



ENVIRONMENTAL LEADERSHIP

Our Perspective

We must innovate towards an economy that does no harm to, and helps to regenerate, our environment.

Long-Term Strategic Goal

Be the first major logistics and express transportation service provider in the world to be carbon neutral.

Our Planet: Climate Change, Environment and Sustainability Innovation

Inside this Section:

➤ Create a Sustainability Innovation Culture Page 85

2006 Highlights	2007 Goals	2009 Goals
<ul style="list-style-type: none"> Established Climate Change, Environment, and Sustainability Innovation Working Group at GSO Conducted first company-wide survey to begin understanding environmental impact and priority risks and opportunities 	<ul style="list-style-type: none"> Establish a Sustainability Innovation Index to measure degree to which innovation is linked to sustainability considerations 	<ul style="list-style-type: none"> Achieve 80% average of 'Excellent' score on Sustainability Innovation Index

➤ Establish Environmental Management System (EMS) Page 86

2006 Highlights	2007 Goals	2009 Goals
<ul style="list-style-type: none"> Identified key gaps in management systems and data collection 	<ul style="list-style-type: none"> Design and implement EMS based on ISO14000 Begin tracking of environmental KPIs Significantly expand environment-related training 	<ul style="list-style-type: none"> All stations capable of certification against ISO14001

➤ Achieve Dramatic Performance Improvement Page 87

2006 Highlights	2007 Goals	2009 Goals
<ul style="list-style-type: none"> Initiated our efforts to collect key environmental data and establish baseline performance values 	<p>Emissions-related:</p> <ul style="list-style-type: none"> Reduce Emissions: 15% reduction per shipment (includes NO_x, others) Reduce Fuel Consumption: 5% reduction per shipment Reduce driving time: 5% reduction Transition type of vehicle fuel used: Transition at least 2 stations from leaded to unleaded Transition of vehicle fleet towards LEV (low-emission vehicles), ULEV, SULEV and other alternative fuel vehicles (PZEV): Upgrade 33% of fleet one category⁽³⁾ Purchase or lease 2 hybrid electric vehicles <p>Reduce, Re-use, Recycle:</p> <ul style="list-style-type: none"> Increase recycling of packaging and recycled content, and set end 2009 targets Reduce water consumption by 5% Reduce paper consumption by 5% and achieve 10% paper recycling 	<p>Emissions-related:</p> <ul style="list-style-type: none"> Reduce Emissions: 50% reduction per shipment (includes NO_x, others) Reduce Fuel Consumption: 20% reduction per shipment Reduce driving time: 10% reduction Transition fuel type: 100% transition from leaded to unleaded Transition of fleet towards LEV, ULEV, SULEV and other alternative fuel vehicles (PZEV) 50% of fleet at Euro 4 or higher Minimum of 10 hybrid electric vehicles <p>Reduce, Re-use, Recycle:</p> <ul style="list-style-type: none"> Achieve 2009 targets for recycling of packaging and recycled content Reduce water consumption by 20% Reduce paper consumption by 25% and achieve 90% paper recycling

➤ Develop Innovative 'Sustainability Services' Page 90

2006 Highlights	2007 Goals	2009 Goals
<ul style="list-style-type: none"> Identified key gaps in management systems and data collection 	<ul style="list-style-type: none"> Take initial steps towards development of 'low carbon' and 'carbon neutral' shipping services Identify top 'sustainability service' opportunities related to reducing traffic impacts helping shape 'Sustainable Cities', and introduce at least one innovation 	<ul style="list-style-type: none"> 2% of revenues from carbon neutral services 2 new successful 'Sustainable City' services

(3) According to standards such as Euro1, Euro2, Euro3, Euro4

Key Area: Create a Sustainability Innovation Culture

We believe that environmental opportunities are very high on the sustainability opportunities agenda for Aramex. We believe that humans are changing the atmosphere and that 'climate change' and 'global warming' are real phenomena and threats. We accept that greenhouse gas emissions (GHG), particularly carbon dioxide (CO₂) are most likely the main human-induced cause of climate change. We therefore believe that it is critically important for business to aggressively work towards 'carbon neutrality' to mitigate the risks of climate change.

'Carbon neutrality' refers to the idea that our overall operations will have zero net greenhouse gas emissions to the atmosphere. For example, we may be able to reduce our existing emissions by 80% over the medium term. Of the remaining emissions, we would work towards 'offsetting' those emissions – either by purchasing 'carbon credits' on exchange markets, or by undertaking or supporting initiatives that create measurable and verifiable carbon mitigating actions (e.g., support tree-planting). Given that our business relies on transportation mechanisms that are currently powered by CO₂-emitting technologies, environmental management and carbon neutrality are massive challenges.

'Climate change' refers to the increasing levels of CO₂ in our atmosphere from man-made activities – including motor vehicles and most energy consumption – and the corresponding changes that are occurring in our natural environment as a result of these increased CO₂ levels. Internationally, climate change has emerged as one of the most pressing global issues.

Nonetheless, we are certain that environmental innovation will be a key driver and success factor for our business. As such, we have decided to make an enormously bold, ambitious, and provocative target: We aim to be the first global logistics and express transportation service provider in the world to be carbon neutral.

We have a long way to go to achieve this goal, starting with corporate culture. Environmental issues and environmental sustainability is not yet a common subject in the Middle East and Gulf as it is in Europe or increasingly North America. Targeting environmental innovation first requires generating awareness of key environmental issues and their relevance and importance. However, at Aramex, we know that our employees like to do the 'right' thing. We therefore believe that with a growing amount of new knowledge on the subject, our people will aggressively pursue this opportunity to enhance the business while enhancing our world. In addition to a focus on emission reductions and carbon neutrality, we aim to implement a 'war on waste', from which we also expect significant business benefits in the way of reduced input costs.

We aim to be the first global logistics and transportation service provider in the world to be 'carbon neutral'.

Overall, we want to pursue environmental performance improvement from both a risk and opportunity perspective. On the risk side, we realize that if we do not keep pace or outpace our competitors, then they may develop cost and service advantages. These could include reduced fuel costs, reduced carbon emissions costs or increased carbon credits, reduced input costs by eliminating waste, better lending rates due to lower risks, offering of 'green package services', etc. On the opportunity side, however, we can take each of these risks and with performance leadership, turn them into a competitive advantage.

We are confident that if we integrate environmental sustainability into the Aramex culture, then the performance results will flow naturally as our people perform across other elements. As a starting point for implementation, in 2007 we aim to:

- Put in place an environmental policy and environmental management system
- Fully assess and measure the status of our CO₂ and other emissions, identify immediate opportunities for improvement, and take action
- Fully assess and measure our overall environmental impact (e.g., with regard to water, types and quantities of waste, etc.), identify immediate opportunities for improvement, and take action
- Conduct extensive training in the area of environment and environmental management
- Increase our engagement with key internal and external stakeholders to find out from them how we can help reduce our environmental impact
- Establish a Sustainability Innovation Index to measure the degree to which sustainability innovation is equated to corporate culture. This will be achieved through a subset of questions in an annual employee

survey. By the end of 2007 we aim to receive 75% responses as 'Good' score, and by end 2009 we aim to receive 80% of responses as 'Excellent' score.

Key Area: Establish Environmental Management Systems

We currently do not have a system for tracking our environmental performance. However, we have been able to generate some baseline environmental data by reviewing invoices that include environmental information (e.g., water consumption bills). We continue to work on the baseline data for more environmental indicators – particular our greenhouse gas emissions - and will make these available on our website as soon as they are finalized. We also have emerging tools such as our self-developed Fleet Management System and our Vehicle Tracking System, (see insert box) as well as existing tools such as our Stock Management System and Purchase Order System which have components that will be essential to tracking our environmental performance and can be immediately implemented. For example, the FMS records type of fuel, fuel consumed, amount of oil used, washing information, maintenance information, total kilometers driven, and other critical information for environmental data tracking. Furthermore, we have the opportunity to enhance these systems to include additional key environmental data parameters, as required. We have been piloting the FMS and VTS in certain locations in 2006 and are rolling these systems out across our operations in 2007.

However, our number one task in order to properly, systematically and aggressively track and enhance our environmental performance and drive sustainability-oriented innovation, is the development of an effective environment management system that is integrated with these emerging and existing systems and our management decision-making. In 2007 we will design and implement an environmental management system including finalization and tracking of key performance indicators (KPIs). We will design an integrated environmental system using best practice and consistent with ISO14000 standard for environmental management systems. Our commitment by 2009 (a KPI) is to ensure that all of our operations are in a position to be audited and able to achieve certification to ISO14000 if desired. A decision on certification against ISO14000 will be made at a later time – our initial focus is on performance improvements.

➤ Starting point for implementation of EMS

With regard to implementation of environmental enhancements from a human resources perspective, as with health and safety, we have initiated a process for a more structured approach to environmental management. We have established a 'Climate Change, Environment, and Sustainability Innovation' Working Group at the GSO level. Following the proposed health and safety model, we intend to establish a contact person specifically for Environment at each major station, who will serve as a champion of awareness, training, implementation and tracking of performance at the stations, while also contributing to corporate environment strategy and plans. For larger stations, these contact persons will coordinate an environment committee at the station. Also, one of our acquisitions of 2006, TwoWay Vanguard, is ISO14001:2004 certified (this represents about 20% of our 2006 revenues). We therefore intend to use their experience in building our corporate wide systems.

➤ Vehicle Tracking System and Route Optimization

Vehicle Tracking Systems are commonly used by fleet operators for fleet management functions such as routing, dispatch, onboard information, monitoring driving behavior (safety and vehicle abuse) and security (theft prevention and retrieval device).

The VTS devices collect information and data (location, speed,

Fleet Management System

FMS is a system that contains complete and up-to-date information about Aramex fleet, tracking all the fleet's transactions and provides financial information to the accounting department. Also this system is considered as a base for a complete Vehicle Tracking System. The FMS is divided into 2 phases:

Phase 1: Data Entry- the module allows users to enter complete information of Aramex's vehicles and to have some reports that allow the stations to manage their fleet:

Purchased Vehicles	Vehicle Expiry Date
Leased Vehicles	Rpt
Rented Vehicles	Vehicle Renewal Date
Owner Operated Vehicles	Rpt
	Violations

Phase 2: Monitor and control- features added to start monitoring all the costs of our fleet whether fixed cost or running costs and to manage all the drivers' (couriers) issues.

Fixed Costs Info:	Running Costs Info:
Monthly washing cost	Fuel
Yearly registration cost	Oil
Yearly insurance cost	Breaks
Monthly leasing cost	Wheels
Others fixed costs	Wipers
	Spark Plugs
	Violations
	Maintenance and repairs
	Accidents
	Other running Costs

direction, and switch key on/off) and transmit it in real-time via cellular networks to a computer system for analysis and evaluation. The first benefit is on time tracking, monitoring, and control of the vehicle. It will provide the concerned parties (management, operations, and dispatcher) with sufficiently accurate on-time information regarding the fleet that is much needed for certain decisions to be made.

The system will save all detailed history of the daily vehicles activity and will accordingly allow for different kinds of analysis of this historical data through the use of additional powerful query and analysis tools.

Optimization algorithms that take route traffic and accessibility into account will be the next addition to the Vehicle Tracking System. Aramex realizes the importance of optimized routes for better delivery and pickup and has invested significant money and effort in developing an understanding of how to reach higher efficiency with the routes to allow for better planning and smoother dispatching. Additional functionality will allow the importation of planned routes to the system, where these planned routes will be in tabular format indicating reference to pre-mapped locations and expected times of arrival and estimated stops duration.

Stations that budgeted for the VTS will be approached with the system before the end of 2007. These stations are: Jeddah, Dhahran, Riyadh, Amman, Beirut, Cairo, Dubai, Abu Dhabi, and Kuwait. More Aramex stations will be targeted in the second quarter of 2008.

Route Efficiency is a part of the efficiency and improvements process. It would rely heavily, but not solely, on the VTS as a tool for gathering data and studying the changes made. General Route Efficiency tools are being developed now to be used fully on the stations after the deployment of VTS. This means that Route Efficiency will go live across the network in the first quarter of 2008 (whether the station has VTS or not). The stations being targeted for Route Efficiency and Optimization are: Abu Dhabi, Dubai, Riyadh, Jeddah, Amman, Beirut, Cairo, Dhahran, Kuwait, Bahrain, Damascus, Mumbai, and other possible stations in Asia.

Key Area: Achieve Dramatic Performance Improvements

➤ The non-asset based advantage

Aramex is a non-asset based company. We use other companies – for example airlines – to move most of our packages, and we primarily lease motor vehicles as opposed to owning them. This presents a tremendous opportunity to rapidly reduce our emissions. For example, we can more easily change the types of vehicles we lease to ensure reduced environmental emissions. We can also add an environment-related criteria to our decisions around which airlines we select to move our packages – for example, we can give a certain weight to the fuel-efficiency of the fleets of different airlines. Furthermore, we believe that these companies have financial means to make a transition towards green transportation. Our role can be to support their transition by prioritizing the green services they offer.

➤ The non-asset based challenge

While this 'non-asset-based' business model creates a real opportunity in emissions reduction, it also raises questions as to how we should calculate our total emissions. Do we only include full emissions relating to our owned vehicles, while sharing emissions on leased vehicles? Do we include a share of the CO₂ emissions from flights carrying our packages? If so, do our clients who track their emissions include the emissions relating to the movement of goods (just as many of them track their emissions relating to the movement of their people)? If so, how can we team up with our clients to accelerate the process of simultaneously reducing our emissions and their emissions?

Both of these aspects – the non-asset based advantages and the challenges – will be central considerations in solidifying and testing our KPIs, and of the Aramex environmental management system.

➤ Performance priorities and goals

We have identified two main thrusts for performance improvement through efficiency-oriented innovation:

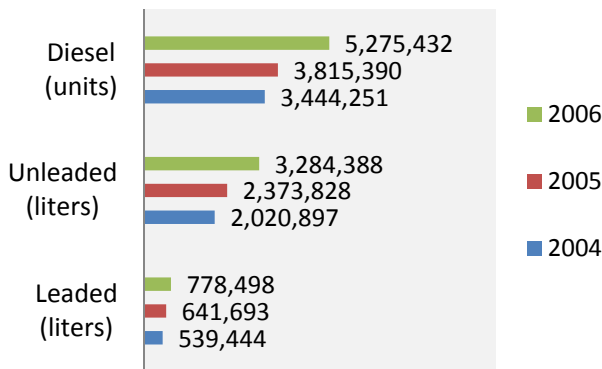
- 1) Emissions-related impacts
- 2) Reducing other environmental impacts by reducing, re-using, recycling and green design

➤ **Emissions-related impacts – Direct energy consumption**

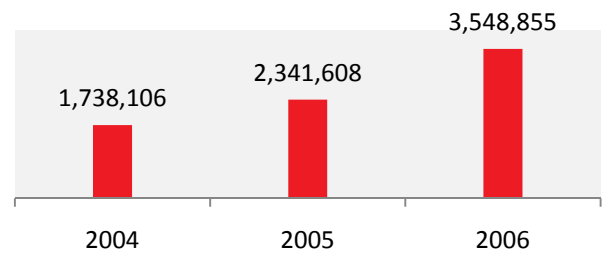
Our number one environmental impact relates to our direct and shared emissions of our owned and leased vehicle fleets, and of the aircraft and other modes of transportation we use. Given that this is our biggest environmental impact, and given that climate change is a top global environmental issue and priority, we are prioritizing our efforts on this issue.

Overall, we hope to significantly reduce our fuel consumption and especially related emissions (CO₂, NO_x, others) per shipment in the short term. Because we did not track many aspects of our environmental performance previously, we have been unable to establish acceptable estimates for our past greenhouse gas emissions. Nonetheless, we are currently putting in place the necessary systems to track and determine current greenhouse gas emissions, which we will adjust accordingly to serve as our end of 2006 baseline. We will make this information available online as soon as it has been and it will also be included in our next report. Furthermore, we have learned a tremendous amount about our fleet and the environmental opportunities at hand, and thus are able to set aggressive performance numbers for 2007 and 2009. Our targets for 2007 are 15% reduction in emissions per shipment, with a goal of 50% reduction by end of 2009, and 5% reduction in fuel consumption per shipment, with a goal of 20% reduction by end of 2009.

Motor Vehicle Fuel Consumption (Direct energy footprint)*



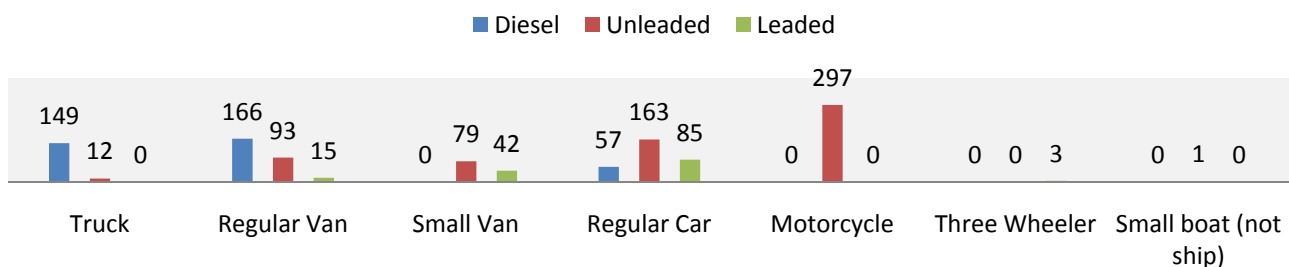
Total \$ Spent on Fuel



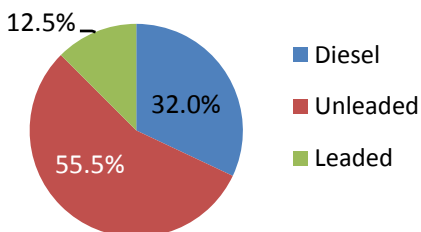
* Estimated quantity representing data from 22 stations plus TwoWay Vanguard, covering 77.38% of revenue

We collected information to approximately calculate our direct fuel consumption, by surveying and gathering information about diesel, leaded and unleaded consumption. We received data from the following stations: (Amman, Beirut, Ramallah, Cairo, Casablanca, Abu Dhabi, Dubai, Jeddah, Kuwait, Riyadh, Bahrain, Dhahran, Muscat, Doha, Tehran, Athens Istanbul, Prague, Montreal London Hong Kong, Colombo, and TwoWay).

2006 Fleet Information and Type of Fuel Used*



Fleet % by Type of Fuel Used*



* Represents data from 13 stations plus TwoWay Vanguard, covering 71.59% of revenue (excludes forklifts). Data for TwoWay Vanguard includes its sub-contracted fleet, which varies from day to day. An estimated average of 9 trucks per day has been used for the sub-contracted component of TwoWay Vanguard's fleet. **Total number of vehicles = 1162**

We will implement a multi-pronged approach to emissions reductions, focusing on whatever best reduces environmental impact in a given location. Strategies include:

- Fuel options – We will transition type of fuel used for vehicles where appropriate – especially from leaded to unleaded. Our 2007 goal is to switch at least two stations to unleaded fuel for any petrol vehicles (with an end 2009 goal of 100%). This significantly reduces emissions such as NO_x, as well as CO₂ and other emissions.
- Route Optimization – We are aiming for a 5% reduction in driving delivery time in 2007 (and thus reduced emissions) where we are piloting our VTS and FMS initiatives. We have a 2009 target of 10% reduced driving time. We aim to implement the VTS route optimization technology in 9 stations in 2007.
- Delivery timing optimization – We can further reduce driving time and fuel consumption by further reducing operations during peak hours, and other creative approaches
- Transition of vehicle fleet – We aim to transition the type of vehicles leased and owned towards LEV (low-emission vehicles) ULEV (ultra-low emission vehicles), SULEV (super-ultra low emission vehicles) and other alternative fuel vehicles (such as PZEV – partial zero emission vehicles). Our 2007 goal is to upgrade 33% our fleet at least one category, with an end 2009 goal of 50% of the fleet at Euro 4 or higher. As a starting point this year we will be collecting data to determine the existing European emissions ranking of each vehicle in our fleet (e.g., Euro 4). We will also purchase two hybrid electric vehicles in 2007, and aim to reach a minimum of 10 by end 2009.
- Airline selection – We will begin to explore how best to assess and integrate airline fuel efficiency into routing decision-making
- Optimize maintenance and care of vehicles, and encourage fuel-saving driver behavior

Potential transfer of fleet towards lower emission vehicles

In 2007 we will:

- Upgrade 33% of our fleet at least one category
- Purchase 2 hybrid vehicles

As part of our emissions control program, we aim to focus on reducing vehicle emissions that contribute to urban air pollution, such as NO_x and SO_x. We currently do not have any data on these emissions. However, we aim to establish baselines in the coming months, and then work aggressively with the goal of 15% reduction in NO_x and SO_x emissions in 2007 and 50% by end of 2009.

Direct Energy: 14 stations using only Unleaded fuel across the Middle East, Gulf, Europe, and Asia

Beirut, Abu Dhabi, Dubai, Jeddah, Kuwait, Riyadh, Dhahran, Muscat, Tehran, Athens, Montreal, Istanbul, London, Hong Kong

➤ **Emissions-related impacts – Indirect energy consumption**

We are currently working to establish baseline data for energy consumed by offices, warehouses, and other such requirements, and we will post these on our website as soon as they are available. In 2007 we aim to make enhancements including energy intensity of lighting, and encourage smart power consumption and conservation as appropriate. We recognize that we can also take significant steps to reduce electricity intensity as we design future infrastructure requirements.

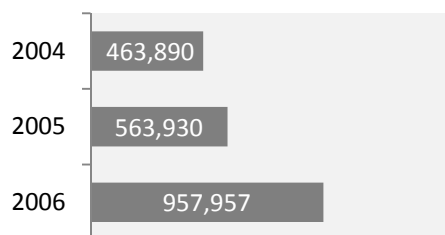
➤ **Our other environmental impacts: Reducing, re-using, recycling, and green design**

While emissions reduction will be our number one environmental focus, creating a culture of sustainability means systematically reducing all of our environmental impacts.

Water consumption: Water is a limited resource in great demand in many of the places where we operate. While our water consumption on the whole is relatively small compared to our operations, there is an opportunity to significantly reduce our impact. We also intend to reduce any chemicals that end up in our waste water from the washing of our vehicles, by introducing an environmentally friendly cleaner across our fleet network. In 2007 we aim to reduce water consumption by 5%. Approximate data was gathered from 31 stations representing 72% of revenue, as some stations still pay the utilities as part of the rent expenses.

Approximate Water Consumption (in liters)

31 stations representing 72% of revenue



Materials purchases – Reducing, Re-using, and Recycling: Some of the materials we regularly purchase, and their quantities in weight, are captured in the following table. Currently, essentially all of this weight also translates into waste.

- Plastic: We have only just begun to re-use some of our plastic bags. This has the multiple effects of reducing our waste, increasing our recycling, and increasing the recycled input content of our product. However, this currently makes up an immaterial amount of our orders of this material, but is a practice that we can build further on. It also has created significant interest in how we can reduce the overall environmental impact of our packaging. In 2007 we will begin exploring options for increasing recycled content in our packaging, reducing plastic weight per package while maintaining durability, alternatives to conventional plastic, and options for wide-scale plastic recycling.
- Paper: We are implementing an electronic signature system, of which one environmental benefit is that we expect to be able to reduce our 'run-sheet' paper usage by 70% by 2008. We furthermore intend to increase mindfulness about reducing printing and paper usage, and we will begin recycling paper in our offices where recycling facilities exist in the country.

Materials Purchased (not all materials)	Weight (kg)	
	Last 4 months of 2006*	Estimated 2006
HAWB (House Air Waybill)	25585	75250
Bags	17562	51652
Boxes	30903	90892
Envelops	29730	87441
Flyers	32450	95441
Labels	658	1936
Seals	484	1423
Stickers	148	437
Tapes	2256	6634
* Representing 34% of annual revenue. This data is gathered by the Stock Management System implemented for the last four months of 2006. Estimated kg for the rest of the year has been determined based on these four months' percentage of total 2006 revenue.		

Hazardous Waste: The table on the right presents total hazardous waste shipments, with respect to our Freight Business. We are not permitted by international laws to ship hazardous materials using our Express service and thus our Express hazardous shipments are zero. We are exceptionally cautious with regard to handling hazardous waste. These shipments are handled as per the International Air Transport Association (IATA) regulations. We have 21 stations certified to IATA. Hazardous shipments require a certified person to handle dangerous goods at each station. Dangerous goods must also be inspected by designated institutes to issue a certificate for shipping. For example, in Jordan it is the Royal Scientific Society. We had no environmental incidents relating to the handling of these shipments.

Year	Total Hazardous Shipments	Total weight (kg)
2004	115	33773
2005	187	233043
2006	160	45065

Environmental Fines: To our knowledge, we paid no significant fines in 2004, 2005, or 2006 for non-compliance with any regulations associated with environmental issues.

Key Area: Innovative 'Sustainability Services'

Perhaps the most exciting element of our anticipated journey towards sustainability is the opportunity to create innovative products and services that are based on sustainability principles; that create awareness and enable our clients to move towards sustainability; and that enable our own transition to sustainability. There are two lines of 'sustainability services' that we wish to immediately pursue:

Carbon neutral shipping services: With this anticipated service, customers can purchase a transportation option that will have zero net greenhouse gas or carbon emissions. We will ensure that we have adequate 'clean' capacity within our Aramex system to offset the amount of greenhouse gas emissions normally produced by the package in question. This allows us to: invest the revenue from these services directly into our transition to a green fleet, thereby also making this transition a market-based transition; and gives us the flexibility to invest our limited resources in the area of our fleet most likely to make a major difference in terms of greenhouse gas reductions (even if not directly related to the routing of the package in question). In 2007 we aim to establish the foundations for implementing this service in the near future.

Creative solutions for sustainable cities: As noted in our section on traffic and congestion, we want to be part of the solution in terms of reducing traffic congestion, urban air pollution, urban noise, and other ailments of today's cities that we contribute in a small way to. As an example of a new technique we have used to mitigate our impact, in Dubai we are now using the water canal for delivering our shipments, thereby not contributing to the serious traffic challenges in downtown Dubai. We aim to join dialogues with key cities on how to design more sustainable cities, while ensuring the continued or accelerated flow of goods and services and economic, social, and environmental development. For example, we are in a dialogue with the city of Cairo. We believe there are a lot of creative means to dramatically contribute to improved quality of life in cities, and that we can help contribute to these solutions and help to design new transportation services to support these creative approaches. We need not be limited by current ways of doing business, and current ways of building cities. We aim to introduce at least one new innovation in the marketplace during 2007.