the Soccer World Cup and the Olympics, with 4.5 billion viewers. Our team won two stages of the Tour through Robert Hunter and Maurico Soler as well as the second most coveted jersey in the Tour de France, the Maillot Pois Rouge (King of the Mountains jersey). Overall we were the third most successful team in the Tour de France. Team Barloworld achieved its objective of making Barloworld a global household name. In the month of July alone, global media impact measured R1 billion, a phenomenal return on investment.

Team Barloworld's success is based on the values it shares with Barloworld – leadership, passion, honesty and integrity. We also share the same brand philosophy, winning through a combination of teamwork and individual excellence.

The team members are captain Robert Hunter, King of the Mountains Maurico Soler, Alex Efimkin, Fabrizio Guidi, Giosue Bonomi, Enrico Degano, Paolo Longo Borghini and Kanstantsin Siutsou, to name a few of the 17 riders.

The team is supported by internationally respected Italian team manager Claudio Corti and 13 employees.

### **Black economic empowerment (BEE) in South Africa**

Barloworld's BEE policy has been in place for four years. This policy is translated into shorter-term objectives aligned to Barloworld's five-year strategic planning horizon.

Barloworld's operations in South Africa comply with the letter and spirit of broad-based black economic empowerment through the implementation of its BEE policy.

#### *Direct empowerment*

Black employees and previously disadvantaged communities should have an equity stake in our South African business interests. Our target for historically disadvantaged South Africans (HDSAs) ownership is an effective 25.1% over the value of South African assets. We do, and will continue to participate in joint ventures and other commercial arrangements with black enterprises.

In South Africa Barloworld will:

- finalise an appropriate BEE structure for the Barloworld group that recognises the leadership role that Barloworld needs to assume, in terms of transformation of the South African economy, ensuring BEE delivers long-term shareholder benefits;
- promote initiatives aimed at progressing broad-based black economic empowerment (BBBEE);
- identify and pursue BEE opportunities at all levels to either unlock value for the business or preserve current value into the future;
- choose BEE partners, where possible, who have both a broad-based ownership structure and can play an appropriate value-adding role in our businesses;
- promote the productive and sustainable participation of black enterprises and black people in Barloworld; and
- ensure that joint ventures or partnership arrangements are meaningfully structured with equitable division of the risks and rewards to each party.

#### *Indirect empowerment*

Through our South African operations' procurement initiatives (Barloworld black economic empowerment through preferential procurement) Barloworld aims to:

- set affirmative procurement targets;
- increase its procurement from enterprises that have made significant progress in the area of BEE and are rated as good or satisfactory contributors to BEE, based on the South African Department of Trade and Industry (DTI) balanced scorecard;
- reduce the cost of goods and services we purchase; and
- monitor and report on our procurement performance.

In conjunction with company-wide procurement initiatives, each business is required to actively pursue BEE procurement initiatives. Barloworld uses DTI approved, independent rating agencies to rate Barloworld's key suppliers' empowerment status.

We focus on enterprise development as a means of increasing our HDSA supplier and customer base. As evidence of this commitment we launched Barloworld Siyakhula and other initiatives.

#### *Strategic objective*

It is our intention to ensure our South African business units achieve a Level 5 rating by end 2008 and Level 4 rating by end 2009 in terms of the BBBEE codes of best practice. BBBEE compliance is expressed in terms of eight recognition levels. These are:

- Level 1 contributor (BEE recognition level: 135%)
- Level 2 contributor (BEE recognition level: 125%)
- Level 3 contributor (BEE recognition level: 110%)
- Level 4 contributor (BEE recognition level: 100%)
- Level 5 contributor (BEE recognition level: 80%)
- Level 6 contributor (BEE recognition level: 60%)
- Level 7 contributor (BEE recognition level: 50%)
- Level 8 contributor (BEE recognition level: 10%)
- Non-compliant contributor (BEE recognition level: 0%).

Level 4 is considered fully compliant with the codes on BBBEE.

Being at Level 4 allows companies that procure from you to claim 100% of the procurement spend, thus assisting them with the procurement elements of the scorecard.

### **Barloworld Siyakhula**

On 3 October 2007, Barloworld launched its Enterprise Development Fund – Barloworld Siyakhula – as part of its ongoing commitment to enterprise development and sustainable BBBEE.

Barloworld Siyakhula is a wholly owned subsidiary of Barloworld and provides financial and non-financial support primarily to small and medium suppliers, contractors and enterprises as well as assisting in the exploration and development of greenfield business opportunities within the Barloworld value chain.

It also provides affordable, accessible knowledge and funding to potential black investors as well as to existing companies seeking to achieve sustainable transformation.

Barloworld Siyakhula houses an investment fund with an initial capitalisation of R20 million and aims to make a considerable contribution to the process of transformation, job creation and skills transfer in South Africa through partnerships and investments in emerging small and medium enterprises (SMEs).

The fund's slogan is 'Growing Together', underpinning its philosophy for empowerment, development and growth.

The Barloworld Siyakhula initiative stems from the fundamental belief that the development of small enterprises will be advantageous to the economy. Siyakhula works closely with all Barloworld divisions and complements Barloworld's established BEE strategies.

To date, the fund has committed a collective R18.7 million in equity and loans in five businesses: Avis Van Rental Pretoria; Avis Van Rental Western Cape; Moe & Company Owner-Drivers; Nathi Africa; and Rubber Lay.

These enterprises generate combined annual revenue in excess of R82 million and collectively employ 152 people, 64 of whom are new employees appointed since Siyakhula's investment.

The Siyakhula board of directors comprises Peter Surgey (chairman); Ian Stevens (group general manager: finance); Sibani Mngomezulu (group executive: governance and corporate affairs); and Matthew Govender, who has been appointed as managing director of the fund.



### **Membership of organisations**

At Barloworld, participation in industry and business associations has allowed us to learn about and improve our good practices. Through such participation we have also been able to positively influence our business partners, particularly those along our value chain. We also value dialogue that emanates from our involvement in, and engagement with, advocacy organisations.

### **Investor relations**

As Barloworld is an international company we understand the importance of keeping investors, financial analysts and brokers informed about our business strategies and objectives, including the sustainability of our operations. We regard transparency and disclosure as vital elements of our governance practices.

We have a responsibility to our shareholders and other providers of capital to deliver sound economic performance in line with their expectations. We also take it upon ourselves to ensure that we communicate the need to balance economic performance with responsible governance, and good environmental and social performance.

Barloworld has a simple shareholder structure with over 87% of our shares held by institutional investors. Approximately 67% of these are based in South Africa with the balance being mostly in the United States and Europe. The company borrows from a range of South African and multinational banks.

As of September 2007, the four top shareholders were the Public Investment Corporation (PIC) (15.65%), Sanlam Investment Management (8.24%), Stanlib Asset Management (7.23%) and Investec Asset Management (5.57%). Holdings by Sanlam and Stanlib exclude shares held and managed on behalf of the PIC.

## Customers

### *Customer satisfaction*

The value of customer satisfaction is not underestimated as we believe that satisfied customers are likely to be loyal customers.

Most of our divisions have stringent systems for the evaluation of customer satisfaction. In the automotive division, customer satisfaction is seen as paramount. Manufacturers conduct customer satisfaction surveys in all aspects of operations, and dealerships have their own ongoing customer satisfaction monitoring systems in place. The car rental business conducts monthly independent customer satisfaction surveys. The results of these are reported on and reviewed monthly at group executive level and quarterly at board level. Overall, the business unit is highly rated by customers, and in South Africa, Avis Rent a Car is consistently voted the best car rental company.

In all our businesses, customer and consumer health and safety is a top priority. Where we are the distributor of a product, we investigate concerns in conjunction with the manufacturer. Where we supply equipment to customers, various training programmes are in place to ensure that the customer is provided with the required knowledge of safe operation of the equipment.

During the reporting year there were no instances of non-compliance with any regulation concerning customer health and safety, nor were any penalties or fines for any breaches recorded.

## Principals and suppliers

The nature of our value chain has led to the nurturing of close relationships with a number of manufacturers and organisations for whom we license brands and technology, for example Caterpillar, Avis and Hyster.

Ongoing and regular meetings with other suppliers are held by our management teams. Our automotive division executives attend dealer council meetings and have high-level and regular engagement with Avis Europe plc. Travel agents, airline and tour operators through which customers book car rentals, as well as providers of supportive systems, are also important to Barloworld Automotive.

Our Agents Policy requires providers of materials and services to maintain policies and procedures within their own organisations that ensure responsible safety, health, environmental and community (SHEC) management, and promote the protection of human rights of their employees and customers. Where we contract services from outside parties, such parties must comply with responsible SHEC standards and the human rights regulations of the relevant country.

A high proportion of payments for goods provided and services rendered are made in accordance with agreed terms across all divisions in the group. Caterpillar Inc accounted for some US\$1.4 billion (2006: US\$850 million) of the purchases of the equipment business.

## Advertising

Barloworld complies with the advertising codes in the countries in which its companies operate and with societal norms and expectations. Advertising in South Africa is governed by the policies as set out by the Advertising Standards Authority of South Africa (ASA), an independent body that promotes self-regulation within the communications and advertising industry. No breaches of advertising and marketing regulations were reported during the year under review.

## Product information and labelling

Product information and labelling requirements are mostly relevant to the coatings division. The policy of the division in South Africa is to supply a Material Safety Data Sheet (MSDS) in SABS approved format, with each finished product supplied. No finished product may be launched without the generation of an approved MSDS.

No instances of non-compliance with any regulation concerning product information and labelling, nor any penalties or fines for any breaches, were recorded in the year.

**Government relations**

Governments not only legislate and regulate our operations, but they are also important stakeholders for all our businesses. We maintain regular interactions between our senior management and key members of government departments and portfolios in South Africa in order to stay abreast of government thinking and initiatives.

*Political lobbying and political donations*

We regularly engage lawmakers on matters affecting our businesses around the world. We do not retain professional lobbyists anywhere and our approach is always transparent and constructive. We do not fund political parties or their candidates.

**Community engagement**

The communities and societies in which our businesses operate are stakeholders in the business and, as such, the divisions are mindful of the value they create for such communities. Aspects of this value creation include providing employment, paying rates and taxes, raising the profile of the community and direct assistance in terms of contributions of both financial and other resources. Principally, engagement is through local councils, but in many instances community structures are engaged and employees are encouraged to participate in charities, schools and similar institutions and structures. Our business units and individuals are encouraged to contribute time, skills, resources and funds to communities.

**Corporate Social Investment**

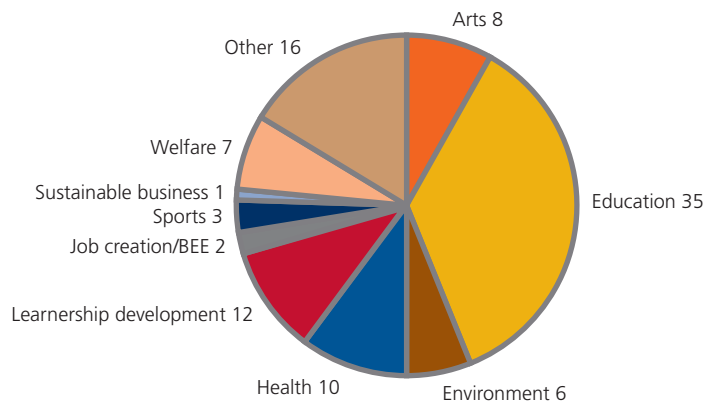
Corporate Social Investment (CSI) has been institutionalised in Barloworld since the mid-1970s. Our CSI activity reflects our ethos and the group's commitment to adding value. Barloworld has co-founded a number of multi-sector partnerships to channel efforts to benefit society, the scale and purpose of the partnerships being what has made them successful. The Business Trust, the National Business Initiative (NBI) and Business Against Crime are more recent manifestations of these efforts.

Our CSI programme, which is focused on South Africa, is managed by the CSI department in our corporate office in Johannesburg, and includes both direct expenditure by the company and disbursements from the Barloworld Foundation. As responsible corporate citizens, Barloworld's leadership remains both engaged on the key issues in society and responsive to the interests and concerns of a diverse group of stakeholders. Strategic direction and guidance are provided through quarterly CSI committee meetings and include the CEO, four executive directors and three executives from the corporate office.

CSI programmes are developed through the Barloworld Trust and the Barloworld Foundation and grants of various sizes are directed to effective organisations working across a wide spectrum of social need, always taking into account the need for empowerment of previously disadvantaged communities, broadening the ownership base of the economy and promoting transformation in South African society.

At Barloworld, we have a target to allocate 1% of the company's global profit after tax to CSI activities. In 2007, R16 million (2006: R17 million) was spent by the group.

**2007 CSI group spend R16 million (%)**



Many of our employees volunteer in a variety of ways, offering time and talents to assist a range of organisations working to improve quality of life and develop communities. Employees can use one day of work time per annum to participate in volunteering activities. This is intended to ensure that time donated by the company to support volunteering can be accounted for.

Barloworld supports a number of developmental solutions which facilitate:

- the development of strong, responsible leaders in business, government and civil society;
- upgrading the quality of and improving access to education to provide the skills critical to economic growth and sustainable development;
- impacting on HIV/Aids infection rates;
- supporting orphaned and vulnerable children;
- empowering disabled people to operate in the mainstream of society; and
- protecting the environment.



The key initiatives that we support include:

- Working with Wits Business School to establish a programme in transformation and socio-economic empowerment in its centre for entrepreneurship.
- Barloworld and the Aspen Institute are founding sponsors of the Africa Leadership Initiative (ALI) in South Africa. ALI is a fellowship to build capacity and strong networks in next generations of African leaders from business, government and civil society.
- The President's Award for Youth Empowerment works to instil the values of self-reliance, perseverance, responsibility and service to the community in young people at schools and state-run residential and correctional facilities.
- Through the NBI, Barloworld has co-funded a three-year collaboration to enhance capacity in the Eastern Cape province. A pool of coaches and mentors is assisting provincial administration officials to improve expenditure in order to increase investor confidence in the province.
- Barloworld Artworks, in partnership with Business and Arts South Africa, is a programme which provides opportunities for individuals to volunteer their business skills and experience to work with arts organisations to introduce a stronger business orientation into the sector.
- CIDA, South Africa's first "virtually free to student" university, is a good example of how Barloworld supports innovative approaches to development challenges. Students at CIDA are selected on the basis of academic excellence, leadership ability and their willingness to participate actively in the transformation of South African society.
- Penryn College's Penreach, the largest whole school development outreach programme in Africa, serves as an excellent example. Barloworld's original seed funding for Penryn College in Mpumalanga in the early 1990s and its ongoing support for Penreach is having an impact in over 900 disadvantaged schools in the vicinity.
- Barloworld partnered with Mindset Network to deliver learning and teaching content directly into classrooms, using innovative technology platforms.
- To help reduce the incidence of HIV among teenagers, Barloworld has partnered with LoveLife. LoveLife's programmes address the underlying factors that fuel the pandemic and, although its messages are uncompromising, they are optimistic and couched in language that young people can relate to.
- Barloworld supports Nurturing Orphans of Aids for Humanity (Noah) to mobilise communities in South Africa to care for children affected and infected by HIV/Aids, to assist and encourage each one to become a functional and responsible member of society. Noah is currently taking care of more than 33 000 children through the establishment of Arks to support extended families within communities.

## ENVIRONMENT

### Barloworld's approach to the environment

We are committed to sound environmental management. Environmental responsibility is one of our business drivers and an integral part of our 10 Pillars of Sustainability. As a group we attempt to minimise our impact on the natural environment and utilise natural resources responsibly.

From 2006, we started reporting according to the G3 reporting standard. In doing so we are aiming towards transparency and comprehensiveness in our reporting.

### Management systems and processes

Energy consumption, greenhouse gas emissions and the use and disposal of chemicals, batteries, oil and tyres are the sources of our environmental impacts. Our operations have environmental management systems in place to ensure that environmental risks are managed and, where impacts occur, these are mitigated. Our business units operate in an environment of increasingly strict compliance requirements, particularly in the European Union, and a growing customer demand for ISO 14001 certification. The environmental management systems that our operations have in place are in line with ISO 14001 requirements.

### Certified management systems

An increasing number of our operations have elected to have their environmental management systems certified to ISO 14001.

### ISO 14001 certification

Divisions	Certified operations
Equipment	Barloworld Equipment Middelburg SA
Automotive	Avis Rent a Car Sweden and Avis Rent a Car Norway
Coatings	Barloworld Plascon South Africa (3 sites) Barloworld Automotive Coatings (1 site) International Chemical Corporation (1 site)

### Minimising our environmental impact

Each operation is responsible for its own environmental management, taking full cognisance of the requirements of the broader organisation and ISO 14001 requirements. Our divisions have different strategies in place to mitigate their negative environmental impacts.

The coatings division has converted, where possible, to water-based formulations for its products and is investing in a water treatment capability.

The automotive division offsets carbon emissions through a tree-planting programme. Equipment undertakes regular risk audits, performed by Marsh SA.

### Product and service stewardship

In our commitment to the environment we ensure that product and service stewardship is a priority. We make a continuous effort to improve product design so as to minimise negative impacts associated with the manufacturing process and with the use and disposal of materials.

Where we represent other companies' brands, they are of high international reputation and comply with leading international standards and norms.

In logistics, we assess and manage our supply chain in respect of outsourcing and supplier sustainability performance, applying key performance indicators and implementing supplier accreditation policies, which entail environmentally friendly supplying.

We strive to reduce environmental impacts during the distribution of our products by using our own well-maintained and managed fleet, as well as reputable transport companies who are required to meet defined standards set by ourselves.

During the reporting year, we did not record any incidents of non-compliance with regulations concerning product and service stewardship.

## Environmental performance

### Materials

The broad range of products and services offered by Barloworld implies usage of a diverse range of materials.

Our resources include waste products, minerals and manufactured materials. As part of the supply chain process, we ensure that all of our resources are sourced from credible suppliers who practise sound environmental and quality principles.

A table showing the consumption of major materials for 2006 and 2007 is included below.

### Materials used

Major material	Unit	2007	2006	Business unit*
Acids	kℓ	6.54	62	Equipment
Additives and colourants	kℓ	18 671	12 207	Coatings
Cardboard	tons	1 253	892	Equipment and handling
Emulsions and alkyd resins	tons	41 493	33 938	Coatings
Extenders and fillers	tons	45 514	758 576	Coatings
Lubricants	kℓ	3 748	12 971	Coatings, logistics, handling, automotive and equipment
Paints and oils	kℓ	1 680	1 049	Handling, automotive, equipment and coatings
Paper	tons	640	347	Equipment, automotive, handling and coatings
Solvents	tons	24 844	19 705	Handling and coatings
Tyres	units	41 903	21 424	Coatings, logistics, automotive, handling and equipment

\* 2006 figures are inclusive of cement and scientific division consumables. In 2007, these divisions are no longer included due to unbundling/disposal

### Energy

Barloworld recognises that energy derived from non-renewable resources is a diminishing and valuable resource. All of our operations strive to find more efficient and responsible ways of using energy. The automotive, equipment, handling and logistics divisions all operate fleets of vehicles which run on petroleum products.

**Energy usage**

Divisions	Electricity used (MWh)		Fuel usage (million litres)	
	2007	2006	2007	2006
Equipment	19 200	15 692	8.08	7.37
Automotive*	56 166	53 788	12.50	11.27
Handling	8 588	16 110	4.80	5.30
Logistics	nr	nr	9.60	14.00
Corporate	5 116	5 653	nr	nr
Coatings <sup>#</sup>	17 815	22 625	1.98	2.89
Cement	UB	650 000	UB	12.23
Scientific	UB	21 482	UB	nr
Barloworld total	106 884	785 349	36.96	53.06

\* The current usage is based on the business units' internal consumption and not that of the customer base

<sup>#</sup> Electricity data for coatings has changed for 2006 due to a change in reporting methodology

nr not recorded

UB unbundled/sold

The substantial overall decrease in energy usage is due to the unbundling of two of our divisions, of which cement accounted for over 80% of the total electricity consumption in the group in 2006. In addition, the coatings division sold off some Australian operations which resulted in a 27% reduction in electricity usage compared to 2006. Our handling division also sold Truck Center, DitchWitch and Vacuum Technology, which resulted in a substantial reduction in energy consumption. Energy consumption across the board has increased in the equipment division due to growth in activity levels. There has also been an increase in the number of maintenance and repair contract sites – these are workshops on mines run by the equipment division, and a new site was opened in the Democratic Republic of Congo. The automotive division also increased its energy consumption across the board due to increased levels of activity plus the addition of new facilities.

**Energy efficiency programmes**

For our logistics, fleet management and vehicle hire operations, we use modern technology vehicles, which improves the consumption of fuel. We also ensure that all our vehicles undergo regular maintenance.

The largest contribution in terms of energy efficiency comes through the lifetime use of the products that we sell. Where relevant, we will engage with our suppliers to encourage them to develop more energy-efficient products.

Some of our principals are making strides in developing energy efficient products. For example, both Hyster and Caterpillar have major research and development programmes focused on continuously improving the energy efficiency of their products.

**Water**

Barloworld's operations obtain most of their water from municipal and local government water supply systems.

## Water consumption (million litres)

Divisions	2007	2006
Equipment	115.3	141.0
Automotive	541.6	501.0
Handling	43.2	39.0
Logistics	0.2	nr
Corporate	9.8	10.9
Coatings	174.0	206.0
Cement	UB	2 848.0
Scientific	UB	nr
Barloworld total	884.0	3 745.9

nr not recorded  
UB unbundled/sold

In 2007, water consumption reduced drastically due to the unbundling of the cement division, which was the largest water consumer in the group. In addition, the coatings business unit sold off some Australian assets.

The most water utilised in the logistics division is that used to wash vehicles. Due to the increased outsourcing of vehicles to owner drivers, the amount of water used has decreased.

### Discharges

For all of our operations, water is sourced from municipal systems and is disposed of in municipal sewerage systems. The quality of effluent is dictated and controlled by municipal by-laws and standards. In coatings, all effluent water is treated and sampled prior to being discharged into the municipal water systems at all factories. Systems are not yet in place to monitor the quantity of water released into the municipal sewerage system. We recognise that our systems are not always foolproof and that the equipment division received one fine and one notice for effluent quality.

As no water is released into the natural system, no water sources, related ecosystems or habitats are significantly affected by discharges of water or runoff from our operations.

### Recycling and re-use of water

Where possible, operations in the automotive division are in the process of installing automatic vehicle washing machines capable of recycling.

The water used to wash vehicles in the logistics division is re-used in order to water the gardens which surround our depots.

In addition, some of the operations treat and re-use sewage effluents discharged from offices to water gardens.

### Emissions

Due to the unbundling of PPC, which was the largest emitter of CO<sub>2</sub>, Barloworld's emissions have reduced significantly in 2007. Barloworld recognises that it still has work to do in order to compile an accurate and comprehensive emissions baseline. Some of Barloworld's principals have taken measures to address their emissions. Automotive's car rental operations have introduced environmentally friendly vehicles in their car rental fleets where commercially feasible. There are some 40 Toyota Prius vehicles in South Africa, 500 Saab BioPower vehicles in Sweden, 10 Toyota Prius and 20 Smart vehicles in Norway. In an attempt to offset the impact of the division's contribution to climate change, tree-planting initiatives have been undertaken.

In 2006, some divisions reported their own carbon dioxide equivalent emissions, and where these were not provided, they were calculated. However, in order to ensure consistency between the divisions, it was decided to calculate the emissions of all the divisions using energy consumption for this year's report. Therefore, in order to ensure comparability between years, the CO<sub>2</sub> equivalent emissions for the active Barloworld divisions were also calculated for 2006 and are restated in this report accordingly.

**Emissions<sup>^</sup>**

Divisions	CO <sub>2</sub> (tons)	
	2007	2006
Equipment	37 462	31 233
Automotive	79 346	74 269
Handling	18 880	26 593
Logistics	22 869	33 351
Corporate	4 435	4 901
Coatings	24 265	29 273
Cement	UB	5 415 497
Scientific	UB	4 968
Barloworld total	187 257	5 620 087

<sup>^</sup> These emissions were calculated using the calculation tools of the greenhouse gas protocol initiative ([www.ghgprotocol.org](http://www.ghgprotocol.org))

UB unbundled/sold

**ACERT™ Technology from Caterpillar**

Barloworld Equipment's 80-year partnership with Caterpillar has not just been about the supply of Caterpillar equipment. It has also been about the successful introduction of environmentally responsible technologies into southern Africa based on many years of research and development by Caterpillar.

Caterpillar's latest diesel engines produce dramatically fewer oxides of nitrogen and near-zero particulate matter while maintaining durability, fuel efficiency and performance. ACERT Technology enables Caterpillar engines to meet current and future emissions regulations and provides a long-term solution for the global engine market.

Through ACERT, dramatic reductions in regulated emissions have been achieved around the world. Today Caterpillar's on-highway engines produce virtually zero particulate matter, and by 2014, its off-road engines will produce 95% less particulate matter than a decade ago.

Since 2003, Caterpillar has shipped about half a million on-highway diesel engines with ACERT Technology. By the end of 2007, some 95% of new earthmoving machines between 175 and 750 horsepower will feature this clean-diesel technology.

Engines with ACERT Technology meet current emissions regulations in the United States of America and Europe and engines in Caterpillar's test labs already meet 2010 on-highway and 2011 off-road regulations.

All Cat marine engines are certified to the International Maritime Organisation's regulations for oxides of nitrogen emissions.



### Painting the logistics supply chain green

“Carbon footprint refers to the expression of our impact on the environment in terms of kilograms of greenhouse gas. Your carbon footprint is greatly dependent on your lifestyle and, in the case of companies, on the way in which you conduct your business. The way in which a company manages its logistics therefore also has an extremely significant impact on its carbon footprint, for example, if a company purchases from far away, whether they transport their goods via air, road or rail, or whether they make use of electricity or diesel, all affects their carbon footprint,” says Paul Stuiver, CEO of Barloworld Logistics.

As consumers become increasingly environmentally selective, companies are recognising that they need to optimise their supply chains, not only in terms of the traditional levers of cost and service level, but also in terms of carbon emissions.

In addressing climate change challenges, many companies are setting carbon emission reduction targets at board level, and logistics managers need to ensure that their supply chains are aligned to contribute to the reduction targets.

The supply chain is an important area where companies can reduce their carbon footprint. In order to gain the maximum benefit, carbon reductions should be incorporated into the supply chain at the design stage.

The technology to measure carbon footprint and implement necessary changes has been developed by our team in the United Kingdom to help clients measure their footprint in the supply chain. CAST-FE is an optional module of our leading supply chain design system CAST that calculates the environmental impact of any supply chain modelled in CAST. Barloworld Optimus has worked with a number of companies on projects designed to analyse and reduce carbon emissions.

Starting from a CAST results database, CAST-FE incorporates industry standard data together with user input to estimate the carbon footprint of a distribution network. The carbon footprint is defined as the CO<sub>2</sub> emissions produced as a result of operating the supply chain concerned, taking account of both transport and storage facilities.

This comprehensive approach, at the design stage, enables companies to look at a range of supply chain strategies and configurations for minimising carbon emissions. Implementing the system has shown savings of 9% in supply chain costs with a 28% reduction in carbon emissions.



### Waste

All waste produced is disposed of responsibly through re-use, recycling, incineration or to landfills. Waste generated includes: acids, batteries, glass, lubricants, steel, packaging, pallets, paper, plastic, solvents, tyres and water. Presently there is no comprehensive system in place to keep a record of the quantity of waste generated across the divisions.

Waste handling and removal is outsourced to certified waste contractors, who dispose of the waste at licensed disposal sites. Hazardous waste is disposed of at permitted hazardous waste sites, and certificates of safe disposal are issued to Barloworld.

Each coatings site has a dedicated full-time Safety, Health and Environmental Risk (SHER) team. The SHER teams manage waste using the waste reduction, segregation, re-use and recycle principles, and ensure that waste sent off-site for disposal, re-use or recycling is managed responsibly by doing routine 'Duty of Care' audits on waste contractors. The coatings division has made significant waste reduction progress by:

- recycling solvents back into batches;
- recycling wash water back into products;
- engineering improvements which have reduced the amount of wash water required;
- treatment of residual wash water for re-use;
- compaction of sludge to minimise landfill; and
- re-use of sludge in a high solid industrial sealer.

The packaging team ensures that waste is reduced at source through minimising packaging material and, where possible, using packaging that is recyclable or made from recycled materials.

For the most part, with the exception of coatings, Barloworld represents other companies' brands. The disposal of the products is at the end of the life of their use, when they are with our customers. Presently we do not have the systems in place to follow the products we sell from cradle to grave.

### **Biodiversity**

Our operations are conducted in industrialised and urbanised areas and therefore have minimal direct impacts on terrestrial, fresh water and marine environments, or biodiversity-rich areas. Barloworld's impact on biodiversity would be indirectly through sourcing of raw materials, emissions, discharges and waste production, which can affect the quality of the environment as well as through carbon emissions, which contribute to climate change. Due to the indirect nature of our impacts on biodiversity, we do not see the necessity of having a biodiversity policy and action plan, but will rather focus on managing our direct impacts.

However, in our role as a good corporate citizen we are involved with the Endangered Wildlife Trust through various initiatives that ensure conservation of the environment.

### **Hand-in-hand with the Endangered Wildlife Trust**

To demonstrate its commitment to conservation, Barloworld became the first patron of the Endangered Wildlife Trust (EWT) in September 2005. Barloworld continues with its commitment and is still one of the EWT's most committed partners.

Barloworld also serves the EWT in other ways. Among other things, Barloworld contributes to the EWT's core costs, which support a variety of projects that raise awareness about the importance of maintaining the integrity of essential ecosystems.

Through various projects, Barloworld has assisted the EWT in achieving its vision of "A healthy planet and an equitable world that values and sustains the diversity of all life".



Conservation Leadership Training Programme with students out in the field.  
*Photographer – Graeme Wilson.*

### **Legal non-compliance**

During 2007, Barloworld's automotive division received two non-monetary sanctions in the South African motor retail business unit and one in Sweden. The equipment division received one fine for non-compliance with municipal by-laws in regard to effluent quality and one non-financial notice of poor effluent quality.

### **Performance of suppliers**

Barloworld requires suppliers to adhere to all relevant environmental legislation. However, for most of our businesses, there are no standard programmes in place across business units to measure supplier performance in this regard. Should specific matters arise, these are taken up with suppliers on a case-by-case basis. We encourage suppliers and contractors to provide environmentally sound goods and services.

# LIMITED ASSURANCE REPORT ON SPECIFIC PROCEDURES IN THE SUSTAINABILITY REPORT

29 November 2007

The Directors  
Barloworld Limited  
PO Box 782248  
Sandton  
2146

## Dear Sirs

REPORT OF THE INDEPENDENT AUDITORS TO THE DIRECTORS OF BARLOWORLD LIMITED ON LIMITED ASSURANCE PROCEDURES REGARDING SELECTED PERFORMANCE INDICATORS PUBLISHED IN THE SUSTAINABILITY REPORT IN BARLOWORLD'S ANNUAL REPORT FOR THE PERIOD 1 OCTOBER 2006 TO 30 SEPTEMBER 2007.

## Scope

You have requested that we perform limited assurance procedures for selected performance indicators to be published in the sustainability report in Barloworld's annual report for the year ended 30 September 2007. Our limited assurance procedures were conducted with the objective of expressing a conclusion on whether anything came to our attention that causes us to believe the selected performance indicators are not presented fairly. Limited assurance procedures include examining, on a test basis, evidence supporting the selected performance indicators.

The selected performance indicators are as follows:

- Value added statement;
- Group CSI spend 2007;
- Employee profile, limited to: number of employees; employee breakdown by race; and male and female employee breakdown;
- Lost-time injuries and fatalities; and
- Certified management systems.

## Methodology

We conducted our audit in accordance with International Standards for Assurance Engagements 3000 (Revised), "Assurance Engagements other than audits or reviews of historical financial information" ("ISAE 3000"). This standard requires that we plan and perform the procedures to obtain limited assurance that the selected performance indicators are presented fairly in accordance with the criteria set out in the sustainability report.

## Considerations and limitations

Non-financial data are subject to more inherent limitations than financial data, given both their nature and the methods used for determining, calculating or estimating such data. We have not undertaken work to confirm that all relevant issues are included, nor have we carried out any work on data reported in respect of future projections and targets.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe the selected performance indicators listed above are not presented fairly.



Deloitte & Touche  
Registered Auditors

Per Andrew Waller  
Partner  
29 November 2007

Buildings 1 and 2, Deloitte Place  
The Woodlands Office Park  
Woodlands Drive  
Sandton

National executive: GG Gelink, chief executive, AE Swiegers, chief operating officer, GM Pinnock, audit, DL Kennedy, tax, L Geeringh, consulting, L Bam, strategy, CR Beukman, finance, TJ Brown, clients and markets, NT Mtoba, chairman of the board, J Rhynes, deputy chairman of the board.

A full list of partners and directors is available on request.

# VALUE ADDED STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER

A measure of the value created by the group is the amount of value added by its diverse activities to the cost of raw materials, products and services purchased. This statement shows the total value created and how it was distributed.

	2007		2006		2005	
	Rm	%	Rm	%	Rm	%
Revenue from continuing operations	<b>43 238</b>		35 281		31 247	
Revenue from discontinued operations	<b>7 021</b>		9 187		8 039	
Paid to suppliers for materials and services	<b>34 268</b>		30 977		27 377	
Value added	<b>15 991</b>		13 491		11 909	
Income from investments <sup>^</sup>	<b>340</b>		294		247	
<b>Total value created*</b>	<b>16 331</b>		13 785		12 156	
<b>Value distribution</b>						
Employees (note 1)	<b>8 362</b>	<b>51</b>	6 941	50	6 450	53
Capital providers	<b>4 144</b>	<b>25</b>	1 925	14	1 663	14
Finance costs	<b>902</b>		630		466	
Dividends to Barloworld Limited shareholders	<b>2 285</b>		995		823	
Dividends to minority shareholders in subsidiaries	<b>344</b>		300		374	
Unbundling of cement	<b>613</b>					
<b>Government (note 2)</b>	<b>1 667</b>	<b>10</b>	1 610	12	1 161	10
Communities (Corporate Social Investment)	<b>16</b>		17		21	
Reinvested in the group to maintain and develop operations	<b>2 142</b>	<b>13</b>	3 292	24	2 861	23
Depreciation	<b>2 157</b>		1 930		1 826	
Retained profit	<b>(144)</b>		1 307		951	
Deferred taxation	<b>129</b>		55		84	
	<b>16 331</b>	<b>100</b>	13 785	100	12 156	100
<b>Value added ratios</b>						
Number of employees (30 September) <sup>^</sup>	<b>21 960</b>		25 716		25 963	
Revenue per employee (Rand) <sup>#</sup>	<b>2 088 959</b>		1 717 608		1 534 729	
Value created per employee (Rand) <sup>#</sup>	<b>685 081</b>		532 455		474 881	
Corporate Social Investment – % of profit after taxation	<b>0.6</b>		0.6		1.0	
<b>Notes</b>						
<b>1. Employees</b>						
Salaries, wages, overtime payments, commissions, bonuses and allowances**	<b>7 114</b>		6 068		5 486	
Employer contributions <sup>+</sup>	<b>1 248</b>		873		964	
	<b>8 362</b>		6 941		6 450	
<b>2. Central and local government</b>						
Current taxation	<b>1 412</b>		1 345		961	
Regional Service Council levies	<b>36</b>		63		54	
Rates and taxes paid to local authorities	<b>86</b>		77		67	
Customs duties, import surcharges and excise taxes	<b>118</b>		111		63	
Skills development levy	<b>18</b>		16		18	
Cash grants and cash subsidies granted by the government	<b>(3)</b>		(2)		(2)	
	<b>1 667</b>		1 610		1 161	

<sup>^</sup> Includes interest received, dividend income and share of associate companies' and joint ventures' retained profit.

\* In addition, PPC shares with a market value of R19.3 billion were distributed to shareholders in 2007.

# Based on average number of employees.

\*\* Represents the gross amounts paid to employees including taxes payable by the employees.

+ In respect of pension funds, retirement annuities, provident funds, medical aid and insurance.

Δ Includes the coatings and scientific divisions in 2007.

Value distribution (%)

