Date: 13 July, 2011
Memo to: Richard Liebrechts
From: Gail Whiteman
Cc: Max van der Laan, Sander de Vos
Re: Draft Advice on Sustainable Principles for Saldanha Bay port development

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Dear Richard,

We have prepared a draft advice on the principles for the Saldanha Bay development. These are based upon our research of existing principles and from our discussions on the project. A deeper analysis may also be worthwhile once we get feedback on the draft. This analysis could also benefit from an expert workshop on this topic.

My suggestion is for me to discuss this in detail with you over skype, hopefully next week. I can also have a face to face meeting/presentation with Max at the Ecorys office (and skype you in if that is better).

Looking forward to your feedback.

Gail

Overall Framing of the Sustainability Initiatives in Saldanha Bay: "Clean Tech Bay" or "Responsible" or "Sustainable Bay"?

The overall framing of the sustainability initiative at Saldanha Bay is of utmost priority. The name "Clean Tech Bay" has many advantages: it is catchy, memorable and implies a progressive, leading edge commitment to environmental development. On the other hand, the name "Clean Tech" does not adequately cover other social and economic aspects of sustainability, and also leaves the consortium open to accusations of "greenwashing" if the port development and operations cannot rigorously demonstrate 'clean aspects.'

Greenwashing is "a form of corporate misrepresentation where a company will present a green public image and publicize green initiatives that are false or misleading". Projects that over promise in terms of environmental performance are also often accused of greenwashing. While the Consortium members have a strong desire for environmental performance, care should be exercised in avoiding over promising "clean" outcomes.

While there are no existing "Clean Tech" port principles per se, we reviewed "Clean Tech" principles in other industry sectors such as financing for clean technology. A common aspect of such principles is that "Clean Must Mean Clean". For example,

Principles for a Clean Technology Fund
May 2008

1. **Clean Must Mean Clean.** Clean energy technologies must have the potential for large-scale use without causing dangerous climate change or must achieve significant emissions reductions (on the order of 50%) compared to currently employed technologies, while avoiding additional significant adverse impacts. Clean energy technologies should not include oil, gas for export, any type of coal technology, hydropower above ten megawatts, or nuclear power. Clean end-use technologies should not include HFC-23 abatement projects.

Furthermore, "Clean Tech" programs typically limit their support to only those technologies that rely upon and utilize renewable energy sources such as solar, wind, hydropower (below ten megawatts), and geothermal energy. Biomass energy is allowed but only in the case that it reduces GHG emissions by 80% on a full life cycle basis (e.g., including direct and indirect land change, and if it doesn't degrade water or local biodiversity and food sources).

Recommendation on Project Framing:

1. Given that the Saldanha Bay port development (and existing operations) may not be able to fully adhere to such stringent "clean" principles, we recommend a shift in framing towards the idea of "responsible and sustainable port development".

A responsible and sustainable narrative has the advantages of:

i) broadening the vision to cover social, economic and health aspects of local development, in addition to environmental performance, and

ii) projecting a positive vision on sustainable development but not setting up expectations that the entire port development will be "clean tech." Instead, we envision a "Clean tech" sub-dimension of an overall vision of responsible and sustainable port development.

Recommendations on Principles:

Given that "Clean Tech" principles may not be appropriate, we have spent some time reviewing existing business principles for sustainability. We recommend the following:

2. Recommend: that the Saldanha Bay consortium embrace the United Nations Global Compact principles as a basis for development and partnership engagement.

3. Recommend: that the Saldanha Bay port development integrate additional principles for HIV/Aids and gender development.

4. Finally, we recommend that the port development actively seek environmental certification, and develop concrete targets for social and environmental performance at three stages: port development, ongoing operations, and for the extended value chain.

These are discussed in more detail below.

The UN Global Compact: A Set of Sustainable Business Principles

According to their website, "The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption." The UN Global Compact has been signed by over 7000 businesses globally. 10 key principles are outlined by the UN Global Compact and these are presented here:

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

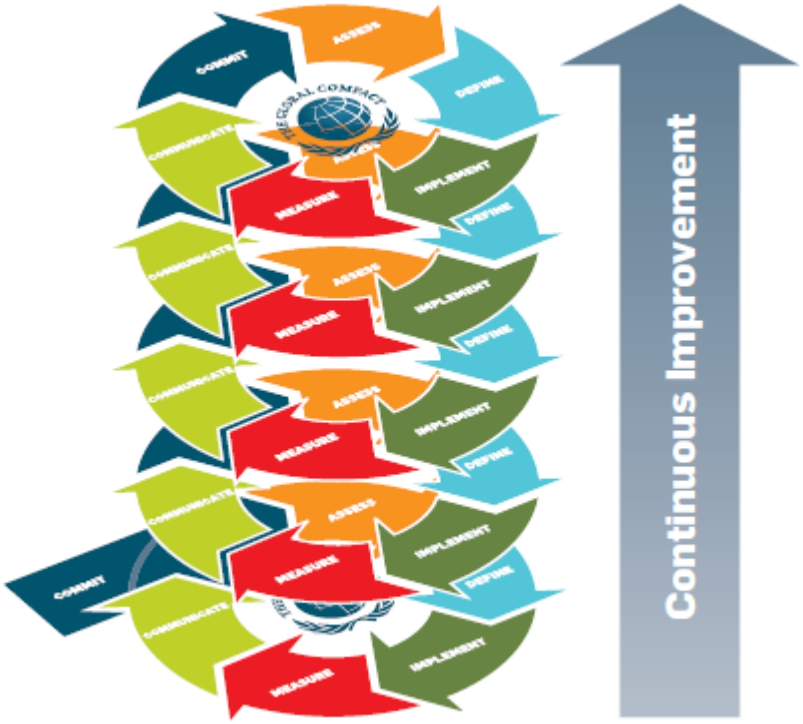
Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

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

A key part of its approach is a focus on the idea of continuous improvement, which encourages ongoing learning at Saldanha Bay.



One potential downside, however, is that the Global Compact is a voluntary agreement, and the Global Compact does not audit compliance with its standards. Therefore, it is up to each signatory to design a rigorous set of monitoring and auditing procedures (including external reporting and communication) in order to ensure tangible results (and to avoid accusations of greenwashing).

An alternative to the Global Compact is the CERES set of principles (see Appendix 1), which is more environmentally focused but also makes the specific pledge to publicly audit and report on performance.

Theme: Sustainable Community Development

In addition to the above general Principles, we recommend that Saldanha Bay incorporate specific principles under an additional theme of Sustainable Community Development. This theme recognizes the serious economic and social issues facing the poor communities surrounding the port. Addressing the development needs of local people, enabling education and economic empowerment, particularly of women, and developing radically more eco-efficient solutions, lifestyles and behavior of this local community as it expands with port development can significantly contribute to Saldanha Bay's reputation as a responsible and sustainable port development in South Africa. Outlined below are 3 draft principles:

Principle 11: Companies involved in Saldanha Bay will work in partnership to promote local community economic development and entrepreneurship, particularly those projects that contribute to local environmental and social improvements.

Gender: In addition to the general need for sustainable community development, we recognize that women are disproportionately affected by the negative impacts of development and often miss out on economic opportunities. At the same time, many poor women are single heads of households and thus are responsible for community and family cohesion. We encourage companies within Saldanha Bay to work with local women to improve their situation. Therefore, we recommend the following draft principle:

Principle 12: Companies involved in Saldanha Bay will seek out ways to encourage gender development in surrounding communities in terms of education and economic development and social cohesion.

HIV/AIDS: Saldanha Bay cannot ignore the issue of HIV/AIDS, given that South Africa has an adult prevalence rate of 20.1%, which is the highest in the world. Given the scale of the issue within the region, we strongly suggest that Saldanha Bay consortium specifically identify this challenge at the highest level of policy. We reviewed existing best practice in this area and follow the guidelines set out by the Global Business Coalition on HIV AIDS. We recommend the following draft principle:

Principle 13: HIV/Aids: Businesses operating in Saldanha Bay should have a non-discrimination policy on HIV/Aids, and commit to an integrative programme with a strong educational component (prevention and awareness programme among workers and surrounding communities). Businesses should also commit to offering voluntary counselling and testing; and outlining care, support and treatment for workers and their families affected by the disease.

Certifications/tools used to increase port sustainability:

We recommend that Saldanha Bay port development follow environmental guidelines for I. sustainable port development, II. Integrate environmental management systems and apply for external certification to ensure port sustainability, and III. consider value-chain impacts. We discuss these below.

I. Port Development Stage:

Environmental guidelines for Ports (see http://www.greenport.com/news101/products-and-services/environmental-guidelines-for-ports

The European Commission has recently (March 2011) issued new guidelines for sustainable port development with specific consideration of coastal areas rich with biodiversity. While these guidelines were developed to ensure compliance with EU directives, we recommend that Saldanha Bay consider these as an example of best practice in sustainable port development.

LEED certification

Buildings in ports could additionally apply for Leadership in Energy and Environmental Design (LEED) certification for port buildings. LEED certification is occurring more frequently in ports at an international level. For example, the. Massachusetts Port Authority has recently implemented 'LEED Plus'.

In order to earn LEED certification, port development must be designed to minimize environmental impact and electricity consumption, maximize use of natural light and use of recycled construction materials. Guidelines are organized into the following categories:

- Sustainable sites
- Water efficiency
- Energy and atmosphere
- Materials and resources
- Indoor environmental quality

II. Port Operations:

There are a range of environmental management systems that can help Saldanha Bay minimize its environmental footprint (see below). The environmental management system tools developed by the EcoPorts foundation appears to be most helpful for Saldanha Bay. The tools are based on ISO 14001 standards but are more stringent and suited to ports. They are furthermore being applied at an international level.

1. Environmental Management Systems (EMS)
2. ISO 14001 (most commonly used framework for an EMS)
3. European Eco-Management and Audit Scheme (EMAS) (with ISO 14001 as a stepping stone for EMAS)
4. Tools from the European EcoPorts foundation based on EMAS and ISO 14001 standards

Environmental management systems (EMS) in ports
An EMS is a formal system for managing the port's footprint. It incorporates environmental considerations and decision making into daily activities and into strategic planning. More importantly, and EMS provides a framework that allows for continuous improvement beyond regulatory compliance.

ISO 14001 enables ports to continually evaluate the impact of activities, products and services on the environment. It is simply a framework for an EMS. Around the world,

there are increasingly more ports becoming ISO 14001 certified. These include ports in the U.S., Columbia, Scandinavia, Estonia, the U.K., Spain, Italy, Australia, India and China.

Eco-Management and Audit Scheme (EMAS) builds further upon ISO 14001 standards, yet are stricter. In fact, ISO 14001 is a stepping-stone for EMAS. EMAS is currently only being adopted in the EU, yet initiatives such as EcoPorts have created tools based upon EMAS that can be applied at an international level.

EcoPorts (www.ecoports.com) is a network of European ports that commit to a common environmental management system based on the building blocks of EMAS and ISO 14001. They developed an EMS that is now also being applied in Asian ports to further increase sustainability.

The system includes an environmental checklist for self-assessment in relation to other ports and Port Environmental Review System (PERS), the only port-sector specific environmental management standard (derived from ISO 14001). This system was developed because of the challenge faced by ports with ISO 14001 implementation. The implementation of PERS can be independently certified by Lloyd's Register Quality Assurance (LRQA). LRQA and EcoPorts are partners in the continuous development of the PERS system.

III. Impacting The Shipping Value-Chain through promotion of Eco-Efficiency Measures:

It is important to look beyond the direct impact of Saldanha Bay port operations, and to recognize the value chain impacts from the international shipping of goods. While international shipping is an efficient way of transporting people and goods, it also contributes significantly to global greenhouse gas emissions.

Encouragingly, research shows that international shipping has the potential to become much more energy efficient, and that many of these initiatives do not require significant new technological innovation. A critical factor is for members of the shipping industry to unite in a call for greater transparency and to develop incentives for more eco-efficient ships.

We recommend that Saldanha Bay join in this development. As a first step, we recommend that the port utilize a new information monitoring tool for international shipping called ShippingEfficiency.org to monitor the co2 emissions from its clients. We also recommend that Saldanha Bay develop an incentive scheme to reward lower emitting ships.

Shippingefficiency.org was launched in 2011 by industry partners and the Carbon War Room (established by Sir Richard Branson). This web-based tool enables anyone with access to the internet to tell an efficient, low-emission ship from an less efficient one, for the first time. Using a simple search function, users can pull up an A to G rating for around 60,000 existing ships, including the majority of the world's container ships, tankers, bulk carriers, cargo ships, cruise ships and ferries. The rating uses methodology developed by the United Nations' International Maritime

Organization's (IMO) for the Energy Efficiency Design Index (EEDI) and data from the world's largest ship registry, IHS Fairplay.

Appendix 1: The CERES pledge

“The pledge that CERES signatories make is as follows:

'By adopting these principles, we publicly affirm our belief that corporations and their shareholders have a direct responsibility for the environment. We believe that corporations must conduct their business as responsible stewards of the environment and seek profits only in a manner that leaves the Earth healthy and safe. We believe that corporations must not compromise the ability of future generations to sustain their needs.

'We recognize this to be a long-term commitment to update our practices continually in light of advances in technology and new understandings in health and environmental science. We intend to make consistent, measurable progress in implementing these Principles and to apply them wherever we operate throughout the world.

1. Protection of the biosphere

'We will minimize and strive to eliminate the release of any pollutant that may cause environmental damage to air, water, or earth or its inhabitants. We will safeguard habitats in rivers, lakes, wetlands, coastal zones and oceans and will minimize contributing to the greenhouse effect, depletion of the ozone layer, acid rain or smog.

2. Sustainable use of natural resources

'We will make sustainable use of renewable natural resources, such as water, soils and forest. We will conserve non-renewable natural resources through efficient use and careful planning. We will protect wildlife habitats, open spaces and wilderness, while preserving biodiversity.

3. Reduction and disposal of waste

'We will minimize the creation of waste, especially hazardous waste, and wherever possible recycle materials. We will dispose of all wastes through safe and responsible methods.

4. Wise use of energy

'We will make every effort to use environmentally safe and sustainable energy sources to meet our needs. We will invest in improved energy efficiency and conservation in our operations. We will maximize the energy efficiency of products we produce and sell.

5. Risk reduction

'We will minimize the environmental health and safety risks to our employees and the communities in which we operate by employing safe technologies and operating procedures and by being constantly prepared for emergencies.

6. Marketing safe products and services

'We will sell products or services that minimize adverse environmental impacts and that are safe as consumers commonly use them. We will inform consumers of the environmental impacts of our products or services.

7. Damage compensation

'We will take responsibility for any harm we cause to the environment by making every effort to fully restore the environment and to compensate those persons who are adversely affected.

8. Disclosure

'We will disclose to our employees and to the public incidents relating to our operations that cause environmental harm or pose health or safety hazards. We will disclose potential environmental, health or safety hazards posed by our operations, and we will not take any action against employees who report any conditions that create a danger to the environment or pose health or safety hazards.

9. Environmental directors and managers

'We will continue to improve management resources to implement the CERES principles. This includes monitoring and reporting our implementation efforts, and sustaining a process to ensure that the board of directors and chief executive officer are kept informed of and are fully responsible for all environmental matters. We will establish a committee of the board of directors with responsibility for environmental affairs. At least one member of the board of directors will be a person qualified to represent environmental interests to come before the company.

10. Assessment and audit

'We will conduct and make public an annual self-evaluation of our progress in implementing these principles and in complying with applicable laws and regulations throughout our worldwide operations. We will work towards the timely creation of independent environmental audit procedures which we will complete annually and make available to the public.'"

Appendix 2: HIV and Businesses Operating in South Africa

An HIV programme

The Global Business Coalition on HIV AIDS (GBC) has identified the key elements of any effective programme as: risk assessment; a non-discrimination policy; a prevention and awareness programme; voluntary counselling and testing; and care, support and treatment. Each of these elements must be viewed as parts of a holistic integrated programme.

HIV AIDS programmes have a two-pronged intervention approach. Firstly, creating awareness to prevent further HIV infections, and secondly, providing care and treatment to help those already infected to remain healthy and productive for as long as possible.

Workplace programmes and policies should be developed in consultation with all key stakeholders, including trade unions and employee representatives, to ensure employee support. Identifying a champion to drive the initiative, supported by a team of employees, could well give the HIV programme the momentum it requires.

Examples of existing company programmes are available at www.gbcaids.org, under "Managing HIV in the Workplace".

The South African Business Coalition on HIV AIDS (www.sabcoha.co.za) has also collected a number of South African case studies and has created a Workplace HIV AIDS Toolkit, as a step-by-step guide to formulating and implementing a workplace HIV AIDS programme. It also creates an opportunity for corporates, whose supply chains are threatened by HIV AIDS, to engage smaller partners and associates, and extend assistance by providing them with the Toolkit. SABCOHA was established in 2000 by the South African Foundation. The founding members were Eskom, SABC, Transnet, Unilever, Standard Bank and Old Mutual. SABCOHA works closely with national and provincial governments. Its success stories include:

BizAIDS micro-enterprise development. Launched in 2004, this pilot project has focused upon strengthening micro-enterprises against the effects of AIDS. The programme facilitates the training of business owners on how to contend with risk and plan for major disruptions of their operations. The objective was to train 10 trainers of trainers and 100 businesses. At the conclusion of the pilot 22 trainers and 330 owners had been trained.

Contract cleaning project: Launched in August 2005, this project has introduced HIV/AIDS workplace programmes that could not be achieved in this industry without SABCOHA. It generated new best practices in the process, and has had a knock-on effect in other industries. As a result of the contract cleaners projects, three industries are now in the process of creating a memorandum of understanding with SABCOHA to introduce workplace programmes in their industries. These include hospitality (ACSA), tertiary education (Institute of Education in Durban), and gambling services (Suncoast casinos).